

1. INTRODUCTION

1.1 Background

The Support for Policy and Programme Development (SPPD) facility of the United Nations Development Programme (UNDP) aims to develop policies and programmes that could be of assistance to member countries of the organization. Within the framework of this facility, the Food and Agriculture Organization of the UN (FAO) implemented the project Policy and Strategy for Poverty Alleviation and Sustainable Household Food Security in Nepal (NEP/99/023). The main objectives of the project were the following:

- To review poverty and food insecurity issues and concerns at the macro and micro levels and the policy and strategy framework to address these issues;
- To examine the reasons for the lack of sustained and broad-based agricultural growth and poverty alleviation; and
- To design and implement appropriate poverty policies and programme initiatives responsive to the needs and participation of the rural poor, including women¹.

This particular Annex focuses on the institutional aspects of rural poverty and household food security. The study is based largely on a review of available documents, on interactions at various levels and discussions and firsthand observations at the level of the Village Development Committee (VDC) in four selected districts. These comprise Kailali in the Far western Development Region (FWDR), Achham and Mugu in the Midwestern Development Region (MWDR) and Sunsari in the Eastern Development Region (EDR).

1.2 Objectives

The basic purpose of this Annex is to analyse the policies and programmes on poverty alleviation and food security in Nepal from an institutional perspective. This covers all levels but specifically examines the districts covered by the study. Objectives of this exercise are detailed in the terms of reference (TOR) presented as Appendix I to this report. These entail the following tasks:

- Review of the institutional framework and institutional mechanisms of government relating to policy planning, programme development and programme implementation in the rural sector in general and the agriculture sector, in particular, with special focus on institutional and

¹ The specific issues and concerns to be addressed by the SPPD project include the following:

- Identification of critical poverty, food security and agriculture related concerns (and opportunities) at the national level, within the context of the APP;
- Detailed review and participatory assessment of local situation in specific districts in Nepal where these concerns and opportunities are most sharply apparent to identify factors affecting sustainable food security at the household and intrahousehold levels;
- Review of local-national linkages in terms of policy formulation and reorientation; and
- Formulation of recommended policy and programme options to address the critical food security and poverty alleviation concerns.

implementation strategies envisaged under the Agriculture Perspective Plan (APP) and adopted by the Ninth Plan;

- Assessment of the government's present institutional structure and mechanisms for addressing agricultural production, food security and poverty issues at the national, district, household and intrahousehold levels;
- Evaluation of the effectiveness and constraints of district and local level institutions in realizing the food security objectives and poverty alleviation goals of the government;
- Identification of critical institutional concerns related to accelerated growth in food production, enhanced food security and reduced poverty; and
- Recommendation of changes, if required, in reorienting the institutional framework and mechanisms to properly address poverty and food security issues at the national, district, household and intrahousehold levels.

1.3 Scope and Limitations

This study primarily focuses on the institutional aspects of poverty and food security. It should be made clear at the outset that the term "institution" is used to denote an organization (as is generally understood) as well as the rules and procedures governing the operation of that organization (a more technical and professionally accepted expression). Unless this advances the objective of the entire study, no attempt is made to present a genesis of any institution studied in the present exercise.

It should be noted that the focus of the exercise as defined by the TOR mentioned above is on government institutions. Notwithstanding this limitation, the study for the sake of completeness encompasses governmental as well as social, economic and political institutions. Thus, the public and public-like institutions are also covered wherever the context so demands. In terms of its nature, this research is basically policy oriented. Similarly, its emphasis is on the structure and mechanisms of the various institutions and their relationships, on one hand, and between the institutions and households and individuals, on the other. To the extent that the available information permits, it deals with institutions that have a bearing on policies related to poverty and food security at different levels (i.e. both within institutions and across them). It also attempts to discuss the institutional aspects of science and technology given their influence on both poverty and food security.

While the review of existing policies and strategies is based on available documentation, analysis of their effectiveness derives from interactions with available stakeholders at the regional, district and VDC levels. Participatory rural appraisal (PRA) exercises in one selected VDC in each of the four selected districts had also been undertaken to gauge the situation at the household and intrahousehold levels. These were supplemented by focus group discussions involving various stakeholders at the VDC and District Development Committee (DDC) levels. Thus, limitations associated with these techniques are inherent in the study although utmost care and professionalism has been adopted to lessen their effects.

Clearly, the study does not deal with judgments related to the existence or otherwise of food security. Neither does it deal with other factors and aspects of food security or of related policies and strategies.

The districts were purposely selected to reflect their status in terms of human development indicators. Hence, the findings of the study pertain to the specific districts and may not necessarily be representative of the entire country. The same is true with respect to the VDCs. However, given the pattern in which the various institutions, especially those in the public sector, are represented in different districts in Nepal, most of the conclusions may be equally applicable to other districts. This, of course, leaves aside nuances related to social and religious institutions.

At each level, only one round of interaction could take place. Such interactions were sufficient to provide views, opinions and perspectives at various levels, but they did not provide opportunities to elaborate on views, opinions and assessments of the participants across levels or to identify underlying reasons behind a given situation especially when stakeholders' observations and assessments differed. Exceptions were the cross-checking of information, observations and opinions from the VDC level undertaken at the district level. The reverse was not performed, however.

1.4 Methodology

The study, as already mentioned, relied heavily on an intensive review of available plans and official documents in tracking the evolutionary path of institutional resources that support agricultural and rural development. When information was not readily available from published sources, these were obtained from district, regional and central level offices of the respective organizations and from knowledgeable individuals.

Field level data collected using selected PRA tools were supplemented with focus group discussions held at the village and district levels. All relevant district and selected subdistrict level representatives of directly concerned agencies were also visited. Pre-designed checklists were used during the PRA and focus group discussions were organized in order to ensure that all relevant aspects of the investigation were adequately covered. A sample checklist is presented in Appendix II.

The information gathered by the researchers were tabulated and expressed in diagrams and charts in the appropriate form. Village level observations were crosschecked and authenticated at the district and central levels and convergence and contradictions were noted.

1.5 Report Outline

Altogether, this report is presented in six sections. This section offers an introduction while the next describes the institutional dimensions of poverty and food security in Nepal and traces the evolution of institutional support available to directly address these issues. It also reviews policy pronouncements in the periodic plans, with particular focus on the current Ninth (Five-Year) Plan, and assesses the current situation. Section 3 describes the various public sector, private sector and non-governmental organizations (NGOs) operating at the national level. Section 4 does the same for the district, subdistrict and local levels. Institutional adequacy and gaps at the various levels (i.e. national/central, district and local) by kind of agency (government and non-government) are analysed in Section 5. The presentation begins by analysing the overriding issues and factors faced by these institutions. Implied reforms in existing institutional arrangements in the public and non-governmental sectors at various levels are dealt with in the same section. The final section recapitulates the main findings and conclusions of the study and offers some recommendations.

2. POVERTY AND FOOD SECURITY IN NEPAL: THE INSTITUTIONAL DIMENSION

2.1 Historical Perspective

Much of the work concerning the history of Nepal seems to be confined to political history. These too seem generally limited to describing religion-related art, architectural work or the various wars and territorial changes that occurred during the reign of one or other ruler or king. As a result, information related to the history of institutions in the country has been extremely limited. It is especially so for public institutions, including those related to policy planning and implementation at different levels. A paucity of historical records on institutions related to poverty and food security similarly prevents a thorough analysis.

Despite this difficulty, the available information is generally unanimous on a few aspects of history that have a direct bearing on institutional dimensions of poverty and food security. First and foremost, land tax was the principal source of revenue of rulers throughout the history of Nepal. The inscription on the Ashoka Pillar found in the Lumbini Garden is perhaps the earliest written record that testifies that rulers extracted land rent. The inscription dates back to the third century BC². Available documentation for the later years confirm that the tax on land was not only a major source of revenue for rulers; the machinery and institutional mechanisms and structure designed to administer it were also a means to implement state policies. Intermediaries instituted for the purpose of state administration also used the opportunity to further exploit the peasantry and perpetuate feudalism³. Even until the mid-1950s, land taxes remained an important source of government revenue in Nepal⁴.

Second, the concern of rulers for the welfare of their subjects was reflected by deferrals of rent collection or a partial or full waiver of the tax on land for specified periods. The stone inscription

² Joshi, Hari Ram (1984). *Hamro Sanskriti (Our Culture)*, Kathmandu: Department of Information, Ministry of Communication, p. 81.

³ The following documents give vivid descriptions of how the rulers of the day and state intermediaries created by these leaders used land revenue as a basis for extracting rent for themselves, for funding wars and territorial expansion and for perpetuation of feudalism. It should also be noted, however, that these documents seem to be based, by and large, on the same set of principal sources of information.

Regmi, Mahesh (1999). *Imperial Gorkha*, Delhi: Adroit Publishers, Chapters 5 and 6.

____ (1995). *Kings and Political Leaders of the Gorkhali Empire: 1768-1814*, Hyderabad: Orient Longman Limited, Chapter 4.

____ (1988). *An Economic History of Nepal: 1846-1901*, Varanashi: Nath Publishing House, Chapter 4.

____ (1984). *The State and Economic Surplus*, Chapters 8, 10, 11 and 12.

____ (1979). *Readings in Nepali Economic History*, Varanashi: Kishore Vidya Niketan, Chapters 6 and 8.

____ (1978). *Land Tenure and Taxation in Nepal*, Kathmandu: Ratna Pustak Bhandar, pp. 165-172.

Stiller, Ludwig F. (1995). *The Rise of the House of Gorkha*, Kathmandu: Human Resources Development Research Centre (especially Chapter IX).

____ (1993). *Nepal: Growth of a Nation*, Kathmandu: Human Resources Development Research Centre, pp. 38-40.

⁴ For example, until the financial year 1955/56, land revenue remained the single largest source of revenue. Its share of 27.97 percent in total revenue was greater than the combined contribution of customs, excise, sales tax, and land registration and other registration taxes. Prior to that year, the share was even higher. Ref. Dhungana, Bhawani, Narendra Kasyastha, and Bal P. Rai (1976). *An Analysis of Tax Structure of Nepal*, Kathmandu: Centre for Economic Development and Administration.

mentioned above testifies to the existence of such a practice⁵. This appears to have continued until much later. Available information indicates that such instruments were used during the period of unification of Nepal in the seventeenth century and later as well in the Rana regime. However, the evidence indicates that relief had been provided only during periods of extreme difficulty such as droughts and other cases of natural calamities. Rulers usually responded when the threat of emigration and abandonment of land was already high as these people were also the sole source of able-bodied men for the army⁶.

The third area where the available historical evidence seems unanimous relates to the introduction of measures that stabilize or increase agricultural output, the principal source of revenue. Since the rulers could not afford to provide tax relief time and again, they had to find ways to protect their revenue. Irrigation was one such input. Occasionally, the state would dictate the peasantry to maintain irrigation systems so that the chances of crop failure were reduced and, wherever and whenever absolutely necessary, would provide support for their construction. The occasional reference to *Raj Kulos* or state canals during the reign of various rulers before and after the unification of Nepal can be cited as examples of such measures⁷. The successes resulting from such construction work must have encouraged the rulers to issue instructions or dictate construction of a large number of irrigation systems throughout their territory. *Begar* in *Terai* and *Jhara* in the hills are examples of institutionalized forms of unpaid labour initially used by the state, but later by the local feudal landlords as well for various purposes including irrigation. These systems must have had their origin in such infrastructure development although direct evidence is not provided⁸. The very large number of farmer-managed irrigation systems found throughout Nepal is perhaps the product of such institutional innovation notwithstanding the exploitative nature of these institutions.

Reference to provision of food with priority to children and elderly persons during periods of severe drought is also found in history. The state would at times procure, store, transport and distribute food among the affected people. Similarly, to ensure availability of food grains in the local markets, a ban on export of food grains was occasionally imposed or other forms of instruments adopted. To ensure that the crops do not suffer due to lack of seed, the state would distribute seeds to the peasants⁹.

All of the instruments and measures used in the historical past mentioned above required an administrative machinery and institutional mechanism to effectively implement and sustain them over a long period. Considering the high level of illiteracy and extremely rudimentary transport and communication facilities that existed during the reference period, it can be assumed that the institutional mechanisms must have been very effective in order to produce the intended results. As the available documentation indicates, severe penalty for non-compliance with the orders and dictates of the rulers was

⁵ Joshi, Ram Hari (1984). *Op. cit.*

⁶ See, for Example, Mahesh C. Regmi (1979). *Op. cit.*, pp. 46-53.

⁷ Bhandari, Dhundiraj (1971). *Nepalko Aalochanatmak Iihas* (A Critical History of Nepal), Kathmandu: Prakash Prakashan.

⁸ See, for example, Regmi, Mahesh C. (1978). *Land Tenure and Taxation in Nepal*, Kathmandu: Ratna Pustak Bhandar, pp. 257, 320, 460, 504-7 and documents cited in footnote 2 above.

⁹ See Regmi, Mahesh C. (1979). *Op. cit.*, pp. 46-54 for a glimpse of the clarity with which instructions concerning various measures taken during the famine of 1863/64 in Kathmandu valley and several areas in the hills, that of 1864/65 in the far western *Terai* and of 1865/66 in the eastern *Terai* used to be issued,.

one such measure to ensure that orders were carried out thoroughly¹⁰. Threat to life due to the vagaries of nature might have been another factor encouraging collective action.

In terms of administrative machinery, a number of intermediaries with built-in incentives were created for tax collection and administration of relief measures. The various forms of land tenure systems observed until recently are a reflection of the evolution of such machineries and methods over the past several centuries¹¹. Together with these were a variety of instructions called *sanads* that were issued from time to time. These took the form of rules and remained in force for several decades and sometimes even centuries¹². In essence, they were policies expressed in the form of the abovementioned instructions and rules.

Institutions that evolved through this process over the past several centuries, even millennia, include *begari*, *jhara* and *beth*. They are forms of unpaid labour used for the construction and maintenance of temples and monasteries, shelters and inns, treks, trails, bridges and culverts and irrigation canals. Other examples are *perma* and *guthi*. *Perma* is a type of labour exchange among rural people especially during peak agricultural seasons such as transplanting of rice. It could also be considered as a form of labour cooperative. *Guthi* is a form of religious and cultural trust wherein land is originally donated for some religious or cultural purpose and the actual cultivator is a tenant of the trust. All of these institutions that evolved over time have a direct bearing on poverty and food security.

The various forms of land tenure such as *raikar*, *jagir*, *rakam*, *birta*, *guthi*, *ukhada* and *kipat*¹³ are examples of institutions that evolved initially with support of the rulers and which became part of the legislative regime with the passage of time. Others such as *kipat* and *guthi* are indigenous innovations while *jagir*, *ukhada* and *zimindari* were introduced later in history following developments in the Indian plains during Muslim and British rules there. Each of these tenurial forms evolved its own institutional system of interpersonal and man-land relationships. Some of these systems (e.g. *guthi*) have variations at the micro level.

Various legislation culminating in the enactment and enforcement of the Lands Act 1964 and the Lands Regulation 1964 and Nationalisation of Pasture Act 2031 (B.S.) have converted all forms of

¹⁰ *Ibid.*

¹¹ For details on the various forms of land tenure and taxation systems that evolved and prevailed in Nepal over the past several centuries, see Regmi, Mahesh C. (1978), *Op. cit.*

¹² Examples of such rules and instructions include the *Muluki Sawal* (which is a set of administrative rules and procedures), *Madhesh Malko Sawal* (which is related to financial administration in the *Terai*), and the *Muluki Ain* (the Civil Code). The latter codes were developed over centuries and were formally codified in 1854. Some of the rules mentioned therein have religious origin and have been in force for several centuries. One of them, for example, relates to legalisation of the caste system. The system was made illegal only in 1963 although various political parties opposing the caste system ruled the country from 1951 and a number of new laws were brought into force. This indicates the rigidities inherent in the social structure and the degree of seriousness with which any policy change is taken by the polity.

¹³ For definitions and descriptions of these tenurial systems see for example Regmi, Mahesh (1978). *Land Tenure and Taxation in Nepal*, Kathmandu: Ratna Pustak Bhandar, pp. 17-30.

tenures other than *guthi* to *raikar*, or nationalized them¹⁴. The *guthi* form of tenure still prevails given the fact that it is linked with institutions directly related to religion and cultural tradition. Gradually, this tenurial system is also being converted to *raikar*.

The administrative machinery that evolved over this period was geared, as is evident from the above, towards tax collection and rent extraction. After the unification of the country in the seventeenth and eighteenth centuries, the country was divided into several districts, each assigned an administrator to supervise revenue, judiciary, military and general functions. Such administrators were close to the kith and kin of the rulers (i.e. the monarch prior to the advent of the Rana Regime and the Ranas during the Rana Regime and thereafter until the political change of 1951). The basic purpose of the administration was to maintain law and order and extract rent and surpluses for the personal benefit of the rulers and their families. Given the feudal structure of the society during that time, concern for people's welfare was generally shown only when poverty and food insecurity among the masses threatened the establishment itself.

After World War I, however, initiatives were taken to create institutional facilities for agricultural development, which have a direct bearing on food security. An Agricultural Office was established in 1921. Six years later, an Agricultural Council was also established. Similarly, two Agricultural Stations were put up in 1947/48¹⁵ (one each at Parwanipur and Kakani) to test technologies and advise on their appropriate use for the *Terai* and hill regions. While the objective of these stations was to address technological aspects, investments were also made for the expansion of irrigation facilities. The Chandra Canal was constructed in the eastern *Terai* in 1928 and the Jagdish Canal in 1942. Similarly, the Juddha Canal was constructed in 1946¹⁶. The intrinsic purpose of these investments, however, was to ensure perpetuity of the regime as general awareness on people's rights and privileges was already on a rise in South Asia. Addressing the economic concerns of the masses became an instrument to detract their attention¹⁷. The system continued until the political change of 1951.

An analytical review of the way these rules and instructions were framed and presented reveals that the rulers left no ambiguity. Most of the instructions were clear in defining responsible entities, be that an individual official, office or agent of the establishment. These policies were also clear in terms of the consequences of non-compliance (i.e. fines and penalties). Most of them were in force for a long period. Clarity, consistency and continuity of enforcement over time are perhaps the key factors behind the efficacy and institutionalisation of these instructions. The behaviour resulting from such a system eventually became part of sociocultural norms and the local belief system. It will be argued later that such clarity and continuity of policies are perhaps the most significant of reasons behind their success in

¹⁴ Examples of the laws that have contributed to such changes include: Birta Elimination Act 2016 (B.S.), Ukhada Related Act 2021 (B. S.), Nationalisation of Pasture Act 2031 (B.S.), and Lands Related Act (2021). See LBMB (1998). *Nepal Ain Sangraha* (Compendium of Nepal Laws).

¹⁵ Upadhayaya, Sharada, *et al.*, (1990). *An Introduction to the Ministry of Agriculture and its Affiliated Agencies*, Kathmandu: Evaluation and Project Analysis Division, Ministry of Agriculture and Winrock International, p. 1.

¹⁶ Shrestha, B. P. (1967). *The Economy of Nepal*, Bombay: Vora & Co., p. 59.

¹⁷ For an account of the underlying reasons of such development, although expressed in a different way, see Shah, Rishikesh (1996). *Modern Nepal: A Political History*, Vol. 2, New Delhi: Manohar Publishers and Distributors, pp. 150-153.

achieving intended results. It should be clear at the outset, however, that this is not an expression of any opinion on the desirability or otherwise of the policies especially in the present context.

After the political change of 1951 when the Rana regime was formally overthrown, efforts began to be made for planned development. The people also began to gain attention in formal policy planning. By 1956, a draft of the First (Five-Year) Plan was prepared. Creation of basic infrastructure including establishment of basic physical and institutional facilities and organization of credible administrative and judiciary machineries received the highest priority. In actuality, these priorities remained unchanged for the following 25 years, albeit with occasional micro-level adjustments.

2.2 Poverty and Food Security Issues in the Recent Past

Poverty alleviation and food security entered the formal development agenda of Nepal only about two decades ago. It has remained there ever since, albeit under different guises. “Fulfilment of the basic needs of the people” was one of the three objectives of the Sixth Plan (1980-85). The other two were “increasing the rate of growth in production” and “increasing the opportunities for productive employment”¹⁸. The specific items included in the basic needs and facilities package were the following:

- Provision of cereals by increasing food grain production.
- Increase in availability of fuel wood through planned forestry development.
- Increase in supply of drinking water.
- Expansion of basic health facilities and sanitary services.
- Expansion of primary and skills-oriented education and adult education.
- Provision of basic transport facilities by increasing investment in the construction of tracks, mule trails, roads and suspension and wooden bridges.

On 16 December 1985, on the occasion of the Silver Jubilee Celebration of the Panchayat System, His Majesty the King issued a directive to develop a programme to address the people’s basic needs by the year 2000. Following the directive, the Programme for the Fulfilment of Basic Needs was prepared and made public¹⁹. The programme redefined and quantified basic needs in per capita terms. They comprise the following:

- Food providing 2 250 calorie per capita per day.
- Clothing made up of 11 metres of cloth and a pair of slippers.
- Housing with kitchen and toilet 30 square metres in size per family.
- Opportunity for literacy including primary education (up to Grade 5) for all children under the age of 10 years and opportunities for education for as many adults possible.
- Opportunity to live a healthy and long life, with life expectancy to be increased to 65 years.
- Security (i.e. over individuals’ life and property as well as public property) and freedom from oppression and injustice.

¹⁸ NPC (1981). *Sixth Plan (1980-85), Part 1*, pp. 91-92.

¹⁹ Anonymous (1987). *Programme for the Fulfilment of Basic Needs: 1985-2000*, Kathmandu: HMGN Press.

Careful analysis of the nature and structure of the various programmes designed to achieve the above objectives reveals that they were largely aimed at addressing the structural deficiencies in the Nepalese economy. Although they were not yet complete or effective enough to address even a major part of the anomalies of the socio-economic scene of Nepal, they were nonetheless geared in that direction.

