Legitimating Aid:

Donors and Policy Making

in the Rural Water Supply and Sanitation Sector in Nepal

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Abstract

Nepal is typically viewed as an aid-dependent country, where donors have a powerful role. They are considered to be able to influence the planning of development efforts and national priorities of the country, as well as having a lead in the management of the development work, leading to a weakness by the Nepalese bureaucracies to decide their priorities. This is further viewed to be influenced by the neopatrimonial governance style in the ministries and departments administering the development work.

Donors that work in Nepal operate within their policy systems and priorities. These priorities are typically decided at the global level in international conferences and high-level meetings. In the past couple of decades, the donors have been given an increasingly larger role in national policy making in the aid recipient countries. Initially, this took place through economic policy conditionalities attached to loans given to aid recipient countries, and has from there widened to cover governance reform and participation in the policy making processes through policy consultations.

Under this situation, it is not clear through what kind of a process the national policies of aid recipient countries are actually formulated and how the national policies are influenced by donors’ policies. This thesis looks at policy making in the Nepalese rural water supply and sanitation sector from this perspective. It exposes the dynamics underlying the interaction between donors and the Nepalese water bureaucracies by focusing on the analysis of the roles, motives and interests of the sectoral actors in the making of policies. The study highlights the political side in the aid giving and receiving through making use of the politics of policy – theoretical perspective. The rural water supply and sanitation sector was chosen as the framework for this study, because of the important role that water has for Nepal – often presented as the blue gold of Nepal – and the multiple and powerful donors that are active in the sector, for whom the water sector is also an important investment target. The policy making process is analysed through a case study, the Rural Water Supply and Sanitation Policy, Strategy and Action Plan formulated in 2002-2004 and funded by the Asian Development Bank.

The empirical evidence of this study is based on the mixed qualitative methods research done in Kathmandu, Nepal, in the summers of 2009 and 2010. The core data is based on the interviews of 89 people, as well as water supply and sanitation related policy documents – draft versions, final policy documents and reports, prepared in the process of policy formulation. In addition, I have included a wide-ranging literature study.

The research illuminates that policy making in the Nepalese rural water supply and sanitation sector is a game between donors and the water bureaucracies – both having political and economic interests that they aim to secure in policy formulation. Based on these interests, the policy actors manoeuvre in the policy negotiations. The aim of the donors is to legitimate their aid towards the donor headquarters through influencing national policy making into their preferred direction in order to keep their business ongoing. Yet, even though the donors are able to influence policy making, the study found out that the Nepalese water bureaucracies are not powerless in front of the donors, but they have successfully adopted several strategies in manoeuvring the donor influence. Thus, even though the aid relationship is inherently unequal, is not only the donors that have
interests and power that drive policy making, but also the water bureaucracies have their own incentive structures that shape the policy processes. The donor involvement in the policy process can be charctesised as a state of permanent negotiation, in which policy formulation is just a part of the further institutional entanglement by the donors. Additionally, it has been discovered that the donor participation in the policy making has implications on policy theories, and policy networks, suggesting that the logic of policy making changes, when the donors play an important role in it. The policies in these situations are formulated to legitimise donors’ agendas and interests and not because of a perceived need for a policy change stemming from the internal developments in the aid recipient country. Because of this, the application of various policy network theories becomes problematic, because they assume that the coalition building takes place around a domestic problem, which the coalition partners want to solve through their suggested new policy idea.

Key words: policy process, aid, governance, Nepal, policy networks, politics of policy, water, water governance, water supply and sanitation, rural development
Acknowledgements

For me, writing this thesis has been a lonely path. For most part of the thesis, it was just me, sitting in our silent home in front of the computer, or me and my husband, literally fighting over time to work, in order to complete two doctoral dissertations, leading to late nights and lost weekends and holidays as well as taking shifts in taking care of the children. We also thought that a rolling stone does not gather moss, hence, we moved houses nearly once in a year, also internationally. Thus, this work has been written in Bonn, Berlin, Frankfurt am Main and Henstedt-Ulzburg in Germany, Hue in Vietnam, Chiang Mai in Thailand, Kathmandu in Nepal, and lastly in Helsinki, Finland. Yet, this meant that I was not able to establish myself in any academic circle and remained alone with my project. Under these circumstances, a wiser person might have given up and opted for something else in life. But my stubbornness pushed me to continue. I just did not want to give up. I needed to show myself that I could do this. This moment of writing the acknowledgements is my victory.

