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Abbreviations

ADB	-	Asian Development Bank (or “the Bank”)
ADRA	-	Adventist Development and Relief Agency
CBO	-	community-based organization
CDO	-	chief district officer
DDC	-	district development committee
CECI	-	Canadian Center for International Studies and Cooperation
CEDPA	-	Center for Development and Population Studies
GO	-	government
GTZ	-	Deutsche Gessellschaft für Zusammenarbeit
NFEJ	-	Nepal Forum of Environment Journalists
NGO	-	nongovernment organization
NPC	-	National Planning Commission
SSNCC	-	Social Services Natural Coordination Council
SWC	-	Social Welfare Council
UMD	-	United Mission to Nepal
UNDP	-	United Nations Development Programme
UNESCO	-	United Nations Education, Scientific and Cultural Organization
VDC	-	village development council

ADB

A Study of NGOs

Nepal

1999

THE NGO COMMUNITY IN NEPAL

The emergence of nongovernment organizations (NGOs) is a relatively recent phenomenon in Nepal. Nonetheless, the concept of community organizations has a long historical tradition. At present, the scope of the NGO community has broadened in character and in number.

Historical Origin

The concept of NGOs as social welfare and nonprofit entities in Nepal can be traced as far back as the Lichhavi period, almost 10,000 years ago, through the practice of *panchali pratha*, a community effort of local governance. People-based or community-based systems are not new to Nepal.

The unification of Nepal by Prithivi Narayan Shah and the subsequent Shah-Rana rule gradually brought about an erosion of these people-based organizations. The *kipat* system, for example, which symbolized the social fabric of ethnic unity, was systematically dismantled by the State. During the nineteenth and twentieth centuries, the concept of service through charity and welfare was manifested by provision of shelter to the needy, construction of resting places (*chautaris*) for weary travellers, planting of fruit trees to provide both food and shade, and construction of simple wooden bridges over mountain streams. Remnants of these are still quite visible along mountain trekking routes.

Modern volunteerism in Nepal in the form of providing temporary relief for celestial merit after death through social welfare was introduced by Tulsi Meher Shrestha. In the early 1950s, Tulsi Meher Shrestha set up the Ghandi Charkha Pracharok Mahaguthi, which functions now as the Mahaguthi.

The Parapakar, another example of an organized philanthropic effort, was established in 1954 to alleviate the suffering of cholera victims in Kathmandu Valley. It has now become a voluntary movement of medical care for the poor with 15 medical centers and a voluntary medical distribution system in the country.

There are some 18 national and 8 regional philanthropic organizations providing assistance to the poor, with branches operating in different parts of the country. Most of these were established in the early days of the Panchayat era to fulfill welfare activities,

for example, the Nepal Red Cross Society, the Family Planning Association of Nepal, the Nepal's Children's Organization, and the Mother's Club. Some of these have networks in most districts of Nepal.

In the last two decades, the Government and the international community have increasingly recognized the crucial role of the NGOs as partners in development. It is recognized that the social sector is as crucial as the economic sector, and that undue emphasis on the economic sector may not be sufficient for the required developmental transformation.

Like other countries, Nepal has for many years invested only a very small percentage of its financial resources in the social sector, partly under the assumption that the sector is nonproductive and will give no immediate return from investment. In both education and health, the share of public expenditure declined between 1985 and 1987. In the 1986/87 fiscal year, only 2.1 percent of the gross domestic product was allocated to the education sector. The health sector's share for the same period was only 1 percent. The increase from the amounts allocated during the mid-1970s and early 1980s was only marginal.

According to a World Bank study, the current allocation for the health sector is a meager 3 percent of the total annual expenditure. Despite a heavy investment in development schemes over the past two decades, poverty has not been reduced, nor has there been a significant improvement in the quality of life for the majority of Nepali people. Whatever gains were achieved in the last decade were offset by high population growth. Policies made in favor of the social sector, where NGOs are most active, have been partially implemented at best.

Since the early 1980s, His Majesty's Government of Nepal has regarded the role of NGOs as that of facilitators of change whose contributions are essential to the achievement of its development goals. One of the major thrusts of the 1983 National Population Strategy was to mobilize NGOs and community organizations in population and fertility reduction programs. Similarly, the Government's Basic Needs Programme (1985) underlined the need to involve NGOs and the private sector in reaching basic need targets. Under the new Government, both the Congress and Communist Parties highlighted the indispensability of collaboration between government and NGOs, and encouraged the formation of community-based organizations (CBOs) and village-level participation in Nepal's development efforts. In the health sector, for example, the Government's strategy is to deliver primary health services, including maternal and child health/family planning with the participation of rural communities.

The Rapid Rise of NGOs

The introduction of democracy in Nepal in the early 1990s ushered in the multiparty political system, replacing the 35-year-old Panchayat single-party system that demanded rigid allegiance to the monarchy and the party. Criticism of the Government and monarchy used to be strongly discouraged and any opposition was considered threatening.

This transition to multiparty politics, with its fervor for freedom, creativity, and development, set the stage for an increasingly significant role for NGOs, most of which, particularly those disillusioned with mainstream developments, emerged soon after democracy.

