Toward Bottom-Up Accountability:

Negotiating Cooperative Development Projects in Nepal

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Chapter One: Introduction

I was struck while doing research with NGOs in Nepal by the dedication of people who are already the poorest in society— who deal daily with all the struggles that come along with poverty— to their community’s development. In his discussion of the North’s creation of the development discourse, Arturo Escobar states that

> massive poverty in the modern sense appeared only when the spread of the market economy broke down community ties and deprived millions of people from access to land, water, and other resources, with the consolidation of capitalism, systematic pauperization became inevitable—countries were “trapped in a vicious cycle of poverty and a lack of capital.” (Escobar 80-81)

The people I met in Nepali villages found the motivation and time to volunteer and work towards the goal of regaining what, Escobar would argue, the corrupt global system has taken and tried vehemently to keep from them.

International development today is at an important juncture. Development agencies such as the World Bank and International Monetary Fund (IMF) acknowledge the insufficiencies of their top-down directed, economically focused development programs. The World Bank and IMF have made promising statements that the way to make their programs less harmful and more effective is to allow more input and accountability from the bottom-up, both through including input from beneficiaries during the planning stage of their projects and through the use of grassroots community organizations in the implementation of their projects. Projects with bottom-up organization and accountability are more effective than top-down dictated and accountable projects because beneficiaries feel more ownership of projects and commitment to complete and sustain projects. Programs and projects with bottom-up accountability most often rely on pre-existing ties of trust and social pressure to hold each other accountable for responsibilities in the development process. Responsibilities can include the repayment of a micro-credit loan, volunteering to build a community
sanitation system, taking part in fund-raisers, and acting with honesty and integrity. Nepal has a very active civil society in the form of community development organizations such as mothers’ groups, forestry user groups, and youth groups. These pre-existing social networks can and should be used in development programs to bring accountability and sustainability.

In this paper I use the development literature to give background on the intricacies of programs that have been successful because of bottom-up accountability. I provide background on the intricacies of development programs that have been plagued by top-down direction and top-down accountability. The rest of the paper is devoted to an analysis of Nepal’s recent development experience. I describe two micro-credit development organizations, the Participatory District Development Project and the Production Credit for Rural Women that attempt to bridge the gap between top-down funding and bottom-up accountability. The two organizations have chosen very different methods of beneficiary selection with conflicting, but equally justifiable rationales. The two methods differ over the question of whether it is more beneficial to separate and target especially under-privileged members of society or more beneficial to encourage the cooperation of the entire community in participatory development projects. I examine the complexity of the question in the paper but leave the decision on which option is best open for further research. I recommend that both organizations utilize the asset of Nepal’s civil society, mainly in the form of mothers’ groups, to bring more bottom-up accountability and more experience working cooperatively to their micro-credit programs. The development literature suggests the inclusion of as much cooperation and networking between organizations as is possible to increase accountability within organizations and decrease project overlap and fund exhaustion. Using this knowledge, I
show that the PDDP and PCRW would benefit greatly from networking with each other, with mothers’ groups and finally, with Fair Trade Organizations. The coordination of all three groups and an emphasis on accountability from the bottom-up rather than the top-down will make development projects in the context of Nepal more accountable, more sustainable and more effective.

Economic growth is not a sufficient definition of development. Scholars note that too much emphasis has been put on economic growth in development strategies of the past. Protection of the vulnerable has been ignored and even hampered by economy-centered development (Cornia et. al 1987). As an alternative, I refer to development as lowering infant and maternal mortality, raising literacy levels, creating more jobs, reducing poverty, and allowing the poor access to more choices and resources in order to create more secure and decent livelihoods. Increasing Gross Domestic Product in a country has been the goal of many development projects since and the measure of a successful development scheme since the beginning of the development industry in the late 1940s and early 1950s. Growth in GDP may be one step in bringing about these changes, but there must be a focus on the fair distribution of this wealth and not just the quantity of economic growth (Degnobol-Martinussen 2002). Further, if a development approach results in increased employment, these jobs must “offer opportunities for skills improvement, upward mobility, and appropriate compensation” in order to constitute “development” as I refer to it in this paper (Ettlinger 9005).

METHODOLOGY

My primary research examines the intricacies of current development projects in Nepal. I was curious as to whether bottom-up development, conducted by NGOs and community organizations, is the most effective method of development, as the
development literature suggests. I wanted to understand the effect receiving outside funding has on the autonomy and focus of development programs. I gathered my data during field research in Kathmandu, Nepal from October to December of 2002 and from the Pokhara, Nepal area in August of 2003 (Appendix A and B). Mothers’ groups are a prime example of independently funded, civil society organizations in Nepal. The mothers’ groups I interviewed are from the community of Batulechaur, outside of Pokhara, Nepal. I examined two micro-credit organizations; my case studies are collaborative programs between bilateral, INGO, development agency, community organization and government actors, with the majority of activity occurring at the local level. The two micro-credit organizations I researched are funded by an array of international donors, and have a national geographic scope. Despite these large-scale factors, the groups focus on loan-distribution at the local level and encourage decision making and input from the community. The questions I examine are how well do the Participatory District Development Project and Production Credit for Rural Women negotiate between top-down funding and bottom-up decision-making with relation to accountability and what can their difficulties in this task add to theories of development. The last type of organization I explored in Nepal was Fair Trade Organizations that target the most destitute in society for employment with a guaranteed living wage and benefits. My data was collected through interviews and by reading literature that I collected from each organization. These primary sources were supplemented by online sources that supplied descriptions and evaluations of several of the organizations.

**Chapter Two: Development Theory**

This chapter describes the intricacies of bottom-up and top-down development from the development literature. In the last section of this chapter I discuss the
advantages and disadvantages of combining bottom-up development with top-down funding.

UNDERSTANDING DEVELOPMENT ACTORS

There is a broad spectrum of actors in the domain of development. The largest of these are multilateral donors (including development organizations such as the World Bank and International Monetary Fund). Bilateral donors are national governments who loan or donate money to another country. There are international non-government organizations (INGOs) such as Oxfam and Save the Children. Fair Trade Organizations are committed to maintaining healthy working conditions, a living wage, and benefits for workers in developing countries. They are supported by conscientious consumers in developed countries who choose to pay a higher price for Fair Trade products because workers are treated with compassion. Another class of development actors is the national government that attempts to develop its country. Within the nation’s borders there are non-government organizations and grassroots organizations working for the same cause. Grassroots organizations and village organizations are the smallest actors on this development spectrum. Village organizations are one manifestation of civil society. Civil society refers to non-government actors who volunteer to participate in local forums, such as a school board, to citizens who vote, who organize sports teams or organize citizens to combat social or political issues. If a country has an active civil society, it is usually beneficial for participatory development because society members are community-oriented and experienced in working collectively to some degree. The size and interests of development agents vary substantially. Simplifying the complexities for the purpose of clarity leads to problematic generalizations.
I analyze development in this paper by comparing organizations that are characterized by bottom-up accountability to those with top-down accountability. The World Bank, IMF, and development banks are all organized and accountable from the top-down. Development actors that are organized and accountable from the bottom-up tend to be small non-government organizations (NGOs) and grassroots organizations, but all of the organizations in the development spectrum have the capability of becoming more accountable from the bottom-up. NGOs can be quite large and I discuss problems of bureaucracy and detachment from the people when accountability shifts to the donors and high level bureaucrats rather than to the beneficiaries. For the most part, when I refer to NGOs I am speaking of smaller organizations, including civil society organizations. Also, even if an organization is small it is not necessarily accountable to the people and effective in its projects. However, it is often easier for small organizations to be more participatory and connected to the community. Smaller organizations can more easily facilitate accountability through public evaluation than large-scale programs. In small organizations, members may know each other, may more easily monitor the actions of group members, and may feel more ownership and commitment to the organization which all discourage corruption. I enumerate the potential benefits and drawbacks to the categories I have created but exceptions always exist. No development organization is immune to the dilemmas I present in this paper. I theorize that the policies of some larger institutions make those institutions more likely to experience certain obstacles to development but this paper should not be interpreted as denouncing an entire category of institutions. This paper will be most useful for the reader who grasps the complications and intricacies of development regardless of the institution that experiences it.
The primary interest of some actors in development is to see the livelihood of the poor permanently improve. For others the primary interest is to see a country work itself out of debt. There is a hidden side of development that Arturo Escobar and James Ferguson critique as the interest to maintain the development industry. Conducting development projects creates jobs. Development actors who do not want to lose their jobs may over-emphasize the importance of their projects in order to maintain funding. The critique of government sponsored development and one reason why outside donors now try to sidestep governments is that, in the past, corrupt officials have pocketed portions of the money that was donated for development. Two actors that publicly state at least some of their interests are the World Bank and the IMF. The World Bank Group’s mission according to its website is to “fight poverty and improve the living standards of people in the developing world”. The IMF was established for the purpose of promoting:

- international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment.  

Many scholars criticize these organizations for not truthfully concerning themselves with reducing poverty in a sustainable way. The World Bank, especially, with such statements of humanitarian interests should be held accountable when its actions contradict its stated goals. The organizations that I discuss as conducting bottom-up development have the primary interest of aiding the impoverished. The people in such bottom-up organizations for the most part made the conscious choice to dedicate their time and effort to working for a non-profit organization as opposed to the more economically profitable business sector or the government.
Development is affected by a number of factors. A few major influences that I do not address in this paper that should be considered for a comprehensive perspective on development theory are the effects of governmental models, the influence of the global economic community on the country (multinational corporations, free trade agreements, stock markets and currency exchange) and the amount of corruption at all levels of the development process.

ACCOUNTABILITY AND SOCIAL CAPITAL IN BOTTOM-UP DEVELOPMENT PROGRAMS

A majority of the development literature that I surveyed claimed that bottom-up, participatory development is more successful than top-down directed development schemes in achieving long-lasting benefits for the community affected. In this section I explain in more detail the ways that such bottom-up development programs have managed to be more effective and more sustainable than top-down programs.

Development projects of NGOs and grassroots organizations tend to be much smaller scale with smaller, more realistic goals than the projects of development agencies. The bottom-up accountability of these groups allows the staff more contact with and more input from the beneficiaries during all stages of the development process. NGOs have the capability of being creative and experimental with their projects. Scholars note that large development projects have borrowed new strategies created by NGOs for their projects. Their small-scale nature makes NGOs accountable primarily to beneficiaries. These NGOs are not locked into standardized evaluation procedures that top-down development schemes often require from workers on the ground. NGOs often have the opportunity to create horizontal, rather than a hierarchical and bureaucratic management strategy. Because more people, often beneficiaries, are involved in decision making and monitoring in a horizontal structure, less opportunity for corruption, more
transparency and accountability to the people characterize horizontally structured organizations.

The role that bottom-up organizations play is sometimes to fill in the gaps where public and private sector development schemes have been ineffective, or where top-down development schemes have failed to reach the people. Sometimes NGOs work to monitor government programs or government officials and “hold them accountable for activities that are damaging to the poor” (Havnevik 594). Through organization of communities NGOs can articulate the concerns of the poor to those in the government or large development agencies who make decisions about the allocation of resources.

In his World Bank discussion paper entitled, *Nongovernmental Organizations and Local Development*, Michael Cernea articulates the centrality of people, working together to change their condition from the bottom-up in NGO projects. A major difference between NGO-executed development and that of development agencies is that “the essence of the NGO approach is not to induce development financially, but to mobilize people into organized structures of voluntary group action for self-reliance and self-development” (Cernea 7). Cernea argues that change that is carried out in such a voluntary way is empowering to the people. People are not just an “economic asset” to the development organization to keep program costs down, but their volunteerism allows the people to see that they can be productive and powerful—development is not a gift but something they have earned. Bottom-up development gives the beneficiaries a sense of cooperative ownership of the development project. This ownership and responsibility over a project makes corruption, such as taking a loan and not repaying it, less likely among organized beneficiaries.
Participatory development projects sometimes make productive use of pre-existing civil society connections. The amount of experience a community has working together and establishing relationships of trust within it is labeled “social capital” by Robert Putnam. Social capital can be a major asset of participatory development if it is utilized toward development aims. Putnam describes the benefits of social capital:

In the first place, networks of civic engagement foster sturdy norms of generalized reciprocity and encourage the emergence of social trust. Such networks facilitate coordination and communication, amplify reputations, and thus allow dilemmas of collective action to be resolved. When economic and political negotiation is embedded in dense networks of social interaction, incentives for opportunism are reduced. (Putnam 3)

Thus, social capital encourages trust and enables society to monitor and carry out participatory development projects. When projects are group planned and implemented not only is there is less opportunity for corruption but according to Putnam, the drive for personal profit is minimized. Incentives for opportunism and selfishness are discouraged by group activity. This can make projects more efficient and effective.

Development projects can utilize a locality’s pre-existing informal ties of “trust, reciprocity and networks of repeated social interaction”, to carry out development projects (Peter Evans 1033). Evans adds to Putnam’s praise of social capital when he says “engaged citizens are a source of discipline and information for public agencies as well as on-the-ground assistance in the implementation of public projects” (1034). The dedication of NGOs to organize the people is very different from development agency approaches which frequently “deal with the people virtually as an afterthought and focus on technology or financial resources alone” (Cernea 8). Encouraging the knowledge, commitment and support from the people in the development process makes projects more suitable to a locality and so more likely to survive. Local volunteers also have a
high commitment to see a project succeed and sustain than paid outside workers because it is the locals who will receive the benefits from projects.

ECONOMICS OF BOTTOM-UP DEVELOPMENT PROGRAMS

Praising trust and the value of interpersonal relationships are probably not the most influential methods of convincing funders to support grassroots initiatives. For this reason, in this section, I will show the cost-effectiveness of bottom-up development. It is argued that “effective social networks and pervasive interpersonal trust enhance efficiency in social relations and lower transaction costs” (Jackman 14217). With the combination of local knowledge and people’s participation, NGOs can implement projects in more cost-effective ways than non-participatory development programs. Participatory programs depend on the people to volunteer their local knowledge and a bit of time but rarely ever money for materials. For example, The Orangi Pilot Project (OPP) in Karachi, Pakistan organized the community to build sanitation systems in 1980. The project trained local people in how to build simple sanitation systems and were supplied with the materials and expected to volunteer some of their own time to build and maintain the system. Because of the time and energy the local people volunteered, the project created sanitation systems at one third of the cost at which the government or commercial sector could carry out the same job (Edwards 963 citing Husan, 1993). OPP was initially funded by Agha Hassan Abedi of [the Bank of Credit & Commerce International] and several non-governmental organizations (akhtar-hameed-khan.com/orangi). After the project proved to be successful, the OPP started receiving financial support from international non-governmental organizations as well as multi and bi-lateral agencies (Ibid.). This project has successfully combined funding from an outside source with participation and accountability from the bottom. The program’s
cost-effective strategies enabled them to attract funding from new donors to keep the project in operation today.