Even though I was most of the time alone and it was my own head that pushed me to complete, obviously, it would not have been possible without the support by various people. I would like to express my heart-felt thanks to my family for being there for me. My parents jumped over their shadows and accompanied me to Nepal to take care of their grandson for the time when I was working. Mum and Dad, I truly appreciate this. Without this, I would not have been able to finalise my data collection. Their help in babysitting did not stop in Nepal but has continued in Finland; they have been always available to help me in short notice. My siblings, Aki and Anu, were also ready to offer a helping hand, whether it was baby-sitting, photo-editing, technical issues, or as listeners, when I needed that. My parents-in-law, and my sister-in-law, supported our family in various ways while we were living in Germany. They carried the boxes when we moved and took care of our first-born when I needed to work. Lastly, I thank my husband, Dr Arno Glöckner, who never doubted that I would finish this. In addition to my Finnish ‘sisu’, his unmoved support to me and to this study has been the backbone of this project.

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I dedicate this thesis to my two lovely sons, Elias and Lauri. They needed to bear with me being stressed out and often absent during the weekends. I promise that I will now have more time for you and that the next holiday will be spent in holidaying and relaxing – not on writing the thesis!
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Abbreviations

ADB Asian Development Bank
AMI Agency Managed Irrigation System
BSP Basic Sanitation Package
CA Constituent Assembly
CBO Community-Based Organisation
CBWSSP Community-Based Water Supply and Sanitation Project
CIDA Canadian International Development Agency
CPN-UML Communist Party of Nepal – United Marxist Leninist
CWS Community Water Supply
CWSS Community Water Supply and Sanitation
DACA AC Decentralised Action for Children and Women
DDC District Development Committee
DFID Department for International Development
DIDO District Infrastructure Development Office
DMC Developing Member Country
DoI Department of Irrigation
Dolidar Department of Local Infrastructure Development and Agricultural Roads
DPMU District Planning and Monitoring Unit
DTO District Technical Office
DUDBC Department of Urban Development and Building Construction
D-WASH-CC District WASH Coordinating Committee
DWSS Department of Water Supply and Sewerage
D-WSSCC District Level Water Supply and Sanitation Coordination Committee
ENPHO Environmental and Public Health Organisation
EWP End Water Poverty
FAN Freshwater Action Network
FB Fund Board
FEDWASUN Federation of Drinking Water and Sanitation Users
FMI Farmer Managed Irrigation System
GNI Gross National Income
GON Government of Nepal
GSF Global Sanitation Fund
HMGN His Majesty’s Government of Nepal
IDWSSD International Drinking Water Supply and Sanitation Decade
IFI International Financial Institutions
IMF International Monetary Fund
IWRM Integrated Water Resources Management
ILO International Labour Organisations
INGO International Non-governmental Organisations
JAKPAS Janata ko Khanepani ra Sarsafai
JICA  Japan International Cooperation Agency
JMP  Joint Monitoring Programme
KUKL  Kathmandu Upatyaka Khanepani Limited
LDO  Local Development Officer
LSGA  Local Self-Governance Act
M&E  Monitoring and Evaluation
MDG  Millennium Development Goal
MFA  Ministry of Foreign Affairs of Finland
MHPP  Ministry of Housing and Physical Planning
MLD  Ministry of Local Development
MoE  Ministry of Energy
MoEn(v)  Ministry of Environment
MoES  Ministry of Education and Sports
MoF  Ministry of Finance
MoHP  Ministry of Health and Population
MoI  Ministry of Irrigation
MoST  Ministry of Science and Technology
MoWCSW  Ministry of Women, Children and Social Welfare
MoWR  Ministry of Water Resources
MPLD  Ministry of Panchayat and Local Development
MPPW  Ministry of Physical Planning and Works
MW  Megawatt
NC  Nepali Congress Party
NDF  Nepal Development Forum
NEWAH  Nepal Water for Health
NGO  Non-governmental organisation
NISP  Nepal Irrigation Sector Project
NMIP  National Management Information Programme
NNSS  Nepal Node for Sustainable Sanitation
NPC  National Planning Commission
NWSC  Nepal Water Supply and Sewerage Corporation
NWSSP  National Water Supply Sector Policy
ODA  Official Development Assistance
ODF  Open Defecation Free
OECD  Organisation for Economic Cooperation and Development
OECD/DAC  Organisation for Economic Cooperation and Development/Development Assistance Committee
O&M  Operation & Maintenance
PPTA  Project Preparation Technical Assistance
PRSP  Poverty Reduction Strategy Paper
RWSS  Rural Water Supply and Sanitation
RWSSP-WN  Rural Water Supply and Sanitation Programme – Western Nepal
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>SA</td>
<td>Service Agency</td>
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<tr>
<td>SACOSAN</td>
<td>South Asian Conference on Sanitation</td>
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<tr>
<td>SAP</td>
<td>Structural Adjustment Programme</td>
</tr>
<tr>
<td>SEI</td>
<td>Stockholm Environmental Institute</td>
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<tr>
<td>SEIU</td>
<td>Sectoral Efficiency Improvement Unit</td>
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<td>SNV</td>
<td>Netherlands Development Organisation</td>
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<tr>
<td>SO</td>
<td>Service Organisation</td>
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<tr>
<td>SSG</td>
<td>Sectoral Stakeholder Group</td>
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<tr>
<td>SWAAN</td>
<td>Sanitation and Water for All Alliance in Nepal</td>
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<tr>
<td>SWAP</td>
<td>Sector Wide Approach Programme</td>
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<tr>
<td>SWC</td>
<td>Social Welfare Council</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>UNDP</td>
<td>United National Development Programme</td>
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<td>UNESCAP</td>
<td>United Nations Economic and Social Commission for Asia</td>
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<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<tr>
<td>US</td>
<td>United States</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>VDC</td>
<td>Village Development Committee</td>
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<tr>
<td>VMW</td>
<td>Village Maintenance Worker</td>
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<tr>
<td>WASH</td>
<td>Water Supply, Sanitation and Hygiene</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<td>WECS</td>
<td>Water and Energy Commission Secretariat</td>
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<td>WHO</td>
<td>World Health Organisation</td>
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<td>WSS</td>
<td>Water Supply and Sanitation</td>
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<tr>
<td>WSSB</td>
<td>Water Supply and Sewerage Board</td>
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<tr>
<td>WSSCC</td>
<td>Water Supply and Sanitation Collaborative Council</td>
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<tr>
<td>WSSD</td>
<td>Water Supply and Sanitation Division</td>
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<td>WSSDO</td>
<td>Water Supply and Sanitation District Office</td>
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<td>WSSSDO</td>
<td>Water Supply and Sanitation Sub-division Office</td>
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<tr>
<td>WSST</td>
<td>Water and Sanitation Support Team</td>
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<tr>
<td>WUA</td>
<td>Water Users’ Association</td>
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<tr>
<td>WUSC</td>
<td>Water Users’ and Sanitation Committee</td>
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1 Introduction