By June 1993, there were 1,230 NGOs registered with the Social Welfare Council (SWC), constituted by the Government upon dissolution of the former Social Services National Coordination Council. This number was a substantial increase from the mere 222 NGOs registered in May 1990. By June 1994, more than 4,000 local NGOs had registered. This was in addition to approximately 7,000 others registered with the chief district officers (CDOs) in the country's 75 districts. By early 1997, 5,040 local NGOs had registered with SWC.

This rapid increase in the number of NGOs in Nepal reflects the democratic ideals of freedom and a desire to influence development directions at both national and grass-roots levels. The institutionalization of these beliefs and practices has become a challenge for both the Government and the NGOs themselves.

NGOs in Nepal are characterized by a common zeal to reduce poverty and bring about equality and social justice. The NGO perception of development is that of social transformation, with NGOs committed to a broad paradigm of development (popularly known as the alternative development model) that rejects the "economic growth alone" development model.

Early Government Attempts to Coordinate NGOs

The Social Services National Coordination Council (SSNCC), established under the 1977 Act and amended in 1982, was responsible for NGO coordination. SSNCC had six coordinating committees:

- Health Service
- Child Welfare
- Women Service
- Youth Activities
- Community Service
- Hindu Religion

The mandate of SSNCC ranged from providing policy direction and coordination of NGO activities to planning, monitoring, evaluating, and resourcing mobilization. It also channelled funds to NGOs.

SSNCC was an attempt to institutionalize the NGO sector in Nepal. Chaired by the Queen, it was a high-profile body that promoted the values of social service. However, this simple objective was gradually replaced by a complex set of hierarchies and rigidities based on the socioeconomic status of the volunteers who offered their time for social work. SSNCC's reputation eroded as it gave way to attitudes based on authority and claims of royal connections for access to resources, trips abroad, and benefits. At the grass-roots level, in the rural areas, it commanded great awe among the poor who revered royalty as a part of religion. For the dominant class, it provided a means of gaining the goodwill of the people for Panchayat continuity.

Official attempts to foster NGO activity did not materialize during the Panchayat period. The political climate was one of suspicion toward any NGO that did not opt for the SSNCC umbrella. Many NGOs, particularly those headed by professionals, preferred to register under the Company Act, in the absence of alternatives. These NGOs often were connected to socioeconomic and technical consulting firms. Since the introduction of democracy, most of these institutions have re-registered as NGOs, with such names as New Era, Centre for Women and Development, Search, No Frills, Institute of Development Studies, and East Consult.

During the Panchayat era, the Government was fearful that NGOs would become vehicles for political activities. The proponents of volunteerism therefore put forward welfare activities as the essential NGO objective. This was less of a threat to the Panchayat. The NGOs that had social and professional standing but refused to be subjected to SSNCC domination still were too small to be of much influence. Community activities undertaken by some non-NGO groups in rural areas were carefully watched by government operatives suspicious of disloyal activities.

DEFINING NGOs

In Nepal, the modern concept of NGOs as organizations was defined by the Sangh Samstha Ain of 1977. Known as the Association Act, NGOs were defined as voluntary organizations whose objectives were to enhance the general welfare of the public.

The growth of NGOs has been quite spectacular in both scope and size since the Act was formulated in 1977. The variety of NGOs and the range of their activities both expanded significantly. Placing all NGOs in one category and defining them as having a common objective became impossible. Flexibility in definition has to some extent been the reason for the proliferation of local NGOs.

Local NGO cooperation is increasingly sought by government, international NGOs, and funding agencies, for a number of reasons. The rapid growth of local NGOs, despite criticism from various sectors regarding their transparency, is representative of the commitment of people to bring about a change for the better. In Nepal, disillusionment with the Panchayat system and its lack of creativity, along with concentration of wealth and power in the hands of the elite, and reckless exploitation of natural resources to meet political ends were all direct factors in the spontaneous growth of NGOs during the early stages of democracy.

CLASSIFYING NGOs IN NEPAL

There are wide variations in scope, programs, size, and importance of NGOs in Nepal. A large group of NGOs have formed around basic interests in religious, developmental, cultural, and ethnicity concerns. Some NGOs originated as issue-based movements, such as the Forum of Environmental Journalists, or the Women's Pressure Group. Others are formalized organizations of particular group interests, such as peasants organizations and trade unions. Some are formal associations with developmental mandates interwoven with a strong religious focus and the propagation of religion, such as the United Mission to Nepal (UMN), Adventist Development and Relief Agency (ADRA), and Caritas. NGOs in this group are mainly international NGOs.

NGOs in Nepal can generally be categorized into four broad groups.

- national NGOs, including welfare-oriented and professional organizations
- district/village-based NGOs
- local self-help groups or community-based organizations (CBOs)
- international NGOs

However, the distinction between the four groups is blurred and more work is needed to categorize NGOs effectively .

National-Level NGOs

National-level NGOs function with broad geographical coverage, often with regional offices and projects outside the urban centers. Some are linked to other local NGOs or CBOs that function outside the urban centers through joint project implementation. National-level NGOs can be divided into two subgroups—welfare-oriented and professional.