The Seventh Plan (1985-90) maintained the same three objectives laid down by the Sixth Plan – i.e. increasing production and productive employment opportunities and fulfilment of basic needs²⁰. It maintained that the rationale is to attain the development goals of the nation, which are necessarily long term, and emphasized that it is not desirable to tamper with these objectives until they are fully achieved. The plan also maintained that the economic conditions and realities laid down in the Sixth Plan are “of equal relevance and significance”²¹.

Despite the above preaching in favour of continuity, substantial changes were made in the composition of the “basic needs” package. First, housing²² and security as components of the basic needs package were removed. Second, drinking water and minimum rural transport facilities were added as separate elements of the package. Similarly, there was no mention of quantitative targets.

The Eighth Plan, prepared in the wake of the reinstatement of multi-party polity, shifted the priority to sustainable economic growth, poverty alleviation and reduction of regional imbalances. A review of the content and structure of the programmes, projects and activities laid down to achieve those objectives reveals no substantial change from those in preceding plans. The first two objectives of the Eighth Plan embody all the elements of the two objectives of the Sixth and Seventh Plans (i.e. increased production and fulfilment of basic needs). Even the third objective of regional balance in investment and growth was a concept initiated but poorly implemented during the Fifth Plan (1975-80). Thus one could say that, despite the poignant recount of past development efforts, achievements and constraints, the Eighth Plan lacked originality of vision and commitment.

The deletion of the employment objective and introduction of elements related to regional balance in the Eighth Plan, however, is a substantial change. The objectives of production growth, poverty alleviation and increased productive employment opportunities are directly linked and complementary. But the linkage between reduction in regional imbalance and growth and poverty are not so direct and conditional. Unless the depressed region is characterised by high growth potential, has concentration of poverty and provides for rapid increase in employment opportunities – all in the short to medium run – their linkage becomes circuitous. Potentially, they could also be in conflict with each other unless each element of the strategy and programme for operationalization is carefully selected. The nature and type of the programme and operational strategy actually employed to address these issues have not been able to address individual objectives let alone create instruments that complement each other. As a result, contradictions prevailed in reality. The unabated growth in poverty and regional imbalance is a testimony to this mismatch.

²⁰ NPC (1985). *Seventh Plan (1985-90)*, p. 82.

²¹ *Ibid.*, pp. 81-82.

²² Emphasis like this in this and the following sections are the author’s own.

In recognition of the growing level of poverty, the current Ninth Plan (1997-2002) focuses on poverty alleviation as its sole goal. To achieve this objective, the following strategies are listed²³:

- Achievement of high, sustainable, and pro-poor growth led by agriculture and forestry (i.e. through their integrated development).
- Acceleration of industrialization process through advancement of such sectors as agriculture, water resources, industry, tourism and transport as industries based on principles of comparative advantage and competitiveness.
- Reduction of economic and social inequalities among various sectors and communities especially through agricultural and social programmes.
- Lessening dependence on foreign aid through extensive mobilization and optimal utilization of natural, human and financial resources available in the country.
- Adopting cooperatives as means to expand and develop economic sectors such as agriculture, industry and commerce.
- Streamlining development and expansion of the modern sector through liberal market-oriented economic policies while maintaining an active role for the government in developing and building the rural sector since the same set of policies cannot address the basic problems of the organized modern sector as well as those of the unorganized, backward rural sector given the dualistic structure of the economy.
- Enabling local institutions to take leadership in rural development through decentralization.
- Placing special priority to develop backward areas so the people there give a feel of economic development.
- Developing human resources for sustainable and high economic growth through expansion of the social sectors, especially education and health, and bringing the backward sections of society into the mainstream of development.
- Increasing social awareness education and expanding the family planning programme²⁴ to gradually reduce the population growth rate.

Clearly, each of the above strategies has implications on poverty and food security. A wide variety of items are listed under the heading Policies and Implementation Strategy in the document. Although ambiguously presented, the Plan envisages increasing access to land for the landless, and extending land-ownership²⁶ while guaranteeing security of ownership²⁷. Other listed items that have a bearing on food security are the following²⁸.

- Acceleration of the economic growth rate through further consolidation of the economic reform process.

²³ The summary of the strategies presented is based on the original Nepali language version of the plan document.

²⁴ This statement concerning reduction in population growth vis-à-vis population education and social awareness is confusing in both Nepali and English language versions of the plan.

²⁶ Although not explicit, such 'extension' of 'land-ownership' could be for the tenants.

²⁷ Here also, the same confusion prevails as above. In the absence of clarity in the statement, one could assume that such 'guaranteeing' could only be to those who already have the ownership, or in other words, largely beneficial to the existing landowners.

²⁸ The presentation is based on the original Nepali language version of the document. See footnote 20 also.

- Development of the agriculture sector through implementation of the APP.
- Economic and social empowerment of backward and downtrodden castes and communities through decentralization, local development and human resource development, with people's participation as the main basis.
- Creation of employment and self-employment opportunities through human resource development, technical support and expansion of credit facilities.
- Expansion of income and employment opportunities through extension of cottage and small-scale industries and tourism development in the rural areas together with the agriculture sector.
- Reduction of income inequality and poverty by focusing higher investment on those areas that give greater returns within short periods, are employment-oriented and which contribute to equitable distribution such as agriculture, cottage industries, tourism and construction.
- Implementation of an integrated approach to employment promotion via programmes executed by public, private, local, banking and non-governmental agencies.
- Extensive expansion of export trade by diversifying foreign trade on the basis of comparative advantage and competitive capability. In this context, necessary legislative and institutional infrastructure is required to create a competitive environment.
- Development and expansion of economic and social infrastructures to increase production and productivity of the economy²⁹.

The Ninth Plan has identified five broad priority areas. These are agriculture and forestry, water resources, human resource and social development, industrialisation, tourism development and international trade and physical infrastructure. The Agriculture Perspective Plan (APP) with its identified priority inputs, outputs, institutions and policy reforms has been accepted as the principal vehicle to achieve the poverty alleviation objective. The APP is visualized as the main instrument that can transform the country's agriculture and through it the entire economy within a span of 20 years. Agriculture is treated as the lead sector, implying that other major sectors will basically complement efforts made in priority intervention areas specified in the APP.

The APP's major statement is that the "business as usual" policy scenario has failed to make any significant dent on agricultural growth, poverty and food security. Hence, drastic reorientation is required among the key players to achieve the targets. As the principal priority inputs and outputs have been identified, concerned agencies will need to refocus their attention to priority areas and restructure organizations and working procedures in keeping with these priorities. It shall be argued later that such a reorientation has failed to materialize thus far. As a result, the current scenario has predominated as the main course of action adopted by the key agencies and agriculture has failed to maintain any appreciable growth rate.

The APP has clearly identified priorities including institutional priorities. The strategy of achieving high, sustainable and pro-poor growth led by agriculture and forestry through their integrated development implies that the priorities of the APP become the national priority to achieve the poverty alleviation goal.

²⁹ NPC, HMG. (1998), *Op cit.*, p. 74-75.

This does not to imply, however, that the Ninth Plan is any way clearer than its predecessor in term of priorities. In many respects, it is even more confusing. By listing twenty diverse areas as major sectors of development, the plan clearly adds to the confusion. Although implicitly, the plan admits that various internal and external factors may necessitate some essential adjustment in the development policies and strategies³⁰. The long list starts with macro-economic stability as an area of development thrust. In this list, poverty alleviation has been accorded the second position, agricultural development the ninth, whereas macroeconomic stability and development of the private sector and enhancement of competitive ability occupy the first and sixth position, respectively. In many instances, it completely ignores the country's historical background, geographical situation, economic environment, social and political conditions and institutional arrangements for implementation³¹. This difference between the preaching, the country's reality and the list of development thrusts, which do not necessarily conform with the actual situation, is in a way a revelation of who the actual decision makers are in Nepal's development scene. This is the predicament facing Nepal and its institutions. It also reveals the dilemma of planners and policy makers.

From the institutional perspective, the elaborate machinery and mechanisms created to serve the country's policy planning and priority setting needs are rendered useless as the actual decision makers are outside these institutions. Prudence demands that the country's institutions internally determine priorities. In reality, external institutions and factors seem to be the main decision makers. The end effect of such a situation, putting it bluntly, is always counterproductive, no matter how pious the intentions may be. The following section elaborates on this aspect.

2.3 Policy and Mechanisms Regarding Institutions

With the exception of the First Plan for the obvious reason that it had no predecessor, all periodic plan documents produced by the National Planning Commission (NPC) and its predecessor institutions have maintained a tradition of including a chapter or a section that reviews performance during the preceding plan period. The same chapter or section, as the case may be, also identifies the constraints and challenges for development. Generally, an assorted list of the reasons behind the shortcomings is also embodied in the same section as all plans have lagged behind their goal³². A careful analysis of the problems and constraints listed in these chapter(s) or sections reveals a few startling features.

First, most of the constraints and obstacles identified in the plan documents tend to be institutional in nature. Yet, one rarely encounters any recognition of the importance of institutional resources in effectively implementing any activity, project or programme envisaged by the plan. The constraints may be related to either of the following: incompatibility of the existing legislative regime with the requirement of the plan, unrealistic time table and objectives, lack of an effective law enforcement mechanism, or loopholes in the existing laws. All these are reflections of institutional issues.

³⁰ NPC, HMGN. (1998), *Op cit.*, p. 76.

³¹ *Ibid.*

³² Exceptions to this generalisation are the Third, Fourth and Eighth Plan documents which have included a section on a review of the performance during the preceding plan period in their respective sectoral chapters.

Examples of issues often cited include various types of delays (e.g. land acquisition, release of funds, awarding of contracts, sanctioning of requisite posts, recruitment of technical manpower, agreement with donors and procurement). They could also be related to deficiencies in the organizational and/or administrative structure of the entity responsible for implementation of a particular activity.

Second, oft-cited issues typically relate to the lack of clarity in the role of different agencies and of accountability. Existence of this type of problem is never mentioned as such in the official documents. Yet, statements such as preparation and implementation of “a manual with detailed definition of duties, responsibilities, and authority of employees at each level”, and making amendments in the relevant act, rules and procedures “to rectify the recurring problems in the implementation of the development projects as tendering and land acquisition and its compensation, wage rates, engineering inspection and other administrative procedures” contained in the Seventh Plan document³³, most of which are just a repetition of the problems identified in the Fifth Plan document produced a decade earlier³⁴. Incidentally, lack of clarity, transparency, accountability and rule of law have been identified among the challenges for development in the Ninth Plan document as well³⁵. The Ninth Plan, like its predecessor plans, pledges to make the administrative machinery clean, smart, transparent, thrifty, competitive, work oriented, capable, productive, service oriented, and accountable³⁶. The marginal differences in wordings do not make any difference in terms of the substance of the basic problem, i.e., of accountability and clarity.

Third, as is evident from the above, the same problems are reported in successive plans notwithstanding the fact that several years, even decades, have elapsed since the problem first appeared. The style by which these issues are presented may differ, but the substance remains the same. However, no reference of any significant action to address such constraints can be found in the successive plans that list such problems and constraints. This situation raises a number of questions and issues, which may be of institutional character.

The recurrence of the same problem time and again raises several questions. Is the repetition a case of institutional failure? Or is this an institutionalization of such repetition? Is it an example of lack of requisite commitment? Given the excessive dependence of the country on external assistance for literally every aspect of development³⁷, could it also be attributed to the external factors and forces hinted at in the

³³ NPC (1985). *The Seventh Plan (1985-90)*, Kathmandu: National Planning Commission, HMGN, p. 847.

³⁴ NPC (1975). *The Fifth Plan (1975-80)*, Kathmandu: National Planning Commission, HMGN, p. 17.

³⁵ NPC (1998). *The Ninth Plan (1997-2002)*, Kathmandu: National Planning Commission, HMGN, p. 27.

³⁶ *Ibid.*, pp. 99 and 687-89. What has been said here regarding the Ninth Plan is true for the Eighth Plan as well. The latter has attributed these shortcomings, at least in part, to the Panchayat polity. It also makes the same promises as were done by its predecessors and successor. See NPC (1992). *The Eighth Plan (1992-1997)*, Kathmandu: National Planning Commission, HMGN, pp. 698-703.

³⁷ Nearly two-thirds of the development budget (capital expenditure) of His Majesty's Government of Nepal (HMGN) is derived from external sources either as grant-in-aid or as long-term loan. The average figure for the triennium ending in the proposed budget for 1999/2000 is 62.74 percent. This figure includes only the amount that passes through the books of the Comptroller General of Nepal. A significant proportion of the technical assistance particularly for expenditures on the experts/consultants and training/fellowships that constitute an integral part of the development expenditure does not pass through the Comptroller General's office as these are handled directly by the respective donors/cooperators. Thus the above proportion tends to underestimate the actual volume of external assistance. In the recent years, the proportion of external loan is rapidly increasing as compared to grant-in-aid. For recent trends, see for example, MOF (1999). *Economic Survey, Fiscal Year*

preceding section? What are the other influencing factors that may have contributed to such a phenomenon?

A part of the answer may lie in the historical legacy of rigidities against policy changes mentioned in Section 2.1 above. The other, at least in part, may have to do with the fatalism surrounding the decision-makers³⁸ that are largely from castes and ethnic groups prone to such tendencies as pointed out by Bista (1994). Fatalism may have had its own impact through indifference or through erosion of problem-solving behaviour. Institutional instabilities are perhaps the most significant causes of such indifference in addressing recurrence of the constraints. Institutions are created and individuals are appointed to address certain development constraints, but they are rarely allowed to discharge the responsibilities entrusted to them. In essence this is also an area with a major gap.

1998/99, Table 8.1 and following tables, or the Budget Speeches of the Finance Minister. All political parties that have formed the government since 1991 have taken the instance that higher levels of foreign aid are an indicator of their popularity among the donors. As a result, regardless of their preaching and ideological orientation, all the governments formed since the general election of 1991 have given priority to increasing the volume of foreign assistance, while relegating the relevance of the assistance to the secondary or tertiary level. This tendency has contributed to increasing the already high level of external dependence. It has also become a constraint to efficient resource allocation as most of the domestic resources including technical manpower are tied to the assistance as counterpart contribution.

³⁸ Dor Bahadur Bista, a noted anthropologist of Nepal, defines 'fatalism' as a belief "that one has no personal control over one's life circumstances, which are determined through a divine or powerful external agency". See Bista, Dor Bahadur (1994). *Fatalism and Development*, Calcutta: Orient Longman Limited, p. 4. Regarding its negative role, he has the followings to say:

"Fatalism greatly affects purposeful problem-solving and goal achievement behaviour. If the course of events is already determined then it makes little sense to attempt to independently influence their outcome. Personal efforts might have some long-term consequence, but only if it has some resonance at supernatural levels and only within parameters set by a supernatural decree. Consequently, the only kind of action that can influence one's destiny are those with religious merit". *Ibid.*, p. 77.

"The sense of responsibility is also affected by fatalism. Fatalism contributes to the development of a personality that is devoid of a sense of internalized responsibility towards society at large. Under fatalism, responsibility is continually displaced to the outside, typically to the supernatural". *Ibid.*, p. 80.

3. NATIONAL LEVEL INSTITUTIONS

In theory, activity of any branch of the government – the judiciary, legislature and most of the constitutional organs of the country – influences poverty and food security one way or the other. Discussion of the functions, scope, area and extent of influence of each is beyond the scope of the present exercise. Notwithstanding this, one could however place the existing public sector national institutions at two levels. One is the policy level. Institutions that design or are involved in the policy decisions – the Council of Ministers and the Legislature being at the highest level – are included in this category. At the second tier are the operational level institutions whose principal function is to implement the policy and provide feedback for policy purposes. In reality, the line of demarcation of responsibility is rather blurred. Nevertheless, an assorted list of selected institutions in the public sector together with a brief statement concerning their main function is presented in Table 3.1 in the light of this categorisation. Activities of these institutions and those under or affiliated to them have a direct bearing on poverty and food security.

3.1 Policy Level Institutions

At the national level, three types of institutional entities exist. The first category of entities comprises advisory bodies such as the various planning and policy related commissions. In the second category are the line ministries. They are responsible for policy planning and implementation. The third category of institutions theoretically combines both advisory and implementation functions but have limited mandate either in terms of a particular commodity, subsector, service or institution. A short description of the institutions of direct relevance to food security and poverty alleviation is presented in the following paragraphs.

3.1.1 Advisory bodies

The apex body entrusted with the responsibility of preparing periodic plans to set national goals for socio-economic development is the National Planning Commission (NPC) whereas the National Development Council (NDC) approves such plans and goals. The NPC serves as the secretariat of the NDC. Planning cells of the various line ministries contribute to the planning process by preparing the segments of their respective sectors, subsectors or segments as the case may. These cells are also expected to coordinate and integrate the periodic plans of the autonomous bodies affiliated or liased with them. Plans of various decentralized district level political institutions are expected to be coordinated by the Ministry of Local Development (MLD).

The NPC comprises a few individuals selected by the government on an *ad personum* basis and three senior civil servants (i.e. the Chief Secretary, the Finance Secretary and the Member-Secretary of the Commission) are selected on an ex-officio basis. The NDC on the other hand consists of representatives of all the national level parties, representatives from the various committees of the Parliament, five chairpersons of the DDCs representing the five development regions of the country, chairperson of the Federation of Nepal Chambers of Commerce and Industry and individuals from other different walks of life. The Prime Minister heads both institutions. Both the NPC and NDC are legally only advisory bodies. Considering however their leadership and composition, one would expect that the decisions these entities take have the requisite political consensus and commitment.

3.1.2 Policy implementing institutions

Responsibility for the design of sectoral policies and, wherever necessary, the legislative instruments to implement them, lies with the various line ministries. The Cabinet and the Parliament as appropriate approve these policies and instruments. There are eight such ministries directly involved in matters related to poverty and food security.

The Ministry of Agriculture and Cooperatives (MOAC) is responsible for the formulation, coordination and implementation of policies in areas related to generation and dissemination of agricultural technologies, provision of support services and development of legislative instruments to promote and regulate them. It is also responsible for approving policies related to promotion and regulation of policies related to cooperatives. The Ministry of Forests and Soil Conservation (MOFSC) and agencies under or affiliated with it are responsible for management of forests, forestry development, including development of non-timber forest products, wildlife management and soil conservation. All institutions created for the purpose of providing credit facilities are attached to the Ministry of Finance (MOF). Development of policies related to procurement of food grains from the surplus areas and distribution of these products is the responsibility of the Ministry of Industry, Commerce and Supplies (MOICS). MOICS is also responsible for the promotion of industries including agro-industries. The Ministry of Local Development provides support to local governments and acts as the government's liaison with them. Resources flowing to local governments in the form of grants are also channelled through this ministry. Development of policies, laws, rules and regulations concerning land, including land reform and related activities, fall under the jurisdiction of the Ministry of Land Reform and Management.

The Ministry of Water Resources (MOWR) is responsible for the development and implementation of water resource-related policies, including those related to on-farm water management. While the Ministry of Education designs the educational policies, several entities of the national education system implement them.

3.1.3 Autonomous entities

In addition to the ministries, departments and corporate bodies and boards under or affiliated with them, a plethora of autonomous Boards and Councils have been created, especially after the political change of 1990. These bodies are expected to deal with specific aspects of policies and promotion of subsectoral or commodity specific programmes. The Nepal Agricultural Research Council (NARC), Nepal Veterinary Council (NVC), National Cooperative Development Board (NCDB), National Dairy Development Board (NDDB) and Kalimati Fruit and Vegetable Wholesale Market Development Board (KFVWMDB) are a few examples of such boards and councils that are directly related to agriculture and cooperatives.

Legally, they are supposed to be autonomous statutory bodies created to address the issues confronting their respective sectors, subsectors or institutions as the case may be. Since the concept of such statutory bodies is still alien to Nepal, most of these entities, except those that are a part of the

university systems, are in the process of finding a plausible role. Some of these autonomous entities (e.g. NARC, NVC and NCDB) have their own act while others are constituted under the Development Board Act 1956 (e.g. KFVWMDDB). In any case, these are government entities and are thus required to adhere to all administrative and financial rules and procedures applying to the civil bureaucracy in general, thus nullifying the concept of autonomy that was originally intended. Moreover, a large number of political appointments on the board of directors and at the management level makes these bodies more vulnerable to political manoeuvring and pursuance of short-term interests of those in power at the cost of longer-term benefits of the agency.

3.2 Implementation Level Institutions

3.2.1 Typology of institutions

Legally, four types of institutions are created in the public sector at the national level to implement national level policies, including those related to food security and poverty alleviation. Generally, these institutions are also expected to translate government policies into sets of operational rules, plans, programmes and projects as well as to implement them. These include line departments, autonomous development boards and affiliated corporations and companies. In essence, they are the implementation arms of the ministries.

Departments perform line functions and are an integral part of government. Development boards while still being a part of the government are given a certain degree of flexibility in terms of operational procedures, personnel policies and other management aspects as provided by the Development Board Act 1956. In principle, they are meant to be interim institutional arrangements designed to meet particular needs of a specific development programme. In reality, one finds some of these boards operating for decades.

Corporations and companies, on the other hand, are autonomous legal entities established under the Corporations Act 1964 and Company Act 1964, respectively. These entities are created to provide particular services or to market and distribute specified products or inputs as the case may be. In general, after commercial or business viability of services provided by a department is established, either a semi-autonomous or autonomous board or a corporate or company type entity is created for handling the department's business. Thus, most of the corporations, companies or boards combine both development and commercial functions. They traditionally take over provision of those support services and, depending on the nature of the activity involved, initial marketing of the products, which require commercial approach and hence may not necessarily be amenable for handling by departments beyond a certain point.

The liberalization and privatization move is threatening the existence of the latter categories of institutions regardless of the fact that most of them have useful development purposes and still have important albeit changed roles. Considering the institutional implication of the move and their importance vis-à-vis the poverty and food security related issues, this aspect will be discussed in detail later in the study.