“The term ‘policy’ is a word sanitized for polite company: it really is about power and the formula for its use. Since power, like procreation, is best exercised in society invisibly, policy discussions are notorious for what is covert and vaguely implied than for what is overtly laid out for public view.”

Dipak Gyawali (2010, 193), Former minister of water resources in Nepal

This thesis discusses the interaction and dynamics between donor organisations and bureaucracies in policy formulation in a developing country: Nepal. There is plenty of research on policy formulation and implementation in both established democracies, and developing countries, that focus on the role of parliaments, politicians and civil society in the policy process. There is also research focusing on policy implementation and the issues standing in its way – particularly in developing countries, where open or hidden, political and economic interests have been analysed. Within the policy process, however, it is not well known how the donors influence policy formulation, when they participate in the process, and act as its funding agencies. Thus, I am particularly interested to analyse the interaction between the donor organisations and the Nepalese bureaucracies, and how the aid dependency of Nepal, combined with the assumed powerful position of donors in Nepal, shape policy formulation. In Nepal, it is thought that the interests of the donors and the power of aid money guide policy formulation, but a detailed analysis of the power dynamics between the donors and bureaucracies in policy making, is still missing. Thus, my study delves into the roles, interests and motives of the policy actors, to explore the policy dynamics in the rural water supply and sanitation sector, and draws conclusions on how donor participation in national policy making in an aid-receiving country influences the policy making process.