Welfare-Oriented NGOs

Examples of welfare-oriented local NGOs operating at the national level are the Red Cross, Netra Jyoti Sangh (a group of ophthalmologists), the Anti-Tuberculosis Association, and the Family Planning Association of Nepal. They are well-funded, mostly by international aid agencies, with annual budgets often exceeding \$1 million. Their well-planned programs are focused on service delivery. The executive boards of these local NGOs often consist of volunteers. Their headquarters are usually located

in Kathmandu, with local-level committees at district or village levels, implementing projects under instructions from headquarters. Decision making is centralized, and some organizations are now complementing their welfare programs with development projects.

Professional NGOs

Professional NGOs generally are staffed by salaried, highly qualified, motivated professionals. These NGOs function within the rules and regulations set by the Government. Their executive bodies often consist of retired professionals and committed development practitioners. Their goals and objectives are met through their own organizational mandates.

Their main activities include research and programs, including grass-roots interaction. Their professionalism and expertise render them capable of bidding for contracts with international NGOs, government corporations, and bilateral/multilateral agencies. They are active in seeking funding agency support through grant proposals. Professional NGOs are becoming openly critical of the Government's policy of allowing international NGOs to compete with local NGOs for funding support, since international NGOs also provide funds to local NGOs.

District/Village-Based NGOs

District/village-based NGOs are found mostly in the rural areas where local leadership serves as a catalyst for bringing the local people together to tackle critical issues. Programs are typically related to water supply, forest resources, and other natural resource management. The executive bodies of these organizations commonly consist of the local elite, and are therefore mainly based on caste or socioeconomic status. Board members often wield considerable political influence in the local area. It is not unusual for a few of these members to serve as chairpersons of the village development councils (VDCs)—politically elected bodies that are entrusted with developmental and administrative powers by the Central Government.

Both national and international funding agencies work through district- and village-based NGOs because of the NGOs' rural base. However, financial accountability is low and programs tend to bypass the socially and economically disadvantaged target groups because of their politicization. The stratification of the village population by caste, which is culture-specific, often is not addressed, even by international NGOs and funding agencies; caste as an aspect of culture often is not addressed by foreigners, although there also is a belief that poverty reduction cannot be achieved unless relevant cultural issues are dealt with at the village level.

The growth of NGOs in the rural areas is a direct consequence of the political change in Nepal. The United Leftist Government implemented a policy of funding NGOs at the grass-roots level soon after the introduction of democracy. At that time, more than 5,000 grass-roots NGOs were registered, primarily as a strategic means of recruiting cadres for party work. When the Leftist Government fell to the Nepali Congress Party, the grass-roots NGOs, which had been the stronghold of the former Government, soon lost their institutional capacity. The Nepali Congress Government, in an attempt to ensure their political support in the rural areas, followed by establishing their own grass-roots local NGOs. Funds from external aid sources were channelled to sectoral and integrated development programs and the Government's political support in rural areas increased. This process is increasingly being questioned by NGOs and the general public.

Community-Based Organizations

Indigenous CBOs were well-established traditions in Nepal in the past. Their powerful presence, which existed among all ethnic communities prior to the unification of Nepal in 1768, has since eroded. Most indigenous CBOs treat ethnicity as a major focus. These culture-specific organizations are characterized by social, religious, and developmental practices, quite unique to each ethnic group. Some examples of these indigenous groups are:

- **Dhikuri** – associated with the Thakalis, Bhotays, and Gurungs of Western Nepal
- **Dharma Panchayat** – a sociopolitical and legal organization of the Thakali ethnic community that helped them exercise local autonomy even during the feudal Rana regime
- **Guthi** – an indigenous social and religious organization of the Newars of the Kathmandu Valley
- **Rodi** – a unique social organization of the Gurungs of Western Nepal
- **Bheja** – an indigenous social, political, economic, and legal organization of the Magars
- **Kipat** – a similar organization of the Limbus

These organizations function within their own traditional practices and codes of ethics, but are quite different from the emerging modern concept of local NGOs in Nepal.

Funding agencies should be aware that in rural areas, the rural elite tend to have overriding decision making powers. The rural population is highly heterogeneous in terms of caste ethnicity and socioeconomic status. In some cases, user groups, such as water or forest user groups, being promoted in grass-roots projects may not be representative of the majority population in the area.

CBOs are recognized as organizations that provide development services to grass-roots communities at village and district levels through the mobilization of paid members or unpaid volunteers. CBOs are rooted in the communities they serve. Some researchers have attempted to differentiate between "self-generating" and "induced" CBOs. While the former are sustainable, the latter run the danger of collapsing when funding agencies withdraw.

CBOs in Nepal sometimes are based on ethnic grounds, seeking benefit for a particular ethnic group. It is important to differentiate between "induced" and "indigenous" (i.e., ethnicity-based) CBOs. CBOs that originate with projects are regarded as induced. Most induced people-based organizations in Kathmandu consist of both office- and field-based staff, with the former giving directions to the latter. The Small Farmers Development Program of the Government and Production Credit for Rural Women are examples of government programs. Swalamba and Nirdhan are examples of NGO-run programs with both Kathmandu-based central offices and field-based offices. Proponents of indigenous CBOs believe that funding agencies, international NGOs, government, and local NGOs do not work for the upliftment of the *dalit* community (the untouchables) when they ignore indigenous organizations that contribute to poverty reduction and rural development in a more effective way.