The NGO Agua del Pueblo or “The People’s Water” carried out a similarly effective and affordable participatory rural water and sanitation project in Pacul, Guatemala. Agua del Pueblo maintains a revolving fund for financing construction materials, and more than a dozen international, national, and local agencies have provided funding for Agua del Pueblo projects (Clemens et al.). One such international organization that supplies grants to Agua del Pueblo is the Inter-American Foundation, an independent agency of the United States government. The locals helped plan the project, received training on digging latrines, laying pipe and maintenance and repair of the system. A loan was managed through Agua del Pueblo and the treasurer of the people’s water committee was trained in book keeping and the management of monthly fee collection. A year and a half after project completion it was still fully functional (Cox and Annis 65). The project’s direct benefits to the people, according to Stephen Cox and Sheldon Annis, include higher agricultural yield due to the irrigation system, and the possibility to produce strawberries as a cash crop (Cox and Annis 67). These projects exhibit ingenuity, people’s participation, cost-effectiveness and direct benefits to the poor. In these cases, family and friendship ties in the community expedited the dissemination of knowledge on how to complete and maintain the irrigation projects. Whether community organizations existed before the irrigation project or not, the organizing of the people into groups for building the irrigation system fostered networks of civic engagement that helped maintain the irrigation system. As the literature stated, small size and the consistent participation of the community made the projects
sustainable. These projects exemplify the economic advantages of bottom-up development.

POTENTIAL HAZARDS OF BOTTOM-UP DEVELOPMENT PROGRAMS

There are fewer negative aspects of bottom-up development than of top-down development. Bottom-up development has several unique challenges such as how these programs can receive funding without losing their autonomy and how to make a bottom-up project reach more beneficiaries without becoming less participatory, more bureaucratic and disconnected from the people it serves. Additionally, I found in my fieldwork a lack of communication between small-scale organizations. Lack of communication can result in overlap or competition of activities when combining efforts could lead to more effective use of funds. Just as the chief benefit of top-down, usually large-scale development is the money available to carry it out, so the principle drawback of NGO-based development is its lack of funding. NGOs often must work on a small budget so the opportunity for expansion or even survival of an NGO is a constant challenge.

NGOs should strive to create some level of economic autonomy from funders. Through partial self-financing, bottom-up programs can retain their independence and legitimacy. NGOs can earn money by conducting training courses for other NGOs, working as consultants (through feasibility studies or evaluations) for government or international agencies, and renting their equipment such as copiers and overhead projectors (Eade and Williams 441). Another avenue for NGOs to maintain independence from top-down funding while working toward people-based development is through administrating micro-credit programs to beneficiaries. If an NGO has a small amount of money it can invest it in low-interest micro-credit loans. In this case, donor
funding is beneficial but not crucial to project survival because the money is returned with interest and then loaned out to another beneficiary. Micro-credit or micro-finance requires organization of the people (an activity in which bottom-up organizations often engage) to monitor and support each other in the repayment of the low-interest rate loans. Micro-credit loans allow poor people access to the capital that is needed to buy supplies for a small handicraft business or buy livestock that will continuously benefit the entrepreneur. These loans do not require collateral as most banks do. This makes micro-credit loans very accessible to the poorest in a society. Bottom-up organizations are good candidates for the administration of such loans because they can utilize pre-established relationships of trust among the people. NGOs sometimes have the capacity to further help the people in the micro-credit process by running classes on skills training and book keeping so the people can better manage the money they will make and can more easily pay off the micro-credit loan. Micro-credit programs are one of the best uses of donor funds because loans are ideally repaid and funds revolve. I conduct a more thorough investigation into the intricacies of micro-credit lending in the second half of the paper.

When programs run by NGOs or grassroots organizations are successful, expansion is often a goal so that more people can benefit from the services provided. Growth allows for more prestige and funding, the recruitment of staff becomes more selective, and the organization may have more money for staff training. However, expansion is one of the most difficult processes for an organization to undergo because it is challenging to maintain the benefits of bottom-up development such as legitimacy, authenticity, and horizontal management. Small size is one of the primary advantages of bottom-up organizations for carrying out focused, small-scale projects and expansion sometimes takes the focus away from the people being helped. This challenges bottom-
up accountability. Greater funding from an outside source can take focus away from the considerations of the beneficiaries and puts that focus, instead, on the considerations of the funder. This shifts accountability from the bottom-up to the top-down. Larger projects are also difficult to administer using the horizontal, bottom-up method of listening to the input of everyone involved—the fewer opinions involved, the easier administration becomes. A NGO that undergoes expansion may become more vertically oriented with lower-level employees in the organization reporting to their superiors on the execution of projects. Many scholars agree that NGOs may begin to focus on growth and institutional development and lose sight of their original aims to work at the grassroots level. In Bangladesh, NGOs tried to rapidly expand their geographical coverage that one author saw as, “a drive for breadth rather than depth” (Edwards 963 quoting Hashemi, 1992). Deborah Eade and Suzanne Williams authors of The Oxfam Handbook of Development and Relief warn that institutional growth “can be a development aim only insofar as these institutions in turn create the opportunities for marginalised people to influence the decisions and processes affecting their lives” (Eade and Williams 331).

Development scholars advocate increased networking among bottom-up organizations before organizational growth. Cernea makes the critique that “NGO projects often are implemented individually, not as part of a broader programming strategy for a region or a sector” (Cernea 19). John Clark theorizes that NGOs seek isolation from other NGOs as well as the government because the less attention they receive, the more protected they are from outside influence. Clark specifies aspects of NGOs that NGOs may try to conceal when he says:

NGOs may not live up to the claims made in their literature, their projects may not be effective or well targeted, the stated levels of
For all of these reasons, NGOs require a system of monitoring. There are cases of “brief-case NGOs” that receive funding but do not carry out any projects. These “organizations” are illegitimate and could be prevented if a non-biased system of monitoring NGO activity were created.

A Peace Corps volunteer whom I interviewed in Pokhara, Nepal noted from her experience with the environmental NGO for which she worked that NGOs avoid collaboration and coordinated projects with each other because of a fear of disturbing the power structures in each independent NGO. She maintained that it is unclear in networking procedures which NGO has authority. In her experience, NGOs simply avoid contact with each other out of fear that they would lose authority over their organization’s activities if they coordinated. The disadvantages of not coordinating are an exhaustion of funds in completing duplicated activities, and even competition between organizations for funding.

Rather than each organization independently trying to expand they should first work on networking with each other. This way, they can keep their local focus but can learn from each other, gain prestige through their association, and have a more powerful voice but avoid being corrupted by the negative aspects of growth. However, bottom-up organizations often do not network with each other.

In Nepal, the local micro-credit lending organizations I studied are coordinated by two nation-wide micro-credit programs but these nation-wide programs do not communicate or work with each other. Fair Trade groups, however, effectively network
with each other through the International Federation of Alternative Trade (IFAT) and the Fair Trade Group of Nepal (FTGN). Fair Trade groups manage to network most likely because they need to coordinate in order to manage their market and maintain their Fair Trade label. Micro-credit groups and mothers’ groups do not have an equivalent pressure to coordinate. Further, Micro-credit groups, mothers’ groups and Fair Trade groups do not network with each other. I give a more thorough analysis of these groups in Nepal later in the paper and end by suggesting that all of these organizations and their beneficiaries would benefit from collaboration with each other.

A final challenge for development programs is to answer the question: what is the best way to develop especially-disadvantaged populations such as women or socially excluded lower castes? In the early years of development, development programs did not specifically targeted women for development because it was assumed they would receive the benefits their husbands receive from development—rewards of development would eventually trickle down to the women in a society. Later, there became a greater focus on women and socially excluded groups in development because they did not seem to be receiving the benefits of development. Theorists started to recommend separate programs and organizations specifically for these groups. The theory behind separation was that the voices of these disadvantaged groups were not being heard and their needs were not being met by broad development programs. If these special groups were targeted as beneficiaries, then they would receive a development boost that might bring their gender or social group at least up to the same level of power and inclusion in decision-making as men and dominant social groups. Also, separate projects and organizations would allow these disadvantaged groups a chance to develop strong voices and enable them to speak up around the men and members of socially dominant groups.
who traditionally made the decisions and spoke on behalf of everyone. Recently, the
benefits of this method have been questioned by theorists. Theorists hypothesize now
that separating women or lower caste groups from mainstream development programs,
despite good intentions, has not benefited the target groups. Separating a target group
from the mainstream can sometimes cause a lack of funding or lack of attention to these
groups. I discuss these issues of power and inequity further in the Nepal section of the
paper.

INTRICACIES OF TOP-DOWN DEVELOPMENT PROGRAMS

In this section of the paper I explore the intricacies of top-down development. I
examine the effectiveness of international development agency-conducted projects. In
some examples in this section, similar conclusions can be drawn concerning international
agency-conducted development as bilaterally funded projects and government-conducted
projects because these actors generally fund projects with top-down accountability. In
these cases, I specify the inclusion of bilateral and government funded projects.

Multilateral, bilateral and government funding have the advantage in
development negotiations of being the suppliers of the money. This asset cannot be
overemphasized. Despite the potential for harm to development caused by large funded
projects (provided in the next section), everyone working towards development must
account for the wishes of these funders. Unless grassroots and non-governmental
organizations find a method of economic self-reliance, they will be subject to the
conditionalities of big donor loans.1 These donors make possible the execution of large-
scale regional or national projects such as hydropower dam projects or solar power

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1 Aid is often used as a reward for a country that complies with donor requirements (conditionalities) of
economic liberalization or administrative and policy reforms. If a country does not agree to such reforms,
funding is often withheld.
projects. Such projects have great income-generating potential for a country because they allow a country to harness natural resources or to nationally coordinate programs in ways that smaller organizations cannot. Dam building projects and infrastructure projects are virtually unavoidably top-down directed. Input from the people whose lives will be most affected by the project can be gathered to give these projects a small amount of accountability to the grassroots level.

Organizations such as the World Bank and the International Monetary Fund (IMF) can use their economic influence to pressure governments and affect international trade decisions and national policy reforms with much more ease than the lobbying and advocacy efforts of NGOs. If the IMF and World Bank made such demands with the development aims defined in the beginning of this paper as top priority, the potential for a better livelihood for the poor is great. As my examples show, however, the World Bank and IMF strategies often place the country’s repayment of debt as top priority despite the consequent harm to social safety nets.

Negative aspects of top-down development projects arise in the planning stage, the execution stage and in the post-program period. Sometimes during the planning stage, development agencies distort the condition of a country in their reports to make it fit the description of a feasible project. James Ferguson found this to be the case when the World Bank created a development strategy for Lesotho. The World Bank depicted the country as much more agriculturally based and unmodernized (in means of production, condition of roads, schools and health facilities) than Ferguson found in his field research. The Bank neglected to mention both the century-old dependence of the country on migrant wage labor in South Africa (Ferguson called migrant labor “the basis
of Basotho livelihood”) and the important political impediments to development (weak government, and corruption for example) (Ferguson 99). What Ferguson claims as intentional distortions of conditions in Lesotho make Lesotho “an enormously promising candidate for the only sort of intervention a ‘development’ agency is capable of launching: the apolitical, technical ‘development’ intervention” (Ferguson 99). If the Bank makes a country’s economy seem agriculturally based, then the Bank can easily justify the implementation of modern agricultural methods in that country. If the Bank claims that Lesotho’s national economy is centered in Lesotho rather than South Africa—the employer of a majority of Lesotho’s migrant laborers—, then the Bank’s strategies of “national economic planning and nation- and sector-based economic programs seem legitimate” (Ferguson 100). It is hard to believe that an agency would want to set itself up for failure by blinding itself in such a manner. The Bank (and other top-down agencies) can create promising yet impractical work for itself and if its projects fail to improve the well-being of a nation in a sustainable way, the Bank’s workers still get paid and the Bank’s “development” business continues to thrive. Perhaps if the Bank had consulted people’s organizations in Lesotho on the accuracy of the depiction of their country, they would have given the World Bank an account of the country more closely resembling Ferguson’s depiction. By avoiding consultation of and accountability to the people the Bank had the freedom to create a program that best fit its own needs, such as employing its staff in creating non-political, non-controversial infrastructure projects. Since no one except the highest in the bureaucracy at the World Bank holds the Bank accountable, there was no objection to the arguably useless expenditure of development funds.

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2 Basotho is the largest ethnic group in Lesotho.
In his World Bank Discussion Paper, Cernea verifies the high failure rate of World Bank projects that one would expect with such a data-manipulating development strategy. He reports that in a follow up study of 25 Bank projects 13 of the 25 were found unsustainable in the long-term (Cernea 28). There are, of course, many factors that influence the failure rate of a project but such a consistent failure rate could be due to consistently poor planning. The World Bank is able to perpetuate this strategy because it has no higher authority to which it is held accountable. There are no checks and balances in this top-down development system.