Within the operating framework of aid, it has been shown that donors dominate aid and that the recipient countries have limited possibilities to influence the terms on which aid is delivered, or aid priorities are decided (Browne 2006; Killick et al. 1998; Panday 1999). Furthermore, it has been shown that aid has its own political and economic interests that can conflict with those of the aid recipient country: the history of aid witnessing in many cases in which the aid is delivered, even though it did not respond to the needs of the recipient country – a well-known example being the case of Lesotho studied by Ferguson (1994). At the same time, the aid recipient country’s governmental agencies have their own interests that they pursue, and they try to direct the aid flow accordingly. Nepal is characterised as a neopatrimonial country, where patronage and clientelistic networks play an important role in resource allocation and shape the politics of the country (Baral 2000; 2008; Rose, Fisher 1970; Blaikie et al. 1980; Bista 1991; Panday 1999; Kumar 2000). Even though Nepal is an aid-dependent country, it cannot automatically be assumed that the country would be totally dominated by the donors. I hope to show that the relationships are not that simple, through a process of the deeper scrutiny of power relationships between donors and governmental agencies. Even though typically presented as weaker, the recipient countries can also possess powers that can
contest the powerful position of the donors. Therefore, I will analyse the relationship between donors and the Nepalese governmental agencies in the rural water supply and sanitation sector of Nepal: how they come together to decide about sector development, and how they interact in sectoral policy formulation. Because of the focus of interests, whether open or embedded, and the varying powers between the actors, aid is perceived here as political, not apolitical, as the donors themselves tend to present. Analogously, the policy making process is approached through a theoretical perspective that emphasises the politics of policy.

1.1. Research Objectives and Research Questions

The overall objective of this thesis is to provide empirical evidence and conceptual argument on how aid agencies participate in the policy formulation processes in a developing country – here in Nepal – which is dependent on aid and donor advice and characterised as neopatrimonial. More specifically, my aim is to explain the roles, interests, motives and strategies of the aid agencies and the Nepalese water bureaucracies in the water supply and sanitation policies’ negotiation process. For this, I will trace the policy process of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan using it as a case study.

The central research question that I address in this thesis is the following:

*How has interaction between the Nepalese governmental agencies and the aid agencies in the rural water supply and sanitation sector been affected by the seemingly dominant policies and practices of the donors, taking into consideration Nepal’s dependency on foreign aid and advice and the characteristics of a neopatrimonial country with only a short experience in democratic governance?*

Within the frame of this central research question, some more specific questions are explored.

- Why have the abundant water resources of Nepal not been tapped effectively enough to bring sufficient water for all?
- Why have the Nepalese state, together with the donors, not been able to provide an improved water supply and decent sanitation for the citizens of Nepal?
- How have water policies in Nepal been formulated in relation to international aid trends and the government’s own policy priorities?
- What kind of strategies/mechanisms have the aid agencies and the Nepalese governmental agencies used to guard and promote their interests in water policy making in Nepal?
- What kind of networks did the aid agencies and the Nepalese governmental actors establish in order to strengthen their position in the policy process?
How did the Nepalese water bureaucracies cope with the demands set by the aid agencies, the government and the policy system?
How did the Nepalese water bureaucracies manoeuvre their priorities in policy formulation?

1.2 Background to the Research

Nepal has been presented as an aid-dependent country, which refers to the large and increasing amounts of aid that Nepal has been receiving since the early 1950s, combined with a dependence on donor advice in the implementation of development projects (Khadka 1991; Lohani 1999; Poudyal 1988; Panday 1999; Pyakuryal et al. 2008; Ghimire L.S. 2009a; Luitel 2009). Since the 1980s, aid agencies have increasingly taken part in national policy making in Nepal: first through the implementation of two Structural Adjustment Programmes (SAPs) in the late 1980s. and afterwards in the making of national policy, the policy reform being a conditionality for programme funding. The initial mechanisms were the conditionalities included in the economic reforms that the agencies funded, and later through the crosscutting agenda of good governance. Since the 2000s, the new aid instruments of joint reporting, process conditionality, and policy dialogue have made national decision making in Nepal an issue that is not the responsibility of the government alone, but donors, among others, have also an important role in the decision making process (Bhatta 2011; Winter-Schmidt 2011; Panday 1999).