Table 3.1 lists 22 departments, 16 corporations, 11 companies and eight development boards or councils whose activities have a bearing on poverty and food security related matters. The principal function of each of these entities is also summarized in the table. As indicated earlier also, the departments are generally responsible for dissemination of technology and know-how and provision of promotional and development support services. They may be involved in distributing products and support services of quasi-commercial nature (e.g. seeds, planting and propagation materials) and providing diagnostic facilities and new production inputs. With the move towards privatisation and liberalization, the scope of many of these departments has been expanded towards law enforcement. In terms of implementing poverty alleviation and food security improvement measures, the implication of this development for the departments together with public sector corporations and companies is a redefinition of their functions to promotional, facilitative and regulatory agencies, where human and financial resources are reallocated accordingly.

The organizational structure, function and human resource endowment of some of the key departments and agencies responsible for selected important aspects of poverty alleviation and food security are presented in Appendices V, VI and VII, respectively. The discussion that follows the tables is a generalized account of the four types of implementation level institutions mentioned above and some of the key national level public institutions outside the government.

3.2.2 Departments

There are four departments under the MOAC, all of which affect food security and poverty issues. They are responsible for developing and implementing support programmes in areas of their respective mandate. These are the departments related to agriculture, livestock services, food technology and quality control and cooperatives, respectively. The first three departments are also responsible for the development and testing of technology that is not covered by the Nepal Agricultural Research Council. Barring a few exceptions, the mandate and past activities of these departments have tended to push production. The mandate of the Department of Cooperatives (DOC) covers registration and (theoretically) auditing the accounts of all cooperatives. Organizational charts of the Department of Agriculture (DOA) and the Department of Livestock Services (DLS) are presented in Appendix V (Charts 5.1 and 5.2), respectively. Similarly, the level and broad type of human resources expressed in terms of the administrative hierarchy and service category allocated to the four departments are presented in Appendix VI (Tables 6.2 through 6.5).

Table 3.1: List of government institutions and parastatals concerned with poverty and food security related issues

Institutions	Main Subsector/Subject/Service of Influence
I. National Development Council	Approval of periodic development plans.
II. National Planning Commission	Formulation of national development policies, screening and approval of development projects, allocation of foreign scholarships.
Central Bureau of Statistics	Collection, analysis and dissemination of statistics, including agricultural statistics.
III. Ministry of Agriculture and Cooperatives	
A. Departments	
1. Agriculture	Research not covered by NARC, extension and support services in field crops, horticulture, vegetable and industrial crops, apiculture, sericulture, etc.
2. Livestock Services	Animal husbandry, veterinary services and pasture development.
3. Cooperatives	Cooperatives.
4. Food technology and quality control	Research and extension in food technology and implementation of the Food and Feed Acts.
B. Corporations/Boards	
1. Agricultural Inputs Corporation	Seeds, fertilizer and pesticides.
2. Dairy Development Corporation	Dairy processing and marketing.
3. Nepal Tea Development Corporation	Production, processing and distribution of tea.
4. Agricultural Tools Factory (Privatized)	Production and distribution of farm tools.
5. Agricultural Lime Industry	Production and distribution of agricultural lime.
6. Cotton Development Board	Research, extension and some support services for production of cotton.
7. Animal Feed Development Board (Privatized)	Production and distribution of animal feed.
8. Agricultural Projects Services Centre	Consultancy and socio-economic research services.
9. Kalimati Fruit and Vegetable Wholesale Market Development Board	Operation and management of the Kalimati Market.
C. Affiliated Autonomous Bodies	
1. Nepal Agricultural Research Council	Research.
2. National Dairy Development Board	Design and advice on dairy policies and projects.
3. Tea and Coffee Development Board	Design and advice on tea and coffee policies and projects.
4. National Cooperative Development Board	Cooperative policies.
IV. Ministry of Forest and Soil Conservation	
A. Departments	
1. Forest	Forestry

2. Soil Conservation and Watershed Management	Water shed management
3. National Parks and Wildlife Management	Management of national parks and wildlife reserves.
4. Plant Research	Research on plants and management of herbarium.
B. Corporation/Companies/Boards	
1. Herb Production and Processing Company	Promotion of production and collection of herbs as well as processing and distribution.
2. Timber Corporation of Nepal	Felling and distribution of timbers for construction.
V. Ministry of Water Resources	
A. Department/Agencies	
1. Irrigation	Design and implementation of public sector irrigation projects.
2. Hydrology and Meteorology	Meteorological and hydrological research and information services.
3. Water and Energy Commission	Design and advice on water and energy related policies and programmes.
VI. Ministry of Land Reform and Management	
A. Departments	
1. Land Reform	Implementation of land reform policies.
2. Survey	Survey of agricultural and other lands.
3. Land Revenue	Collection of land revenue and land registration.
B. Corporations	
Guthi (Trusts) Corporation	Management of trust properties including trust lands.
VII. Ministry of Industry, Commerce and Supplies	
A. Departments	
1. Department of Industry	Issue licence to industry
2. Department of Cottage and Village Industries	Issues licence to small industries and provide training.
3. Department of Commerce	Implementation of trade policies.
B. Corporation/Industries/Boards Concerned with Agriculture	
1. Birgunj Sugar Factory	Sugar processing.
2. Lumbini Sugar Factory	Sugar processing.
3. Moran Sugar Mills (Privatized)	Sugar processing.
4. Birtnagar Jute Mill (Privatized)	Jute processing.
5. Janakpur Cigarette Factory	Cigarette production.
6. Trade Promotion Centre	Promotion of overseas trade.
7. Nepal Food Corporation	Procurement and distribution of food grain and essential oil.
8. Salt Trading Corporation (Privatised)	Procurement and distribution of sugar Food Processing.
9. National Trading Limited	Importation and distribution of consumer goods and consumer durables including farm machinery.
10. Cottage and Small Industries Development Board	Development Board Promotion.
VIII. Ministry of Local Development	
1. Department of Local	Construction and facilitation of construction of basic rural

Infrastructure Development and Agricultural Roads	infrastructures and agricultural roads.
IX. Ministry of Finance	Financial policy formulation and implementation. Financial resource allocation for different sectors.
A. Departments	
1. Income and Sales Tax	
2. Customs	
3. Value Added Tax	
B. Corporations	
1. Nepal Bank Limited	
2. Agricultural Development Bank	Agricultural and rural credit.
3. Rastriya Banijya (National Commercial) Bank	Provision of credit facilities including agricultural and rural credit.
4. Regional Rural Development Banks (5)	Provision of agricultural and rural credit.
X. Ministry of Education	
A. Departments	
1. Archaeology	
2. Education	Implementation of basic and primary school related policies and programmes.
B. Corporations/Autonomous Bodies	
1. Janak Educational Material Centre	Production and distribution of school level textbooks.
2. Council for Technical Education and Vocational Training	Implementation of technical and vocational education policy.
XI. University	
1. Institute of Agriculture and Animal Science	Generation of trained manpower in agriculture.
2. Institute of Forestry	Generation of trained manpower in forestry.
3. Institute of Engineering	Generation of manpower in medicines
4. Institute of Applied Science and Technology	Generation of trained manpower in food science and technology.

Source: Author's compilation based on available publications of His Majesty's Government and other statutory entities.

Many new laws, rules and regulations are coming into force and old ones are being amended in the wake of liberalization and privatization. A chronology of public pronouncements including new laws of institutional implications influencing poverty and food security issues since the inception of the stabilisation programme and important external influencing factors is presented in Appendix III. Similarly, a list of laws that directly impact agricultural decisions and hence poverty and food security and which existed prior to the initiation of the liberalisation process is presented in Appendix IV. To take advantage of membership in the World Trade Organization (WTO), the country will need to amend many its existing laws. A variety of new rules and regulations may also be needed. A systematic assessment of the preparatory measures the country needs to undertake in order to optimally benefit from WTO provisions is required, preferably conducted by experts in national and international law and those familiar with WTO rules.

Consistent with the promulgation of new rules governing the sector, there is currently a need to update the technical and managerial skills of persons tasked with enforcement. These developments, their impending requirements and the recent trend of entrusting law enforcement responsibilities to existing departments and entities imply a net addition of responsibilities to these departments. The nature of the new responsibility (i.e. law enforcement) is completely different from their current activities. None is yet equipped to discharge of such functions.

Hence, a comprehensive analysis of the institutional implications of such additional responsibilities has become urgent in order to identify mechanisms and systems to implement them such that the departments discharge their responsibilities efficiently. Failure to do so and take corrective measures will certainly invite a variety of institutional contradictions. It is also important to note that such contradictions get ventilated generally through new forms of corruption. Support to address this immediate need should receive priority of the donors genuinely interested in assisting Nepal.

The MOFSC has four departments under it. Activities of the main two – the Department of Forest and the Department of Soil Conservation and Watershed Management (DSCWM) – have direct impact on poverty and food security as farmers depend on forests for supply of fuel wood, bedding materials for their animals and fodder. Although current activities of the DSCWM are limited to small pockets in a few districts, its mandate of watershed management is wide-ranging, which makes it potentially influential in guiding resource management. The Department of National Parks and Wildlife Management directly impacts on farmers and households within the vicinity of national parks, especially those dependent on the parks' forest resources for their livelihood. The role of the Department of Plant Research is tangential.

The Department of Irrigation under the MOWR is responsible for the development and management of surface irrigation systems and deep tubewell systems. It is also responsible for supporting on-farm water management. Its organizational structure and human resource position are presented in Appendix V (Chart 5.3) and Appendix VII (Table 7.6), respectively. Considering the unsatisfactory performance of government-managed irrigation systems and the relatively better performance of farmer-managed irrigation systems (FMISs), the APP has accorded priority to FMISs and shallow tubewells (STWs). However, there is no public sector agency responsible for STWs at present. Nor does the country have any law or rule governing use of deep tubewells (DTWs) or STWs. Yet in terms of policy support, the Nepalese Government has thus far provided subsidies to encourage use of STWs. The Agricultural Development Bank of Nepal (ADBN), which provides credit facilities for both shallow and DTWs, serves as the principal conduit for subsidies. Recently, the government decided to withdraw such support to meet the conditions of the Asian Development Bank (ADB).

The Department of Land Revenue maintains all official and legal records of ownership and tenancy of land. It is hence the custodian of the most important part of individual or family property, especially in the rural areas where land and land quality are the household's principal assets. All transactions on land and other immobile property including maintenance of records of separation and division of parental properties must be officially registered with the district land revenue office before such transactions and deals become legal. The Department of Land Reform is mandated to deal with issues related to tenancy rights, land ceiling and settlement of any legal disputes in these areas. The

Survey Department has a self-explanatory name. It deals with all issues related to measurement of land and authentication of its quality as per the existing legal definition. It is the custodian of all legal maps of the land, be it registered in the name of individuals, institutions or state.

From the rural poverty and food security perspective, activities of the three departments that fall under the MOICS have a substantial impact by way of influencing the supply of goods and industrial employment. The Department of Commerce is responsible for implementing the government's international trade policy while the Department of Industry registers and facilitates establishment and expansion of the country's industrial sector particularly manufacturing establishments. From the rural non-agricultural employment perspective, the Department of Cottage and Village Industries is of potential immediate concern. Its mandate includes promotion of rural industries including agro-industries.

There is only one department under the Ministry of Local Development (MLD). It is the Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR). This institution was created in 1998 following a recommendation under the APP. Although over two years have lapsed since its creation, it has yet to be equipped and made fully functional. Its mandate is to promote construction of agricultural roads and other rural infrastructures using participatory methods. The MLD also has a significant indirect impact on rural poverty and food security through the activities of local level governments.

All the departments under the MOF are responsible for implementing the government's financial policies particularly those related to value-added tax, customs and excise duties, sales tax, income tax and property tax, all of which have a potential impact on income and its distribution. The Department of Customs is responsible for the administration of taxes on international trade while the Department of Sales and Value Added Tax is responsible for consumption and domestic trade related taxes. The Department of Excise Duties has entered the abolition phase as the country has introduced value-added taxes.

The Department of Education has been reorganized recently to implement government policies related to primary and secondary schools. It is also responsible for recruitment and placement of schoolteachers.

3.2.3 Affiliated parastatals

The corporations and companies affiliated with the Ministry of Agriculture and Cooperatives (with the exception of the Agricultural Projects Services Centre or APROSC) were established mainly for three purposes all of which are crucial for the purpose of poverty alleviation and food security. Some of them, such as the Dairy Development Corporation, the Cotton Development Board and Kalimati Fruit and the Vegetable Wholesale Market Development Board were created either to provide or facilitate provision of market outlets to farm produce. Others (e.g. Nepal Tea Development Corporation, Agricultural Lime Industry, Animal Feed Development Board and Agricultural Tools Factory) were created to produce and market specific commodities. Still others such as the Agricultural Inputs Corporation (AIC) were established to procure and distribute critically important farm inputs such as seeds, fertilizers, farm tools

and pesticides. APROSC, which was recently liquidated, had been created with a specific purpose of developing proposals to promote investment in agriculture.

The Herb Production and Processing Company was created to promote production and processing of medicinal and aromatic plants. It is expected to encourage farmers and private sector entrepreneurs in these activities. The Timber Corporation of Nepal cuts prime trees in the nationalized forests and sells sawn wood and fuel wood.

The Guthi (Trusts) Corporation administers all *guthi* land (i.e. land legally belonging to various religious and cultural institutions) and their tenants. It is also responsible for the maintenance of various temples, religious shrines and inns attached to these institutions and preservation of cultural traditions.

Three sugar mills, a cigarette factory and a jute mill affiliated with the MOICS are involved in the procurement of related raw materials from farmers in their catchment areas and the processing and sale of finished products. The Salt Trading Corporation is involved in the importation and distribution of salt as well as in production and distribution of wheat flour and vegetable oil. It is similarly engaged in the procurement and distribution of sugar from existing domestic sugar mills. Thus, it has a much broader function than indicated by its name. The Nepal Food Corporation (NFC) is responsible for the procurement of food grains from the surplus areas and the distribution of these products to remote food deficit areas.

The National Trading Limited was established to import and distribute essential items and sensitive commodities such as alcoholic beverages as well as a variety of farm and non-farm equipment, tools and machinery. Initially, the corporation was created to handle commodity aid provided by several centrally planned economies such as the then Soviet Union, the Peoples' Republic of China and some countries in East Europe. The Cottage and Small Industries Development Board is responsible for the promotion of small-scale industries including rural industries through the provision of support services and supply of selected raw materials. The Trade Promotion Centre provides available information on opportunities for export for Nepal as well as participation in international trade fairs.

All financial institutions including those concerned with rural finance are affiliated with the MOF. They include the ADBN, the state-owned and other commercial banks and five rural development banks (RDBs).

It is clear from the above description that the role of most parastatals attached to the various ministries is to implement government policies that are in the semi or fully commercial domain. Through such mechanisms, Nepal like many other developing countries also cites the often used arguments behind state intervention. The standard argument states that the private sector lacks the capacity (e.g. is "too shy") to take grab business opportunities as they come. It is also argued that oftentimes private business would tend to exploit the public in its drive for profits. Arguments embodied in the concept of a welfare state are also typically raised.

Whatever the argument, the donor community supported these institutions as the country had to start from scratch. At this juncture, it is also important to note that most of the corporate structures and the entities under the state (e.g. processing plants, factories and industries) were established with donor support regardless of the ideology followed. The situation has now taken a dramatic turn and the same donors are involved in pressing the government to get rid of these entities.

Be that as it may, it is equally true that Nepal is no longer in the same situation as it was before, with its environment now in a liberalization and privatization mood. Once marketing and provision of such services and commodities handled by most of the corporate bodies become commercially attractive to the private sector, the role of many corporations, companies and boards may transform into facilitation and regulation of private sector operation. That means, as stated in the previous chapter, their current or previous roles become irrelevant and not the institution as experience in itself serves an institution that must be efficiently and effectively used in the greater interest of the society. This argument becomes even more important for institutions concerned with poverty alleviation and food security given the divergence of the country and its widespread poverty. Nepal at present is facing this transitional issue. But the way the process is being handled seems extremely haphazard and a risky one. Considering the importance of properly managing the transition, a separate sector-specific study needs to be undertaken to address this issue from a poverty alleviation and food security perspective.

3.2.4 Autonomous boards

Short descriptions of the functions of each of the various boards and autonomous bodies responsible for either policy planning or implementation have already been presented above. However, an important aspect of these institutions had not been clarified. Officially, these institutions are meant to be autonomous because they are established under the Development Board Act 1956 or under their own statute. For all practical purposes, their behaviour is very similar to that of a government department and they behave like an integral part of the government system. Thus their “autonomy” is limited only to their formation. A part of the anomaly lies in the respective statutes establishing these institutions, which are generally incomplete, thus leaving plenty of room for government interventions. They also state that provisions in other laws other than those mentioned in the statutes prevailing, thus defeating the very purpose for which they were created.

It is high time that the statutes of these institutions, especially those that are at the implementation level and which have direct influence on poverty and food security, are revisited. Respective laws establishing these institutions need to be drastically amended and developed in light of the accumulated experience to make them effective autonomous bodies that can discharge the responsibilities expected of them. Alternatively, these institutions should be merged with other similar institutions of the government or parastatal bodies as appropriate. Although the policy role of the commodity-specific boards is still evolving, their statutes may also need a thorough review in light of the changing roles of government departments and parastatals.

3.2.5 Public sector institutions outside government

Of the various public institutions that are outside of the bureaucracy, two categories merit consideration here. The first includes the four institutes affiliated to the Tribhuvan University, which produces technical graduates required for addressing various aspects of food security and poverty. These are the Institute of Agriculture and Animal Science, the Institute of Applied Science and Technology, the Institute of Forestry and the Institute of Medicine. Recently, some of the institutions affiliated to the other two universities – namely, the Pokhara University and Kathmandu University – have also produced technical manpower.

The other category of public institutions comprises NGOs and community-based organizations (CBOs), which are discussed in the following section. Most of the CBOs that genuinely promote development are involved in specific tasks or serve specific purposes. Activities of these organizations influence social behaviour, and thus indirectly, food security and poverty related issues. They include the traditional *guthis*, local youth clubs, club like entities and different types of locally instituted committees for managing traditional irrigation and drinking water systems as well as trail, bridge, temple and infrastructures. By their very nature, these entities are locally based and most are voluntary and guided by customary laws.

Legally all NGOs are required to register themselves with the Social Services Council. They are also required to regularly report their activities to the council. Their financial dealings are similarly made transparent and subject to scrutiny as per the existing laws. However, the available evidence indicates that, contrary to this legal requirement, most of them rarely do so. Thus, the legality of most of these organizations has been in question. Concerns are also raised at the highest level with regard to the lack of transparency of NGO operations. Nevertheless, most of the donors prefer to support these very entities. This situation in itself raises an ethical issue vis-à-vis the donors.

Considering the above, it is difficult to place most of the NGOs under the category of public institutions, as they should be under an ideal condition. Their number seems to be very large. They also seem to be involved in diverse fields and operate in a variety of ways. It is also generally believed that collectively they are involved in very large sums of financial resources. Potentially, they could also play a pivotal role in food security and poverty alleviation at the grass-roots level. The section that follows discourses on NGOs in the light of these realities, notwithstanding the legal and ethical issues mentioned above.

3.3 The NGO Sector

3.3.1 Genesis of NGOs in Nepal

Nepal, like many other countries, has evolved a variety of social institutions for different purposes. Local communities created organizations to perform specific economic, social and religious activities for their progress and security. The tradition of pooling labour for rice transplanting or other peak agricultural operations called *mela-parva* or *parma-paincho* is an example of the latter type of institutions evolved for economic purposes. Similarly, among the *Thakali*, a system of pooling financial

resources to finance members on a rotational basis at a mutually agreed interest rate called *dhikur* is still alive. It is an indigenous financial institution which originated in and around the Thak Khola (river) region of western Nepal and which is still popular among the *Thakalis* regardless of their current residence. Indeed, its popularity is gradually spreading among other castes and ethnic groups of the Nepalese society. In each of these traditional institutions, the rights and obligations of an individual member vis-à-vis the community is defined.

One of the social institutions perpetuated since ancient times that deserve special reference is the *guthi*, which is especially common among the Newar community of the Kathmandu Valley but also observed in other caste and ethnic groups. It denotes an organization based on caste or kinship or occasionally on geographical propinquity, ensuring continued observance of social and religious customs and ceremonies of the community. The term *guthi* in this sense is primarily used to denote a social institution that determines the rights and obligations of a Newar vis-à-vis his or her community³⁹. *Guthis* are perhaps the oldest form of non-governmental social institutions ever created in Nepal to meet specific social needs.

Together with the above types of institution, the country has a tradition of building temples, shrines, inns and shelters and of establishing schools, orphanages and poorhouses for religious and philanthropic purposes. For their operation and maintenance, agricultural land or cash is customarily set aside. Traditionally, deeds establishing such trusts also identify trustees to organize and manage the establishment on a voluntary or nominal payment basis. Specific process and rules were established to perform specified functions and utilize reserved resources. Thus the entire establishment is operated as a voluntary trust and also recognized as a *guthi*.

At the national level, the total area of land set aside as *guthi* endowment has increased over the years. A relatively recent estimate shows that approximately 40,000 hectares or roughly 2 percent of the total land was devoted as *guthi* endowments⁴⁰. Although these belonged to religious trusts, they were cultivated to generate surpluses and then used for the purpose for which they were set aside. With the passage of time, the entitlements associated with these *guthis* took a distinct form of land tenure system⁴¹.

³⁹ A distinction needs to be made between *guthi* as a social institution and as a form of land tenure. For a succinct description of *guthi* as a social institution and of various types of *guthis*, see Nepali, Gopal Singh (1968). *The Newars*, Kathmandu: Himalayan Booksellers, pp. 191-197. For a description of *guthi* as a form of land tenure system, see Regmi, Mahesh C. (1978). *Land Tenure and Taxation in Nepal*, Kathmandu: Ratna Pustak Bhandar, pp. 629-638.