Many scholars are critical of the strategies of top-down development agencies (especially the IMF). Manuel Pastor Jr. analyzed the IMF’s involvement in Latin America. The IMF’s structural adjustment programs often consist of currency devaluation, limits on banking and credit, removal of price subsidies, reduction of tariffs, elimination of import controls, encouragement of foreign investment and prevention of wage increases (Pastor 250). Pastor critiques the IMF’s policy of pushing a country to open its economy to the competitive global economy when the industrial sector is weak or non-existent. Pastor claims that the IMF impedes autonomous development in the following four ways:

- By opening the economy the Fund destroys any basis of sustainable development (such as import substitution industrialization or ISI3) that may have been established
- The Fund encourages countries to produce exports, a process which “reinforces dependency by locking Third World Economies into the vagaries of markets in the core”4
- Any surplus produced must go to repaying loans and cannot be invested back into the development of the nation

3 Traditional industrialization requires the import of machinery and equipment. ISI is one method of eliminating a country’s balance of payment problems whereby “capital goods being imported for early import substitution industrialization would be increasingly produced domestically” (Pastor 250).
4 Structuralists and dependency theorists use the term “core” to refer to developed countries that drain resources away from undeveloped countries in the “periphery”. Usually, natural resources are sent by the periphery to the core to be made into manufactured goods and sold back to peripheral countries at a high price.
An open economy generally serves the interests of the capitalists in resisting working-class demands for improved wages and social services.

Rather than collaborate with the IMF, a country may attempt to independently build up its industrial and productive capacity in preparation for an eventual integration into the global economy. A country might want to do this because, if it has an established production system and skilled labor, it will have more control in the speed and intensity with which it integrates into the global economy. When a country is rushed into opening its markets, for example through pressure from big donors, foreign companies may perceive it as a resource of unskilled, cheap labor. If foreign companies choose to set up production there and the government complies, welcoming any immediate source of income, the country may become dependent on these investing companies for the employment of some of its people. In such cases, industrial and labor capacity-building and social services, two examples of secure and long-term steps toward development, often are no longer a priority for the government. Consequently, the government may repress or ignore abuses of the country’s working condition standards and wage laws to keep the jobs in the country. The jobs may bring economic growth to the country, but not development. Local businesses are often put out of operation because they cannot compete with the foreign company’s cheap market prices and money spent on advertising. In this scenario, the country has very little leverage in not only the global economy but also its own. Unfortunately, this scenario is probable under the IMF strategy. Further, because the goal of the IMF is primarily to enable a country to repay its loans, if the country experiences economic growth under IMF policies, that surplus must go to paying loans instead of being invested in sustainable development projects. If the growth levels-off, the country is left with no pre-established development programs.
and no money to invest in future development projects. The country becomes dependent on the outside private company no longer for growth but simple subsistence of the economy. This is a dismal scenario from Pastor’s experience that he uses to warn the reader of the dangers of the IMF.

Problems often occur during the execution phase as a result of the large development agency’s method that critics call “predatory lending.” Countries that take on loans from large funders most often do so with the intention of using the loan money to start productive ventures and then use part of the proceeds to pay off the loan. Unfortunately, the ventures are often not as profitable as predicted, and the country is left with all the same pre-loan urgency for development in addition to a hefty loan with interest to pay off. The IMF has made a business out of installing structural adjustment programs in indebted countries. An example of the harm done by IMF policies that prevented a country from subsidizing exports and placing tariffs on foreign products is Jamaica. Jamaica took loans from the IMF after it received independence in 1962. Jamaica’s milk industry is near collapse today because

heavily subsidized U.S. milk—or rather, powdered milk—has flooded the Jamaican market. Jamaica can no longer counter U.S. milk subsidies with its own because of the conditions it accepted in exchange for international loans. (Tan Chey, 2002)

Jamaica exemplifies the painful consequences of opening of the economy to international competition due to IMF policy.

Another critique from several authors is that big investments by governments and international agencies have rarely made an impact on rural poverty, nutrition and welfare and “in some cases they indeed had quite negative effects on rural people” (Behrman 3579). The World Bank-Tanzanian government’s joint Economic Recovery Programme harmed farmers because the rising input costs of the agricultural project:
far outweighed the nominal increase in producer prices. While the average producer price for cotton increased by 70%, the average prices of agrochemicals for cotton went up by 475% from 1985 to 1988. Instead of the producer price increasing in real terms, there was a decrease of 14.6%.

(Havnevik 298)

While an isolated figure seems to indicate that the price of cotton increased, the complete picture reveals an overall decrease in benefits to the farmer. The Tanzanian farmers had to make up the 14.6% difference and consequently pay the price for a development scheme that was designed to benefit them.

In its goals, the IMF states that its focus is on the country’s repayment of debts and not necessarily sustainable development. The IMF’s programs may achieve a country’s goal of repaying its debt, but such procedures can actually hinder long-term development. Pastor found that “the Fund’s goal and methods are fundamentally antithetical to economic growth and development in the third world” (250). The negative impact on social services and increased unemployment that IMF programs cause is proof of this. Even if the number of jobs increases due to foreign direct investment there is no job security. Companies increasingly have the capability to move production to another country if organized workers or the government demand fair wages and healthy work standards. Creation of jobs with no security does not develop a country in a sustainable way.

In her article, “Non-governmental Organizations, Micro-credit, and Empowerment of Women”, Jude Fernando says that the World Bank and IMF’s analysis of their own structural adjustment programs is that “drastic reductions in social sector expenditures are accompanied by an absence of social safety nets, and increased unemployment has worsened the condition of the vast majority of the world’s poor” (Fernando 6). The examples from Tanzania and Jamaica are two such worsening of
conditions at the expense of the world’s poor. Kjell Havnevik notes that Tanzania’s program “had not led to the anticipated overall rise in farmers’ income through an improvement of their terms of trade” (an improvement that the World Bank had forecasted) (298). He adds further that, in Tanzania, the elites absorbed nearly all the benefits of the structural adjustment program. Elites in society are generally more connected to urban centers than poorer segments of society. Elites have the opportunity for more education and they are more likely to have access to elected officials and organizations such as development agencies. Because elites are often educated and have connections outside their communities, they can more easily receive the benefits of development programs. In a more cynical analysis, it is elites in the government and private sector, precisely those who receive a majority of the benefits of structural adjustment, who sign the country on to large, often damaging, development projects.

The nation-wide, federal government-funded Green Revolution in India seemed at first to be a promising, rural-centered development project. It increased agricultural production through high-yield seed varieties and crop rotation. Productivity increased but along with that increase came a dependence on fertilizer, pesticides and a need for increased irrigation. Robert Chambers emphasizes the fact that “increases in production mostly benefited the rich, the landlords, the merchants, and the owners of tractors and tube wells, while the poor and landless gained less, or did not gain, or lost” (31). In the Green Revolution, only farmers who already owned large farms had the economic resources to invest in the new fertilizers, pesticides, machinery and seeds (primalseed 1). Again, it is apparent that the elites absorbed most of the benefits of a development project. By increasing agricultural production, the Green Revolution did feed many more people than would have been fed if no development plan had been implemented.
However, the project lacked sustainability, created dependency, and had structural impediments that prevented the benefits of the project from reaching the poor.

I cannot argue that no positive economic changes result from a country undergoing top-down development projects. The IMF’s programs have been effective tools in halting quickly down-spiraling economies such as Indonesia and South Korea in the 1990s (Economist 63). These countries are not developing countries, however, and may have been better equipped to return to productivity once the IMF helped to stabilize them during financial crisis. Developing countries in economic emergency may be better off with a SAP than with no help at all. However, with the information on how SAPs prevent long-term development in mind, I feel there is a need for a new sort of program to be developed for quickly spiraling economies that halts the downward motion and simultaneously builds the capacity for sustainable development. From all of the examples given above, it is clear that, at present, the economic benefits of top-down projects are not equally distributed and are especially not reaching the poor. Top-down development can be seen as development in a narrow sense, but it often prevents sustainable development and does not come close to achieving the goals of development as I have defined them.

Scholars have noted that the structure of top-down development organizations and projects contribute to their failure. Top-down development projects are almost always bureaucratic, vertically-oriented, development schemes implemented from above with little input from the people they claim to help. Outside planners, international experts, and the society’s elites plan and run the programs. Consequently, the programs often lack beneficial local knowledge and the sustainability that comes along with people committed to improving their livelihood. For the streamlined management of top-down
projects, goals and quotas are often dictated from the top of the bureaucracy down to the
development workers on the ground. The effect of these quotas is that development
workers are pressured to emphasize “notions of efficiency over issues of equity,
empowerment, or rights” (Behrman 3580). This and other issues of connecting top-down
funding with bottom-up development projects are presented in the next section. An
effective cooperation in which accountability remains at the grassroots level prevents
many of the harmful aspects of top-down oriented programs and can utilize the benefits
of people-centered development.

NEGOTIATING TOP-DOWN AND BOTTOM-UP COOPERATION

Cernea and Ferguson maintain that several top-down development agencies have
begun to acknowledge failures in structural adjustment programs and are showing a
positive trend of encouraging participatory development. The World Bank Sector Paper
on Rural Development from 1975 stated that the World Bank’s definition of rural
development “reflects the thinking and power structure of the core...strategies are
designed...by the powerful; and it is they too who extend the benefits of development to
the poorest...this definition should be balanced by a reversal of power and initiative”
(World Bank 147). The Sector Paper further articulated an understanding of one of the
major critiques of their organization when it said that “production that leads to net
impoverishment is not development...production is a means not an end” (148). This
comment is an acknowledgement of the sort of project failure that Havnevik discovered
with the 14.6% loss in income that Tanzanian farmers suffered despite the surge in cotton
producer price. Promising statements from large development agencies may indicate a
future change in policy, but these enlightened statements were published in 1975. The
examples of policy failures given in this paper occurred 10 and even 20 years after the
publication of the World Bank Sector Paper on Rural Development. Admittance of failures and agreeing on paper that the organization’s policy has structural faults are empty gestures unless reforms are carried out.

Top-down donors benefit from the innovative character of NGOs because top-down development can model programs after successful creative projects of bottom-up organizations and become more accountable to beneficiaries in the process. Likewise, NGOs benefit from large-donor development because they supply needed funds and the large donors can use aid conditionality to pressure governments to create NGO-friendly policies.

Development agencies like the World Bank and IMF have begun to prefer working through NGOs rather than through governments to implement their projects because NGOs complete tasks more efficiently and cost-effectively than do governments. Through pre-established networks NGOs can deliver services funded by the large development projects to the community more easily than if the large funders tried to implement their projects alone. Because NGOs are less bureaucratic, more transparent and are characterized by organization of and commitment from the community, official donors and governments benefit from increased collaboration with the NGO sector. NGOs benefit as well because increased funding “allows NGOs to provide social and economic services on a much larger scale than ever before” (Edwards and Hulme 962, 1996).

The development literature warns of the dangers of cooperation between top-down donor agencies and bottom-up organizations such as NGOs. Scholars describe the possibility of co-optation and shift in NGOs accountability from beneficiaries to donors in combined ventures. In my research in Nepal, however, the majority of cooperative
projects I researched did not display these negative aspects. I found, rather, that at this stage in Nepal’s development, cooperation between donors and small-scale organizations is essential.

Cooperation is only successful when the state or large-funders and NGOs have common objectives motivating their participation in the development project. This aspect is extremely important because if the interests of the large donors are antithetical to the interests of bottom-up development organizations, one of the two parties will be harmed by the coordination. If the IMF’s objective is debt repayment and if the Fund’s activities divert a country’s funds from development to debt repayment, small development organizations and the poor are harmed. Likewise, if the head of a “briefcase NGO” manages to receive funding from a donor, the interest of the fraudulent manager to pocket the money will not benefit the outside funder in any way. Interests and motivations of all parties partaking in cooperative projects must be carefully examined by all other parties before cooperation is established.

The first major danger in combining top-down development projects with grassroots development organizations is the demand made by donors for NGOs to produce short-term, quantitative data showing that the donor money is being productively used. If an NGO prioritizes meeting the donor’s request for feedback data over meeting its original development goals, there can be negative consequences. Donors have every right to request information on where their donated money is being allotted, in fact, this may help keep NGOs in check and free from corruption, but problems result when feedback is required to fit a pre-established template. This is the case when donors fund multiple development projects at once and collect feedback in the same way, regardless of contextual variants. Take, for example, a small NGO that works toward community
organizing. The donor may value and ask for numbers of groups established, numbers of projects completed, etc. while the NGO values establishing trust amongst group members. Such fostering of community trust and building up social capital takes time and the benefits of allowing this time is often not able to be recorded in the form of feedback requested by the top-down donor. I will explain these in more detail, describe the dangers of bureaucratic, vertical decision making and the shift in a NGO’s accountability. If all of the above obstacles are avoided there can still be a problem with dependence on donor funding.

Most bottom-up organizations begin small with lots of contact with their constituency in the community. The organization’s accountability in this scenario is to staff, supporters and beneficiaries (Edwards and Hulme 967). If an NGO decides to scale up or work with large-scale donors there is a danger that, due to the power of the pocket, the donors will have more say in the projects of the NGO than the people. The most powerful constituency is generally the official donor agency so accountability may be reoriented “upward, away from the grassroots” (Ibid. 968). If this occurs, “without meaningful accountability to their beneficiaries, scaling-up could seriously distance NGOs from the poor” (Edwards and Hulme 968 quoting Pearce 1993).

The consequence of accepting donor funding is that bottom-up organizations must meet “complex (and often conflicting) requirements for project appraisal, reporting, evaluation and accounting” (Edwards and Hulme 964). Bottom-up organizations need flexibility on the ground and they feel their ability to be innovative and experimental drastically decreases when the donors require “limited, logically framed, measurable outcomes” (Edwards and Hulme 964 quoting Fowler). An organized, motivated civil society takes time to cultivate but is extremely beneficial for implementing and sustaining
a development program. The amount of social capital fostered by an NGO is difficult to quantify, especially when rushing to meet deadlines presented by donors. Further, the minimum time required to establish productive, trust-based community groups varies with the situation. It is highly possible that the donor may place an arbitrary maximum time limit on the community-organizing period and the NGO may not be allowed to voice opposition. If an bottom-up organization knows it may lose its funding if it does not show feedback to the donor in the specific manner in which it is required, the organization may concentrate less on the capacity-building of the people and more on outcomes that are short-term, easily counted, but perhaps not sustainable or helpful for development.

Benefits of program collaboration are many as long as certain steps are taken to protect the NGO’s autonomy. The World Bank study mentioned earlier found 13 of 25 Bank financed projects to be non-sustainable because they did not have enough grassroots participation (Clark 595). In a cooperative situation, information is channeled from the grassroots level to the top-down donors and from the donors to the grassroots level. Through outreach and educational initiatives NGOs can inform the public of their “rights and entitlements” under state-funded programs (Clark 594). They can also “organize communities to take advantage of a [development] scheme’s benefits” (Clark 598). NGOs can transmit information in the other direction and “attune official programs to public needs” by exposing the large donor to the grassroots perspective which might otherwise be neglected (Clark 594).