In Nepal, several aid agencies, including the World Bank (WB), and the Asian Development Bank (ADB), and UNICEF, all influential multilaterals, have funded the water policy formulation and implementation processes. Particularly in the rural water supply and sanitation sector have the donors been actively involved in policy making. As Nepal has been presented as very dependent on foreign aid and advice, I assume that the aid agencies have been able to influence policy making in a direction that corresponds primarily with their own policies and aims, and not necessarily with the needs of Nepal in mind. It has been further negatively affected by the neopatrimonial governance of Nepal, in which the political and bureaucratical elite seeks its own benefit, rather than that of the citizens of Nepal. Furthermore, the global domination of the aid thinking – decided in the high level meetings and conferences around the world, and then implemented as a blueprint for development in aid recipient countries – has influenced national policy making in Nepal.

The rural water supply and sanitation sector of Nepal harbours a large number of actors: there is no single lead agency from the government side, nor is there a lead agency from the side of the donors. Instead, several governmental agencies are involved in the planning and management of the rural water supply and sanitation schemes, and many donors fund these agencies, or operate on their own in the same sector. All of these actors have their own interests to forward in the policy making, some of which are conflicting.
My aim is to understand the dynamics between the aid agencies and the Nepalese water bureaucracies\(^1\) in the rural water supply and sanitation policy making process – and to find out which mechanisms of interaction between the aid agencies and the water bureaucracies work in this kind of a situation, including how policies are negotiated, which actors take part in it, and which do not, and what motives, interests and issues they pursue.

1.3 Framework of the Research

In this section I will briefly outline the main debates within which this study operates. Many of these issues are analysed in greater detail in the chapters of this thesis. I limit myself here to only make a précis of the framework of my study. I have divided the fields into studies focusing on (1) Policy as a Process - and emphasising the role of politics in the policy making; including a glimpse on policy studies in Nepal; (2) The Role of Water in Nepal and - rural water supply and sanitation; and (3) The Aid Debate - including aid for Nepal.

1.3.1 Policy as a Process with Focus on Politics

My theoretical framework has been provided by policy as a process and the politics of policy - perspectives (Grindle 1999; 1989; 1977; Grindle and Thomas 1991; Thomas and Grindle 1990; Mollinga 2008b; Mollinga, Bhat 2010), which are elaborated in Chapter Two. This allows me to focus on how policies were formulated, and by whom, and on their interaction in policy formulation. Similar frameworks are included for studying water policy formulation and implementation in other parts of the world/in other water sectors (Ashtana 2008 and Mollinga 2008a on India; Mollinga and Bolding eds. 2004 on irrigation reform in developing countries; Suhardiman 2006 on irrigation reform in Indonesia and Nikku 2006 on irrigation reform in India, Whitfield 2006 on politics in the urban water reform in Ghana, and Reis 2012 on rural water supply and sanitation in Vietnam). Of these studies, the discussions of Suhardiman on the irrigation management transfer in Indonesia, the role of bureaucracies in policy making, and the application of Advocacy Coalition Framework in the policy process, have informed my study, both theoretically and empirically. Outside of the pure academic content, I also liked her argumentative style of writing. Reis, focusing on policy practices, rather than on policy formulation, also presents policy making and donor involvement as political; providing a critical perspective on donor support for the Vietnamese water supply and sanitation

\(^1\) I use water bureaucracies to refer to the main ministries and their departments that deal with water in Nepal – a concept that I use synonymously with the governmental agencies (in the water sector). Governmental agencies, however, are a wider term, which can also refer to other relevant actors (such as the Ministry of Health). Hydrocracies, a concept, which I will introduce in Chapter Four, refers to the ministries and departments that share the hydraulic mission: in the context of water supply and sanitation, this is the Department of Water Supply and Sewerage (DWSS).
sector. Furthermore, she illustrates the role of the state in the policy process, by tracing the policy decisions from national level to implementation. Whitfield, on the other hand, focuses on policy formulation and political interactions among donor, government and civil society in the privatisation of water in Ghana, showing how donors are embedded within the state – a topic that she elaborates further in the book ‘The Politics of Aid’ (ed. 2009). These ideas I have adopted in my study and probed their applicability in the case of Nepal. The edited book by Mollinga and Bolding (2004) provides several case studies on water policy processes around the world, highlighting the political aspects of the policy processes.