⁴⁰ Zaman, M. A. (1973). *Evaluation of Land Reform in Nepal*, Kathmandu: Ministry of Land Reform, p. 7.

⁴¹ This form of land tenure is still prevalent together with *raikar*, a form of state landlordism under which land taxes are collected by the state and appropriated directly or through intermediaries. The share of *raikar* system was 50% in total land holding. The share of other forms of land tenure, which prevailed until their legal abolition in the 1960s, were estimated to be as follows: *Birta* 36.3%, *Kipat* 4.0%, and *Rajya, Jagir, Rakam* and others 7.7%. For a description of various forms of land tenure systems prevalent before the 'land reform' of the 1960s, see Regmi, Mahesh C. (1978), *Op. cit.*, pp 17-33. For an estimate of the total area and percentage of land under different forms of land tenure before 1950, see Zaman, M. A. (1973), *Op. cit.*, p. 7.

The complexity of managing the *guthis* also seems to have increased⁴² as these institutions continually expanded. The need for harmonizing various *guthi* institutions and their management might have hence been felt by the rulers, many of whom might have been involved in establishing such endowments. Such considerations seem to have paved the way for state intervention. The state started to intervene purportedly to regulate such *guthi* endowments. An example of a piece of legislation to this effect is Chapter (*Mahal*) 7 of the 1963 Civil Code (*Muluki Ain*) and its predecessor codes⁴³.

The process of state intervention, however, did not end with regulation of *guthi* endowments. On the contrary, it further deepened with the passage of time. The government started taking over *guthi* endowments, especially the immovable ones⁴⁴ such as shrines, temples, schools, orphanages, poorhouses and similar other entities. Legally, it also took the responsibility of maintaining and developing these institutions' infrastructure facilities. Such takeovers culminated in the promulgation and enforcement of the Guthi Sansthan (Trusts Corporation) Act 2021 (1964 AD). The original purpose of the act, as stated in its preamble, was to remove *Rajguthis*⁴⁵ from the jurisdiction of His Majesty's Government of Nepal (HMGN), place them under a corporation and thus improve management⁴⁶. The *Guthi Sansthan* (i.e. the Trusts Corporation) was established under this act to ensure systematic operation⁴⁷ of hitherto state-managed *guthis*.

The above law was originally designed to transfer management of the *Rajguthis* from HMGN to the Guthi Sansthan. Other *guthis* especially those endowed with immovable properties were also eventually brought under the jurisdiction of the corporation. In the process, the objective and scope of the original Guthi Sansthan (Trusts Corporation) Act 2021 (1964 AD) was amended and even repealed. For example, in 1973⁴⁸, it was repealed and replaced by a new Act of the same title. Later, the 1973 Act was also replaced by a new law in 1976⁴⁹. The latter statute was further amended effective 9 December 1984.

⁴² It appears that at least one of the problems associated with the management of the *guthis* then seems to be non-adherence to the letter and spirit of the deeds of the respective *guthi* by the heirs of the original philanthropist. The state interventions seem to focus on reminding the heirs and the trustees (*guthiars*) their religious responsibilities and warning them of the stern action in case of misappropriation. For a glimpse of the types of cases, See Regmi, Mahesh C. (1978), *Op. cit.*, pp. 708-718 and pp. 838-843, although they may not necessarily be the representative cases for the purpose of the present exercise.

⁴³ MLJ (1963). *Muluki Ain* (Civil Code), Kathmandu: Ministry of Law and Justice, His Majesty's Government of Nepal, Part 3, Chapter (*Mahal*) 7, pp. 112-114.

⁴⁴ The legal take-over was not limited to immovable properties only. People would offer cash and valuable jewellery to the statues of gods and goddesses stalled in many temples and shrines. Custody of these possessions was also taken over.

⁴⁵ The term *Rajguthi* as per the definition of the Guthi Sansthan (Trusts Corporation) Act, 2021 (1964) means "a *guthi* under the jurisdiction of His Majesty's Government or one for which necessary arrangements are made by His Majesty's Government".

⁴⁶ MLJ (1964). *Guthi Sansthan Ain, 2021* (Guthi Corporation Act, 1964), Kathmandu: Ministry of Law and Justice, His Majesty's Government of Nepal.

⁴⁷ The emphasis is ours.

⁴⁸ MLJ (1973). *Guthi Sansthan Ain 2029* (Guthi Corporation Act, 1973), Kathmandu: Ministry of Law and Justice, His Majesty's Government of Nepal.

⁴⁹ LBMB (1976). *Guthi Sansthan Ain 2033* (Guthi Corporation Act, 1976) as amended, in the *Compendium of Nepal Laws*, Volume 9 (Ka) [i. e., 9 (a)], Kathmandu: Law Books Management Board, Ministry of Law and Justice, His Majesty's Government of Nepal, pp. 147-168.

Thus, within a span of just twenty years, the whole act was replaced three times and amended several times. A cursory review of these statutes indicates two purposes fueling the dynamism.

The first purpose, which has been made explicit, is to expand the scope of the law to gradually encompass different types of *guthis* as stated earlier also. For example, the 1976 Act makes a significant expansion and amendment to the preamble of the 1964 Act, arguing for expediency for the effective and timely amendment and integration of the Guthi Corporation related statute so as to “maintain harmony among the people of different classes” and “economic interest and morality of common people”. Together with such expansion of objectives, the scope of the Act was enlarged to encompass other types of *guthis* and their resources, which were hitherto outside the definition of *Raj Guthi*. The second purpose, which is only hinted at in the preamble to the Act, seems to be related to doing away with the variation found within the *guthi* system of land tenure.

From the above description, it is evident that the word *guthi* is used to denote three interrelated but distinctly different types of institutional entities: a sociocultural institution, an endowment and a form of land tenure.⁵⁰ Notwithstanding the differences between these definitions, a careful analysis would reveal that they were the genuine non-governmental institutions – i.e. voluntarily created for specific purposes and socially recognized and legally sanctioned as such. This is the common attribute of all the three categories.

State intervention in the affairs of *guthis* has had a significant negative effect. It resulted in the loss of interest of people associated with these *guthis* called *guthiars* in maintaining and improving management of facilities such as temples, shrines or schools for which these *guthis* were created. Even more significant is the fact that the interventions became instrumental in alienating the people from the voluntarism and philanthropy associated with these institutions. Moreover, the state has failed miserably to develop and maintain the physical facilities around which these institutions were originally created.

Social attributes previously associated with the *guthi* system are very important from the perspective of poverty alleviation and food security. These attributes of social capital have become even more important for the present day Nepal. The voluntarism associated with these institutions creates in individuals a sense of responsibility towards the society. Generally, relatively well off members of the community are the ones to donate land as endowment while tillers typically comprise the relatively poorer members of the community. This practice not only encourages a more egalitarian distribution of productive resources, but it also directly contributes to addressing the food needs of the poorer segments of the community. Thus, even if the caste ridden society is further divided into different economic strata, institutions like *guthi* remain effective in bringing a sense of equality among its members. Even more

⁵⁰ *Guthi* as a socio-cultural institution is still active among the Newar community, notwithstanding loss of enthusiasm in managing the endowments and the physical facilities for which the endowments were established. According to the Guthi Corporation Act, 1964 (*Guthi Sansthan Ain, 2021*) a *guthi* is an endowment by a philanthropist who relinquishes of his or her title to property or income-yielding funds for the construction, operation or maintenance of any structure (e.g. temple, rest house, roadside shelter, inn, well, tank, bridge, school, house, building or institution) for any religious or philanthropic purpose (also, to run any monastery or celebrate any religious occasion, ceremony or festival). As a form of the land tenure system prevailing in Nepal has already been described in the main text.

important, it gives a sense of economic and social security to the poorest of the members, an element that is fast eroding in Nepalese society especially in the recent past. From the food security and poverty alleviation point of view, the real loss to the Nepalese society is the loss of the values these institutions inculcate as well as the loss of the sense of security among community members.

Fortunately, *guthi* as a religio-cultural and social institution is still alive among the Newars of the Kathmandu Valley although it is also losing ground due to growing individualism. The *dhikur* system on the other hand is gaining popularity. The genesis and sustenance of these institutions is yet another important factor to be reckoned with. They were created by the communities themselves and are attuned to the local sociocultural milieu. Perhaps the most important aspect of the institutions such as *guthi* or *dhikur* is their social recognition. Each and every member of the society generally respects the rules and procedures. However, they are seldom registered formally with any bureaucratic outfit.

3.3.2 Growth of the NGO sector

In contrast to the long historical background of the indigenous NGOs and CBOs described above, most of the entities officially registered as NGOs in Nepal are of recent origin. An important factor behind such a situation is the regime that prevailed prior to the change of 1951. It did not encourage organization of NGOs or CBOs fearing that these might indulge in political activities or in religious conversions as was observed in the neighbouring countries. By the same token, it did not oppose establishing genuine community based institutions or perpetuating and expanding the existing ones for philanthropy. At the same time, there were instances of the state or the ruling class sponsoring a number of *guthis*, both in cash and kind. These institutions covered a wide variety of activities addressed to the poor and the destitute. Viewed in absolute terms and purely from a food security and poverty alleviation perspective, one could interpret that the state at the time did not thwart initiatives to establish new philanthropic and social organizations as long as these enhanced the popular image of the rulers and their supporters. On the contrary, it preached and publicized the performance of these organizations in terms of helping the poor and destitute.

The most notable fact in the way the earlier regime dealt with NGOs and CBOs was its failure to recognise the right of poor people to food security. Nor was there any legal instrument that ensured economic equality. That challenge exists even today. Perhaps, this is an area where the UN system has a comparative advantage. This issue will be addressed later.

With the political developments of 1951, Nepal opened itself to all sorts of foreign ideas and approaches to development. Nowadays, the legitimacy of an NGO seems to be based purely on registration and annual renewal. Understandably, it has led to a mushrooming in the number of these organizations.

Several international NGOs (INGOs) with support from a variety of bilateral and multilateral donors and cooperators began to operate in the country after 1951. Some INGOs opened branches and national or local chapters in expanding their networks. Examples include the International Red Cross Society (IRC), Rotary Clubs, Lions Clubs and Jaycees. Save for the IRC, which has been involved in

relief operations during floods and earthquakes especially in accessible areas, the contribution of the other organizations in terms of poverty alleviation and food security seems relatively limited in so far as Nepal is concerned. A few of the bilateral donors supported their own national NGOs to support development in Nepal either because of lack of an official agreement for bilateral cooperation or because Nepal is not in their list of countries given priority attention. Some bilateral INGOs⁵¹ fall under this category. Other NGOs seem to have been created as a consortium of national churches outside the country but with a specific interest and purpose to operate in Nepal. The United Mission to Nepal, which has been operating in Nepal since the 1950s, and the International Nepal Fellowship, a recent entrant to the scene, are examples of this type of NGO.

Reliable information on the actual number of INGOs or non-Nepali NGOs operating in Nepal is unavailable. An example will help understand the difficulty. The National Planning Commission quoting the Social Welfare Council (SWC) reports that by the end of the Eighth Plan (in mid-July 1997), the number of INGOs operating in Nepal amounted to 81⁵². The Social Welfare Council is the apex national institution concerned with the NGO sector. All INGOs desiring to operate in Nepal are required to obtain formal approval from the SWC prior to starting their activities. From a recent news report, it appears that many INGOs are not registered with this institution⁵³, implying underreporting of the actual number of INGOs operating in Nepal. Furthermore, a recent UNDP document listing all external donors and cooperators including INGOs shows only 16 INGOs operating in Nepal in the calendar year 1998⁵⁴.

While this is the situation regarding basic information on INGOs, most of the donors and donor-backed INGOs and their national allies advocate transparency and accountability. This is the paradox. Information on the actual operation of the INGOs and its nuances is a *sine qua non* to develop a strategy that can effectively and sustainably use the strengths of the NGOs for poverty alleviation and improvement in the food security situation. Given the information gap vis-à-vis the INGOs, a necessary first step is to develop a reliable information base and information flow system. A programme of assistance to create an information base and improve the flow of information on NGO and INGO operation may be an area of comparative advantage for the UN system.

Information on the number of national level NGOs and their activities is also fragmentary. Although not so explicit, existing regulations expect INGOs to operate in tandem with and through local bodies and organizations⁵⁵. This has created extra demand for local and national NGOs. In response,

⁵¹ This terminology is used to denote those NGOs that are assumed to be registered as such in their respective countries supported by their national authorities and governments. Most of them have bilateral agreement with His Majesty's Government also. They are distinct from institutions such as the International Red Cross or Rotary International.

⁵² NPC (1998), *Op. cit.*, p. 699.

⁵³ For a glimpse of the issues involved, see for example:

Gautam, Rajaram (2000). "Vikashko Nammaa Dharm Bistaar" (Religious Expansion in the Name of Development), and "Tamang Gaunma Isai Dharmako Badhdo Prabhab", in *Nepal* (a Nepali language fortnightly), Kathmandu: 16-30 Mangsir (1-15 December 2000).

⁵⁴ UNDP (nd). *Nepal Development Co-operation Report 1998*. Kathmandu: United Nations Development Programme, pp. 6 and 38.

⁵⁵ LBMB (1992). *Samajik Sewa Ain 2049* (Social Welfare Act 1992), Kathmandu: Law Books Management Board, His Majesty's Government of Nepal.

individuals or a group of few like-minded individuals have registered such NGOs under the Registration of Association Act 1977⁵⁶ thus balancing the equation. That is not to say that all NGOs have been formed to meet the demand created by the INGOs. Proliferation of the NGOs started after the political change of 1990. Within a two year period between 1997 and 1999, for example, the total number of NGOs registered increased by about half the number reported in 1997. Available information on the number of different types of NGOs is summarised below.

Table 3.2: Growth of NGOs by type, 1992-97

Activity/Type of NGOs	1992 ¹	1997 ²	1999 ³	Change (%)
Child welfare	14	122	202	65.6
Health services	46	157	200	27.4
Handicapped and disabled	12	106	125	17.9
Women development	34	572	842	47.2
Youth activities	203	1 298	1 906	46.8
Moral development	64	177	210	18.6
Environment protection	16	386	575	49.0
Education	2	56	83	48.2
AIDS and abuse control	6	28	36	28.6
Community Development	179	3 076	4 702	52.9
TOTAL	576	5 978	8 881	48.6

Note: Number of NGOs at the end of:

¹Seventh Plan (July 1992), ²Eighth Plan (July 1997) and ³September 1999.

Sources: NPC (1998). *Ninth Plan (1997-2002)*, p. 700; and Social Welfare Council (1999).

Clearly, the figures presented in Table 3.2 do not include the variety of legally recognised CBOs such as the forest users' groups (FUGs) or water users' groups (WUGs). These entities are generally registered under their respective sectoral statutes such as the Forest Act and Water Resources Act. The respective district forest offices register the FUGs, the number of which has crossed 9 000 (see Table 5.1 in Chapter V). Similar information on the water users' groups is not available.

It is also clear that the various types of groups formed for the purpose of disbursing credit under the targeted programmes such as the Small Farmers Development Programme and Production Credit for Rural Women are also excluded. Various groups formed for the purpose of dissemination of technology by the entities under the Departments of Agriculture and Livestock Services are also excluded in the table. The latter types of groups may be registered with the respective line agency's district or subdistrict level offices.

3.4 Important Legal and Customary Institutions

A few national level legal and customary institutions that have implications on poverty alleviation and food security are briefly mentioned here under two headings – economic and social institutions.

⁵⁶ The two relevant acts in this regard are:

Sanstha Registration Ain, 2016 (Registration of Associations Act 1964), and *Sangh Sanstha (Niyantaran Garne) Ain, 2019* (Act to Control an Association and Institution, 1963), in MLJ (1964). *Compendium of Nepal Laws*, Volumes 1 and 3, respectively, Kathmandu: Ministry of Law and Justice, His Majesty's Government of Nepal.

Essentially, these institutions influence the behaviour and expectations of an individual and through these the behaviour of the society.

3.4.1 Economic institutions

The two influential economic institutions directly affecting poverty and food security are related to property and contracts. An individual's access to property is governed by a variety of laws, but the most influential seems to be the sections concerning inheritance and inheritance right of women in the Civil Code⁵⁷. The former defines individuals' access to inherited property while the latter provides for protection of women's specified property while limiting their right of access to the parental property. The latter aspect of the law has become a subject of debate in the recent years. Indeed, a bill to amend the Civil Code in order to provide equal legal access to parental property for women is being debated in the parliament. Since these provisions are influenced by age-old traditions and have been in effect for centuries, their influence tends to override other legal provisions. In addition, there are a number of other legal provisions of varying influence. An example is the provision relating to land reclamation. It establishes legal right of prior appropriation of water to the person who constructs or spends own resources to construct a canal⁵⁸ on barren or cultivated land.

Some other legal provisions from the same statute are hardly effective. An example is the provision relating to wages⁵⁹. It is illegal to employ a person without paying wages unless the person concerned has agreed to volunteer as per this provision. Yet, the large number of *Kamaiyas*⁶⁰ reported as late as the year 2000 indicates that the legal provision has not been effective.

The other example is the provision related to credit and interest rates under the chapter on economic transactions in the same statute⁶¹. Since the reign of Ram Shah (1606-1633 AD), laws had been in place for debtors and creditors, fixing the rate of interest at 10 percent for money and 25 percent for grain⁶². In 1963, when a new Civil Code was introduced, the provision relating to a fixed 10 percent interest rate on cash was retained (i.e. unless higher rates are specifically approved by other laws) while the 25 percent rate for grain has seemingly been removed. The latter statute also made it illegal to charge compound interest on credit dealings. Similarly, it prescribes procedures for documentation of such transactions. However, neither of the provisions seems to be effective. The latest survey of rural credit shows that informal sources of credit provide more than four times the proportion of households⁶³ served by formal sources. Similarly, the average rate of interest charged ranges from 35 percent in the mountains

⁵⁷ MLJ (1963). *Muluki Ain* (Civil Code), *Op. Cit.*, Part 3, Chapter (*Mahal*) 13, pp. 132-137 and Chapter 14, pp. 138-139, respectively.

⁵⁸ *Ibid.*, Part 3, Chapter (*Mahal*) 8, p. 116.

⁵⁹ *Ibid.*, Part 3, Chapter (*Mahal*) 4, pp. 105 and 106.

⁶⁰ A form of bonded labour, which exists in the western and mid and far western *Terai* of Nepal.

⁶¹ MLJ (1963). *Muluki Ain* (Civil Code), *Op. cit.*, Chapter 17, pp. 146-154, Ministry of Law and Justice, His Majesty's Government of Nepal.

⁶² Vansittart, Eden (1896). *Notes on Nepal*, Calcutta: Office of the Superintendent of Government Printing, p. 32. (Reprinted by Asia Educational Services, New Delhi, 1992.)

⁶³ NRB (1994). *Nepal Rural Credit Review*, Volume I, Kathmandu: Nepal Rastra Bank, p. 12. Also see also *Ibid.*, Volume III, pp. 54-66, for a description of the various types of the lenders, their lending practices and their changing importance as sources of rural credit.

to about 40 percent in the *Terai*⁶⁴. Thus, in spite of provisions relating to interest rates existing for nearly four hundred years and other reforms introduced for nearly four decades, economic practices seem unchanged. This is just an illustration of how mere legal provisions are not adequate to change long established institutional arrangements of society, especially when it relates to economic issues.

3.4.2 Social institutions

Among the social institutions influencing poverty and food security related issues, perhaps the most influential ones are the legal provisions and social practices concerning religion, the caste system, marriage, responsibility accorded to the women regarding upkeep of the children and, in certain areas, those related to *guthi*.

Traditionally as well as constitutionally, Nepal is a Hindu kingdom. The Constitution recognises religio-cultural diversity of the country and guarantees individual freedom to practice one's own religion. However, conversion is illegal and punishable by law especially if it is by force or through allurement, covert or overt. The constitutional provisions also imply certain behaviours including those related to food. For example, the slaughter of bovines is illegal although eating beef is permissible to those whose religion and traditions allow doing so.

Although illegal since 1963, a large proportion of the Nepalese society is still caste ridden and there are taboos against certain food items along the caste line. For example, *Brahmins* are generally expected to be vegetarian and certainly not expected to eat buffalo meat or eggs or chicken and generally refrain from alcoholic beverages. They are not supposed to eat even mushrooms. With the spread of education, these taboos and practices are gradually fading, but they still determine social behaviour until today. Among the *Sherpas*, on the other hand, eating meat including beef is not against religion although killing animals is religiously prohibited.

The traditional institution of marriage has given way to extravagance. As a result, lavish spending on the event is on a rise. This trend is hence heavy indebtedness especially among the poor. A similar tendency is found in many other socio-religious practices. Although officially in force, the law barring such extravagance has yet to create an effect⁶⁵.

⁶⁴ *Ibid.*, p. 13.

⁶⁵ LBMB (1976). *Samajik Byabahaar (Sudhar) Ain, 2033* [Social Behaviour (Improvement) Act, 1976], Law Books Management Board, Ministry of Law and Justice, His Majesty's Government of Nepal.

4. DISTRICT, SUBDISTRICT AND LOCAL LEVEL INSTITUTIONS

A brief account of the institutions at the district, subdistrict and local levels related to food security and poverty alleviation is presented in this chapter. Unless explicitly stated, the term “subdistrict” is used to denote a part of a district, which covers more area than that of a VDC but less than that of the entire district in any district. In other words, a subdistrict level institution encompasses more than a VDC but not the entire district. All institutional entities that have a territorial jurisdiction up to the area of a VDC or lower are put under the category of local level institutions in the discussion that follows.

4.1 District-Level Institutions

4.1.1 Public sector

There are two types of public sector institutions at the district level in terms of typology. One comprises the representatives of the various line agencies. The other consists of the District Council (DC) and related agencies – e.g. the District Development Committee (DDC), various subcommittees of the DDC, the DDC Secretariat and branches of the DDC secretariat.