CBOs, also known as self-help groups or user groups, are participatory groups increasingly recognized in Nepal's decentralization strategy as potential catalysts for social and economic development. The Decentralization Act of 1982 adopted the user group/CBO approach to local development in response to the failure of conventional development practices. As agents of change for Nepal's development, CBOs have a growing awareness for conceptual clarification regarding their responsibilities to serve the needs of the people.

According to the German agency Deutsche Gesellschaft für Zusammenarbeit (GTZ), which supports training and capacity building through its NGO Fund, local mobilization possibilities exist among CBOs but are restricted by scale of operation and the limited area in which CBOs operate. At the same time, there is substantial scope for tapping CBOs and providing training opportunities for sustainability.

International NGOs

International NGOs enjoy a legal and policy environment different from that prescribed for local NGOs. Their policy mandate and budgetary allocations are defined by foreigners. They may act as project implementing agencies, as funding agencies, or both. Most international NGOs originated in developed countries, mainly through the efforts of citizens.

To work in Nepal, international NGOs must first obtain approval from the Ministry of Finance. Next, they must solicit approval from the appropriate line ministry, and sign a memorandum of understanding. After this, they must register either with SWC or with one of the sectoral line ministries.

The flow of resources through international NGOs is substantial. According to the United Nations Development Programme (UNDP), in its *Development Cooperation Report of 1995*:

International NGOs provided US\$17.7 million of development assistance to Nepal in 1995. PLAN International was the largest contributor, disbursing US\$4.1 million. Other major international NGO donors were United Mission to Nepal (UMN) which disbursed US\$3.2 million, and CARE, which disbursed US\$2.3 million.

UNDP states further that in 1995, international NGO disbursement as a percentage of total donor disbursement was:

- PLAN International: 23 percent
- UMN: 18 percent
- CARE: 12 percent

UMN has a larger operation than the whole United Nations system in Nepal. This is unique for a Christian organization working in a Hindu kingdom. UMN figures prominently on the list of international NGOs because of its sheer size, its extensive financial resources, and its cohesive religious character. Several years ago, UMN had 3,000 expatriates on its payroll, although the number has recently been reduced to less than 300.

Procedural formalities vary from one international NGO to another. Some are accredited with minimal agreements with sectoral ministries. UMN, for example, until recently had obtained five-year agreements with the Foreign Ministry with no reference to the Ministry of Finance, which is responsible for foreign aid, or with the National Planning Commission (NPC), the highest government planning body. Some organizations, such as the Swiss NGO HELVETAS, directly provide Government programs with funding. Some working with health-related programs maintain formal links with the Ministry of Health, while others, such as the Asia Foundation, maintain links with the Ministry of Communication. Some, such as Save the Children Fund UK, have in recent times signed agreements with SWC.

International NGOs that receive bilateral aid must sign a specific memorandum of understanding with the Ministry of Finance. This is a complex process with no standard procedure. Regulations vary and the end result depends on various factors. Discussions on the need for a single desk for international NGOs again raised the question as to where this window should be.

International NGOs established an association in late 1986 to discuss issues of common concern. Save the Children Fund UK took the initiative and the association remains significant, meeting every two months. Staff members of some international

NGOs indicate that the effort to coordinate the activities of international NGOs is directly related to concerns about likely changes in the channeling of funds.

The larger national-level NGOs based in Kathmandu are increasingly resentful of the competition from international NGOs. They argue that international NGOs should be discouraged from raising funds through bilateral agencies within Nepal. The practice of bilateral agencies subcontracting projects to the international NGOs is said to discourage local capacity building, which in turn perpetuates the problem that underlies the practice—the local NGOs claim they should be entitled to such funds because they are earmarked as aid for Nepal. The present practice of subcontracting to international NGOs, which in turn transfer meager resources to local NGOs on a project basis, is said to be contradictory to the objectives of aid. As well, it is held that agreements signed between government and funding agencies, between international NGOs and funding agencies, or between various international NGOs, should be transparent.

The strength of local NGOs springs from their spirit of volunteerism and cooperation in spite of their limited financial strength. The absence of clear guidelines regarding modalities of work for both international and local NGOs and the lack of transparency regarding sources of funding for international NGOs have given rise to speculation about the competitive nature of international NGOs. This may weaken local NGO initiatives since international NGOs have a comparative advantage in both financial and human resource capacity. Both groups have a common concern—the practice of government employees establishing NGOs themselves, then working as part-time employees or consultants, can undermine the effectiveness of government.

OPERATIONAL AREAS OF NGOS

Although Nepal has a history of voluntary indigenous efforts by local communities, it is only under the recent political environment of recognition and encouragement that the formation of national NGOs has mushroomed. According to a 1992 UNDP report, of the 323 local NGOs interviewed, 38 percent were established between 1990 and 1992; that is, after the introduction of democracy. In 1994, area development, health, and humanitarian assistance received the largest share of resources, followed by agriculture and energy.