In the Western context the aspect of politics in the water policy has been discussed in the special issue of Environmental Politics edited by Bressers, O’Toole and Richardson (1994), covering countries such as the Netherlands, Germany, the United States, England and Wales, the EU, and Hungary. The case of Great Britain has been discussed lengthy by Maloney and Richardson in their book ‘Managing Policy Change in Britain: The Politics of Water’ (1995). One of the rare studies on the role of donors in the water supply and sanitation policy is from Seppälä (2002), who discusses the role of donors in the water and sanitation policy reform implementation. There is more literature available on policy implementation than on policy formulation in general, particularly in the case of developing countries.

There are also some studies on policy formulation and implementation in Nepal, outside of the theoretical framework of policy as a process, or the politics of policy perspective, as well as outside of the water sector, but still providing me with a framework for my study. Schloss (1985) studied the politics of development in the transportation sector, focusing on the dynamics between bureaucracy and the aid system, including donors, and on the planning process in that sector. He highlights the roles, interests and actions by these actors in this particular field, and concludes the discussion on the interplay in terms of which roads were built by whom and where. It is one of the first in-depth analyses on the role of donors in policy making in Nepal. Justice (1986) has studied the role of aid in the health sector and in its policy making. Her focus was on presenting the gap that exists between policy making and programme implementation. Her insights into action of the aid agencies in policy making still apply today, and provide reference to this research in this regard as well. The implementation of privatisation policy in Nepal has been examined by Paudel (2006). He shows that multilateral aid agencies had a dominant role in pushing for privatisation in the early 1990s, informing my account of the economic history of Nepal and the role of donors in the 1990s.

1.3.2 Water in Nepal

The water sector, being one of the most potential sectors in Nepal economically (HMGN/WECS 2002; Pun 2006; Dhugel, Pun eds. 2009), has gained a lot of researchers’ attention. As I cannot review all of the water-related literature in this thesis, the focus is on literature with topics that matter for social and political science, and in those books and papers that have a relevance for my political perspective on water.
Particularly, the hydropower and irrigation sectors have been analysed from various perspectives. The political side of hydropower development was the topic of the book by (eds.) Dhungel and Pun (2009), who provided a multi-perspective picture of the India-Nepal relationship in hydropower development. In addition, the issue has been the focus of Upreti B.C. (1993); Rijal (1997); Dixit (1997; 2009); Gyawali (2003); Subba (2003); Upreti B.R. (2007); and Mirumachi (2010); and it has been discussed in numerous articles in the journal ‘Water Nepal’. Many of these books and articles discuss the role of multilateral banks that have had an active role in the hydropower sector in Nepal, thus informing my study about the role of aid in the water sector. The irrigation sector has been scrutinised from the social science perspective by Aubriot, Jest, Sabatier (2008); Lam (2006); Aubriot (2004); Shivakoti and Ostrom (ed.) (2002), Pradhan P. (1989) and Regmi (2007), who focus on the history of irrigation in Nepal and farmer-managed irrigation systems. These studies discuss the differences between farmer- and agency-managed irrigation systems practices, illuminating the evolution of hydrocracy in Nepal.

The different meanings of water are highlighted in the studies by Rai (2005), who analyses dam development and the issue of resettlement. Upreti (2001; 2002; 2007), on the other hand, discusses conflicts in the water sector, whereas R. Pradhan et al. (1997) and Pradhan, von Benda-Beckmann and von Benda-Beckmann (eds.) (2000) include water rights into this discussion. Dixit (e.g. 2009; 2002; 2000; 1997; Dixit, Crippen 1993) and Gyawali (e.g. 2008; 2003; 1989) have written extensively about the water issues in Nepal and are the main advocates of small scale hydropower development in Nepal: opposite to those arguing for large hydropower projects (e.g. Mahat 2005). These works provide background information for my study by discussing the social, political and economic aspects related to water sector development.

Rural water supply and sanitation is an under-researched topic in Nepal, particularly when having connections with aid and politics. The most important study in this field consist of the doctoral dissertation of Sharma (2001), which analyses a Finnish funded rural water supply and sanitation project and the traditions of water. Sharma shows how the role of donors in sectoral development have been decisive; particularly their priorities have influenced the making of national development plans. The same project has been studied by Saarilehto (2006) in his Master’s thesis, highlighting the power relations between the different actors within the project framework. Buddeke (2010) in her Master’s thesis analyses the sustainability of the water supply and sanitation projects funded by the Fund Board in Nepal. These studies focus on the micro level, discussing the project implementation. My study will complement these studies by focusing on the sectoral development at national level and analysing the donor influence from this perspective.