One step toward cooperation is for the government or top-down development agencies to invite NGO or civil society representatives to serve on committees. In these government or large-donor commissions the opinions of the grassroots representatives
need to be taken seriously because they represent the voice of the people. Without considering the concerns of the people regarding development projects, governments and donors not only blind themselves to possible obstacles down the road but also they prevent the legitimacy and sustainability that public participation brings to their projects. Ignoring significant input from the grassroots level creates a blockage in the communication process and hampers the effectiveness of the collaboration for both parties involved. Clark suggests NGOs and large developers agree on the problems and debate areas of disagreement (598). Further, the donor agency needs to avoid turning the relationship into a business transaction where the bottom-up organization must meet specifications of outputs and targets set by the donors in order to receive continual funding. To prevent this contract-like relationship, the top-down donors need to respect and continue dialogue with the grassroots organizations about objectives and strategies. In order for large donors to receive the benefits of bottom-up cooperation, they need to resist the urge to streamline their relationship with bottom-up organizations, and instead need to understand their large-donor contribution to the cooperation as “a catalyst...aimed at bringing about the conditions for sustained economic and social development rather than as a reward for compliance with donor-recommended policies” (emphasis mine Degnbol-Martinussen 278).

**Chapter Three: The Case of Nepal**

**DEVELOPMENT CONTEXT**

Nepal is one of the world’s most underdeveloped countries. Nepal ranked 142 out of 174 countries in the UNDP’s 2000 Human Development Report (Europa). Its Gross Domestic Product per capita in 2001 was USD$1310 (undp.org/hdr2003). In 1999 Nepal’s infant mortality rate was 75 deaths per 1000 live births and in 1996 the maternal
mortality rate was the worst in South Asia with 539 deaths per 100,000 live births (jica.go.jp). The adult (over 15 years old) literacy rate climbed from 25.6% in 1992 to 40.4% in 2001 but remains the worst in South Asia. Nepal’s Human Development Index\(^5\) value in 2001 was .499 (undp.org/hdr2003) and its Gini coefficient\(^6\) for 1999/2000 was .3575 (undp.org/npl/publications). To put the Gini coefficient into a context, The Economist website reads that “Latin America is the world’s most unequal region, with a Gini coefficient of .5; in rich countries the figure is closer to .3” (economist.com). A more in-depth analysis of Nepal’s Gini coefficient reveals that an urban-rural divide exists and that urban areas have shown an increase in income inequality at a much faster pace than rural areas. The Gini coefficient in 1985 in urban areas of Nepal was .26 and rural areas earned a .23. In 1996 urban areas had a Gini coefficient of .43 while rural areas had .31 (adb.org/Documents). In both cases, income distribution is becoming increasingly unequal with time (Ibid.). Life expectancy in Nepal is 59.36 years for males and 58.63 years for females (geographic.org). In India, Tanzania, Somalia, and Guatemala, life expectancies differ from Nepal in that the women on average outlive the men by at least two years (Ibid). Of the six countries I surveyed, the men, on average, outlive the women only in Nepal and Bangladesh (Ibid). Further, the life expectancy differs by less than a year in these countries (Ibid).

Nepal’s average annual economic growth rate from 1990-2001 was 2.4% (Europa). Agriculture provides 80% of Nepal’s employment (Ibid.). 700,000 Nepalis have found work abroad and send remittances home (Ibid.). 60% of the country’s

\(^5\) The human development index is an indicator developed by the UNDP “to assess the relative performance of a given country, with the focus on three essential elements of human development: longevity, knowledge, and a decent standard of living, rather than economic indicators” (jica.go.jp).

\(^6\) “The Gini coefficient is a measure of the income inequality in a society. The Gini coefficient is a number between 0 and 1, where 0 means perfect equality (everyone has the same income) and 1 means perfect inequality (one person has all the income, everyone else earns nothing)” (nationmaster.com).
industrial output is from traditional cottage industry (Europa). Industrial production grew 8.2% in 1999/2000 but only 2.5% in 2000/2001 and 1% in 2001/2002 (Ibid.). This decline in production may be one of the many difficulties in the country caused by the Maoist insurgency that began in 1996. Rebels claim that they are fighting against the economic inequality and lack of opportunities for the people of Nepal. Conflict, however, makes development an even more challenging task than it is to begin with. The social and economic consequences of the war are yet another challenge for Nepal’s development. In 2001 the country maintained a trade deficit of $765.2 million (Europa). Nepal’s total external debt in 2000 was $2,823 million (Ibid.).

One of Nepal’s comparative advantages is the possibility to harness hydro-electricity from the rivers that flow out of the Himalayan Mountains. It was estimated in July of 2002 that only 1% of the country’s potential hydropower-generating capacity (83 million kW) was utilized (Europa).

Nepal is currently conducting projects from the government’s 10th 5-year plan. In June of 2002 the government began work on implementing the Immediate Action Plan that put a priority on public expenditure, introduction of anticorruption measures, improvement of service delivery through, for example, the transfer of the management of schools and health posts to local communities (adb.org/Nepal). This is an important change in development policy because it shows the government is starting to recognize, along with the international development agencies, the advantages of participatory development. The ADB claims that foreign aid financed 58% of total government development expenditure in 2001 (Europa). The Asian Development Bank, OPEC Fund for International Development, and the Japan Bank for International Cooperation provide loans and grants for development projects in Nepal. Major bilateral donors for Nepal’s
development are the Danish International Development Agency, the Swiss Agency for Development Cooperation, the UK Department for International Development, the Ministry of France, and the Norwegian Agency for International Cooperation, the Norwegian Development Fund, the Swedish International Development Agency, the Australian Agency for International Development, and the Canadian Agency for International Development. The Asian Development Bank (ADB) and the government recently created a Poverty Reduction Partnership Agreement. I found the agreement to be more of an acknowledgement of failed development projects in the past and a setting of goals such as growth of per capita income to “an average rate of at least 6% until 2017”, than creation of concrete poverty reduction strategies (adb.org/Nepal). The admission of “no evidence of poverty reduction in two decades despite substantial development assistance”, two decades in which the ADB has constantly been working with the government of Nepal, is an important declaration for both the ADB and the government of Nepal to make (adb.org/Nepal). As with the World Bank and IMF admissions of policy failures, this acknowledgement must be followed by policy reform in order to be considered a positive step.

Nepal has a unique combination of characteristics that make widespread development difficult. Nepal is landlocked with no access to a port for exporting and importing goods. The country’s mountainous terrain isolates much of the population from markets and development projects. The mountains have also prevented the use of trains to transport goods and people. Instead, Nepal relies on trucks and buses for transport. The roads on which these vehicles travel are treacherous during monsoon season (May-October) and are often closed due to landslides.
The Southern belt of Nepal that borders India is called the Terai. Most of the country’s flat, arable land is located in the Terai. The Terai is known as “the breadbasket” of Nepal (interknowledge.com/Nepal). Gambhir Bhatta describes a dual economy between the mountains and the Terai resulting from the fact that in the Terai, “transportation is not a problem, both agricultural production and productivity are higher than elsewhere” and the Terai has the advantage of “proximity to India’s two most populous state markets” (Bhatta 284). In eastern and central Nepal, incomes are higher in the Terai than in the hills (adb.org/Documents). The dual economy is problematic from a development perspective because as Chambers’ theory criticizes, it makes some areas of the country much more active in development while other more remote areas remain virtually unaffected by development. Chambers describes a deficiency in development of isolated islands of contact. In this argument, repeated paths of contact bring development projects to certain rural areas of a country but due to lack of connections, many rural communities are overlooked by development projects (Chambers 17). Bhatta found evidence of this in Nepal in that most micro-finance activities are concentrated in the Terai (284).

Another development challenge, as in many least developed countries, is that the population of Nepal relies heavily on subsistence agriculture. Subsistence agriculture is defined by Bhuban Bajracharya as “self-sufficiency in limited household needs without much specialization...these people are involved in agriculture for survival, not for economic gain” (inwent.org). Bajracharya cites the Nepali Government’s 1999 Nepal Labor Force Survey as finding that “more than 67% of people 15 years and older in Nepal are involved in subsistence agriculture. If only currently employed people in the agricultural sector are counted, the rate rises to 90%” (Ibid.). A family that relies on
subsistence agriculture does not have a source of income. They may inherit family land
and produce only enough food for their family. Subsistence agriculture is dangerous
because if the harvest is not prosperous or if there is a drought or natural disaster, the
family has no back-up funds with which to buy food to survive. Similarly, a family that
relies solely on cash crop production and does not grow their own food is vulnerable to
starvation if they have a bad harvest or if their cash crop’s market value decreases
substantially. Bhatta says, “The harsh economic conditions [of the mountain region]
require many poor families to take out loans from individuals in the informal sector and
the cycle of rural indebtedness is hard to break” (283). A high level of subsistence
agriculture affects development because “this reliance on agriculture necessitates that any
credit program incorporate the agricultural factor in its operations and assumptions…yet
it is generally argued that micro-enterprises should involve the non-agricultural sector to
the extent possible, so as optimally to tap the advantages of the market” (Bhatta 284).

Unlike most of its underdeveloped counterparts, Nepal was never controlled by
colonial rule. Some argue that this presents a challenge to development because “Nepal
had to start from scratch when it began its development efforts in the 1950s. This is in
sharp contrast to other developing countries that began their nation building after gaining
independence from their colonial powers” (jica.go.jp). The counter-argument can be
made that Nepal’s absence of colonial rule is an advantage because the country did not
have to struggle with colonial oppression and the challenge of establishing self-
governance when colonial rulers pulled out of the country.

Throughout the Nepal section of this paper I refer to the state-created
administrative divisions. Nepal is divided into 14 zones and 75 districts. The districts
are then divided into villages. Every district has a government operated District
Development Committee (DDC). and every village has a Village Development Committee (VDC).

**ISSUES OF POWER IN NEPAL’S DEVELOPMENT**

Nepal once legally operated under the Hindu caste system. The caste system is a “multifaceted status hierarchy composed of all members of a society with each individual ranked within the broad four fold Hindu class divisions, or within the fifth class of untouchables- outcasts and the socially polluted” (countrystudies.us/nepal). In Nepal the untouchable caste is named “dalit” (pronounced “daleet”). One’s caste is passed down to them from their parents. In 1962, the Nepali government passed a law that made it illegal to discriminate against the untouchable castes. In practice, however, discrimination still continues today (internet.roadrunner.com). From my own experience in Nepal, it is apparent that class divisions, and opportunities for education are still strongly correlated with one’s caste. The caste system is a social institution that can negatively affect the development process. Caste plays a negative role in development when discriminatory social practices hinder the ability for inter-cast organization, or if these practices prevent equal opportunity and voice within the organization. Some development programs specifically target the dalit population because they have traditionally been the most excluded from landholding and economic opportunity. In this way, caste divisions are used by development programs to target beneficiaries.

Women are especially disadvantaged in Nepal as they, on average, do three to four more hours of work a day than men, their income levels are at most only 80% that of men, and “their land holdings are marginal for they are hereditarily not entitled to parental land” (Bhatta 284). In Batulechaur, where I conducted my research, a woman working from 9am to 7pm planting seeds earns 80 Rupees (USD$1.07) while a man
working for the same amount of time on the same job earns 200 Rupees (USD$2.67). The highest paid work during the planting season is for working the plow. A man can earn 600 Rupees (USD$8) for plowing one field but it is not socially acceptable for a woman to plow. These figures show that Nepali society denies women the means for economic earnings that men have in Nepal. This is the major reason why many development programs target women, specifically, as beneficiaries.

There is a debate in the development literature regarding the policy of creating separate development programs for women. One side holds that women are excluded from the benefits of development when development designers assume that any benefit for men would trickle down to their wives. This group of scholars advocates women-centered development through women’s organizations, granting micro-credit loans directly to women for income-generating activities. This is the development strategy of the nation-wide Production Credit for Rural Women program which organize impoverished women into micro-lending groups. A second nation-wide program, the UNDP’s Participatory District Development Program, encourages women to create their own groups separate from the often-male-dominated forestry user groups, water tap creation groups, etc. The reason for this PDDP policy recommendation is that when representatives from each of these micro-lending groups meet monthly at the Chair and Manager’s Meeting, women will be sure to be represented. A different opinion on separate development programs for women is that when women are separated out of the mainstream development activities, there is a chance that the women’s programs may receive separate but not equal caliber of administration and organization as mainstream programs. Further, the maintenance of separate bureaucracies to conduct the women’s development programs and the mainstream development programs results in overlap and
superfluous use of funds. The internal evaluation of the PDDP states that the separation of women into their own groups was an initial step in the program to counter traditional social oppression of women. The evaluation posits for consideration the notion that women have had time to practice leadership and develop more powerful voices and perhaps mixed-gender groups should be created and utilized.

This was a synopsis of issues of gender in development and how it applies to specific development projects in Nepal. My concern with the recommendation of creating mixed gender groups pertains more to trust building than the issue of gender. As will be reiterated later in the paper, it takes much time and effort to create micro-credit lending groups that successfully pay back loans. Project analysis shows that strong levels of joint accountability and trust are the most effective way to create such groups. The PCRW is criticized for not allowing enough time for group bonds to form before loans are given. If the PDDP were to alter its group formation and work through mixed-gender lending groups, it will have to consider the time and energy required for creating strong group bonds. Integrating women back into the mainstream of development is important and may become the new trend in development policy, but the task of forming new group bonds and trust is quite large and should not be underestimated.