Currently, most NGOs operate in the area of community development. Social development programs focus on health; assistance to children, youth, and women; care for the handicapped; environmental awareness; and HIV/AIDS education. Youth programs account for a large share of expenditure in these fields. NGO development activities center around agriculture, forestry, agroforestry, drinking water and sanitation, rural energy, watershed management, micro hydropower plants, small irrigation schemes, and savings and credit. NGOs also undertake activities in the areas of public awareness, leadership training, skill development, income generation, education on human rights, and women's rights.

Geographically, NGO projects are concentrated in the Central Development Region, the most urbanized area of the Kingdom. There are about 100 NGOs in each of the 75 districts of Nepal. Of these, most are concentrated in the urban districts such as Kathmandu, Patan, Bhaktapur, Pokhara, and Biratnagar.

The large NGOs mainly operate multidimensional programs. For example, community health is linked to income-generating activities, or microcredit to adult literacy and gender capacity building. Networking with existing extension programs of the Government, such as the agriculture and forestry extension services of sectoral ministries, or the credit and loan facilities for women under the Production Credit for Rural Women project, are some examples of Government/NGO (GO/NGO) cooperation. Local NGOs may also link their activities with similar programs run by the international NGOs and other local NGOs in the area. However, the duration of each program and its impact may differ, depending on the continuity of support from funding agencies.

The following is a list of some national NGOs that operate programs at district level.

- **Centre for Self-Help Development** – provides assistance in microfinancing in the rural areas for gainful employment
- **Institute for Integrated Development Schemes** – undertakes research on public policies and institutions and the sociopolitical and economic advancement of the country
- **Rural Self-Reliance Development Center** – runs rural-based programs in 80 villages that include income generation through savings and credit, health and sanitation, skill enhancement, and awareness building
- **Support Activities for Poor Producers of Nepal** – deals with microcredit, women's development, irrigation, agricultural extension, and training for farmers
- **SEARCH** – engaged in capacity building for NGOs, survey, and market research
- **MANUSHI** – works in the area of gender and development through research, training, and community-based action programs for empowerment of marginalized women and communities
- **CEAPRED** – concentrates on education and awareness creation among rural communities, reviews policies and their impact on Nepalese agriculture and environment, and assists community-level activities
- **STREE SHAKT** – undertakes needs-based action research, small-scale interventions, training programs for awareness, confidence building, group dynamics training, and gender analysis

NGO COORDINATION AND NETWORKING

Set up in 1990, the NGO Federation of Nepal, as an apex NGO body, aims to create a common voice and a common vision for the NGO community. However, in 1990 local NGOs were divided on party lines and the federation could find few points of common ground. According to a federation spokesperson, if a strong association of NGOs could be formed, the great potential of local NGOs could materialize. In the absence of any coordination by SWC and the fact that it is unlikely to take a lead in facilitating local NGO activities in the near future, there was growing concern among local NGOs about their future development.

The NGO Federation has proposed legislation aimed at reforming the current registration system for NGOs. The federation had hoped the draft legislation would be introduced into Parliament in 1997, but with the change of government the proposal was given low priority. In the draft legislation, the federation proposed that international NGOs not be allowed to participate in project implementation, and that this aspect be left to the local NGOs. The proposal argued that international NGOs can contribute to local capacity building of local NGOs by providing technical assistance. It also seeks to encourage a more realistic use of expatriates within international NGOs by reducing their numbers within the organizations so that the high overheads will be reduced.

In Nepal, the NGO Federation is the only functional umbrella organization for NGOs. In 1997, it had 1,100 members, mostly community-level organizations. Its membership covered 63 of the 75 districts in the country. A sector-focused coalition of 15-20 local NGOs—the NGO Forum—set up with grant funds from funding agencies to support literacy, collapsed in the mid - 1990 due to internal disputes regarding misappropriation of funds. The absence of an effective national forum or coalition of NGOs is a major shortcoming for cooperation and coordination in Nepal.

UNDP has facilitated coordination through the formation of sectoral funding agency groups that provide opportunities for them to meet regularly. Each group has a separate convener and UNDP acts as coordinator. UNDP observed that a full-time staff person is needed for coordination groups to work effectively. The Disaster Coordination Group is the only group with a full-time secretary and works well. However, due to budget cuts, UNDP is not able to support full-time coordinators. There is also a need for greater resources to be allocated for coordination at the district level. The Government plays a limited role in coordination and UNDP has offered its assistance to the Ministry of Finance in this area.

LEGAL AND POLICY ENVIRONMENT

The Constitution of Nepal (1991) ensures the right of association to all citizens. Local NGOs must register under the Registration of Associations Act of 1977. This registration can take place in the Office of the Chief District Officer in any one of the 75 districts in Nepal.

The Registration of Associations Act

The Registration of Associations Act, as amended in 1991, provides for registration of NGOs at all District Administration Offices. This act (Sangh Samstha Ain) is the first in Nepal's history to provide a modern view of NGOs as voluntary organizations with the objective of providing general welfare to the public. Although the act gave legal recognition to volunteerism, its concept of NGOs was outdated, particularly in view of the changed economic and political context of Nepal. The act incorporates a range of organizations under its definition of local NGOs. These include trade unions, religious institutions, foundations, political groups, youth clubs, sports organizations, professional academic bodies, advocacy groups, grassroots community groups, ethnic bodies, and other organizations.