1.3.3 Aid and Nepal

The wide and diverse aid debate will guide my analysis on the role of aid in Nepal. Browne (2006) and Riddell (2007) present aid as a very complex set of processes, where no singular explanations can be given; thus, this corresponds with my understanding of aid having political motives. Within the aid debate Gibson et al. (2005); Haan and Everest-
Phillips (2007); Araral (2008) and Whitfield (ed.) (2009) highlight the incentives and power embedded in the aid game, whereas Mosley et al. (1991); Killick et al. (1998); Harrison (2001); Øås and McNeill (2003); Gould (ed.) (2005) as well as Whitfield (ed.) (2009) depict insightfully the evolution of the conditionality thinking among the donors. These studies inform my political economy view on aid, by scrutinising the political and economic incentives on the sides of national governments and donors, to participate in policy making, and their strategies to guarantee that their interests are taken into account in the policy making, as well as informing the study about their power in this game. The issue of power is further illuminated in the ethnographies of aid by Mosse (2005); Ferguson (1994) and Li (2007), showing that in the aid interface, power is multilayered and not unidirectional.

The Nepalese debate on aid and development, (discussed in detail in Chapter Three) informing this research, consists of the works of Mihaly (1965); Stiller and Yadav (1979); Bista (1991); Khadka (1997); Shrestha (1998); Panday (1999); Sharma (2001; 2008) and Sharma et al. (2004). They all describe an important role for donors in Nepal and some of them even characterise it as aid-dependent Nepal. However, they have not defined it in a Nepalese context, but use it in very general terms. In addition, an important aspect of development thinking in Nepal is the discussion around the concept of bikas (meaning development commodities brought externally by donors, NGOs or bureaucrats), discussed in the works of Pigg (1992; 1993; 1995); Des Chene (1996); Shrestha (1998); Kamata (1999) and Sharma (2001). As bikas-thinking characterises all development efforts in Nepal, it is important that all studies discussing the role of aid in Nepal take account of this issue.

1.4 Blue Gold: Meaning of Water for Nepal

‘Water is, unquestionably, Nepal's most important natural resource. Optimal use of this dwindling resource could be instrumental in substantially uplifting the quality of life of the Nepalese people.”

*S.B. Pun 2006, 128

As stated in the quotation above, water in Nepal is popularly viewed to be the most important natural resource, having an enormous potential economically, leading to economic growth that will be broad-based, and consequently, reduce poverty, by providing opportunities for the poor to buy themselves out of economic hardship. Yet, researchers opine that the linkage between poverty reduction and water development is complex, and how the latter fits into a global or national poverty reduction agenda is not clear (Dixit 2000). The difficulty lies in the fact that linkages are not explicit, and in cases that are marginal, poor men and women using groundwater and land to create wealth (Shah 1998). Furthermore, poverty is not only about wealth, or cost-benefit ratios (Panday 1999), but inclusion of identity and human dignity receive equal emphasis in today’s definition of poverty. However, in a general sense, it is clear that a lack of access to water
leads to impoverishment, and those who are poor have no access to a wholesome water supply (Dixit 2000).

Despite of the abundance and potentiality of water, it has not been tapped effectively enough to bring prosperity to the people of Nepal. Here I show how the dominating view of water in Nepal it is of being 'blue gold' – viewing it as a natural resource, having an enormous economic potential for country – and that has shaped the politics of water in Nepal. Because of the potential that it includes, several organisations have been interested in having a share in its governance or control. In this section, I provide an overview on water as a natural resource in Nepal and on its meaning for the country culturally, politically and economically.

### 1.4.1 Abundant but Scarce Water

Nepal is a landlocked, predominantly mountainous country located between two global powers, China and India. It is situated between the Tibetan plateau and the Ganges plain along the southern slope of the Himalaya. This area is divided into five physiographic regions: 1) High Himalayas, 2) Lesser Himalayas (high mountains), 3) Middle Mountains (the Mahabharat Range), 4) Siwaliks (the Churia Range) and 5) the Tarai plains. Due to extreme spatial differences, climate variation is large in Nepal – ranging from tropical to arctic climate within only 200 kilometres. Figure 1.1 shows these spatial differences (Buddeke 2010, 25; OECD 2003, 9).