In addition, most of the districts, especially those with relatively developed infrastructure facilities, have a few non-governmental and private sector institutions at the district level. The following sections give a brief account of some of the key institutions relevant to poverty and food security issues.

4.1.1.1 Government and parastatals

Save for the NDC and NPC, most of the policy institutions and their implementation level organs (including, in many cases, parastatals and other autonomous public sector entities) are represented in each district.

Table 4.1 lists the district-level representation of various government departments, major public sector undertakings and constitutional organs of the nation found in each of the 75 districts, together with a brief statement concerning their mandate vis-à-vis food security and poverty related issues. It is clear that in each of the country’s 75 districts, at least 15 different line departments are represented. Similarly, each district has a District level Court and Office of the Public Prosecutor. Meanwhile, at least a branch or sub-branch office of the three banks has been established to provide banking and credit related facilities. It is also important to note that two corporations, the National Trading Limited and Salt Trading Corporation, both of which are commercial undertakings supplying a few essential commodities, are represented through their designated dealers or sales agents. AIC, the agency originally created for the supply of certified seeds and mineral fertilizers, is also represented in each district either through its own branch or sub-branch office or through a dealer. Its representation is fast diminishing following government policy to privatise seed and fertilizer trade. The same is true with the NFC.

Table 4.1: Line agencies and public enterprises represented in each of the 75 districts

Office (Department/Agency)	Main service of influence
A. Line agencies and departments	
1. District Agriculture Development Office (DOA)	Agricultural extension services.
2. District Livestock Services Office (DLS)	Animal health services and livestock extension.
3. District Cooperative Office (DOC)	Registration and auditing of cooperative societies.
4. District Forests Office (DOF)	Controls government forests, provides community forestry services and registers and updates records of forest user groups.
5. District Soil Conservation Office (DSCWM)	Provides soil conservation and watershed management related services.
6. District Irrigation Office (DOI)	Provides assistance to construct and manage irrigation facilities and registers and updates record of water users' groups.
7. Land Administration Office (DLR)	Settlement of disputes arising from land reform policies.
8. District Survey Branch (DOS)	Survey of agricultural land and maintenance of surveyed land record owned by of individuals and institutions.
9. District Land Revenue Office (DOLR)	Collection of land revenue, registration of land transactions and updating of land ownership records, settlement of disputes related to ownership of land.
10. District Small and Cottage Industries Office (DOSCI/CSIDB)	Provides assistance to establish cottage and village level small-scale industries.
11. Public Works Office (DHPP)	Undertakes small-scale construction and maintenance of physical facilities.
12. District Education Office	Supervises schools up to secondary level.
13. District Public Health Office	Provides health related services.
14. District Administration Office	Maintenance of law and order, settlement of petty disputes.
15. District Police Office	Support to law and order maintenance.
16. District Court	Administration of justice.
17. Office of the Public Prosecutor	Prosecution of offenders.
B. Corporations/Boards¹	
1. Agricultural Inputs Corporation	Procurement and distribution of seeds, fertilizer, pesticides.
2. Agricultural Development Bank	Disbursement of agricultural and rural credit.
3. Rastriya Banjya Bank (RBB) and/or Nepal Bank Limited (NBL)	Provision of credit facilities including agricultural and rural credit.
4. Salt Trading Corporation (privatised)	Procurement and distribution of sugar and salt.
5. Nepal Food Corporation	Procurement and distribution of food grains.
6. National Trading Limited	Importation and distribution of consumer goods and consumer durables including farm machinery.
C. Local Governance Units	
1. District Development Committee Office	Performs district and local level decentralized functions.

¹In the wake of the government's privatization and liberalization programme, the corporations are forced to downsize. As a result, they are generally represented through a sales agent especially in the remoter districts. Source: Author's compilation based on available publications of His Majesty's Government and other statutory entities.

4.1.1.2 Self-governing institutions

In addition to the government agencies, each district has a district level self-governing body – the DC and its executive organ and the DDC. Each consists of elected representatives. The DDC has a secretariat that is headed by a civil servant appointed by HMGN.

Membership in the DC includes the following:

- Chairpersons and deputy chairpersons of all VDCs and municipalities of the district;
- Members of the DDC;
- Member(s) of the House of Representatives and National Council representing the district; and
- Six persons, including at least one woman, nominated by the DC to represent those considered socio-economically disadvantaged and which are not represented in the council.

Membership of a DDC consists of the following:

- A chairperson and deputy chairperson elected by an electoral college consisting of all elected members of all the village councils and municipality councils of the district;
- A member representing each of the blocks (a subdistrict level unit called *ilaka*) of the district elected by an electoral college consisting of elected members of each of the village councils and municipality councils of the respective *ilakas*;
- Member(s) of the House of Representatives and National Council representing the district; and
- Two persons, including at least one woman, nominated by the DDC.

Article 190 of the Local Self-Governance Act, 2055 empowers DDCs to form subcommittees consisting of representatives from user groups, NGOs, women, people from backward groups, intellectuals, social workers and specialists to facilitate their work⁶⁶.

Functions, duties and authorities of the DCs and the DDCs are defined in Articles 188 and 189, respectively, of the above-mentioned statute. Consistent with their hierarchical position, the functions, duties and responsibilities of a DC are to evaluate and approve proposals presented by the DDC and to delegate authority to the latter to implement its decisions. Functions such as formulation and implementation of policies, plans and programmes approved by the DC, on the other hand, fall under the authority of the DDCs. Prior approval by a majority in the DC is required to be able to sell, dispose or transfer the property of the DDC, raise loans or impose taxes, fees, charges, duties and perform “any other matter as prescribed.” The catch, however, lies in the provision to the effect that the authority to “prescribe” rests with His Majesty’s Government.

The sphere of activities within the jurisdiction of DCs and DDCs include a wide variety of areas directly related to poverty alleviation and food security. Formulation and implementation of policies and

⁶⁶ LBMB (1999). *Local Self-Governance Act, 2055*, in Compendium of Nepal Laws, Supplementary Volume 2056 Volume (Ka), Law Books Management Board, Ministry of Law and Justice, His Majesty’s Government of Nepal.

programmes related to agriculture and livestock development, agricultural extension services, irrigation facilities, rural drinking water, housing, health and education are just a few examples. In case the concerned DDC receives information to the effect that any national level project or programme operating in the district has not been implemented effectively, or any kind of irregularity has happened, the DDC may give necessary suggestions in that regard or make recommendations to the concerned entity for action. This provision gives the DDCs some leverage to oversee the functioning of any national level project vis-à-vis the needs and priorities of the district. It also allows coordination between the central and district level projects and programmes.

Elaborate procedures for planning to undertake activities to discharge the DDC's development responsibilities have been laid in Sections 195 through 214 of the Local Self-Governance Act, 2055. The provisions made in Part 4, Chapter 6 of the Local Self-Governance Rules, 2056 supplement them⁶⁷.

The legal provisions authorising the DCs, DDCs and VDCs to formulate and implement policies, programmes and activities related to food security and poverty alleviation are potentially the most important ones. This aspect will be discussed later. The country is extremely diverse, no matter which way one looks at it. Transport and communication facilities are still rudimentary. More importantly, the sources of poverty and potential solutions to the problem of food insecurity are also generally location-specific. Considering these realities, measures to address these issues must be locally initiated in order to be effective and self-sustaining. The issue therefore is how to enable these district and local level institutions to effectively and efficiently discharge their responsibilities. These issues are covered in Chapter V while discussing the issues related to institutional adequacies and gaps. Considering the importance of these legal provisions vis-à-vis the purpose of this exercise, excerpts of directly related articles from the Local Self-Governance Act, 2055 are reproduced in Appendix VII.

4.1.2 Non-governmental sector

Among the non-governmental institutions, district chapters of the Red Cross Society and local level NGOs are found in most of the districts except in remote areas, especially the mountain regions. Apart from the fact that there are perceptibly more NGOs in relatively developed districts than in remote ones, no discernible pattern is found regarding the existence or otherwise of any NGO in any given district. The number of NGOs reported during the course of the field visit in the four districts is presented in Table 4.2 below. The relatively larger number of NGOs, especially INGOs operating in Sunsari and Kailali, also testifies the preference of these institutions for relatively accessible districts.

⁶⁷ LBMB (2000). *Local Self-Governance Regulation, 2056 and Local Body (Financial Administration) Regulation, 2056*, Kathmandu: Law Books Management Board, Ministry of Law and Justice, His Majesty's Government of Nepal.

Table 4.2: Number of NGOs reported in the four districts selected for the study

District/Region	Types of NGOs			Total
	INGOs	National	CBOs	
Mugu	3	-	26	29
Accham	1	2	32	35
Kailali	8	9	34	51
Sunsari	5	2	59	66

Source: Field survey by the study team 2000.

The presence of a particular INGO or NGO in a given district should in no case be used to imply that the activities of the NGO or INGO, as the case may be, covers the entire district. The situation is far from that. Activities of these entities generally cover a very small part, both in terms of the geographic area and number of people served in the respective district. Therefore, it is more appropriate to state that these institutions' activities are at most confined to the subdistrict level. Sometimes, they even cover only a part of a VDC.

Most of these entities are related to social services. As such, their activities are outside the core area of food security and poverty related issues. The number of various types of INGOs, NGOs and CBOs operating in each of the four selected districts is presented in Table 4.3. The figures presented in the table exclude the various types of users' groups formed and registered under the auspices of the DOA, Department of Livestock Services and Department of Irrigation, and Forestry.

4.1.3 Institutions representing the private sector

Generally, district-level chapters of the Federation of Nepal Chambers of Commerce and Industry (FNCCI) are found in all districts except a few remote and inaccessible ones. Such chapters exist in Sunsari and Kailali among the four districts selected. Given the government's policy of promoting private sector in all potential areas, the role of the private sector in poverty alleviation and food security can be expected to increase.

Table 4.3: Number of INGOs, NGOs and CBOs by type

S.N.	Type	Mugu	Accham	Kailali	Sunsari
1.	Agriculture related	-	2	4	11
2.	Community development related	4	14	15	19
3.	Environment protection related	2	3	1	3
4.	Social welfare related	2	1	10	6
5.	Women development related	4	2	4	5
6.	Youth activities related	15	7	5	14
7.	Other activities (education, research and development, cultural protection, tribal development, etc.)	2	6	12	8
	Total	29	35	51	66

Sources: MRSC, 2000; DDC Mugu and Accham; and SWC 1999 and 2000.

4.2 Subdistrict Level Institutions

A few key institutions whose responsibilities and activities have a bearing on food security and poverty related issues are found at the subdistrict level in each of the 75 districts of the kingdom. A subdistrict includes a cluster of VDCs, as per the above definition. While government institutions, parastatals and local self-governance units have officially defined geographic areas, the territorial coverage of private sector outfits tends to be defined by the extent of services each provides. The following paragraphs summarize the general pattern observed in Nepal.

4.2.1 Public sector entities

Among the public sector or government institutions, agriculture and livestock service centres or subcentres, health posts, post offices and block-level (*ilaka*) police posts of the respective departments of HMGN are found in most of the 75 districts. The role of the latter three entities can be classified as supportive. Health posts provide primary health care, the Postal Services Department aids in communication while police posts contribute to maintaining law and order.

The number of agricultural and livestock service centres and subcentres, which contribute to improving agricultural and livestock production and productivity, are presented by development region and by ecological belt in Tables 4.4 and 4.5, respectively. The number and distribution of agricultural service centres (ASCs) and/or subcentres (ASSCs) in any given district are equal to the number of political blocks called *ilakas* in that district. No such pattern is found in the case of livestock service centres (LSCs) or subcentres (LSSCs).

Table 4.4: Number of Agricultural Service Centres (ASCs) and Subcentres (ASSC) of the Department of Agriculture

Region	No. of Districts	No. of ASCs	No. of ASSCs	Total
Eastern Development Region	16	77	130	207
Central Development Region	19	105	152	257
Western Development Region	16	79	125	204
Midwestern Development Region	15	55	107	162
Far Western Development Region	9	43	59	102
Nepal	75	359	573	932
Mountain	16	69	90	159
Hills	39	200	265	465
<i>Terai</i>	20	90	218	308

Source: Annual Report, DOA, 1999.

Table 4. 5: Number of Livestock Service Centres (LSCs) and Subcentres (LSSC) of the Department of Livestock Services

Region	No. of districts	No. of ASCs	No. of LSSCs	Total
Eastern Development Region	16	77	138	215
Central Development Region	19	105	167	272
Western Development Region	16	79	140	219
Midwestern Development Region	15	55	129	184
Far Western Development Region	9	43	66	109
Nepal	75	359	66	109
Mountain	16	90	218	308
Hill	39	200	306	506
Terai	20	90	218	308

Source: Annual Report, DLS, 1999.

In some districts, particularly those which have relatively developed business and industrial activities, the two commercial banks, namely, the Rastriya Banijya Bank (RBB) and the Nepal Bank (NBL), have more than one branch office, each serving only part of a district. In a way, they can be considered as subdistrict level entities. Although much less frequent, a similar pattern is observed in the case of the Agricultural Development Bank as well. Among the four districts selected for the present exercise, Sunsari has more than one branch of all the three banks.

Although still few and far apart, telephone networks and electric power distribution systems are also fast expanding in the rural areas. These networks facilitate access and use of new and improved technologies including those that contribute to increasing rural income.

The other entities operating at the subdistrict level are the educational establishments—secondary or high schools. They do not have a demarcated geographical area for serving. At present, they are not directly involved in food security related activities although in some high schools, agriculture is taught. Each high school is supposed to have a certain number of teachers and many – if not most – of the senior students of the school enter the labour force soon after they complete their high school education. This stock of human resources is seldom utilized for any other aspect of rural development. Their potentials in contributing to poverty alleviation and improving food security situation especially in the less accessible areas have yet to be explored. Considering their high potentials, the chapter on institutional adequacy and gaps will discuss a few possibilities for using this potential.

4.2.2 Subdistrict level self-governance institutions

As indicated earlier, the 75 districts are divided into several blocks called *ilakas* for the purpose of political representation. The number of such *ilakas* varies depending on the geography and population size of the district. From each *ilaka*, which is a cluster of several VDCs, a representative is elected to the DDC. Beyond such representation, there is no outfit for district level self-governance entities.

Parallel to the above, districts that have a larger population base are also divided for the purpose of defining the electoral constituency to election of members of the House of Representatives. Each member of the House of Representatives is allocated half a million rupees to promote development activities in his/her respective constituency. Since there is full flexibility in terms of the sector or socio-economic purpose with regard to resource use, the funds can help address food security and poverty alleviation related issues as well.

4.2.3 Institutions in the private sector

Very few institutions represent the private sector at the subdistrict level. In relatively advanced districts, local level chambers of commerce are found. At this juncture, it is important to recognize that all towns and large settlements have a number of business houses, shops and industries that in general tend to serve a part of a district. Indeed, they are the principal suppliers of essential commodities and main buyers for the rural sector of the country. Apart from this, they are also a major source of rural credit including production credit. With the passage of time, farmers and rural households have developed a sort of patron-client relationship with these establishments. Their influence on food security and poverty related issues especially among their respective clientele is hard to overlook, although this aspect tends to bypass policy planners' attention.

The sphere of influence such entities have tends to be a function of the size, number and type of business, its geographic location and the level of infrastructure development in the concerned area. Large establishments influence larger geographic areas. Similarly, a business house in a remote district tends to influence larger areas than the one of the same size does in a more developed district. Industries located in districts with relatively better infrastructure facilities tend to influence larger geographic areas. The bigger the number of businesses or industries dealing with the same commodity, the smaller the influence per unit area.

4.3 Local Level Institutions

For the purpose of this exercise, the term "local level" denotes any one of the following: a municipality, a Village Development Area as defined by Section 4 (1) of the Local Self-Governance Act 2055 (LSGA)⁶⁸, a Ward, a village or a hamlet.

4.3.1 Government institutions

His Majesty's Government of Nepal (HMGN) is not represented at the local level. However, the secretary of a VDC is an HMGN appointee. Similarly, schoolteachers in government-funded schools are also appointed by HMGN, but their loyalties are expected to be towards their respective institutions. Beyond this, there is no representation of HMGN at all.

⁶⁸ LBMB (1999). *Local Self-Governance Act, 2055*, in *Compendium of Nepal Laws*, Supplementary Volume 2056, Volume (ka), Kathmandu: Law Books Management Board, Ministry of Law and Justice, His Majesty's Government of Nepal.

That is not to say that the government is aloof from the affairs at the VDC or at lower levels. Generally, an agricultural or livestock extension worker – i.e., a junior technician (JT) or a junior technical assistant (JTA) – may be designated to look after several VDCs. The technical worker, however, may be located in service centre or subcentre that is far from the VDC in terms of distance. In this arrangement, the individual farmer must travel to the service centre to get any advice and assistance. In the case of postal service, the assigned postman is expected to deliver to the respective addresses. Thus at the local level, the government of the centre is represented indirectly and the service seekers need to approach its designated district and subdistrict level outfit. This reality vis-à-vis the large number of clients per service provider scattered over several VDCs given the lack of rudimentary, transport and communication facilities means extremely limited service offered to the beneficiaries. This aspect will be further discussed in the chapter on institutional gaps.

4.3.2 Local-level self-governance institutions

4.3.2.1 Institutions and hierarchy

The institution present in each Village Development Area (VDA) in the case of rural areas and municipality in the case of urban settlements are the Village and Municipality Councils, the VDC and Municipality, respectively, with the Ward Committees below them. The ward committees are the basic units of local level self-governance institutions. According to Article 72 of the LSGA, an urban area that has at least 20 000 people together with such basic amenities as electricity, roads, drinking water and communication systems, is designated as a municipality. In the case of the hills and mountain, the minimum population required is only 10 000 only⁶⁹. Each municipality and VDA is further divided into at least 9 wards depending on the population and the geographic situation⁷⁰. A ward is therefore the lowest level political unit.

People that live in a ward elect representatives to the Ward Committee (WC) as well as to the Municipality or Village Development Committee as the case may be. To be legally valid, each of the Ward Committees must elect at least one woman. The VDC comprises a chairperson and vice-chairperson elected by the people of the VDA, chairperson of all the wards and two nominees, including a woman, of the Village Council (VC). The VC is the highest political institution in any VDA while the VDC is its executive organ. A similar provision exists for the municipalities. These are the Ward Committee and the Municipality Council and its executive organ, the Municipality.

The LSGA expects the Village and Municipality Councils to perform the same role at the local level as the parliament is expected to play at the national level (i.e. role of a final authority). It is meant to be a venue for discourse and debate on issues and matters that affect people's day-to-day lives. They are expected to approve policies, programmes and projects that benefit the residents as well as the instruments to implement them.

⁶⁹ *Ibid.*

⁷⁰ Sections 4 and 73 respectively of the *Local Self-Governance Act, 2055, Ibid.*

4.3.2.2 Development functions, poverty and food security

Sections 26 through 29 of the LSGA define the functions, authorities and responsibilities of the WC, VDC and VC, respectively, of any VDA. Similarly, Sections 93 through 96 provide definitions in the case of the WC, Municipality Council and Municipality, respectively. By and large, the functions and responsibilities of the WC are limited to implementation of policies and instructions of the VDC in the case of a VDA and of the municipality in the case of urban areas and to assist in maintaining physical and social infrastructures. It is also their responsibility, however, to maintain the irrigation systems within the ward, provide assistance to afforestation, and contribute to maintaining educational and health facilities. Providing assistance to protect and contribute to the livelihood of backward ethnic communities, the disabled and poor residents of ward are responsibilities assigned to the WC⁷¹ as well.

A few additional responsibilities related to urban food security are given to the WCs of municipalities. They include selling food grains and other necessary goods at a reasonable price, emergency health care of any unattended or helpless persons including arranging cremation of the deceased if necessary, arranging vaccination for the children and taking measures to prevent infectious diseases⁷². Structurally, the nature of responsibilities of the WCs is the same regardless of their location (i.e. rural or urban).

The Local Self-Governance Regulation (LSGR)⁷³ framed under the LSGA and enforced effective 30 December 1999 make provisions for establishing five committees based on subject matter. These are the Committees for infrastructure and physical structure development; agriculture, forest and environment; population and social services; organization and administration; and water resources and land. Their terms of reference (TOR) are rather vague. Article 26 (3) of the LSGA states: “The Village Council may form various committees to render necessary advice and suggestions to the Village Council on various matters in a manner that the Members of the Village Council other than the members included in the Accounts Committee referred to in Subsection (2) of the LSGA⁷⁴ are included in the subject-wise committees”. Apart from this statement, neither the act nor the above-mentioned regulation provides any information related to the TOR of the different committees. Notwithstanding this ambiguity, one could draw a parallel between the different Parliamentary Committees and the above five committees as both have only an advisory role.

The actual proposals originate from the state’s executive organs – i.e. the VDC or the municipality as the case may be – which cover almost all the areas of immediate and direct concern to the residents⁷⁵. For example, the VDC can implement or direct implementation of agricultural development programmes such as the organization of agricultural markets, operation of veterinary hospitals,

⁷¹ Articles 25 (a) through (k) and 93 (a) through (j) and (w) of the *Local Self-Governance Act, 2055, Ibid.*

⁷² Article 93 (k), (m), (n) and (o) of the *Local Self-Governance Act, 2055, Ibid.*

⁷³ LBMB (2000). *Local Self-Governance Regulation, 2056 and Local Agency (Financial Administration) Regulation, 2056*, Kathmandu: Law Books Management Board, Ministry of Law and Justice, His Majesty’s Government of Nepal.

⁷⁴ The insertion is the author’s own.