INTRODUCTION TO THE CASE STUDIES

During my two months of research in Nepal I found many positive development programs in operation. The mothers’ groups I interviewed are all located in Batulecha, a rural community 30 minutes outside of the city of Pokhara (Appendix B). I met with representatives from many types of development organizations from the spectrum defined earlier on what projects they have implemented, how they network with other organizations, where they get their funding, etc. I surveyed community organizations,
such as amaa samuhas (pronounced “ama samoa”) or “mothers’ groups”, and youth groups. I interviewed non-government organizations most of whom received funding from Nepali government or bilateral sources. I also interviewed three major Fair Trade Organizations in Nepal. In my research, I did not find any organizations that were completely founded, run or funded by a local community. A British NGO originally organized all of the amaa samuhas in Batulechaур, and the Nepali government and bilateral sources fund all of the development programs. These mothers groups are now completely self-sufficient, but it is important to note the influence external development actors had on the local level. Also, development projects that combine international donor funds, government administration and community organizations are evidence that an effort is being made in Nepal to make top-down development projects more participatory. NGOs and community organizations have few, if any, sources of income besides that from top-down funders, so cooperation between the grassroots level and large donors is vital at this juncture.

Contrary to the conclusion in the development literature, the cooperation between top-down funds and programs and bottom-up development projects did not hurt the autonomy of the bottom-up projects in the organizations I interviewed. There is one exception to this analysis of the micro-finance organization, the PCRW, whose internal evaluation claimed the extent of top-down management of the program to hinder program performance. Most development organizations would not exist in Nepal if the influence and initial funding provided by sources outside of local communities were not provided. The development perspective of the World Bank Sector Paper on Rural Development that “the initiative starts with outsiders; but the aim is to transfer more and more power and control to the poor (147)” is what I found to be the case in Nepal. I
think this comment fails to account, however, for grassroots, civil society organizations that independently exist in Nepal; but within my study I witnessed only externally induced organizations. I found that cooperation between the grassroots level and bilateral/multilateral funders at this point in Nepal to be necessary.

My experience confirms the anthropologist Bihari Shrestha’s description of the “canvas of NGOs in Nepal”—that “range from traditional, voluntary, informal, local, cooperative groups to sophisticated, organized expansive bureaucracies at the national level with sub-national chapters” (Shrestha 63). Bihari Shrestha makes a distinction between types of organizations that embody the “more common concept of NGOs” and civil society organizations that are an “organized effort on a collective basis outside of the government for the promotion of political, economic, and social interests leading toward self-reliance and an improved life situation for its members” (Shrestha 67). These groups include “users’ groups”—that organize for the purpose of monitoring the use of community forests--, youth groups, mothers’ groups and others. Shrestha finds these organizations indispensable for the development of the country. He comments, “the NGO sector in Nepal as distinct from and without the culture-bound traditional institutions is too small, highly urban-biased, and often unsustainably over lorded by donors” (72). I would argue that the NGO sector is no longer small in Nepal--Shrestha published this article in 1992, in the very beginning of the post-democracy NGO surge in the country—but the other criticisms of top-down accountability of NGOs are still highly possible.

In the next three sections I detail my findings from my research in Nepal. My recommendations for how these groups can carry out development more effectively and have more accountability from the bottom up follow in the concluding chapter.
MOTHERS’ GROUP CASE STUDIES

In this section I will discuss my findings from interviews with two mothers’ groups in Batulechaur, Nepal. These civil society organizations are evidence of Nepal’s large amount of social capital. Nepal has an active civil society that can cooperate with donors and organizations for effective, sustainable development in the country.

Micro-credit programs, largely, create opportunities for individual advancement through income generating activities. Projects completed by mothers’ groups almost always benefit the whole village. There is much social and economic value of mothers’ groups for a community. In Nepal, celebrations such as marriage or funerals are often expensive and obligatory. Mothers’ groups help buffer the economic impact of the occasion for host families. In the this section I describe several activities of mothers’ groups in Batulechaur, such as buying and renting out plastic chairs, pots, pans and utensils to community members for cultural events, and cleaning the roads after celebrations free of charge, that buffer the economic costs of these obligatory events. Bhatta says that one of the main reasons villagers turn to private lenders for loans, who often demand exorbitant interest rates, is for the financing of celebrations. Bhatta talks about this effect of private lenders in the context of villagers becoming trapped in a cycle of debt from which it is difficult to free oneself. Mothers’ groups help to keep community members out of debt. They strengthen trust in the community and show community members that they have a network of support to help them get through difficult financial times. I will emphasize later the importance of this trust and that micro-credit groups should include pre-established mothers’ groups in their loaning groups because of this dedication and established bond of trust with the community.
I collected my information about mothers’ groups from interviews with two mothers’ group leaders. The first amaa samuha member I interviewed was Usha Gurung from Ambika amaa samuha. This mothers’ group was founded nine years ago with the encouragement (financial and organizational) of a British NGO. This NGO donated 20,000 Rupees (USD$267) to this amaa samuha of 22 members from a mixture of castes. Members contribute 20 Rps (US 27 cents) a month toward group savings that are used to fund community projects such as building an addition on the school, and purchasing chairs and pots and pans to rent at weddings. Other fundraising projects include performing traditional dances at weddings or for visitors from other countries who come to Batulechaur. The Ambika Amaa Samuha has completed projects of clearing the road after festivals and building a house in which to hold meetings. I was given no other information about projects the group has completed. I was told that there are eight other amaa samuhas in this small town of Batulechaur. Usha Gurung estimated that 90% of the women in the town are members of one of these amaa samuhas.

Laxmi Basnet, from the Maidan Amaa Samuha, was my second interview subject from a mothers’ group. Maidan has 80 members and was established six years ago. This amaa samuha was established with the goal of reforming the bad habits of men in Batulechaur--specifically alcoholism and gambling. The membership fee of Maidan is 30 Rps (US 40 cents) a year. The fundraising techniques of Maidan are renting the 100 plastic chairs and cooking utensils that they invested in for social functions. Maidan has borrowed money from the Gurung community\(^7\) to fund projects. The group dances at weddings to earn money. Also, Maidan has asked the Chief District Officer and

\(^7\) Gurung is the name of a Nepali ethnic group. The British Army trains and employs Gurung men in India as Gurkha soldiers. Many ex-Gurkhas return to Nepal and continue to live off of their relatively large
members of parliament for donations but Laxmi Basnet specifically mentioned that her group does not borrow any money from the government. The group meets once a month but stops meeting during planting and harvesting seasons because the women are busy working in the field.

Maidan Amaa Samuha has completed several impressive community projects. The members joined together with other community groups to build a road down to the river for funerals, they contributed 45,000 Rps (USD$600) to bring “10 plus 2” classes to the local public school. To bring “10 plus 2” classes to the local school, an extra building had to be constructed and teachers had to be hired. Bringing “10 plus 2” classes to Batulechaur saved the expense of sending students to school in another town and also encouraged students to continue their education since higher education is much more accessible to villagers now. The Maidan Amaa Samuha has run two literacy programs for its members. The group hired a teacher from the local school to teach classes at night. 30-40 women attended for three months but the program ended due to lack of funds. Maidan is cooperating with the local Himalaya Youth Club to build a meeting space in the middle of town. The shell of the building has been built but the project is waiting for more funding to be completed. One project that is a bit more controversial than the ones mentioned previously was the joining together of five or six mothers groups to burn down the local alcohol distillery. I do not advocate that mothers’ groups carry out illegal acts, but the fact that there have been no consequences from the authorities or the community on this activity leads me to conclude that this action was not strongly disapproved of.

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pensions. Many ex-Gurkhas have returned to Batulechaur and have built large, modern homes. Due to the prosperity of these ex-soldiers, the “Gurung community” is identified as a wealthy group.

8 The primary education system consists of 10 grades. After grade 10 a student can take the exam called the “school leaving certificate”. “10 plus 2” classes are more career focused, technical training that are two years in length.
Perhaps the mothers’ group was acting on behalf of the community in burning down the alcohol distillery.

It is encouraging to see that 90% of the females in the community are organized and have been practicing fundraising and small group activities. This capacity building in an unhurried setting can lead to strong networks of trust and social capital that are advantageous for development projects. My initial reaction to the projects of the two amaa samuhas, however, was disappointment. They had created the sustainable structure that development projects try so hard to create and yet they were not using their funds to finance income generating activities. Cleaning the roads or building a house for meeting did not seem as important a task to me as other projects that could raise the community’s standard of living. I came to realize how helpful amaa samuhas are to a community in their role as an economic buffer as described in the beginning of this section, but the mothers’ groups in Batulechaur have the potential to do much more than act as a buffer. They can, for example, start income generating activities in the community. I wondered why they have not taken steps toward using their group savings for micro-credit loans for groups or individuals. Perhaps the women feel they already have all that they need, yet much of the community relies on subsistence agriculture. Surely the community would benefit from some sort of insurance in case of a bad crop season. One day my translator took me out to her plot in the village fields to make sure her rice paddies were collecting enough water. Her family constructed a small dam out of large rocks and mud to keep water from flowing out of her paddy. As she plugged up holes in the dam, a woman from the village began yelling at her for blocking the stream from reaching the rest of the plots downstream. Then the woman pulled down the dam and the water flowed out of my translator’s paddy. After this experience it became apparent that Batulechaur would
greatly benefit from a more reliable and equal system of irrigation. This seems like an appropriate project for an amaa samuha or collective of several amaa samuhas to finance and implement. While there are projects such as these that I believe should be undertaken, it is still advantageous that the capacity has been developing for nine years. Batulechaur has not been chosen as a location for a PDDP project because it is not as impoverished as other communities, but if it were chosen to be a beneficiary community, it may be able to overcome the major challenges of the PDDP system.

MICRO-CREDIT CASE STUDIES

In addition to the mothers’ groups, I interviewed representatives from and participants in two national micro-credit organizations in the Pokhara area. One organization was the UNDP/His Majesty’s Government of Nepal’s Participatory District Development Project (PDDP) and the other was the International Fund for Agricultural Development (IFAD)/HMG of Nepal’s Production Credit for Rural Women Project (PCRW). Both of these projects extend across the country, have funding from international sources, are joint programs with Nepal’s government and implement their projects through local organizations of beneficiaries. The major difference between the organizations is that the PDDP requires participation of 80% of a community before funding is granted while the PCRW allows only the participation of women below a certain poverty criterion. The rationale behind these two approaches to micro-credit lending is discussed in detail later, but the differences, unfortunately, prevent the cooperation and integration of the two programs. Competition for participants and resources, as well as stunted program effectiveness may result from such mutual exclusivity. My criticism of both of the programs is that they do not take advantage of preexisting social networks in a location to build effective, trust-based, joint-liability loan
groups. Instead of offering credit and trainings to active civil society organizations such as mothers’ groups and forestry user groups, both the PDDP and the PCRW insist on creating new groups in the community for their specific projects.

My first interaction with the Participatory District Development Project was when I attended a meeting at the grassroots level. My friend from the Peace Corps and I were curious about a monthly meeting of representatives from local community organizations she had heard about. We walked for a half an hour to a town named Bhalam that was not reachable by vehicle (Appendix B). The Local Trust Fund manager, Bikhram K.C. moderated the meeting. The PDDP trained and employed “Social Mobilizer”, Susmita K.C., was in attendance. The Social Mobilizer was female and conducted herself in a very confident manner. Both the Social Mobilizer and the Local Trust Fund manager are from the Bhalam community and they are related by marriage. They are both from the second to highest Nepali caste, Chhetri. It does not seem a coincidence that two members of this family occupy the highest ranking positions in Bhalam’s PDDP. I think that due to their high caste and class, they are both well educated and this perhaps qualified them for the positions. Also, the most outspoken Chair of one community group was a Brahmin (highest caste). These are examples of socially mandated power positions continuing to affect Nepal’s development projects. Two members (the chair and manager) each of 11 Bhalam community organizations under the PDDP attended the meeting. Four of the representatives came from two all-female community groups. Some of the community groups present were water-tap building groups, and roadconstructing groups. The women were from two mothers’ groups. These women are an instance of the development strategy that separates women into their own development groups. These women were very quiet during the meeting unless asked specifically how
they felt about an issue. I cannot draw a strong conclusion about this observation because this relative silence could be due to personal characteristics or their mood that day, and not necessarily their gender, alone. Keeping these possibilities in mind, the group dynamics of this PDDP Chair and Managers’ meeting showed that community groups may still be dominated by traditional social structures and oppression by gender and caste. My recommendation that pre-existing social networks be utilized by micro-credit programs still stands, but the experience at this PDDP meeting made me see the intricacies of such pre-existing social networks. Perhaps the Social Mobilizer and the Local Trust Fund manager were selected for their position because their family is well-respected and well-trusted in the community. It is equally as plausible that discrimination and unfair caste advantages that are often associated with caste-structured societies played a role in the hiring of these employees. Pre-existing networks can be beneficial for micro-credit development programs, but the negative effects of what outside societies see as culturally discriminatory practices need to be considered when choosing this strategy.

At the meeting we learned about the structure and ideas behind the PDDP from the local participants at this meeting and later I was able to research the organization and read the formal description. I value the experience of hearing opinions of those working on the ground level because those participants can speak honestly of their experiences with the program and have little incentive to “sell the program”.

Nepal’s National Planning Commission Secretariat with the cooperation of the Ministry of Local Development and the United Nations Office of Programs and Services (pddp.org.np) executes the PDDP. The philosophy behind the project is that

Social mobilization works on the basic assumption that poverty is a form of social, political, and psychological disempowerment and occurs when people
lack access to a social base of power and productive wealth. Thus, enhancing people’s access to social power reinforces their productive wealth which in turn leads to improved livelihoods (pddp.org.np).

The PDDP has central, district and village level planning. The project trains a Social Mobilizer from each village as well as an employee who conducts trainings on bookkeeping. The first major activity of the Social Mobilizer is to rally representatives from 80% of the households in the village into a large community meeting. At this meeting it is collectively decided what issues are important to the community and these issues become the focal points of each smaller Community Organization (CO). The PDDP strongly believes that it is essential for “the whole society to move together in a consensus and to build community level social capital” (pddp.org.np).

The program encourages women and marginalized peoples (for example members of the lowest caste) to form their own groups so that they can exercise leadership and feel empowered enough to voice their concerns. From my experience with the mixed gender and caste group in Bhalam, it is still the case that males of higher caste and class maintain more authority and power in meetings than the low caste, low class and female participants. Each small community group sends two representatives (the Chair and Manager) to a monthly Chair and Managers’ meeting to discuss problems and successes their groups have experienced. These Managers’ meetings operate by consensus so the Manager of a woman’s organization or dalit (lowest caste) organization has equal the input of any other manager.