Under the act, any seven citizens may apply for registration, specifying:

- the name of the NGO
- its objectives
- the names and addresses of the management committee members
- its sources of funding
- its office address

Audited accounts are required every year for registration renewal. Upon liquidation, the property and assets of the NGO are claimed by the Government, subsequent to the payment of all obligations and dues.

The Social Welfare Act

The Social Welfare Act of 1992 restructured the SSNCC into the SWC. Council membership was reconstituted and the council came under the chair of the Minister for Social Welfare, whereas previously it had been an autonomous body under the direct supervision of the Queen.

The aims and objectives of the council, however, remain the same. Its function is to coordinate, facilitate, promote, and mobilize NGOs for social welfare activities. The Member Secretary is a government appointee, and the SWC must seek permission from the ministry for policy-related matters.

Larger government-supported NGOs, such as the Family Planning Association of Nepal, the Nepal Red Cross Society, and the Nepal Children's Organization, all of which were established during the Panchayat period in the early 1960s, continue to receive annual grants from SWC. Other local NGOs do not necessarily receive financial support from either SWC or the Government. Although it is optional for NGOs to register with SWC, in order to enjoy tax exemption and other benefits local NGOs must register somewhere.

The Member Secretary of SWC indicates the appropriate ministry for the registration of a new NGO seeking registration. Local NGOs therefore question the need for approaching SWC, and suggest it would be more practical to deal directly with the line ministry itself to avoid unnecessary delays. Local NGOs are also concerned that the procedures and requirements for registration vary considerably between ministries. The registration process needs to be streamlined and each local NGO should be categorized on the basis of the operational areas in which it works and its organizational strength:

- national – those with the capacity to operate at the national level
- local – those functioning at district and village levels
- grass roots – those serving community needs, at the grassroots level

NGOs do not object to registration and the need for regular renewal of registration, but expect the Government to simplify the formal procedures and create a sound, clear-cut policy environment in which they can work.

Apart from registration requirements, the Government has little control over the way local NGOs operate. For example, local NGOs mobilize funds from international agencies and seek their support for technical and material assistance, often without any government involvement at all. Though there are provisions under the Social Welfare Act (1992) for prior approval before signing an agreement with a funding agency, in practice there is little adherence to these rules. SWC is authorized to provide tax exemption for local NGOs registered with the council for imported materials and equipment, and this is automatic if the NGO's constitution provides for the importation of such goods. SWC is also authorized to provide foreign volunteers to local NGOs who make such a request. The main agencies for supplying volunteers are:

- Voluntary Service Overseas (British)
- Japan International Cooperation Agency (Japanese)
- Mellemløst Samvirke (Danish)

The local NGO places an application before SWC for the temporary services of a volunteer, and SWC generally assigns the volunteer for a period of between 3-12 months.

While SWC is responsible for monitoring NGOs and periodically reporting to the ministry, it lacks the necessary institutional capacity to actually perform these tasks. The Secretary of the Ministry of Women and Social Welfare, an *ex officio* member of SWC, acknowledges that although the council is incapable of monitoring the activities of local NGOs, a need exists for evaluating their work. The Secretary believes that SWC should hire personnel from the NGO sector to carry out this task.

SWC recently received support from UNDP for establishing a training unit and database services. UN volunteers were also placed with SWC, but on completion of the project, all such activities came to a standstill. Over the past few years, the capacity of SWC has been weakened significantly by the frequent changes in leadership. The organizational base of SWC is so weak that obtaining current information about the state of NGOs under SWC is difficult.

It has been suggested that the Social Welfare Act be amended. The act came into being mainly to establish SWC as an umbrella organization for NGOs involved in welfare activities. However, it now has the task of providing registration and monitoring all NGOs, regardless of the type of activities they undertake. It has been suggested that SWC has not been able to build on the strength of the NGOs and facilitate effective cooperation with the Government, and that SWC has such limited capacity that it is not able to fulfill its role as described in the act. The option of giving SWC greater independence from the government with well-defined powers has been suggested. At present, the domination of government functionaries creates cumbersome bureaucracy that cannot respond effectively to the flexibility of NGOs.

Local Administrative Legislation

The most supportive laws for NGOs are the District Development Committee (DDC) Act, the Village Development Committee (VDC) Act, and the Municipality Act. All three acts were introduced in 1991 after the declaration of democracy. They reflect the Government's efforts to devolve power to local administrative units. Among other things, the DDC and VDC coordinate NGO activities at the district level, provide grants to NGOs, and enter into agreements with NGOs operating in the area. NGOs are required to receive project clearance from VDCs and through them from DDCs, with whom they are expected to work closely.

The Municipality Act requires NGOs to enter into agreements with the VDCs before implementing any project. The act, however, is unclear regarding the use of resources of VDCs, NGOs, or the community (voluntary labor, use of community grazing ground,

and the like). There is a provision for VDCs and the municipality to nominate members of NGOs to their advisory committees, though no NGO has yet been given this status.

There also is a clear mandate for the VDCs and municipality to promote cooperation with NGOs and encourage their functioning as well as work directly with NGOs and coordinate NGOs. The DDC Act also highlights the involvement of international NGOs for district development activities. It can also provide grants to NGOs to undertake development activities.