⁷⁵ The description of the mandate of the VDCs and the municipalities in the following few paragraphs is based on Section 25 (a) through (k) and 93 (a) through (w) of the *Local Self-Governance Act, 2055, Ibid.*

development of pasture areas and irrigation facilities and introduction of measures to control erosion and river control. It can also formulate and apply land use plans and provide assistance to the cooperative movement. Similarly, preparation and implementation of soil and biodiversity conservation programmes including afforestation and forest management are the other dimensions of resource management that fall within the mandate of the institution. All of these have a direct bearing on poverty and food security issues.

Other important areas that fall within the mandate of the VDC are the following: upliftment of women; protection of orphaned children, helpless women, aged persons, and disabled and incapacitated persons; implementation of activities to wipe out undesirable social practices; and control of immoral activities such as the sale and distribution of intoxicating substances and gambling and card playing within the village area.

Apart from this, a VDC can implement health and sanitation related programmes within its area including operation and management of health centres, health posts and subhealth posts. It can construct and manage drinking water facilities as well as physical and infrastructure facilities such as bridges, twines, tracks, trails and rural roads. It is also allowed to generate and distribute electricity and establish and manage of educational facilities such as primary schools, libraries, organization of adult and informal education, and sports and recreational events.

A VDC is mandated to keep records and statistics related to population; helpless, orphaned and disabled children; dwellings; land and livestock; and registration of birth, death and other vital events in accordance with the prevailing law. It is also authorized to keep statistics relating to food, agriculture and livestock. These types of information are necessary to launch a sustainable poverty alleviation and food security programme.

In terms of operational strategy, VDCs are expected to tap users groups and other non-governmental organizations for the implementation of projects in the village area. Indeed, these institutions are expected to implement their development activities through users' groups or organizations. While contributing to further decentralization, this strategy increases sustainability of programmes for poverty alleviation and sustainable food security.

The provisions regarding municipalities are similar to those for the VDCs. Programmes to implement these mandates require prior approval of their respective councils. Additional responsibilities of particular relevance to urban food security and poverty alleviation include management of abattoirs and development of gardens and recreational places, which can help expand markets for farm products. A few areas of potential intervention by the municipalities have been listed as "optional work". Projects of interest to poverty alleviation and food security related issues include establishment of old people's house and orphanages, collection of statistics of unemployed or underemployed, and implementation of programmes for employment generation.

Detailed procedures laid down in the act, which are to be followed by the WCs, VDCs and municipalities when planning a project range from preparation of resource map to the conduct of a

feasibility study prior to approval of the plans, programmes and projects⁷⁶. These are supplemented by additional provisions in the LSGR⁷⁷.

It is evident from the above that the VDCs' mandate covers a wide range of areas including those related to selected aspects of social reforms. Although it is difficult to quantitatively assess the magnitude of the effect of social anomalies such as wastage of productive resources in ever-increasing levels of gambling, drug addiction and alcoholism and extravagant social functions cannot be undermined. Reforms are effective only if the underlying issues are handled in a decentralized way. Thus, these provisions of the LSGA provide additional opportunities to address the micro-level issues associated with poverty and food insecurity. Viewed from this perspective, the real issue is how to enable these local level institutions to effectively discharge their mandate and fulfil their responsibilities.

4.3.2.3 Judiciary functions

A significant aspect of the Local Self-Governance Act, 2055 is the provision made for dispute settlement. Although this has yet to be effective, it empowers the VDCs and municipalities as the first point of call in settling a variety of legal cases. According to Sections 33 (concerning VDCs) and 101⁷⁸ (concerning the municipalities) of the LSGA, these relate to the following:

- Encroachment of borders or boundaries of land, including those that are public in nature (including *sandhi sarpan* or inconvenience owing to lack of respect of boundary or access; *aali/dhur* pertaining to ridges made to demarcate the boundary), canals, dams, ditches or allocation of water. Also, encroachment of roads or outlets.
- Compensation for crop damage.
- Cases relating to forced labour (*beth-begarko*), wages (*jyala majuriko*), quadrupeds, use and security of public property, trespassing on private property, etc.⁷⁹

Available information indicate that of all the new cases filed in the different courts of the judicial system every year, more than half relate to land transactions and apportionment. Such cases number about

⁷⁶ LBMB (1999). *Local Self-Governance Act, 2055*, in Compendium of Nepal Laws, Supplementary Volume 2056 Volume (ka), *Op cit.* See Sections 43 through 54 for the procedures to be followed by the VDCs and Sections 111 through 124 for the municipality.

⁷⁷ LBMB (2000). *Local Self-Governance Regulation, 2056*, *Op. cit.* See Part 2, Chapter 7 for provisions related to the VDCs and Part 3, Chapter 6 for those relating to the municipalities.

⁷⁸ It is interesting to note that these two sections of the LSGA are identical in all respects save the fact that the former is in the chapter dealing with the VDC while the latter is in the one dealing with the municipalities.

⁷⁹ Cases may involve loser and finder of quadrupeds (*chaupya harauneko ra pauneko*), Items 8 and 9 of the Chapter on Construction of Houses, hidden and unclaimed properties (*kalyan dhan*), Custody and Deposits except those covered by Item 5 of the Chapter, concerning provision of expenses for food and clothing consistent with one's status and income, under Item 10 of the Chapter on Partition, use of water tank and security of public property, all cases under the Chapter on Quadrupeds other than those related to the killing of cow, pasture land, grass, fuel wood, forcefully entering into, staying in or attempting to forcefully enter in or stay in other's house (although not explicit, the Chapters under reference here are those of the Civil Code [*Muluki Ain*] of 1963. See MLJ [1963]. *Muluki Ain* [Civil Code], *Op. cit.*) and all such cases as notified by His Majesty's Government as per the Government Cases Act, 2049 (1993) save those cases mentioned in Annex 1 and Annex 2 of the Act.

40 000 to 50 000⁸⁰. This shows that by empowering VDCs and municipalities, access to justice will improve. The types of the cases mentioned above require full knowledge of the ground reality and the prevailing social customs and norms. Considering this aspect, VDCs and municipalities may be better placed to deal with them.

To administer justice, the strategy adopted involves compromise through negotiation. If this fails, use of arbitrators in settling the disputes is envisaged. Details of the process and procedures are provided in Sections 34 to 42 and Sections 102 to 110 of the LSGA with respect to the VDC and municipality, respectively. Above sections correspond to identical types of cases. Considering the implications of these provisions to the theme of the present exercise, Sections 33 through 42 of the LSGA are reproduced in Appendix VIII. The LSGR provides the details of the working procedures⁸¹.

Clearly, the reduced cost and increased probability of justice in itself is an important factor in poverty alleviation, and through it, in improving food security. The point to be noted at this stage is that these provisions of the law have not yet been enforced. Therefore, they are still theoretical. Secondly, the present level of ability to understand and interpret the laws, rules and regulations governing the various judicial issues may not be adequate to do justice to the job. They need to be substantially increased. By the same token, it can be argued that enforcing these provisions in themselves will build pressure to enhance capacity and bring access to justice closer to rural people.

The other aspect of the LSGA is the power given to VDCs and the municipalities to impose fines and render punishment to be able to enforce the law. The strategy adopted here applies persuasion as a first recourse in administering justice.⁸²

4.3.3 Non-governmental institutions

It has already been mentioned in Section 4.1.2 above that the actual field level activities of most non-governmental institutions including many INGOs are generally limited to a part of a VDC or a municipality. Most of the user and beneficiary groups formed under the auspices of the DOA and DLS are the common types of NGOs found at this level. Their numbers have been expanding as mentioned in the preceding chapter.

⁸⁰ See, for example CBS (1997). *Statistical Yearbook of Nepal, 1997*, Kathmandu: Central Bureau of Statistics, HMGN, Table 16.2, p. 392.

⁸¹ LBMB (2000). *Local Self-Governance Regulation, 2056 and Local Agency (Financial Administration) Regulation, 2056*, *Op. cit.*, Part 2, Chapter 6, with regard to the VDCs and Part 3, Chapter 5 with regard to the municipalities. Unlike the provisions of in the Act, the provisions here have some differences.

⁸² Section 70 (1) (a) of the statute, for example, states: "If any one does such acts as to plant trees, erect a wall, or construct house, shed, etc., with the intention of causing obstacles to others, the Village Development Committee may order to remove such tree, or construction, and if the concerned person does not remove these objects as per such order, the Village Development Committee may remove the same. The expenses incurred while so removing may be recovered from the concerned person being reluctant to carry out the order and such person may be punished with a fine of up to one thousand rupees."

4.3.4 Private sector institutions

The presence or otherwise of private sector institutions at the local level is determined by the size of the VDC and its geographic location. In a few relatively accessible VDCs, business houses are generally found to exist. In the municipalities, presence of medium to large business and industrial houses and municipality level chapters of the Chamber of Commerce and/or the FNCCI is common. Business houses in the rural areas generally buy and export farm produce such as *ghee*, food grains and other non-perishable items and supplies essential commodities such as salt and kerosene. In remote areas, barter is still common whereas monetary transactions have become common in relatively accessible areas.

5. INSTITUTIONAL GAPS

The preceding two chapters provided a glimpse of the various institutions that exist at different levels together with a description of their mandate vis-à-vis poverty and food security related issues. Five broad types of institutions have been identified. The first comprises constitutional organs together with the various ministries and departments at the national level and their representation at the regional (which have yet to find a decisive role and are therefore not covered in the present exercise), district, subdistrict and local levels. The second includes district, subdistrict and local level self-governing institutions. The third and fourth types, respectively, consist of NGOs and private sector organizations. Institutions emerging in the form of tradition, social and customary practices make up the fifth category. Each has a different origin and evolution.

It has already been mentioned that Nepal embarked on an organized development path relatively fairly recently and that the country is extremely diverse with very basic physical infrastructures which, when assessed against the requirements imposed by its rugged terrain, are still rudimentary. An overriding role jointly played by these parameters hence needs to be considered when judging the adequacy of these institutions in terms of its ability to address poverty and food security related issues. The milieu in which the various organizations are currently operating must also be taken into account when making an evaluation.

Viewed from this perspective, the first two types of institutions, especially the HMGN outfits and parastatals and the local self-governing entities, face different types of challenges that influence performance with regard to poverty and food security. The first consists of the issues besetting all HMGN institutions, aptly termed as across-the-board issues, while the second comprise sector specific issues.

The problems faced by the local self-governing institutions generally relate to recognition and capacity development. The same can be said of NGOs and the private sector institutions. A discourse on these issues will in itself reveal the gaps and areas requiring attention. This is the general framework of this chapter. The discussion starts by recapitulating the situation in which the process of institution building started in Nepal and the effect that it has had in influencing the performance of institutions.

5.1 Historical Context of Institution Building

At the time of great political change in 1951, Nepal reportedly lacked development infrastructure and only had about 300 graduates to manage the administrative, judicial and political branches of the country.⁸³ In 1952 to 1954, only 8.2 percent of males and 0.7 per cent of females, 5 years old and above, were able to read and write.⁸⁴ Therefore, the process of creating and building institutions for developmental purposes after the political change began literally from scratch.

Two important domestic factors influenced the process. The country of nearly 8.4 million inhabitants then had an extremely limited stock of trained manpower and physical infrastructure. Also, the

⁸³ Upadhayay, Sailendra K (1991). *Tryst With Diplomacy*, New Delhi: Vikash Publishing House, p. 28.

⁸⁴ Shrestha, B. P. (1967). *The Economy of Nepal*, Bombay: Vora & Co., p. 43.

feudalism embodied in prior regimes served as the foundation for growth, which was reinforced by the geo-political reality of that time. The contradictions and anomalies frequently encountered in the present are, in many ways, a reflection of that legacy.

In addition to the above-mentioned realities, two exogenous factors played a decisive role in the process of institutional development in the country.

First, the cold war created an environment in which the two superpowers and their allies competed in using aid as an instrument to attracting countries such as Nepal to their corner. Different ideologies, institutional models and mechanisms characterized the competition at that time. While supplying financial assistance, stiff competition among donors demanded from the recipient country some level of integrity, tact and skill in choosing from the plethora of available aid sources. Given the weakness on the domestic front, it was natural for the country to seek additional advice and assistance from external sources. This resulted in a variety of donors and cooperators playing a decisive role in this respect.

Second, donors and persons working on their behalf also had limited experience in assisting other countries and societies. As a result, they brought their own limited set of ideas and advised in favour of institutions and strategies that they had seen in their respective countries and surroundings. The recipient – i.e. the rudimentary Nepali administration – hardly knew what to ask for, as it too had no experience in managing development. The donors could offer only what they knew from experience and thus, in aggregate, represented the entire array of politico-economic ideology.

These two factors, in many ways, still play a decisive role in institutional development in Nepal. The prevalent ideology these days concentrates on the role of the government vis-à-vis that of the private sector, however. This is evident in the discussions that follow.

5.2 Issues Facing the Government and Parastatals

5.2.1 Across-the-board issues

Most of the institutions were created and are still being created amid the domestic and international milieu described above. This has created an impact on several fronts of institutional development and has contributed to the institutionalization of a piecemeal and fragmentary approach to development, leading to frequent organizational restructuring and high personnel turnover. This approach to institution building is partly to blame for the policy instability and *ad hocism*. Perhaps the most serious consequence is the creation of an unethical culture in the demand and supply of external assistance. The following subsections overview these ramifications, with specific reference to the country's institutions.

5.2.1.1 Piecemeal and fragmentary approach to institutional development

Generally, an institution is created to meet certain social and national needs. Such an organization becomes relevant as long as the demand for it exists. With the passage of time, structural changes may occur in terms of behaviour and output. Thus, the institution's role may also change, making irrelevant its previous role though not necessarily the institution itself. Periodic restructuring and redefinition can

address this aspect but is rarely done so in reality. Instead, the institutions are often abolished. As a result of this tendency, a number of institutions created to respond to social and national needs that still exist have either been closed down or exist in a dreadful state of dilapidation. In essence, the failure to understand this nuance lies at the heart of the institutional problem in Nepal today. Recognition and retention of institutional memory within the national system is the only means to address this problem.

A few examples may help clarify the issue. In the mid-1960s, a land reform savings corporation was created as part of the country's land reform programme launched in 1964. The purpose was to provide access to institutional credit while creating (forced) savings within the rural sector. No sooner had this institution expanded its operation and started providing credit facilities to the rural areas to become a potential competitor to the present ADBN, when it was suddenly abolished. Heavy-handed political interventions and massive abuse of collected savings led to the merger of this corporation with the ADBN. The funds collected were never accounted for. Similarly, six rice exporting companies were created in the mid-1970s to export rice produced in surplus at that time. When the exportable surplus of rice dwindled, these companies were subsequently dissolved.

Mineral fertilizers, meanwhile, were introduced in Nepal in 1960/61. Until 1965, import and distribution of fertilizers lay in the hands of private sector traders with no government interference.⁸⁵ The government subsequently accepted recommendations to popularize the use of fertilizer as a means to increase food production.⁸⁶ Supporting this policy, donors not only provided fertilizers on a grant basis⁸⁷, but also helped create and rapidly expand the Agricultural Supply Corporation (ASC), which was the sole agency for fertilizer procurement and distribution. In essence, the present AIC⁸⁸ is a reorganized ASC. Thus the donors were primarily responsible for government's heavy involvement in fertilizer trade.

To promote the use of agricultural lime to ameliorate acidity (a common endemic problem of soils in most of Nepal), a separate corporate body – the Agricultural Lime Industry – was created on 15 January 1974 to produce and distribute agricultural lime. Its total transaction has always been only a tiny fraction of that of the AIC, which deals with all major purchased agricultural inputs apart from fertilizer and seeds. Creation of this entity was also a condition laid by donors, which provided the equipment.

⁸⁵ Tamrakar, A. M. (1979), "A General Review of Fertilizer Marketing System in Nepal", in Anonymous (2000). *Fertilizer Trade Liberalization in Nepal*, Kathmandu: Fertilizer Unit, Ministry of Agriculture and Cooperatives, p. 68.

⁸⁶ Available records indicate that 98 mt of ammonium sulphate was imported in the financial year 1960/61 (2016/17 B.S.). See for example, Ministry of Land Reform, Food and Agriculture (1967), *Progress Report 2023/24* (in Nepali), pp. 15-16.

⁸⁷ According to a FADINAP report of 1983 which is based on the information provided by AIC, the share of fertilizers provided on grant by the donors in the total fertilizer import, although fluctuating, was as high as 81 percent until 1978, which decreased to 52 percent in 1982 (FADINAP, 1983, "Marketing, Distribution and Use of Fertilizer in Nepal").

⁸⁸ Available documents, viz., T. Sakiyama (1971), *International Assistance to Nepalese Agriculture (1951-70)*, indicate that the Agricultural Supply Corporation (ASC) was established in February 1966 with the assistance of USAID. In 1972, ASC was merged with the then Food Management Corporation (which was responsible for food distribution to form an Agricultural Marketing Corporation (AMC). Three years later, i.e., in 1975, AMC was bifurcated to create the present Agricultural Inputs Corporation (AIC) and Nepal Food Corporation (NFC). A number of bilateral and multilateral agencies including those that are currently determined to see immediate abolition of AIC and NFC were responsible for the massive investment in expanding these institutions.

Parties concerned evidently did not perceive agricultural lime as an input that can be entrusted to the AIC for production and distribution, instead creating a separate body.

When the government embarked on the World Bank/International Monetary Fund (IMF) sponsored liberalization and privatization programme, which was backed by the same donors that pushed government involvement in fertilizer trade, it was asked to privatise fertilizer. The government thus announced its decision to split the AIC into two separate entities – an agricultural input company to deal with fertilizers and a seed company to handle seeds. An official decision was made to this effect in a cabinet meeting on 9 March 2000 and this was announced through national daily newspapers on March 21. In reality, the Nepalese Government was forced to make this decision in order to access the second tranche of the Agricultural Programme Loan given by the Asian Development Bank⁸⁹.

Available information indicates that about one year was given to fully operationalize the two new entities. Apparently, the decision to split the AIC was made at the behest of one of the donors as well. The same groups now insist on dismantling entities such as the AIC, which they had originally insisted should be created. The irony is that alternative institutional arrangements for the development functions discharged by these institutions are seldom considered. Whenever recommendations are given in that direction, no thought is given to transitional arrangements.

In many ways, the operational styles of most of the institutions that have been created reflect the influence of domestic and exogenous factors mentioned above. This includes legislative instruments and related institutional facilities for implementing development activities. The instruments and institutions related to food security and poverty alleviation are no exception to this phenomenon.

5.2.1.2 Frequent organizational restructuring

Consistent with the fragmentary approach to institution building, frequent *ad hoc* changes in the organizational structure of the institutions including those concerned with poverty alleviation and improvement in food security are common in Nepal. Various development plans have been preoccupied with setting physical targets and allocating the required financial resources. They often ignore the fact that the institution responsible for implementing a given component of a plan may suddenly change its organizational structure and mandate as the programmes envisaged by the plan are being implemented. This phenomenon seems to be especially pronounced among institutions responsible for poverty alleviation and food security. The frequent and massive changes in the organizational structure and mandate of the present MOAC and its predecessor ministry provides an example of what may go unnoticed in plan documents and in the planning process.

It is, however, not a recent phenomenon. In 1967, the DOA was split into five departments. These were the departments relating to agricultural extension, agricultural education and research, fisheries, horticulture, and veterinary services. Under the Department of Agricultural Extension, six regional agricultural development offices were created in 1970. These offices had no correspondence with the four administratively demarcated development regions existing during the time, which were created in 1972.

⁸⁹ *The Kathmandu Post* (an English language daily), Kathmandu, 22 March 2000.

The present Far Western Development Region was created by splitting what was previously the Far Western Region, which included the present mid and far western regions. Effective January 1973, the Ministry of Food and Agriculture at the time was reorganized as the Ministry of Food, Agriculture and Irrigation by:

- Merging the five departments mentioned above;
- Merging the departments then dealing with irrigation, and hydrology and meteorology, which were under the then ministry of water and power, into a new Department of Irrigation, Hydrology and Meteorology;
- Moving the reorganized Department of Irrigation, Hydrology and Meteorology under the Ministry Food, Agriculture and Irrigation; and
- Creating a new Department of Food and Agricultural Marketing Services.

The reorganization was done with the expectation of better coordination among the various disciplines within agriculture and between agriculture and irrigation. Regional officers were reorganized in 1973 to correspond with the existing five development regions (only four then, with one office for the midwest and far west regions). The popularity of the integrated rural development programmes (IRDPs) with the government and major donors in the mid-1970s saw the establishment of nine service centres (SCs) at the subdistrict level in each district, irrespective of the size and population density of the districts. Huge amounts of investment then went into developing physical infrastructures for these SCs. Later on, however, the number of SCs in the *Terai* and hill and mountain districts changed, along with their location and command area. Thus many of the previously established SCs became irrelevant and dysfunctional, resulting in wastage of huge capital investments of the past.

A few years later, towards 1980/81, the Department of Irrigation, Hydrology and Meteorology was split and returned to a renamed Ministry of Water Resources. A new Ministry of Supplies was created and the Nepal Food Corporation (NFC), which was affiliated to the Ministry of Food, Agriculture and Irrigation, was shifted to the newly created Ministry of Supplies. The Department of Agriculture and Food and the Department of Agricultural Marketing Services were also divided. The Department of Cooperatives was brought under the Ministry of Agriculture. Indeed, several smaller restructuring exercises were done in between. The Ministry of Food, Agriculture and Irrigation eventually became the Ministry of Agriculture (MOA). In August 2000, the MOA was renamed as the Ministry of Agriculture and Cooperatives (MOAC).