The UNDP creates a Local Trust Fund (LTF) at the district level and supplies the initial credit in the fund. The LTF is a revolving trust fund that is expected to grow with contributions from internal and external organizations. The objectives of the fund are:

to provide necessary financial, technical and institutional support to implement the village development program (VDP) based on the social mobilization approach in an effective and efficient manner, to promote the institutionalization
of the VDP to ensure its longer term sustainability, to expand and replicate VDPs in more areas, and to promote the formation of a range of alternative development institutions, under local ownership, to address prioritized local level development needs (pddp.org.np).

A Local Trust Fund Board at the District Level manages the transfer of money from the Fund to the organizations. The Board also has the responsibility of hiring a team of specialists from the NGO, government and private sector that makes sure each village is provided “professional skills training, transfer of technology, quality control and linkage with markets” (pddp.org.np). The Local Trust Fund Board handles a large amount of money and does not have much contact with participants in the village, yet, as far as I can tell, there is not a monitoring system for this step of the program, thus there are gaps in accountability in the program.

In addition to the financing by the Local Trust Fund, Community Organizations are required to keep a group savings account where each member deposits money weekly. Groups can borrow from this account or from the Local Trust Fund. Other donors help fund the LTF in addition to the UNDP. For example, NORAD, the Norwegian Agency for Development Cooperation, has donated more than $3 million to PDDP with the stipulation that this money specifically aid “women and the downtrodden in the social mobilization process” (pddp.org.np). This instance of a requirement attached to donor aid connects the development theory presented in the beginning of this paper with a real world example. The theory contends that aid attached to stipulations from above is dangerous because it threatens the autonomy of the development project. In the PDDP and NORAD case, NORAD may have found a failure of the PDDP to adequately empower the traditionally powerless. To strengthen the program, NORAD gave $3 million dollars to be used only by this segment of society. I do not think this example of top-down dictated requirements is harmful to the independence of the PDDP
because the empowerment of women and the downtrodden are two of the project’s goals. NORAD’s strategy also is one solution to the dilemma mentioned earlier of utilizing pre-existing social networks but not encouraging discriminatory cultural practices. It is useful to examine each instance of top-down direction with respect to possible harmful effects of donor funding.

The first phase of project implementation is setting up the Community Organizations, choosing a Chairperson and Manager and starting a group savings account. In the second phase, COs are encouraged to “initiate programme activities which do not require external inputs or costs, but which can bring the members to work together for a common cause” (pddp.org.np). An example of one such activity is to start literacy classes for illiterate CO members. Phase three entails the use of LTF money for individual and collective entrepreneurial activities. In the fourth and final stage, the PDDP recommends COs carry out “local investment in small-scale productive infrastructure development like irrigation projects, drinking water supply scheme, commercial forestry...” (pddp.org.np). This suggested process encourages COs to start with small, low-risk projects and build up their project-implementing capacity. It is recommended that each phase occur over a two month period. I recommend the Community Organizations take as much time with each phase as is necessary. As long as they continue to meet and develop long-run plans and strategies, the group solidifies and bonds of trust form between members. The more quickly groups decide to move on to phases of larger, loan funded projects, the more chance there is that projects and groups will fall apart, and loans will not be repaid. When money is introduced to the situation, there is an opportunity for corruption. The more familiarity of group members and the more experience lending-groups have making decisions, the more accountability between
members there will be. If breaches of trust occur early in the group forming stage or if a
group-member’s credibility is questioned, there will be time to correct the breach before
money even enters the situation. Further, since these groups operate within communities,
more time allowed for the group formation process allows communities to connect each
member’s family honor to that member’s actions in the group. Social ties become part of
the loaning process and keep members accountable.

The PDDP conducted an internal evaluation of its program. It listed impact,
challenges and suggested changes for the future of the PDDP. By June of 1999, three
years after the start of the Participatory District Development Project, 66,140 households
out of 89,883 (80.8%) had been affected by the project (pddp.org/np). On the PDDP
evaluation web-site a comparison is made between the feelings of people toward the
process of development projects and user groups in 1996 and feelings toward the PDDP
method of development now. The evaluation claimed that participants now have “strong
feelings of ownership towards projects they select and implement” (Ibid.). This feeling
of ownership may come from the time and effort the beneficiaries sacrificed for the
projects. Ownership may also come from an economic standpoint because PDDP
members donate a small amount of money to their local fund and this fund is used to pay
for projects. The internal evaluation claimed that no longer do “influential personalities”
and those with traditional influence in the community (males, higher caste) dominate the
decision making process and “utilize resources for their benefit”. As stated earlier, I
found this not to be the case, but it is possible that the influence of such traditionally
powerful personalities is lessened. The fact that the lower castes and class are given an
equal vote in decision-making undoubtedly challenges preexisting discriminatory social
relationships. Decisions are made through consensus with equal opportunity of the
members to voice their concerns regardless of their caste, gender or status, the evaluation says. I did witness this step at the manager’s meeting. The facilitator made sure to go around the room and ask each participant if he or she agreed with the decision at hand or if he or she had any input to provide on the topic.

Some internally financed, phase-one activities that the evaluation noted were pit latrine construction, tree planting, and village trail construction. The evaluation reported that the Local Trust Fund had been used for income generating activities as well as “social works” that benefited the whole community. The example provided of one such “social work” is a dipping pond to rid village animals of ticks and pests. As for the revolving nature of LTFs, the PDDP contributed to trust funds only once and then District Development Committees and Village Development Committees contribute annually. I argue that this is evidence that the government (who operates all DDCs and VDCs) is cooperating effectively with the UNDP.

Community Organizations in the districts surveyed were asked to classify their members into the “poorest, poor and medium”. After three years of participating in the PDDP, the poorest 10% of COs, or 8,469 households, were said to have “upgraded their livelihoods” (pddp.org/npl). From 1996-1999, enterprises established through COs increased from 2 to 156; houses with tile or tin roofs increased from 160 to 292; households with toilets increased from 102-396; households with drinking water within 30 minutes walking time increased from 52 to 77; irrigated area increased from 162 to 239 hectares; cash crop production area increased from 71 hectares to 140 hectares; and community building construction increased from 1 to 4 (pddp.org/npl). Dispute cases registered in the VDC decreased from 25 to only 10 (Ibid.). This decrease in disputes may be caused by the increased community organization and practice of group decision-
making. The fact that the poorest 10% in the districts surveyed were positively impacted by the program is an important finding. This may be evidence that access to capital and accountability from the bottom-up has a major impact on the reduction of poverty. The major increase in enterprises established (from 2 to 156) may lead to a constant increase in capital for these entrepreneurs as profits exceed start-up costs. Such returns could not have been possible without initial credit loans from projects such as the PDDP.

Not only has the PDDP had these positive effects on the lives of participants, but it has also affected the credit monopoly that private lenders once held. Gambhir Bhatta remarked in his article “Small is Indeed Beautiful but…” that given the low level of penetration of capital in rural and remote areas [in Nepal], the informal sector traditionally has dominated the credit scene…the interest rates [of moneylenders] normally are exceedingly high; while this should discourage borrowers, the lack of hassle-free and ready credit sources in the rural areas effectively gives them no choice but to access credit from the informal sector. (Bhatta 287)

The presence of micro-credit programs such as the PDDP in rural areas breaks the monopoly that informal money-lenders have had. The PDDP evaluation remarks that money lenders used to charge as high as 60% interest rates but now they average 28% (pddp.org/np). The PDDP explains this decrease in interest rates by saying, “with most of the people in the community mobilized in one or the other CO, and the fact that these people can avail of collateral free loans at a much lower interest rate from their own CO in the Local Trust Fund, it is no wonder that the money lenders have lowered their rates too” (Ibid.).

The evaluation expressed concern that a majority of the projects COs and individuals undertake with the micro-credit loans are of an agricultural or livestock nature. “This is due to poor accessibility of the rural communities to the better, appropriate and efficient technologies”, the evaluation assessed (pddp.org/np). The
evaluation recommends PDDP place an emphasis on “the introduction of innovative appropriate technologies at the grassroots level for COs to undertake productive enterprises”. The PDDP plans to “focus on those technologies that promote the utilization of labor and locally available resources” as well as create “linkages with specialized centers like the National Agricultural Research Center…various technical institutes, centers for renewable energy, etc.” (pddp.org/np). This problem seems to be caused by a shirking of responsibility of the district level Local Trust Fund Board. As I understand, the LTFB is responsible for creating a district-level staff of resource people with technological, book keeping, and community organizing skills. This training staff is designed to aid PDDP participants with the very problems the evaluation commented on. The LTFB needs to take responsibility to connect this staff with local entrepreneurs at the grass roots level. This supports my recommendation in the next section that the LTFB needs to be monitored more closely.

The PDDP web-site describes a project it plans to implement that will combine funds from the Asian Development Bank, PDDP and Nepali government with technical assistance from the UNDP’s Rural Energy Development Program. The project will be constructed by COs and the district irrigation office in the Chafamandu VDC in Achham. The project will supply electricity to 193 of 212 households in the area. The Local Trust Fund will supply 700,000 Rps (USD$9,333.33), the government will supply 550,000 Rps (USD$7333.33) the ADB will supply a loan of 335,178 Rps (USD$4469.04), and local Community Organizations will supply 157,000 Rps (USD$2093.33). This project is a positive step toward integrating new technology with the works of the PDDP. It is encouraging to see that the COs are partially financing the project because this gives them a sense of partial ownership of the project. CO members may be more committed
to see the project last since their own money was put into the project. I am a little apprehensive about the ADB loaning money to the project because the micro-hydro project will not be a direct income generating activity. I wonder where the community will make the money to repay the ADB when they have already used their CO savings accounts to fund the project. My fear is assuaged a little by the fact that the ADB is the second to smallest donor in the project—loaning, roughly, only one tenth of the total cost. The ADB’s contribution is helpful, but the loan is not substantial enough to be detrimental to the community if the community has difficulty repaying the loan on time.

Some Community Organizations have been able to take on second, larger projects because they have been successful in finding markets and repaying their loans from the LTF. This sometimes entails taking out larger loans. The PDDP evaluation remarked that in some cases, more credit needs to be mobilized than the PDDP can provide. It recommends linking mature COs to private banks. When established and experienced COs can safely take loans out from banks, the micro-credit program has been a success. In such cases, the micro-credit program has provided initial credit that community organizations would not ordinarily have had access to; it has provided technical and business trainings to increase capacity of the community to sustain productive enterprises; and it has allowed a duration of time in which trust could be established. In a sense, it has trained community members through low-risk steps to be able to handle larger development projects. It has given the community the boost it needed to mature enough to take on large, once extremely risky projects. This process is economic and organizational capacity building through cooperation of bottom-up organizational accountability and top-down funding.
The Social Mobilizer and Local Trust Fund manager were present at the meeting I attended of CO Chairpersons and Managers. The Social Mobilizer wrote checks to the CO Managers for their CO’s projects once the group decided where money should be allocated. The presence of the Social Mobilizer may have influenced the answers of the PDDP participants when I asked them what problems they experienced in implementing development projects in their communities. All of the participants said they needed more money from the LTF than they were being given in order to implement effective projects. Not only did they say they need more money than they are given, but they also informed me that the UNDP has been phasing out funding. The UNDP used to cover 75% of the development cost and the COs generated the other 25%. Now, however, the UNDP claims that the PDDP is more mature, capacity has been built and the communities need to take more responsibility for financing their projects. One CO member in Bhalam told me that the UNDP only funds about 25% of development cost and the COs must finance the remaining 75%. After successful group-accountability has been established and PDDP COs have had experience implementing development projects and micro-enterprises, the COs should be able to go to local banks for loans. From the group’s fearful response to my question about phasing out funding, I conclude that either the groups are asking for more money from the PDDP because it is easier than navigating banks and interest rates, or that the PDDP needs to help bridge the CO’s transition from PDDP loans to loans in the private sector.

My information on the Production Credit for Rural Women Project differs slightly from that of the PDDP. I did not have the opportunity to attend any PCRW activities on the ground level, but I interviewed two high-level officials (both women) in the program as well as collected information online. I would like to note that the members of the
Community Organizations and the Social Mobilizer at the PDDP meeting I attended were all pleased that I took an interest in their meeting and they were eager to talk to me afterwards. I got a very different response from the officials I interviewed from the PCRW. They were much more defensive initially and suspicious of my interest in their organization. The difference between the two reactions to my interviewing could be because the PDDP participants may have been hoping my presence would bring them more funding while the PCRW officials may have thought I was snooping for negative information on their organization. When you receive such a strange welcome from an organization, you can not help but wonder if the representatives feel they have something to hide from you. The other major difference between my data collection between the two organizations, and this information is beneficial to the PCRW, is that I was able to find external as well as internal evaluations of the PCRW. An external evaluation usually supplies less biased information about a program than an internal one and often has no qualms about frankly stating realistically how the project is running and what the challenges of the project are.

The Production Credit for Rural Women Project, like the PDDP is a collaboration of Nepal’s government (specifically the Women’s Development Division), civil society, the UNDP, the International Fund for Agricultural Development and the United Nations Children Fund (UNICEF). Other funding for the PCRW comes from the Asian Development Bank, USAID, the World Bank and the Central Bank of Nepal. The PCRW program is an attempt, like the PDDP to bridge top-down funding and bottom-up participation. The development literature warns of the dangers of a shift in accountability from the bottom-up to top-down accountability when there are large donor agencies involved. My research from the PCRW did not show this but my research was not at the
grassroots level, and unfortunately my research of secondary sources on the internet did not include evaluation or feedback from the ground level. The possibility that demands from above and unrealistic feedback requirements may occur in this organization must be considered.

The PCRW Project began in 1982 with the objective of aiding rural women who live on less than 4,400 Rps (USD $60) annually. The women are organized by an outside employee of the PCRW into self-help groups and then are given training. By September of 2000, 67 of Nepal’s 75 districts had PCRW Projects in operation. Rather than organize as many households in a locality as possible, PCRW does an evaluation of all the women who may be eligible for the program and creates groups for micro-lending from this target population. The women may have no prior experience working with each other. For the start up of projects in the services and industry sector, PCRW grants women a one to five year loan. A loan for planting crops is less than one year and loans for buying livestock are three to five years.