New Credit Legislation

The Canadian Centre for International Studies and Cooperation (CECI) has submitted draft legislation to the Rashtriya Bank (Nepal's Central Bank) to allow local NGOs to undertake financial interventions. All matters relating to financial laws must be considered by the Rashtriya Bank before going to the Ministry of Finance. The draft act was passed in 1998 as "The Financial Intermediaries Act".

GOVERNMENT/NGO RELATIONS

NGOs have become important development actors in Nepal since the introduction of democracy in 1990, and there is increasing awareness of the role of NGOs in national and international forums. GO/NGO cooperation lacks formal structure, but the relationship is essentially positive, without any real confrontation. The Government is concerned about the accountability of NGOs, but it lacks capacity to monitor their activities effectively. NGOs have also become significant employment generators, and are closely involved in working with people at the grass-roots level.

NGOs and National Development Plans

The Eighth Five-Year Plan (1992-1997) emphasizes the importance of NGOs in enhancing production activities and socioeconomic development. It emphasizes the importance of promoting community-based development through NGOs and local users groups as an efficient means of serving local people. National planning efforts in the recent past have expressed strong support for NGOs with the placement of NGO leaders on government advisory boards and committees. Moreover, NGO leaders, particularly those recognized as professionals of high caliber, are looked upon as valuable resources to be tapped by government. However, a gap remains between the plan's stated policies and the creation of an enabling environment for NGOs to participate effectively in achieving the objectives.

A Steering Committee has been established for the Ninth Development Plan (1998-2003) by the NPC. The NGO Federation has taken the lead in trying to establish a definite role for the NGO sector within the Ninth Plan and has held extensive discussions with the committee. However, the draft is not yet available and the impact of the federation's efforts is yet to be seen. It is understood that the Ninth Plan has made provisions for reforming the SWC Act.

Local Relationships

NGOs can register with community development organizations (CDOs), who often make claims about the corrupt practices of NGOs, but generally do not monitor their activities, nor have they taken any action against allegedly corrupt NGOs. The claims of corruption often appear to be based more on hearsay than on facts.

While the CDOs do not have the facilities to monitor NGOs, they do have the authority to impose audit orders. CDOs also have the power to impose a 2 percent levy on an NGO for the audit as well as charge the NGO for the costs of the audit. The levy is 2 percent of the balance of the NGO's funds after the audit, which in some cases can be quite substantial. The fear among NGOs is that this clause in the Association Act provides for easy access to corruption and harassment of NGOs.

Barriers to Further Cooperation

Two major problems in the development of good GO/NGO relations is the increasing politicization of the bureaucracy and the rapid turnover of civil servants. With each change of government, key civil servants in the ministries and the planning bodies at both central and district levels are changed. The changes in government cause a major change of civil servants and this seriously affects policy decisions and program implementation.

According to key NGO and funding agency personnel, there is a lack of communication between government ministries and NGOs. Many high-level officials are reluctant to recognize NGOs because as the organizations grow more professional, they become a greater challenge and threat to government. The Government worries about NGO capacity to influence public opinion about poor government performance.

The politicization of NGOs is also becoming a barrier to further cooperation. There are many professional NGOs with high credibility and reputation for quality work that do not want to be subject to party politics. But the situation since democracy has been uncertain with periodic political maneuvering propelled by party politics. NGOs cannot avoid being affected and many feel pressured to align themselves politically. The external funding agencies need to support the professionalism of NGOs and to reject the politicization pressures.

Government/NGO Conflict

In the case of the controversial Arun III Project, NGOs played an active role in stalling the multimillion-dollar project. The Nepal Forum of Environmental Journalists (NFEJ) and other NGOs concerned with the environment and human rights were active in raising public awareness about the environmental and social impacts of the dam.

NFEJ experienced conflict with the Government over its plan to mount a public awareness campaign on other environmental issues. Under the newly introduced privatization and liberalization policy of the Government, NFEJ planned to establish a private radio station dedicated to environmental awareness raising among the public. The United Nations Educational, Scientific and Cultural Organization (UNESCO) provided the necessary support, and equipment was imported with the normal tax exemptions

offered to NGOs. However, the Ministry of Communication delayed the go-ahead for broadcasting. Meanwhile, NFEJ was in a quandary over the issue and possessed equipment it could not utilize.

Practical Cooperation

The Ministry of Population and Environment recently set up a database of NGOs with a brief description of the past and present activities of each NGO. There are, at present, about 700 local NGOs on the list. According to a ministry official, the Government's attitude toward NGOs is one of control and suspicion. This is not considered to be conducive to growth.

The open bidding process of the Government, through which requests for proposals are published in the newspapers, is said to be flawed. In most cases, open bidding (without prequalification) is likely to end up saddling the Government with NGOs with questionable performance records. This is unavoidable as long as the determining factor for any decision is cost—the lowest bidder wins, regardless of the quality of performance.

As a result, reputable NGOs show reluctance to participate in government programs. The hesitancy on the part of external funding agencies to put their money into public entities is one of the reasons they prefer to do the work themselves through international NGOs. For example, the United States Agency for International Development (USAID) apportions a large part of its development funds allocated for Nepal to intermediaries such as CARE, Asia Foundation, Center for Development and Population Studies (CEDPA), Private Agencies Cooperating Together, and Save the Children Fund US. In 1995, USAID Nepal was instructed to provide funds via international NGOs. The Canadian Cooperation Office provides significant support through CECI.