Soon after the political change of 1990, the interim government was forced to enact the Nepal Agricultural Research Council Act, reorganizing the then National Agricultural Research and Service Centre (NARSC) into an autonomous Nepal Agricultural Research Council (NARC) in early 1991.⁹⁰ The process affected the career of at least 2 171 individuals who were directly involved with NARSC.⁹¹

⁹⁰ One major donor made disbursement of the aid it had committed for agricultural research conditional on the above legislative and organizational change. The country at that time was particularly vulnerable in the wake of the reintroduction of multi-party democracy. The interim government was trying to consolidate its grip on the new political situation; eight out of the ten ministers had no experience in running a government. The donor,

After the general election of 1991, the Government similarly reorganized the MOA and agencies under it. In the process, three departments, namely, on agriculture, food and agricultural marketing services and livestock services, and the Central Food Research Laboratory were merged to form a unified Department of Agricultural Development (DOAD). All units under the previous four departmental entities at the central, regional, district and subdistrict levels were also unified. The process involved the transfer and posting of at least 12 287 persons.⁹² The impact of such reorganizations on employees' dependents has not been measured as the effects are rarely considered in the process. The process of organizational restructuring and reassignment of the staff took nearly two years.

No sooner had the process been completed in 1992/93, with employees settling into their new posts and duty stations, when the DOAD was split to form three new departmental entities. These are the DOA, the DLS and the Central Food Research Laboratory (CFRL). The latter reorganization was made effective mid-July 1995⁹³. The magnitude of the task involved was enormous, considering placement and posting requirements of several thousand employees and the spectrum of the disciplinary backgrounds and associated technical fields they represented. Viewing developments from this perspective, one wonders whether the process of splitting the DOAD may have begun as soon as it was created. Concurrent with the reorganization of 1992/93, a few commodity-specific boards relating to poverty alleviation and food security were also created. These are the Tea and Coffee Development Board, the National Dairy Development Board, and the National Cooperative Development Board.

Again, effective mid-July 2000, the various divisions under the DOA and DLS were restructured, given higher autonomy and renamed as directorates instead of divisions. Simultaneously, the CFRL was also relabelled as the Food Technology and Quality Control Department. At present, the structure of these departments at the regional, district and subdistrict levels is being reviewed. A decision has already made to downgrade the civil service status of district level office heads of these entities in most districts. The purpose of the review is to implement the said decision. In the mean time, the uncertainty continues.

The technical arguments most often used in for organizational restructuring pertains to the need to respond to changing needs and developmental priorities. Units are split and merged with the hope that their role and functioning style will also undergo change. Expectations may be explicit in official decisions and instructions may be issued in this direction. Such reforms, however, do not necessarily affect the rules that govern the functioning of institutions or the terms of reference of individual employees. As a result, the objective behind these organizational changes might not be achieved. The

one of the oldest operating in Nepal in the field of agricultural development, especially in agricultural research and extension, found it a most opportune time for such a change with far reaching consequences for the country.

⁹¹ This number refers to the number of persons posted in the former NARSC. In actual fact, a number of professionals of NARSC opted out of the organization while some of the staff of the DOA and DLS decided to move to the present NARC.

⁹² The above figure is based on the number of employees reported for the Ministry of Agriculture and its Affiliated Agencies in Upadhyay, Sharada, et. al. (1990), *Op. cit.*, various pages.

⁹³ MOA (n.d.). *Annual Progress and Introductory Description of the Ministry of Agriculture and Agencies Under It: 2051/52* (in Nepali language), Kathmandu: Monitoring and Evaluation Division, Ministry of Agriculture and Cooperatives, HMGN.

frustration arising out of this situation provides impetus for further restructuring of the organization, again leaving the rules and employees' job descriptions – and through it their behaviour – unchanged, thus completing the vicious cycle.

The above recapitulations pertain only to the departments directly related to agricultural development and the entities under them. Similar changes have been effected in the corporations as well. The planning process does not address this concern, let alone make mention of the detrimental effect of such frequent organizational changes. The negative impacts these have had on the performance of the institutions concerned, and through these, the performance of the entire sector is indeed an important factor behind the poor performance of the economy, in general, and that of the agriculture sector, in particular, in the past.

5.2.1.3 High personnel turnover

This *ad hoc* approach to institutional change together with frequent tampering of the organizational structure of institutions explains the high rate of personnel turnover, which is further accentuated by a historical phenomenon as well. Even before the Rana regime, a system of annual renewal of posts, commonly known as *pajani*⁹⁴ in Nepali administrative parlance, existed. This system offered no job security to persons not part of the ruling class. Security largely depended on whether one has pleased the rulers and not as much on job performance. Nonetheless, alterations at the lower levels did not matter much then since the top management and their representatives at the national, district and subdistrict levels did not change frequently and policies and management approaches were generally stable. In any case, the objective of the administration at the time was to rule while the lower level reconfigurations did not matter much.

Despite the political change of 1951, instability in the bureaucracy continued and even became worse in practice. Changes then occurred from the top management level downward such that even after another political change in 1990, destabilization of the administrative machinery continued. Again, this reflected in frequent turnovers of personnel. Each time a new minister is appointed, for example, a fresh wave of personnel join the institution, starting with the secretary of the concerned ministry and on to the lower echelons, thus pervading the entire organization. Considering the fact that the institutions created for the purpose of development management are relatively young and that the personal attention and attitude of managers still heavily influence development activities, the effects of such turnover is detrimental.

Bureaucratic instability casts its shadow in external relationships, as is hard to maintain continuity and the associated advantage of constancy in negotiating with the donors. The mandate and priorities of various donors operating in Nepal also seem to be constantly changing regardless of the country's needs and priorities. In a situation like this, the real priorities of Nepal are easily relegated to a secondary

⁹⁴ Joshi, Nand Lal (1983). *Evolution of Public Administration in Nepal: Lessons and Experiences*, Kathmandu: Ratna Pustak Bhandar. Especially see pp. 4-10 for a brief description of the system.

position. Thus, heavy dependence on the donors has become a serious constraint to maintaining continuity in any programme, let alone long-term sustainability⁹⁵.

Since the country is extremely diverse, full knowledge of the socio-economic and agro-ecological nuances is a *sine qua non* for any programme to succeed. Viewed from this angle, the effect of heavy personnel turnover on planning and management of agricultural development and food security is disastrous to say the least.

An example will help portray the magnitude of the problem. In the five-year period between the approval of the APP in July 1995 and mid-2000, eight different individuals manned the helm of the MOA as Minister or Minister of State. Five different individuals have been appointed as Secretary, of which one person was moved twice. There were five changes at the level of the Director-General of Agriculture (one deceased). The rate of turnover had been equally high in other entities of direct concern to the APP. Similar changes were observed for institutions such as the AIC (responsible for fertilizers and seeds), the ADBN (which provides agricultural credit), the MOWR and the Department of Irrigation under it (responsible for irrigation).

5.2.1.4 Changing policy paradigms and approaches

Prematurely changing policies, paradigms and approaches is yet another form of institutional instability that has adversely affected development. Areas related to food security and poverty alleviation suffer the most in this respect. High turnover of personnel and frequent organizational restructuring leave very little institutional memory to inform future decisions. This situation and, as described in above, the rudimentary base with which the country began the process of development in the early 1950s implies that the country needs to be given adequate chance as well as requisite time to absorb and internalize the various approaches to development. As opposed to this need, the country has been made a free playground of 'development' approaches regardless of their relevance. A part of the problem lies in the country's openness to new ideas without the requisite capacity to carefully analyse its consequences.

A consequence of this openness coupled with the country's desperate level of economic development has been the inopportune shifting of policy paradigms and approaches to development just as soon as the country acclimatizes itself to an existing one. This phenomenon is especially pronounced in areas of food security and rural development. The experiments with the Tribhuvan Village Development Programme initiated in the mid-1950s and terminated in the early 1960s, the Coordinated Agricultural Development Approach of the 1960s, the Integrated Rural Development Programme initiated in the mid-1970s and terminated in the mid-1980s, the Training and Visit System in agricultural extension adopted in the 1980s and the current currency of sustainable and participatory development are just a few examples of the wide range of rural development models experimented upon in Nepal. All of them have a few things in common. All are approaches to handle specific development issues, not a phase of

⁹⁵ For a succinct description of the way in which the priorities are distorted by the donor agencies and the effects of such distortions in terms of the failure to reduce poverty, see John W. Mellor (1999). *Why Has Foreign Aid been So Ineffective in Reducing Poverty?* Kathmandu: Winrock International.

development in itself. All of were replaced by a new model or approach and terminated at a time when the country had just adjusted itself to the approach. Finally, all were made at the behest of donors.

The same can be said of the shifting paradigms in development vis-à-vis the role of the government. The rapid policy shift from an interventionist mixed economy to adoption of a free market capitalist approach also at the behest of a few donors at best requires a dramatic change in the institutional framework of the country. While the price to be paid is enormous, the benefits are at best uncertain considering the geographic location of the country and its level of development vis-à-vis its major trading partner, which is also a country in transition. If the past is any guide, one should be prepared to face a shift in the donors' approach as soon as the country familiarizes itself with the current paradigm. To expect rapid positive changes under such a milieu is a bit optimistic.

5.2.2 Sector-specific issues

Sector-specific issues facing the institutions concerned with food security and poverty alleviation are centred on the traditional orientation of the institution and the requirements of development on one hand and the inconsistency of the existing educational system on the other. One could argue that these issues are also all encompassing (i.e. across-the-board in nature), but they are considered sector-specific because no other sector suffers as much as those dealing directly with the issue of poverty and food insecurity. Hence, the need to treat them as sector specific issues.

5.2.2.1 Centralized government institutions and machinery

By and large, the problems of poverty and food insecurity are a rural phenomenon in the case of Nepal. Most of the poor and food insecure people are scattered in the rural areas. However, the geographic areas where they reside are extremely diverse. Invariably, their solutions require a decentralized approach. In contrast, traditional government institutions created and nurtured so far are generally centralized and follow a top-down planning and administrative approach. They invariably depend on instructions from the centre to deal with any substantial issue.

This inconsistency between what is required and what is afforded manifests itself in a variety of ways. The most often quoted examples involve unavailability of services in spite of heavy expenditures on these items. A recent UNICEF sponsored survey, for example, found that only 3 percent of households has ever been visited by a government agriculture/livestock extension worker and only 2 percent by a non-government extension worker⁹⁶. Wherever available, these services are erratic and often inappropriate. The same is true with regard to a number of production inputs.

5.2.2.2 Counterproductive educational system

The second issue that profoundly affects poverty and food security relates to the quality of human resources in these institutions. Almost all of the field level personnel of the institutions directly involved in addressing food security and poverty related issues were educated and trained in an extremely

⁹⁶ NPC (1998), *Service Delivery Survey: Health and Agriculture Services, Nepal Multiple Indicator Surveillance Sixth Cycle*, p. 15.

centralized educational system. By and large, the present educational system has been counterproductive especially in addressing the problem of poverty and food insecurity. The system has effectively alienated the rural youth from agriculture and rural craftsmanship.

Those unable to attend school learn practical skills from their parents. Those given the opportunity enter the educational system, however, do not get the chance to acquire practical skills as they had to go to school, which do not teach these skills. As a result, those without schooling are left with the age-old traditional knowledge and skills while those who gain some level of formal education are deprived of even those traditional skills and knowledge. Thus the majority of the young farmers and artisans report lack of know-how of the basics of agriculture and other productive skills. This is one of the reasons behind the poor technical knowledge often reported in the villages. This situation must be rectified from the short, medium and long-term perspective. In the long run, a radical change in the educational structure towards a skills-oriented system is necessary.

In the short to medium term, however, the existing extension and technology transfer system needs redressing. The farmers' technical knowledge is generally upgraded by organizing effective farmers' training and extension services in the field. A study undertaken in connection with the FAO Special Programme on Food Production for Food Security in Nepal, for example, found that about 65 percent of the households in the hill sites and 60 percent in the *Terai* sites under the Programme emphasized the need for practical farmer oriented seasonal training to improved farming that can be given by existing institutions including the District Agricultural Development Office (DADO)⁹⁷. Although this recommendation is based on an examination of areas outside the four districts covered by this study, the observation indicates the need for an effective technology transfer system.

To organize skills training as desired by the farmers, it is necessary to first educate extension workers and trainers on two critical aspects of agriculture. They must possess the requisite knowledge and skills related to the technology (e.g. the hardware side of the technology and management under a given agro-ecological situation). Moreover, they should be fully equipped to transfer such knowledge and skills to the clientele (i.e. the 'software' of technology transfer). At present, extension workers are ill equipped on both aspects. Due to this handicap, they are reluctant to face farmers.

5.2.3 The consequences

For any policy to produce results, it has to maintain some level of stability. Clarity of instruction and management are equally crucial. To take advantage of experience and institutional memory, it is no less important to keep the rate of personnel turnover at a minimum. While these are the requirements of sound management, institutional instability seems to be the rule in the case of Nepal. As a result, there is a widening gap between expectations incumbent on an institution and its actual performance. This has become the major institutional issue facing Nepal at present.

⁹⁷ Shakya, P. B. (1998), "Constraints Analysis of the Special Programme in Nepal and Investment Model for its Expansion Phase" (revised draft), Kathmandu: Special Programme on Food Production for Food Security in Nepal, Department of Agriculture.

The net results of the shifting approaches to development and changing paradigms as mentioned above are, *inter alia*, tremendous wastage of human and other resources with the creation and destruction of institutions. Those cited in the preceding subsections are just a few examples of the massive reorganizations and institutional restructuring which have become endemic. These should also be seen in the light of the changing role of an institution versus its relevance.

In addition to those mentioned above, several factors may additionally be responsible for the instability and gradual erosion of institutional capacity and effectiveness. While the fragmentary and piecemeal approach might have provided the initial impetus, institutional instability is heightened by the short sightedness of policymakers on the domestic front and the impatience of Nepal's development partners on the external front. The frequently encountered manifestations of such an environment include constantly changing policy paradigms, high personnel turnover rates and excessive tampering with the organizational structure of the institutions created for a particular purpose. The creation, abolition and reinvention of institutions under different guises in place of efforts to address issues confronting an already existing institution in discharging its responsibilities is another critical issue at the macro level. In a nutshell, institutional instability may be the biggest obstacle to planning and implementation of development work, especially those related to food security and poverty alleviation. The phenomenon of institutional instability seems almost institutionalized.

It is crucial to note the diverse backgrounds of the representatives of donors and their, collaborators, who greatly influence the shifts in the country's policy thrusts. Such representatives draw from their own background and experience, as they often do not have the requisite institutional memory. This reality together with the country's dependence on donors for resources for development effectively means that the latter's position prevails in the end. As a result, the fragmented approach to institutional development continues. This approach gives no consideration to institutional dynamism and sustainability. The tiring frequency in which some of the institutions concerned with agricultural development are being tampered with has been reported in the preceding section. The same approach is followed elsewhere in Nepal's institutional system.

The most serious consequence of this approach to institutional development seems to be the erosion of ethics. In a situation where opposing advice on institutional matters tied with financial and/or technical resources is presented to an official with no experience on development issues, this official is likely offered "incentives" in the form of study tours or fellowships if the advice is accepted. Competition among donors and the approaches followed contribute, at least in part, to creating an abundant supply of such sweeteners. This, in turn, contributes to the development of a culture that is in direct conflict with the thesis of such assistance – i.e. a culture of having unethical supply and demand of assistance. Nepal is still passing through the chaos created by this culture, albeit in a different form and format.

Indeed, the situation seems to have become even more complicated in recent years. Several new and petty forms of incentives are now being offered, ranging from meetings and sitting allowances to "consultancies" to perform the work one is actually employed to perform. The seriousness of the issue can be gauged from the following statement of the Finance Minister: "Persons responsible for the government's policy making and implementation have been shamelessly involved in consultancies. This

tendency has pushed away our administrative services from being responsible. The number of personnel and job positions are increasing, while the work incentive of staff has not increased”⁹⁸.

To address the issue of low morale of the civil servants due to low salary levels, there has been a quantum jump in the pay scale. This took effect beginning mid-July 2000. Together with this, the Finance Minister announced that except where there are specific provisions, various allowances (e.g. special allowance, training allowance, additional allowance or overtime allowance) would be withdrawn upon the enforcement of the new pay scales”⁹⁹. Whether this withdrawal actually been effective is a matter of separate investigation. What is clear is that the demand for such allowances will not decrease as long as the supply is forthcoming.

5.3 Issues Facing Local Self-Governance

The most important positive feature of self-governing institutions relates to stability. Once formed, the DDCs, VDCs and WCs and their predecessor institutions during the Panchayat Regime typically remain in office and typically complete their terms, thus providing continuity. As discussed earlier, the mandate of these institutions is wide ranging especially in areas related to poverty alleviation and food security.

Each of the DDCs has a functional secretariat, but it is equipped to discharge only routine types of administrative responsibilities. Section 257 of the LSGA envisages establishment of units dealing with agricultural production, food security and poverty alleviation, designed to take the place of HMGN outfits. But until such units are established, the district level outfits of the HMGN are tasked to provide the services required under the direction of their respective DDCs. This legal provision has yet to take effect, however, as the HMGN units still function under the direction of their respective parent departments. In the mean time, the confusion continues.

The DDCs need to be equipped in terms of funds and human resources to be able to discharge their responsibilities. To effectively do so, the functions and responsibilities of line departments vis-à-vis those of self-governing institutions need to be redefined in the light of the LSGA. Providing assistance to DDCs and local level self-governing institutions to enable the latter to perform functions that were hitherto within the jurisdiction of departments, should be given priority. Similarly, the departments should be relieved of responsibilities that have already been delegated or devolved to local self-governing institutions.

A precondition to this is confidence building. The central level authorities need to inculcate trust and confidence that district and local level self-governing institutions possess the capacity to carry out the required functions. Lack of confidence and belief is hence the main issue facing government at the centre.

⁹⁸ MOF (1999). *Budget Speech of the Fiscal Year 1999/2000*.

⁹⁹ MOF (2000). *Budget Speech of the Fiscal Year 2000/200*.

Together with the above measures, utmost care must be exercised to ensure that decentralized institutions and their personnel employed do not get trapped in anomalies and distortions of the type related to as “incentives” in the previous discussion. This is perhaps the most difficult of tasks. The centre is normally expected to exercise vigilance and provide appropriate checks, but these central level entities themselves suffer from the same problem. How to find an effective mechanism to deal with this issue is the question. In the long run, the society itself will have to craft a way out. In the short to medium run, the already existing constitutional organs of the nation together with the emerging civil society entities may have to concentrate their efforts in this direction.

5.4 Issues Facing NGOS

The NGO sector is fast expanding in number. It is also entering the remoter parts of the country. As is evident from the earlier discussion, they are still concentrated in relatively well off areas of the country. Though not so explicitly stated in the preceding chapters, the statutes guiding and regulating the NGOs have yet to be effective. Non-compliance with the statute leaves rooms for doubt and consequent frustration for all.

The role of this sector in areas related to poverty alleviation and food security is still evolving. The LSGA has provided enough room for the NGOs to play a catalytic role in this regard. The immediate concern, therefore, is to play that role.

Perhaps the most important issue facing this sector is how to establish itself as a dependable partner in ensuring sustainable development. For this to happen, local and national level NGOs as well as the government sector have to find ways and means to be self-reliant, as most of them are heavily dependent on resources from outside the country and society.

5.5 Issues Facing Private Sector Institutions

Agriculture in Nepal is strictly a private sector-driven sector, with the role of the government marginal at best. The irony is that no effective and universally accepted organization representing farmers exists. While various political parties have either created or started to create such organizations, they have yet to establish themselves as real representatives of the farmers. How these entities fulfill this is yet to be seen. In the mean time, a gap is evident in this area.

The business and industrial houses on the other hand have well-established, officially recognized and generally vocal and articulate representations in the Nepal Chamber of Commerce and the FNCCI.

5.6 Institutional Issues vis-à-vis the APP

The Agriculture Perspective Plan (APP) assumes that all existing institutions will be functional and will continue to play their respective roles. Consistent with its priority in commodities, services and subsectors, it has emphasized some additional institutional priorities. Developments in this respect are discussed below.

5.6.1 Irrigation

In order to smoothly implement the irrigation programme envisaged by the APP, certain institutional reforms were emphasized while preparing the first five-year plan of the APP (Interim APP). Major reform programmes envisaged included creation of a new Department of Shallow Tubewells and Minor Irrigation (DOSTAMI). This new agency is mainly responsible for monitoring STW development in the *Terai* and minor irrigation in the hills, delineating areas for machine drilling and hand boring in the *Terai* and providing technical support to ADBN's STW programme. The Ministry of Water Resources (MWR) has established a Groundwater Office in Chitwan for this purpose. Establishment of the proposed DOSTAMI has been postponed for the time being.

5.6.2 Fertilizer

Under the institutional reform programme covering the fertilizer sector, the APP has envisaged two major reforms regarding the institutional aspects of fertilizer procurement and supply. One is the suggested establishment of a committee within the MOAC, with the involvement of AIC and the private sector, to facilitate coordinated growth of fertilizer supply. This committee will formulate annual/seasonal fertilizer supply plans, monitor domestic and world markets of fertilizers and develop a long-term strategy and action plan for fertilizer sector development in Nepal.

A fertilizer unit has already been set up at the MOAC and the private sector has been involved in fertilizer trade. This unit has been functioning well in terms of formulation and implementation of fertilizer trade deregulation policies in the country. Another reform is the proposed improvement of a previous study to redefine the roles and responsibilities of the AIC in the new setting as well as to identify ways and means to help the AIC operate and attain sound financial footing. The government has already decided to split the state corporation's functions by creating two separate autonomous trading companies, one dealing with fertilizer and the other dealing with seeds.

5.6.3 Agricultural credit

The APP envisions three institutional reforms pertaining to agricultural credit. First, it proposes to establish and operate a Rural Financial Market Development Fund (RFMDF) under the Nepal Rastra Bank (NRB), which shall provide funds to institutional credit outlets such as the SFDP of ADBN, the priority sector lending programme of commercial banks and the *grameen* (rural) banks. Funds so provided are to be channelled properly and adequately to APP priorities. A Rural Micro-Finance Development Centre under NRB has been established with the financial assistance of the Asian Development Bank and is already operational.