UNICEF and IFAD conduct internal evaluations of the program and the UN Development Fund for Women (UNIFEM) conducted an external evaluation. UNIFEM lists some of the major gains for beneficiary women of the PCRW program as “creation of assets, food sufficiency, increase in child enrollment in schools, [and] a high frequency of participation in the community” (unifem.org). Also, UNIFEM found that the increase in income that is a result of women’s participation in the PCRW program has lead to greater status in the community and increased confidence in the women (Ibid.). The Benefit Monitoring Evaluation (BME) unit of the Women’s Development Division found that projects that used loans for cottage industry and services were more profitable than projects that bought livestock (ifad.org). A system of technical support such as
“specialist extension officers” needs to be created to benefit the local entrepreneurs. The BME suggests such specialists could provide training, advice and financial analysis of profitability (ifad.org). The credit recovery rate for cottage industry loans is 47%, services is 39% and livestock is 34% (Ibid). It is critical that this low rate of repayment be addressed and rectified if the PCRW expects to continue lending. The BME gave the harsh recommendation that the IFAD end funding of the current credit delivery system if the current credit recovery rates do not improve. This is a prime example of the donor’s power to make its recommendations complied with by using money as means of “negotiation”. In this case, however, there is much evidence that drastic change needs to be made in the PCRW’s flawed system. Perhaps the PCRW, with all the blockages that come with the bureaucracy of the Nepali government, failed to make efforts at change and IFAD had to resort to threats of ceasing funding. The BME finds that the PCRW’s credit delivery system needs to become more defined and monitored as well as “be formulated to deal with the past stock of long overdue loans” (ifad.org).

40% of PCRW beneficiaries that were sampled by BME either dropped out of the program or became inactive in the program after the first loan cycle. BME cites several explanations that participants listed for this trend. In some cases, “group composition was not appropriate in terms of socio-economic differentiation, caste and ethnic parameters”, in others, “beneficiaries did not agree to norms of group operations because of internal misunderstandings” (ifad.org). Both of these explanations are a result of major group malfunction. The other two major explanations for the high program drop-out rate were that the enterprise undertaken failed (for example death of livestock or crop failure) or that the loan was not utilized for the stated purpose (Ibid.). On this topic of
corruption, the BME remarked, “groups have increasingly been formed directly for the uptake of credit” with little intention to repay the loan (ifad.org).

I would like to compare the high failure rate of the PCRW with other micro-credit organizations in Bangladesh and Vietnam. In his paper for the Canadian International Development Agency, Norman MacIsaac gives a figure that annual drop-out rates in micro-credit organizations in Bangladesh range from 10-15% (MacIsaac). The Shakti foundation in Bangladesh is a micro-credit organization founded in 1992 to aid poor urban women. Unlike the PCRW, it claims a 100% recovery rate of loans (Islam). It has helped 15,000 women and gives average individual loans of USD $100 (or 4,000 Taka). The program attributes its success to several factors that the PCRW could implement. These factors are:

regular attendance in the weekly center meeting; group pressure- if someone is defaulting, then we also have a center fund to take care of defaults; and continuous interaction with borrowers through different kinds of workshops. In some cases when people default, letters were sent to their families and influential relatives. Sometimes also absconding borrowers are tracked down by the group, who then creates pressure on the woman to pay back her debts. (Islam)

This program has successfully fostered group accountability that is based on social networks of honor, trust, and shame. The PCRW needs to encourage joint liability groups to check up on each other and make sure loans can be and are being repaid.

Another micro-credit program, the PDDP in Vietnam reports 100% repayment rates (Coleman). The PCRW pales in comparison to organizations with loan recovery rates such as these. Unfortunately, drop-out rates and loan recovery rates are not available for Nepal’s PDDP projects. These would be very useful for a thorough comparison of the PCRW and PDDP.

A major criticism that all of the evaluations list for the PCRW is that groupings are dictated from above and are not given time to adequately solidify before credit is
distributed. The IFAD evaluation commented on the short amount of time group members were given to get to know one another. The evaluation said, “Groups that are hastily created soon fall apart after the granting of the initial credit: the joint liability provisions that should mitigate and reduce risk do not mature. Credit recovery drops and project sustainability is threatened” (ifad.org). This finding supports the development literature’s view that social capital takes time and experience to mature. The top-down PCRW policy of lending credit soon after the groups are formed does not allow inter-group networks of trust to form. The evaluation also notes negative effects of choosing beneficiaries on the basis of their economic status by saying, “the present command system does not allow beneficiaries sufficient time to screen each other as ‘potential credit risks’...Normally, a group becomes cohesive when the individuals with the lowest risk of default recognize their mutual interest in cooperating” (ifad.org). The PCRW, however, selects its beneficiaries from those who are the highest risk in society for loan default (women with few if any safety nets and very little opportunity to earn income). The BME evaluates of its own program that obtaining full cooperation of all of the members of a community may be a more effective method of micro-finance.

The process of screening applicants and creating groups is critiqued as being “excessively time consuming” and a result of an “overly centralized administration” (ifad.org). The BME found a high degree of central direction from the Women’s Development Division. They comment, “members’ freedom to choose group members and type of credit funded enterprises was extremely restricted” (Ibid.). Pre-existing networks within the community are disregarded in the PCRW program. If beneficiaries had more of a say in the choice of their group members—if the program were more committed to bottom-up organization and accountability—then they would probably
choose members of the community who they already trust and can work well with. Giving beneficiaries a greater say in the group-forming process and less top-down direction may make loan repayment more effective. I must caution, however, that complete grassroots decisions by group membership with no protective regulations for lower caste and lower class may be harmful for those in traditionally discriminated groups. Nowhere in the PCRW literature is this reason mentioned as to why the program utilizes such top-heavy direction.

The PCRW works through commercial banks to obtain loans for the beneficiaries. The BME evaluation discovered that, “with a limited value of small subsidized loans, transaction costs have remained high and profit margins low” for the participating banks (ifad.org). To resolve this issue, the BME recommends the PCRW “intensify its efforts to mobilize and enroll small borrowers to reach the bank’s thresholds for critical mass, at which point they become attractive business prospects” (Ibid.). IFAD concluded that the participating banks would not support the program much longer if this threshold is not met and the banks participation continues to be unprofitable.

The UNIFEM evaluation mentioned, “qualitative changes, including social and attitudinal changes brought about by the program are not captured by the numerical data on the population coverage and activities completed” (UNIFEM). This confirms one theme in the development literature that much of the positive work that goes on at the grassroots level is not quantifiable. UNIFEM advocates the separation of women from mainstream development programs so that they can develop leadership skills and so that women have the opportunity to, independently from men, partake in the formal credit system of the banks through the PCRW program. In their attempts to maintain funding, development workers and grassroots participants often must convince donors or higher
officials that they are doing productive work. When the positive effects of their work, such as attitudinal changes, and women’s empowerment, cannot be translated into a figure, it is difficult to justify their programs. Justifying a longer program time—for steps such as group formation—is especially difficult in cases where, at the ground level, time must be taken to allow trust to be established. This extra time may cost the donors more money, in the short term, than if group formation is rushed. IFAD notes that “a necessary outcome for donors to accept is that with this process [of group development and training...] overall project disbursement rates initially are lower, but that prospects for long-term impact and sustainability are greatly enhanced” (ifad.org). During this initial period, the programs may not be producing monetary results, but the building of strong social ties helps build capacity of an organization and makes it more sustainable in the long term.

The PDDP and PCRW are micro-credit groups that try to harness the benefits of civil society and bottom-up accountability to reduce poverty in Nepal. Both organizations are negotiating the gap between top-down funding and bottom-up accountability. The major criticism of the PCRW is that it is too top-down directed. I hypothesize that both organizations would have better rates of loan repayment and more accountability at the bottom if they worked through pre-existing community organizations. The differences in the methods of the two organizations bring up issues of power from the development literature.

FAIR TRADE ORGANIZATION CASE STUDIES

In this section I introduce the ideas of Fair Trade and describe the context of Nepal’s Fair Trade organizations. Since one of the major problems of micro-credit programs in Nepal is lack of markets on which to sell micro-enterprise goods, I advocate
a stronger link between small micro-finance entrepreneurs and Fair Trade organizations. If this connection becomes more strongly established, informed consumers, mostly from developed countries, can intentionally buy products from small, micro-finance producers in Least Developed Countries.

I interviewed two Fair Trade groups in Kathmandu and one in Pokhara. The Fair Trade philosophy is that people in Northern, developed countries buy goods (in Nepal’s case, mostly handicrafts) from organizations in Least Developed Countries that have committed to paying workers a living wage with benefits. These products do not compete in the regular market, rather, it is a market of informed consumers who are willing to pay a little more for the products they buy in order to have the assurance that the workers who made the products were treated fairly and with decency. All of the Fair Trade Groups I interviewed targeted poor women as beneficiaries for their programs and trained them in weaving and handicraft skills. Fair Trade links poor people to a market on which to sell their goods. This is the step both micro-credit programs I researched had problems implementing. The three Fair Trade Organizations I interviewed, Mahaguthi, the Association of Craft Producers, and Women’s Skills Development Project, are all members of the federation called Fair Trade Group of Nepal, and International Federation for Alternative Trade. To become a member of these organizations a Fair Trade group must demonstrate that it provides a living wage to its workers and meets and continues to provide other criteria such as maternity leave. This creates a monitoring system through a network of organizations. The organization benefits from association with IFAT and FTGN because it gets publicity, it is validated as truly Fair Trade, and the groups can work together to share effective strategies and tackle challenges together.
Mahaguthi, “big cooperative”, in Kathmandu is a Fair Trade Organization that runs a shelter where destitute and low caste women can live, be trained in the art of handicrafts, take literacy classes, and where their children receive an education. The founder of the organization worked with Mahatma Gandhi and based the organization on the principle of self-reliance and started the shelter in 1979. I visited this shelter, called the Tulsi Manandhi Ashram, outside Kathmandu and witnessed a lesson on weaving fabric using basic technology that the women could bring back to their rural homes and continue producing for Mahaguthi. For example, to warp the yarn before it is woven, an instructor was showing women how to wrap the yarn around four tall sticks stuck in the ground to prepare it for weaving. This cuts out the cost of each woman buying a warping machine. Women come to this shelter from rural communities and 26 live in the shelter at a time. After their year of stay is completed, the women must leave the shelter but Mahaguthi continues to buy their products and sell the handicrafts overseas and in the Mahaguthi store in Kathmandu. Additionally, the women’s children are allowed to stay on at the shelter, sometimes for many years, until they complete primary school. It is not known how effective the program is for bringing rural women out of poverty because no evaluation or follow-up of the women who complete the program has ever been conducted for this organization. The fact that the children are allowed to stay on is very inspiring because many children of impoverished families must find work, as a domestic servant, or in a factory, in order to increase the family’s income. Providing food, board and free education for the children of the poor women in the program may prevent the children from joining the work force as young as age seven. In addition to the production from the shelter, Mahaguthi employs 41 producers who work above the display room in Kathmandu. There are more than 150 producer groups, with a total of 1200 members,
who live elsewhere and Mahaguthi collects and reprocesses their products. Mahaguthi provides new designs, market feedback on which designs are bought the most in the stores, loans and financial support to all of its producers. The market is 30% internal and 70% external to Nepal. Alternative Trading Organizations such as Oxfam are the major buyers of Mahaguthi products.

The Association of Craft Producers and Women’s Skills Development Project work under the same Fair Trade philosophy. Neither of these organizations runs a shelter as Mahaguthi does. My interview at the Association of Craft Producers informed me of several struggles Fair Trade organizations are faced with. While Fair Trade does not work on the principles of a free market, competition still exists. ACP is the largest Fair Trade producer in Nepal and Mahaguthi is the second. They both constantly struggle with keeping production costs low and designs creative while maintaining a fair wage for the workers. Competition internationally is also a problem because Nepal’s landlocked status makes shipping fees more expensive for buyers overseas than from Fair Trade groups in India or Bangladesh. All of the ACP employees work in one building in Kathmandu. The workers in the ACP recently unionized and both the executive of ACP and of Mahaguthi look very negatively upon unionization of Fair Trade workers. They remark that those at the top of a Fair Trade organization are already looking out for the rights of the worker—it is in the Fair Trade philosophy—and the executives have enough problems to manage such as competing with the regular market for buyers.

The Women’s Skills Development Project, located in Pokhara, in central Nepal, specializes in bags. They want to make one thing and make it well. Here also, the workers come daily to the building and are trained and employed in making handbags. This organization employs only women. The women hear about the organization by
word of mouth and many of them, I was told, come from the very poor makeshift settlement in town.

All of these organizations seem to be well networked with one another and with international buyers. One criticism I have of the organizations is that they do not penetrate rural regions of the country at all. Perhaps some of the Fair Trade workers originally came from rural villages but migrated to the city to find work, but Fair Trade seems to sustain the rural-urban divide. One limiting factor of Fair Trade is that its market is limited. The products that most Fair Trade Organizations produce are fabrics, paintings, and handicrafts that are generally more for decoration or gifts than for practical use. There is a market for these products among informed consumers in Western countries who have the economic means to pay more for a product with the assurance that the money is helping poor, Third World producers. It would be difficult for Fair Trade products to penetrate local markets in LDCs even if they produced pots and pans or buckets for carrying water. The competition from companies who do not pay their workers much money and have factories to mass-produce products will drive the more expensive Fair Trade goods off the market. Despite these limits, the Fair Trade market is increasing according to the groups I interviewed. The organizations have been hiring more producers to fill larger orders as the Fair Trade trend spreads among consumers. ACP has found a market for its curtain products in high-scale Nepali hotels. Hotels like the style and can pay the extra cost of buying Fair Trade goods. Since Fair Trade organizations have market connections, they should coordinate with micro-credit programs and producers to sell their products.