Within the financial accounting system of the Government, it is not possible for a sectoral agency or ministry to allocate funds directly to an NGO. It has been said that funding modalities and mechanisms should be reviewed if GO/NGO cooperation is to improve.

Increasingly, international NGOs are withdrawing from direct field implementation. Instead, they have set up local NGO partners as vehicles to implement their programs. Nepali NGOs are concerned that the international NGOs may be establishing vehicles to fulfill their own agendas, and instead feel that international NGOs should act as agents for building the local capacity of national NGOs. Local NGOs also need assistance in resource mobilization.

Although the Decentralization Act is intended for granting decision-making power to district- and village-level units of the Government, it does not necessarily provide for more collaboration between the Center and its peripheral units. There still exist inherent

gaps between the Central Government and district-level councils that are reflected in the high turnover rates of district-level officers, extended delays in the replacement of district staff, and inadequate monitoring. Dissatisfaction exists among district-level officers who complain that they have not yet been given authority or incentive to work independently. The veracity of their claim is illustrated by the weak implementation processes of district-level government projects, as against those undertaken by NGOs in the same area.

NGOs are significant development partners, and it is necessary that the Government recognize this. No matter what changes may take place in government, it will be necessary for the Government to work with NGOs. The Government also must address coordinating and monitoring of NGOs. The DDCs can be entrusted with this responsibility at the grass-roots level.

At present, the Government holds grudging respect toward NGOs, balanced by an element of suspicion in the form of partisan politics. The bureaucracy also views the NGO sector with some suspicion. The local media generally have portrayed NGOs objectively, although, at times, have grossly exaggerated their weaknesses.

CONCLUSION

Potential for Increased Government/NGO Cooperation

There are three basic reasons why NGOs are an important factor in the development of Nepal.

- Recognition is growing within the government that it does not have the resources to deliver services to all its people, and that there are benefits to be gained from involving citizens in their own development. The Government has not been able to develop the tremendous potential that exists in its own social system. In the 1960s, when the country was entering its development phase, there were few local NGOs. Through the 1970s and 1980s, local NGOs became established as distinct legal entities with mandates for social development. Local NGOs have earned recognition for their commitment and willingness to work with local communities in the rural areas where basic infrastructure is lacking. The low-cost overhead of local NGOs is an added attraction for the Government with its declining resources.
- The modalities of government have changed. Government and the community working together can make a big difference. For example, 20 years ago, with support from external funding agencies, the Government had constructed only two suspension bridges in remote areas. At present, 62 suspension bridges have been built by community groups. The same principle holds true for the health sector in Nepal.
- The current policies of economic and political liberalization have led to an acceptance that institutions outside government can play a positive role as partners. The growth of NGOs in Nepal reflects this change of policy.

The rapid growth of NGOs has led inexorably to increased involvement with the Government. New structures and mechanisms for cooperation with NGOs are not only recommendable, they are unavoidable.

The Bank can help the Government redefine and reform its laws and streamline its processes. A first step could be the introduction of procedures for increasing NGO transparency. For example, through the introduction of requirements, NGOs could provide annual audited financial reports to increase their accountability to the public.

Institutional strengthening could also be provided to SWC (which itself needs a new mandate to meet the changed circumstances in Nepal) to increase its capacity to monitor NGO activities.

Challenges for NGOs

The major challenges facing NGOs at the end of the 1990s include the following:

- **Creating an environment for cooperation.** Although NGOs have gained prominence and recognition as agents for development in Nepal, the Government has not moved to create a positive environment for cooperation with NGOs. But NGOs must also contribute to creating a new environment. Those NGOs who have long believed that the Government is the problem need to understand that sustainable development to reduce poverty will require cooperation. NGOs should avoid being perceived as adversaries and competitors of the Government.
- **Mobilizing local resources.** The recent policy of privatization and liberalization calls upon the NGOs to take heed of the emerging private enterprise sector. Partnerships with the private sector could be a strategy for achieving the organizational and financial sustainability of NGOs, an issue of critical concern. Local NGOs need to generate income through local resource mobilization. Some NGOs have realized the need to address sustainability and have begun work on income-generating, small-scale production centers or offering training programs on a fee-for-service basis. Cooperation with the private sector could help achieve sustainability for these microenterprises.
- **Defining the role of foreign funding for NGOs.** The attraction of high salaries and long-term benefits is becoming increasingly visible and has drawn many people of potential away from the NGOs and community organizations. These new disparities are causing tensions within the NGO community. The spirit of volunteerism has also been undermined by the political and economic insecurity in Nepal.
- **Transparency and accountability.** Transparency in operations and sources of funding and accountability through published audit reports remain major issues for most NGOs.

- **Need for dialogue on development.** External funding agencies and international NGOs in Nepal tend to avoid controversial local NGOs that question development projects and government priorities. Yet these same NGOs are often those with strong leadership, professional staff, and commitment to building the community. Dialogue on development issues must be increased if dependence on funding agencies is to be reduced and sustainability increased.