Second, the plan proposed for the expansion of the institutional network of ADBN to fund STWs as well as to expand its credit volume as envisioned for the interim plan period. The SFDP of ADBN has initiated a Group Capability Enhancement Programme and in 1998/99, the bank handed over the management of over 101 STWs to SFCL. Except for the funds, the government has been supporting the bank to play its extended role in APP implementation.

Third, to provide training to the staff of the banks involved in rural credit management, the plan proposed to establish training cells in commercial banks, besides strengthening the existing training network of the ADBN and further expanding its network. To create uniformity among the banks involved in providing credit to agriculture in their training programmes, the plan proposed to form a Training Coordination Body within the Development Fund Department (DFD) of the NRB. The Bankers Training Centre of NRB has been providing training to bank staff while the RBB has set up its own training centre and ADBN has expanded its training programme to all the five development regions of the country.

5.6.4 Technology system

Three institutional reforms under the research and extension programme have mainly been envisaged under the APP in the interim period. First is the establishment and operation of Regional Technical Working Groups (RTWGs) with the participation of NARC, DOA, the Regional Agriculture Directorate (RAD) and Regional Agricultural Research Stations (RARS) at the regional level. This has been formed in four regions, with the far western region covered by the Midwestern Development Region. Second is the creation of a similar District Technical Working Group (DTWG) with participation of NARC, DOA, DADO and representatives from line agencies (governmental and non-governmental) concerning priority inputs and outputs. So far, such groups have not been formed. Lastly, the plan also proposes the establishment and operation of a national level High value Commodities Promotion Board under the chairmanship of the Secretary of the MOAC with representation from organizations and agencies (governmental and non-governmental) related to priority inputs and outputs. Such a board has already been set up.

5.6.5 Agricultural roads

Under the institutional reform programme seeking to improve rural transportation for the smooth supply of priority inputs and marketing of priority outputs, the APP has proposed establishment of a Department of Agricultural Roads (DOAR). In line with this proposal, the government has already established the Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR), which is functioning actively.

5.6.6 Livestock

No specific institutional reform programmes have been envisaged in the Interim APP for the livestock sector. The plan, however, emphasizes reorienting NARC's priorities towards dairy and buffalo and animal nutrition based on fodder crops and breed improvement. Accordingly, NRAC has already initiated on a priority basis a Bovine Development Programme, a Pasture and Fodder Research Division, and an Animal Nutrition Programme in its research programme. Likewise, it has emphasized administrative and legal changes within the lending institutions such as the ADBN and commercial banks to enable them to provide credit to the poor farmers and to women in particular. In line with this, the lending portfolio of ADBN is giving greater weight to the livestock sector (i.e. 30 percent of total loans disbursed by ADBN goes to the livestock sector through the existing network). With assistance from the Third Livestock Development Project, commercial banks now implement special programmes for the livestock sector along the priorities outlined by the APP and NGOs are increasingly brought into livestock

development programmes. A policy paper has been prepared along with operational guidelines for the promotion of veterinary services through the creation of a Rural Revolving Fund, which is now operational. In like manner, necessary actions have been initiated to privatize veterinary services through the establishment of veterinary clinics.

5.6.7 High value crops

A number of institutional reform programmes have been proposed by the APP with regard to high value crops. First, it has proposed that a small HVC Unit be established within the MOAC to monitor programmes and to coordinate HVC activities with other ministries. For this purpose, a new Division of Agribusiness has already been created and is operational. Second, the plan has proposed creating separate divisions within the DOA to deal with citrus fruits, apples, vegetables and vegetables seeds. Except for assigning the responsibility of citrus development to the Paripatle Farm in Dhankuta by designating it as the National Citrus Development Centre, no efforts have so far been made concerning the other three commodities.

Third, the plan has proposed to station one horticulture officer, one planning officer and one plant protection officer in addition to an extension officer in each of the DAOs. Fourth, it has also proposed to establish Agriculture Service Centres (ASCs) at market assembly centres of the programme blocks to provide production and marketing extension services. So far, existing ASCs have yet to be shifted to production blocks while no new ASCs have yet been established. Finally, the plan envisages forming an expert group in the DOA to exclusively support marketing and farmers' groups in the districts. So far, no such group has been formed and the needed support services are being provided from the related divisions on an individual call basis and not as team.

5.6.8 Agribusiness

Although the Ninth Plan does not explicitly mention agribusiness programmes except some policy prescriptions and institutional reforms (Section 3.3.6), the Interim APP has identified a set of programmes that complement agribusiness promotion together with programmes for the promotion of high value commodities. Specific public sector programmes recommended for the Interim APP period include improvements in cold storage and packaging facilities through reduction in the electricity rates and import tariffs on machinery and packaging material as well as provision of skill oriented training to about 100 000 people for the promotion and enhancement of microenterprises and small scale or cottage industries.

The plan also intends to conduct a study to make the skills development training programme more market oriented. Development of entrepreneurship and management skills has been greatly emphasized, leading to the targeted launching of an integrated rural entrepreneurship development programme that will encourage 12 000 people in rural areas to create and develop industries. Necessary extension services will also be arranged to provide support services to cottage and small-scale enterprises.

To date, the MOAC has already formed a high level Agribusiness Promotion Committee under the chairmanship of the minister for agriculture and cooperatives and established one Agribusiness Promotion Division within the MOAC.¹⁰⁰

5.6.9 Forestry

No major institutional reform programme has been envisaged in the APP for forestry because this aspect is already covered by the MPFS, which is under implementation. The only new area covered by the APP is the establishment of an institutional linkage between the Forestry Research and Services Centre (FORESC) and NARC for conducting research in agroforestry system. So far, no such institutional arrangement has been made and agroforestry research has remained the responsibility solely of FORESC.

¹⁰⁰ Establishment of an Agribusiness Promotion Division within the MOAC by bringing the functions currently carried out by the Statistical Division of the MOAC and the DOA's Economic Analysis Division and Market Development Division was not recommended by the APP.

6. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

Land tax served as the principal source of revenue of rulers throughout the history of Nepal. The machinery and institutional mechanisms for land tax administration also proved useful to those in power as a means to implement state policies of the day. The concern of the country's rulers towards the welfare of their subjects were reflected primarily by postponements in the collection of rent or through partial or full waiver of the tax for a specified period. However, such forms of relief were provided only in times of extreme difficulty especially if the danger of abandonment of the land and emigration was high, as these people were also the sole source of able-bodied men for the army.

The institutions that evolved over the past several centuries, even millennia, include *begari*, *jhara* and *beth*, which are forms of unpaid labour. Together with these emerged various forms of land tenure such as *raikar*, *jagir*, *rakam*, *birta*, *guthi*, *ukhada* and *kipat*, arrangements that later became part of the legislative regime. All these institutions that evolved over time have a direct bearing on poverty and food security.

A variety of laws culminating in the enactment and enforcement of the Lands Act 1964 and Lands Regulation 1964 and the Nationalisation of Pasture Act 2031 (B.S.) converted all forms of tenures other than *guthi* into *raikar* or else nationalized properties. The *guthi* form of tenure still prevails today as it is linked with institutions directly related to religion and culture.

Until the political change of 1951, the basic purpose of the administration was to maintain law and order and extract rent and surpluses for the personal benefit of rulers and their families. After World War I, some initiatives were taken to create institutional and infrastructure facilities for agricultural development. The intrinsic purpose, however, was to ensure perpetuity of the regime.

An analytical review of how the various rules and instructions were framed and presented reveals that they in fact left no ambiguity. Most of the instructions were clear in defining responsible entities. Clarity also characterized the consequences of non-compliance – i.e. fines and penalties – under these policies. Clarity, consistency and long periods of enforcement were, perhaps, the key factors behind efficacy and institutionalization of the instructions. The resulting behaviours eventually took root and became a part of the country's sociocultural institutions.

After the political change of 1951, creation of basic infrastructure such as the establishment of basic physical and institutional facilities (including the organization of credible administrative and judiciary machineries) received the highest priority. In actuality, these priorities remained unchanged for the following 25 years. Poverty alleviation and food security entered the formal development agenda of Nepal only about two decades ago. It has remained there ever since, albeit under different guises.

The Ninth Plan identifies poverty alleviation as the sole goal. Achievement of high, sustainable and pro-poor growth through integrated development of agriculture and forestry figure among its

strategies. To bring down poverty, priorities of the APP, which feature clear-cut institutional goals, hence become the nation's main priority.

With regard to institutional issues, the present review found that most of the constraints and obstacles identified in the various periodic plans tended to be institutional in nature. Yet, one rarely encounters any recognition of the importance of institutional resources in effectively implementing any activity, project or programme envisaged by the plan. The constraints may be related to an incompatibility between the existing legislative regime and requirements of the plan as well as to unrealistic timetables and objectives, a lack of an effective law enforcement mechanism or loopholes in the existing laws. All of these reflect institutional issues. Examples of oft-cited issues include delays in land acquisition, fund release, awarding of contracts, sanction of requisite posts, recruitment of technical manpower, agreements with donors and procurement. These could be related to deficiencies in the organizational and/or administrative structure of the entity responsible for the implementation of a particular activity.

The second category of the issues frequently mentioned relates to either a lack of clarity in the role of different agencies or of accountability. Incidentally, lack of clarity, transparency, accountability and absence of the rule of law have also been identified as numbering among the major challenges for development in the Ninth Plan document. This plan, like its predecessors, pledges to make the administrative machinery clean, smart, transparent, thrifty, competitive, work-oriented, capable, productive, service-oriented and accountable.

The same set of problems are reported in successive plans notwithstanding the fact that several years – even decades – have elapsed since the problem first appeared. However, no reference of any significant action to address the constraints can be found in successive plans that list similar problems and constraints. This situation raises a number of issues that are institutional in character.

The recurrence of the same problem raises several questions. Is the repetition a case of institutional failure? Is it an example of a lack of requisite commitment? Given excessive dependence of the country on external assistance for practically every aspect of development, can it also be attributed to external factors and forces? What are the other influencing factors that may have contributed to such a phenomenon? The answer may lie partly in the historical legacy of rigidities against policy changes. It may also have to do with the fatalism of the country's decision-makers.

At the national level, two top-level policy advisory institutions and a dozen ministries are involved in planning and implementing policies of direct relevance to poverty and food security issues. These ministries are supported by 22 departments, 16 corporations, 11 companies and eight development boards and councils. A cursory review of their functions and mandates reveals that there is no shortage of institutions to deal with the issues relating to poverty and food security. What is needed is to make them fully functional.

A similar situation can be observed at the district level as departments dealing with agriculture and livestock services are well represented at the subdistrict level. Ironically, representation of the government at the local level is almost non-existent. This indicates that the public sector is missing where

it is needed the most in so far as poverty alleviation is concerned. The devolution of responsibilities to local self-governing institutions, however, theoretically compensates for this lack. The solution is to enable these institutions to effectively discharge their responsibilities.

A review of the issues and constraints faced by public and private institutions at different levels indicates the following:

- Stability in the governmental institutions must receive the highest priority in order to reap the benefits of investments made in building and nurturing these institutions.
- While the district and local level self-governing institutions have an adequate statutory mandate, they lack institutional capacity to effectively perform their responsibilities.
- NGOs need to prove their credibility as reliable partners in addressing issues related to food security and poverty and to take advantage of opportunities created for them in the Local Self-Governance Act 2055 BS.
- While the entire agriculture sector is driven by the private sector, farmers do not have an organization of their own that can serve as a means to articulate their concerns. In contrast, the business community and industrial houses have organizations that can effectively air their views and concerns.

While some of the institutional strengthening and reforms recommended by the APP have either been implemented or are in the process of implementation, others have yet to be addressed.

6.2 Emerging Dimensions Of Institution Building

The growing body of literature on institutions now offers new insights on the role of various institutions in the development context in general and on poverty and food security in particular. Many of these concepts are not new to the Nepalese society and have in fact been deeply embedded in the sociocultural milieu. This section briefly recapitulates the emerging new ideas in institution building and their relevance to the country.

In light of the drive for economic liberalization and globalization, the government is increasingly being redefined as a promoter and facilitator rather than actual provider of essential goods and services. It is no longer considered as the sole custodian of public interest; other stakeholders such as locally elected bodies, private sector groups, NGOs and community-based civil society groups and organizations are equally important. Involvement of non-government entities in the development process is in fact quite desirable to achieve and institutionalize a truly broad-based, participatory, democratic and sustainable economic system.

Sen (1999) describes poverty as capability deprivation and argues that development requires the removal of major sources of “unfreedom”, not just expanded incomes. He identifies five distinctive and interconnected types of freedom, namely: (a) political freedoms, (b) economic facilities, (c) social opportunities, (d) transparency guarantees and (e) protective security. His seminal work on poverty and

famine (Sen 1981) states that starvation occurs even under conditions of adequate food supply when affected individuals are denied entitlements of access to food and income opportunities.

In a similar vein, Fukuyama (1995) puts forward the concept of “spontaneous sociability” which has been the hallmark of all societies that have proven their viability and sustainability in a fast changing and competitive world. The loyalty of the Japanese to their employers is well established. The Japanese have a group-oriented rather than a state-oriented culture. The Chinese, on the other hand, possess a relatively homogeneous economic culture and enthusiastically maintain strong family ties while doing business no matter whether they are in their native land or elsewhere. The Italians are not very different in this regard. French economic life, meanwhile, is clustered around either family-oriented businesses or giant state-owned companies. Germany presents a fascinating case of apprenticeship and training of the *meister* (foreman).¹⁰¹

Fukuyama explains how even societies like the United States often characterised as individualistic possess strong and important communal structures that give its civil society “dynamism and resilience.” The essence of his thesis is that there is a need to combine “traditional culture and modern institutions in the twenty-first century.” While modern institutions are supposedly a necessary but not sufficient condition for modern prosperity and social well-being, they have to be combined with traditional social and ethical habits if they are to function properly. Economic life needs to be spiritualized with emphasis on mutual trust, cooperation and cohesion.

Brandenburger and Nalebuff (1996) succinctly explain how cooperation and competition as applied to modern businesses can be expressed through the concept of “co-opetition”. Gone, they said, are the days of cutthroat competition and ruthless undercutting of rivals. The viability and sustainability of modern day businesses lies in collaborating with competitors for mutual advantage while maintaining a healthy competition.

Indeed, as has been discussed in this paper, social capital such as trust, mutual cooperation, resource exchange, institutionalization of mechanisms that include the deprived under the social safety net and decentralized management of natural resources and socio-economic functions have been part of the Nepalese society and culture. With increasing interventionist influences of the central government in recent years, these time tested institutions have experienced various stresses. However, there has also been a growing recognition of the roles these institutions can play in uplifting the socio-economic status of rural communities and in alleviating poverty and ensuring food security. As the above review of experiences of different countries testifies, trust and cooperation are part of all social systems that have withstood the stresses engendered either by natural forces or by human intervention. Nepal perhaps stands out as a forerunner in possessing these virtues. Looking towards the future, the task at hand is to build on the existing institutional resources and tailor state policies accordingly. The following recommendations are presented with this positivist outlook.

¹⁰¹ This does not sound too different from the concept of *mistry* or skilled technician/craftsman common in the South Asian subcontinent.

6.3 Recommendations

The recommendations are organized along four major headings, namely: (a) international economic relations, (b) implementing line agencies, (c) decentralized decision-making arrangements, and (d) NGOs, CBOs and civil society.

6.3.1 International economic relations

Nepal has applied for membership at the World Trade Organization (WTO). While opening a new vista of opportunities, it may also impact on food security, particularly in the short to medium run. To take advantage of membership of the WTO, the country will need to amend many of its existing laws. A variety of new rules and regulations may also be needed. Consistent with the promulgation of new rules governing the agriculture sector, there will be a need to update technical and managerial skills of the persons assigned to enforce the rules. These developments, their impending requirements and the recent trend of entrusting law enforcement responsibilities to existing departments and entities imply a net addition of responsibilities to these departments. The nature of the new responsibilities (i.e. law enforcement) is completely different from these institutions' current activities. None is yet equipped to discharge such responsibilities. Hence, a comprehensive analysis of the institutional implications of the added responsibilities is badly needed in order to identify mechanisms and ways to systematically implement them. A failure to do so and to take corrective measures invites a variety of institutional contradictions. It is also important to note that such contradictions generally become ventilated through new forms of corruption. Support to address this immediate need should be the priority of donors genuinely interested in assisting Nepal.

6.3.2 Line agencies

With the move towards privatization and liberalization, the scope of many of the HMG departments has been expanded towards inclusion of law enforcement. The implication of this development together with that of the other public sector corporations and companies vis-à-vis local self-governance institutions needs to be systematically reviewed. This is required to ensure that their development functions do not conflict with the emerging law enforcement responsibilities.

Once marketing and provision of services and commodities currently being handled by most of the corporate bodies become commercially attractive to the private sector, the role of many corporations, companies or boards may change towards facilitation and regulation of private sector operation. That means their current or previous roles become irrelevant and not the institution as such since experience in itself is an institution that must be efficiently and effectively used in the greater interest of the society. Given the divergence of the country and widespread poverty, this argument becomes even more important for institutions concerned with poverty alleviation and food security. Nepal is at present facing this transitional issue. The way the process is being handled, however, seems extremely haphazard and a risky one. Considering the importance of properly managing the transition, a separate sector-specific study needs to be undertaken to address this issue from a poverty alleviation and food security perspective.

The statutes of many autonomous institutions, especially those that are at the implementation level and have direct influence on poverty and food security, need to be revisited in light of the changing role of the government. The laws establishing these institutions need to be amended and developed in the light of recent experience to make them effective autonomous bodies that can perform efficiently the responsibilities expected of them. Whenever appropriate, institutions should be merged with other government bodies of similar intent or with parastatal bodies. Although the policy role of commodity specific boards is still evolving, their statutes may also need a thorough revisit in view of the changing role of government departments and parastatals.

The poor performance of extension systems and other service delivery programs requires redressing from the short, medium and long-term perspectives. In the long run, a radical change in the educational system toward a skills-oriented system is necessary. In the short to medium term, however, the existing extension and technology transfer systems need redressing. The technical knowledge of farmers can generally be upgraded by organizing effective farmers' training and extension services in the field. It is hence imperative that the skills and knowledge base of existing extension workers likewise be improved regardless of their placement under the LSGA.

The most serious consequence of the approach to institutional development that has been followed to date seems to be the erosion of ethics. More often than not, public officials are offered "incentives" in the form of study tours or fellowships with the acceptance of offered advice. Competition among donors contribute to the creation of an abundant supply of such incentives. This, in turn, contributes to the development of a culture that is in direct conflict with the thesis of such assistance – i.e. a culture of having unethical supply and demand of sweeteners in the form of unnecessary consultancies and studies. Nepal is passing through the chaos created by this culture albeit in a diversified form. Since such incentives are mostly externally funded, funding agencies may wish to be considerate and sensitive to Nepal's real needs and priorities rather than rushing project or programme completion by less than ethical means.

Nepal needs to strengthen its key institutions and develop the country's internal capacity to adapt to the changing internal and external milieu. This includes the development of capabilities to redefine the role of existing institutions rather than to destroy them, a common practice that only results in the creation of yet another unsustainable – and hence, temporary – institution.

6.3.3 Decentralized decision-making

Legal provisions authorising the DCs, DDCs and VDCs to formulate and implement policies, programmes and activities related to food security and poverty alleviation are potentially the most important ones. The country is extremely diverse no matter which way one looks at it. Transport and communication facilities are still rudimentary. More importantly, the sources of poverty and potential solutions to the problem of food insecurity are also generally location specific. Considering these realities, measures to address poverty must be locally initiated in order to be effective and self-sustaining. The issue therefore is how to enable these district and local level institutions to effectively and efficiently discharge their responsibilities and a thorough study is needed to identify such operational strategies.

The VDCs' mandate covers a wide range of areas including those related to selected aspects of social reforms (except for such powers as proposing rules and regulation to redistribute property and certain types of income that are vested in the central government). Although it is difficult to quantitatively assess the magnitude of the effect of social anomalies such as wastage of productive resources in an ever-increasing level of gambling, drug addiction, alcoholism and extravagance in social functions, which contribute to poverty and food insecurity, these cannot be undermined. Reforms, however, are effective only if the underlying issues are handled in a decentralized way. Thus, provisions of the LSGA provide additional opportunities to address micro-level issues. Viewed from this perspective, the real issue is how to enable the local level institutions to exercise their mandate and responsibility. This will require a separate study.

Statutory provisions allow VDCs and the municipalities to play certain types of judiciary related roles. This has a potential to reduce the cost of justice. Clearly, the reduced cost and increased probability of justice in itself plays an important role in poverty alleviation, and through it, in improving food security. The point to be noted at this stage is that these provisions of the law have not yet been enforced. Therefore, they are still theoretical. Moreover, the present level of ability to understand and interpret the laws, rules and regulations governing various judicial issues may not be adequate to do justice to the job. They need to be substantially increased. By the same token, it can be argued that enforcement of these provisions by itself will build pressure to enhance capacity and bring access to justice closer to the rural people. The government may need assistance in helping local bodies to execute these functions. A comprehensive study in this direction is needed.

The DDCs need to be equipped financially as well as in terms of human resources to be able to fulfil their responsibilities effectively. Also, functions and responsibilities of line departments vis-à-vis those of self-governing institutions need to be redefined in the light of the LSGA. Providing assistance to DDCs and local level self-governing institutions in order to enable the latter to discharge the functions, which hitherto were within their jurisdiction, should be among the functions of technical departments. Similarly, departments should be relieved of responsibilities that have already been devolved to local self-governing institutions.

6.3.4 NGOs and civil society

Information on the actual operation of INGOs and the nuances of their operations is a *sine qua non* to developing a strategy to effectively and sustainably apply the strengths of NGOs to poverty alleviation and improvement in the food security situation. Given the information gap vis-à-vis the INGOs, a necessary first step is to develop a reliable information base and information flow system. A programme of assistance to create such a knowledge base on NGO and INGO operations may be an area of comparative advantage for the UN system.

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