Chapter Four: Conclusion and Queries for Further Research
RECOMMENDATIONS

Each of the three categories of organizations has its own struggles to grapple with. I will highlight a few here that can be mitigated through a coordination of development organizations. One mothers’ group I interviewed had to abort its literacy project and the construction of the building for meetings has been put on hold due to lack of funding. I critique some of the mothers’ groups’ projects as less urgent than other potential development projects they could undertake, but the economic buffer that mothers’ groups provide to the community is important and perhaps under-appreciated at first by Western development theorists. Mothers’ groups help many community members get through tough financial times that are caused by social obligations. By keeping community members out of debt, the benefit of mothers’ groups should not be overlooked. These organizations are bottom-up oriented and effectively reach the people who development aims to help. Development theory shows that micro-credit schemes are much more successful with non-agricultural endeavors. Micro-credit organizations in Nepal must confront the fact that the people and the economy of Nepal rely very heavily on agriculture—many Nepalis support themselves with subsistence agriculture and 80% of employment comes from the agricultural sector. Training needs to be provided by the micro-credit organization on non-agricultural options in micro-credit enterprises. My case study of the PCRW revealed that top-down selection of micro-credit groups is hindering the process of the joint-accountability strategy. Groups are more likely to endure if they are based on pre-established networks of trust in the community. Further, more time needs to be given to groups to cohere and build capacity before loans are distributed. Micro-credit programs embrace and benefit from the group-accountability of the participatory development strategy. While displaying an impressive system of
corruption-free management of money on the ground through group-accountability, there are still actors in the Participatory District Development Program who are not held rigorously accountable for their management of funds. I am referring to the district-level Local Trust Fund Board. Unless the program holds all of its actors equally accountable for the responsibilities mandated to it, the benefits of group-accountability and trust networks are obsolete. The final major struggle for micro-credit institutions is a lack of market connections. Micro-credit enterprises are not driven by the demand for certain products. Micro-credit theory focuses on creating employment opportunities for those with no access to jobs and may lead to the production of products that there may be no demand for in the local market. A micro-credit entrepreneur may go through training and decide to use her loan to manufacture incense sticks to sell because she finds incense sticks easy to produce. If there is no demand in her community for incense sticks then she will not earn money and may default on her loan repayment. If she could send her product to another community that has a high demand for her product she may not default on her loan.

Mothers groups have time, energy, experience implementing projects and strong ties between group members. Micro-credit groups would benefit greatly by engaging Nepal’s social capital in the most effective way possible--by working through these pre-existing networks. The problem of short-lived micro-credit groups would decrease if pre-existing community organizations were integrated with micro-credit programs because members would already know each other, and have experience working with each other. Trust would already have been established in these groups and they would be much more prepared to receive, utilize and return credit from the micro-credit lending organization. Mothers’ groups and other community organizations would gain access to capital for
completing development projects with little damage done to their autonomy if they coordinated with micro-credit organizations. Micro-credit lending groups would endure longer and would have better loan repayment rates because of group pressure and helping each other to repay loans if pre-existing networks were utilized in these micro-credit programs. Without such coordination, there is a risk that beneficiaries do not have an excess of free time so their participation in pre-established organizations may wane if a priority is put on participation in micro-finance organizations because they supply capital. If this is the case, development programs that create their own lending or beneficiary groups may harm civil society groups.

The Local Trust Fund Board of the PDDP needs a system of monitoring. The beneficiaries work by consensus and joint accountability, so corruption is minimized on the ground level. The LTFB handles the largest concentration of money out of all of the levels of the PDDP. For this reason, it is crucial that corrupt handling of the money be prevented. The manager of each community organization is held accountable for the money he or she looks after. The manager and the chairperson cannot make any decision without the agreement of the entire CO. PDDP’s literature says, “this system has protected the rural people from the monopoly that is often exercised by the executive committees of the various users’ groups during discussions and decision making processes (pddp.org.np). The Local Trust Fund Board needs to be held equally accountable as every other step in the PDDP process.

The PCRW needs to evaluate whether the benefits of creating exclusively female, impoverished micro-lending groups outweigh the challenges to repaying loans. Likewise, the PDDP needs to evaluate whether mixed gender, mixed caste and mixed class Community Organizations give equal voice to all members. The UNDP has made
impressive steps toward bridging top-down development funding and bottom-up accountability through its PDDP projects. The PDDP has also demonstrated that development projects that allow the participation of a majority of a village are more successful than development projects that only allow the participation of the poorest and most traditionally underprivileged groups of people.

Since Nepal became a democracy in the 1990s there has been an upsurge in the number of NGOs. Bhatta researched micro-credit programs, specifically, and found that not all agencies are of equal caliber. He says

> it is likely that there is considerable encroachment into each other’s turf and duplication of service. Since the weaker NGOs are not being weeded out by market forces or by the government there will continue to be an inordinately high number of NGOs operating in the micro-credit arena. Unless these NGOs band together into a cohesive unit, agree on common mandates, operational arenas, and delivery modalities and schedules, confusion is likely to continue to rein (292).

This reflects the advice given by Eade and Williams of Oxfam that an organization should consider networking with NGOs doing similar work instead of moving directly into the expansion phase. In the micro-credit programs I detailed here, lots of cooperation could be fostered with benefits for all. It seems the PDDP and PCRW should easily be able to meet and discuss their goals, policies, and possible paths of working together since they have many similarities--both are run by the government with cooperation from large development organizations and both work through organizations of beneficiaries on the local level. These two groups have different goals, one focuses on raising the status of poor women and the other focuses on entire community mobilization, but their insistence on creating micro-credit groups specific to their project sets up a competitive atmosphere between the two organizations. Funds are perhaps being wasted and projects may overlap on some areas of project execution where they could be covering new ground. The PDDP and PCRW need to consider modes of operation that
take each other’s goals into consideration. They need to formulate an approach that uses their funds and unique advantages to maximize development.

Networking should be considered in any maturing bottom-up organization before growth. Organization growth can lead to lessening of accountability from the bottom up. The decision to expand the size and scope of an organization is a decision that needs to be examined extensively before it is carried out. Eade and Williams recommend an organization fully consider the following questions when making the decision:

- What exactly is the problem which growth will address?
- Is growth the only way of addressing it?
- How will negative consequences of growth be avoided?
- What would happen if no growth took place? (404)

These questions are meaningful because they make small organizations slow down and consider the possibility that growth may not be helpful in obtaining the initial goals of that organization.

In many least development countries there is a history of development money from donors being channeled through the LDC’s government. There is a trend in these countries now of donors bypassing the government and channeling funds directly to NGOs who carry out development work. Corrupt government officials were known to have abused their privileges and misused the money for their own benefit. One source that gives an in-depth description of Nepal stated:

Nepal's gravest institutional problem is corruption...A government job with decision-making authority has long been regarded as a license to collect kickbacks ("commissions") from those who desire a favourable decision...Government procedures have even been devised to streamline the process [of corruption in development]- most bilateral aid, for instance, is required to be disbursed by HMG "line agencies", each with its own hierarchy of bureaucrats who expect a piece of the action. (mytravelguide.com)

The credibility of this source is admittedly questionable, but the argument is supported by the presence of anti-corruption policy in the government. For example, the Nepali government’s reform agenda presented to the World Bank included anti-corruption
initiatives (Nepal Development Forum 2000). The World Bank and the government of Nepal have found government corruption to be an institutional problem. The Nepali government, however, still plays an active role in development through the “line agencies” mentioned above. The level of bureaucratic interference in development through the government’s Social Welfare Council in Nepal hinders projects’ effectiveness. Nepal does not allow donors to bypass the state and lend directly to development organizations, but the people would benefit if it moved more in this direction and government bureaucracy were removed from the country’s development. I described earlier the negative aspects of the government dictating group membership in the PCRW program. In addition to such struggles government presence causes in coordinated projects such as the PCRW, many NGOs complain about the “administrative red tape” of the government’s Social Welfare Council (nepal-school-projects.org). All NGOs are required to register with the Council and, more irritating is the requirement that any minor change in policy or “any assistance sought has to go through the same bureaucratic approval process as was the case with the original agreement itself” (Ibid.). The INGO Nepal School Projects posted a warning on its website of the extent of top-down bureaucratic sluggishness in Nepal. The message reads, “INGOs can only conduct business through the Council, even if the assistance of another government agency may be needed” (Ibid.). Further, the group described a procedure they see as commonplace when dealing with the government:

...whenever we may have to seek any assistance that involves the approval by numerous government agencies, we usually allow several months for the process to complete...After the request has been approved by its chief executive officer, the Council would then send a letter of recommendation to the Ministry responsible for the social sector. Subsequently, that Ministry has to send its own letter of recommendation to all other Ministries and government agencies that may be involved in the approval process. (nepal-schools-project.org)
One introductory website to Nepal stated that aid workers “speak of management bottlenecks, where bureaucrats hoard power to such an extent that project managers have to spend most of their time in Kathmandu queuing for signatures instead of getting things done in the field” (mytravelguide.com).

Government bureaucracy adds to the challenges to bottom-up accountability in development. NGOs must answer to not only top-down funders but also government departments that create their own rules and to whom the project must remain accountable in order to exist. The above two sources accuse the Nepali government’s monitoring system of being too bureaucratic to do its job, or too bureaucratic to let them do theirs. There needs to be an independent monitoring system of NGOs, for instance, a confederation of bottom-up organizations. Such an organization could keep members accountable, stop the need for a government department, and create an opportunity for development organizations to share knowledge and coordinate projects with one another. Fair Trade Organizations have been able to create independent monitoring organizations within Nepal and internationally. IFAT and Fair Trade Group Nepal could be good resources for a developing coalition of NGOs to look for successful coordination methods.

CONCLUSION

Purely top-down funded and executed development programs have a history of inadequately impacting poverty and levels of development. Some strategies of top-down development agencies have in fact harmed the poor and prevented sustainable development. These organizations and other top-down donors in development have begun working with bottom-up organizations toward effective, accountable development. These coordinated development programs in Nepal need to work together to tackle
development hurdles such as the rural-urban divide and the mountain-Terai dual economy. Without coordination, development organizations may independently choose the easier task of starting programs in the most accessible areas which creates overlap and competition between projects and excludes a large part of the population from the benefits of development.

Purely bottom-up organizations struggle with a lack of funding. The major struggle of the mothers’ groups I interviewed was that they seem to perpetually be stuck in the fund-raising stage. They rent chairs and utensils to community members, and they dance at social functions to raise money, but when the groups have tried to fund important projects such as literacy programs, they have run out of funding and were forced to abort the project. Mothers’ groups are not taking on larger development projects that I see they have the capacity to complete, such as a community irrigation project. This may be the case because of a lack of funding. I have described how mothers’ groups are great candidates for micro-credit projects and how micro-credit programs can make the necessary capital available to the mothers’ groups to execute advanced development projects. Connecting micro-credit programs and mothers’ groups will benefit the mothers, the micro-credit institutions, and the community as long as emphasis remains on accountability at the grassroots level. This coordination could lead to an effective negotiation of top-down funding and bottom-up orientation.

The micro-credit organizations I explored in Nepal have their individual difficulties. The top-down direction of the PCRW is problematic because members of lending groups that are dictated from above may not have any knowledge of each other or any ties of friendship or trust with one another. These must be cultivated over time, yet the PCRW does not allow sufficient time for group formation before credit is given to the
groups. Evaluations of the PCRW program assign the cause of low credit-repayment to this lack of group formation. When only the poorest members of a community are assigned to micro-lending groups, there is a lack of support, both financial and social, that may exist if all the members of a community were working together to develop the village. Giving capital to the poorest members of a village may give them the boost they need to start a productive enterprise with continual income, but it may cause strife within the community rather than a sense of collective work for mutual gain. The strategy of separating the most destitute or the traditionally under-privileged is theoretically positive, but the poor success rate of the PCRW reveals problems when the strategy is practiced.

The PDDP has to tackle the opposite question of are their meetings and COs too dominated by men and upper caste members and is the separation of women into their own COs a helpful, or an exclusionary procedure? Also, the PDDP, in trying to bridge participatory development with top-down funding, needs to examine the credibility gap I found at the level of the Local Trust Fund Board.

Both of the micro-credit programs I studied need to stop introducing their own group formations and need to use pre-existing groups in the community for their programs. The PDDP and PCRW need to help their micro-credit entrepreneurs find a market on which to sell their products. Since Fair Trade Organizations function outside of the competitive market, they may be very helpful in linking micro-credit producers with consumers. If the micro-credit programs do not help their beneficiaries find a market for their products, most producers will not be able to repay their loans and the micro-credit programs will fail at meeting their goals.
Negotiating top-down funding and bottom-up decision-making and program accountability is a difficult task. The existence of caste, class and gender discrimination at the grassroots level brings up an important question of when it is appropriate for top-down conditionalities to be installed. The thin line between outside development influences encouraging equality on the ground and top-down dictation of conditionalities for funding still remains to be investigated. For example, I see the destabilization of the power dynamics in Community Organizations that privilege male and upper-caste participants’ input a positive step, but not an idea that came from the grassroots. Who should decide what is just and what sort of decisions are acceptable to be dictated from above and what sort of decision should be purely the beneficiaries’ choice? This idea questions social values and dictations from above in a paper that maintains the importance of bottom-up decision-making and autonomy. It is an idea, like the strategy of separating the under-privileged from mainstream development programs, which should be examined further by everyone studying or enacting development programs.

Despite these challenges, the PDDP has done an impressive job of maintaining top-down funding while focusing on accountability to and input from the local level. The definition of development presented in the beginning of this paper took an emphasis off growth in GDP as the primary measurement of development because such growth is often not distributed evenly within the society. Top-down projects such as dam building and structural adjustment programs are usually the method used to attempt the growth of GDP in a country. Micro-credit organizations conversely focus on giving credit with low interest rates to rural, often poor members of a society. Because the credit is given to the grassroots level, these groups more effectively reach the development goals I listed
earlier of creating jobs, reducing poverty and allowing the poor access to more choices and resources in order to create more secure and decent livelihoods.

Large development agencies such as the World Bank, the Asian Development Bank and the UNDP now praise participatory development and have made efforts to support them. These organizations need to be held accountable to their stated dedication-programs that coordinate top-down funding and community organizations need to foster accountability from the bottom-up. If even more international funders support coordinated projects such as the PDDP, perhaps these less-economically focused, more people-centered development goals will be met.

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