![Figure 1.1 Topological Sequence of Nepal](http://commons.wikimedia.org/wiki/File:Nepal_topo_en.jpg)

2 There is variation in the categorisation of Nepal in physiographic regions. Some divide Nepal into three regions, others in four. I use the categorisation by the government of Nepal (HMGN/WECS 2005).

The country's physical setting contributes to a rich water regime, in which the dense network of 6,000 rivers has the largest water potential\textsuperscript{4}. The total average annual runoff from all these river systems is estimated at about 225 billion cubic metres (bcm)\textsuperscript{5}. All the river systems drain from north to south towards the Ganges River. The four major river systems originating in the Himalayas are the Mahakali, Karnali, Narayani (Gandaki) and Saptakosi and the medium rivers originating from the Mahabharat range are Kankai, Kamala, Bagmati, West Rapti and Babai. The southern rivers rising from the Siwalik range are smaller and have little water during the dry season. They can, however, cause flash floods during monsoon.

The magnitude of the average availability of the water resources of the country can be misleading in terms of their actual utilisation. The variations of resource availability in terms of time and space are large. In the months of June to September the flow is high because of the monsoon, which brings about 80 per cent of annual rainfall (ADB 2009c), followed by a period of recession during the months of October to November. Flow becomes low during the months of December to April. Pre-monsoon rains, thunder and

\textbf{Figure 1.2 Map of Nepal with Main Rivers}

\textit{Courtesy of the University of Texas Libraries, The University of Texas at Austin, source: http://www.lib.utexas.edu/maps/cia12/nepal_sm_2012.gif}

\textsuperscript{4} In addition to the rivers, water is also available in the form of lakes, glaciers and groundwater. The country's major lakes are situated in the Western and Far-Western regions. The storage available in the lakes is estimated to be about two per cent of the annual run-off (Thapa, Pradhan 1995, 28). Groundwater is most available in the southern region of the Tarai. The Tarai is also a major zone for recharge of aquifers in the Indo-Gangetic plains. Hence, there is a potential of groundwater use in the form of shallow tubewells and deep tubewells (HMGN/WECS 2005, 4; Thapa, Pradhan 1995, 28).

\textsuperscript{5} The estimates are based on available data of certain stations up to the year 1995 (HMGN/WECS 2005, 3).
squalls, generally increase the flows in May and early June and with the commencement of summer monsoon flow augmentation begins. Furthermore, the demand for water for domestic, industrial, irrigation, hydropower generation, environmental requirements, etc. does not necessarily match temporally or spatially, or both, with the available water supply, which has led the resource being categorised as 'scarce' rather than 'abundant' in terms of its temporal and spatial variations (HMGN/WECS 2005, 1-4; Thapa, Pradhan 1995, 18-24; Bhattarai 2009, 69-71). Of the abundant 225 bcm of water available annually, only a small part (estimated at 15 bcm) has so far been utilised for economic and social purposes. Until now, Nepal has utilised mainly medium and small rivers for different uses such as drinking water, irrigation and hydropower. The larger and perennial rivers, except for a few run-of-the-river schemes, have been virtually left untapped (HMGN/WECS 2005, 4).

The impact of global warming is expected to have severe effects on the Nepalese Himalayas and the most critical impacts can be expected to be on its water resources, particularly glacier lakes, and its hydropower generation. Water supply infrastructure and facilities are at risk from increased flooding, landslides, sedimentation and more intense precipitation events (particularly during the monsoon) expected to result from climate change. Greater unreliability of dry season flows, in particular, poses potentially serious risks to water supplies in the lean season. Hydroelectric plants are highly dependent on predictable runoff patterns. Therefore, increased climate variability, which can affect frequency and intensity of flooding and droughts, could affect Nepal severely. Glacier lake outburst floods and increased run-off variability threaten the potential for hydropower generation. Given that Nepal’s electricity infrastructure heavily relies on hydropower – nearly 91 per cent of the nation’s power comes from this source – a reduced hydropower potential might imply that Nepal will have to seek for alternative sources of power generation, including from fossil fuel sources (OECD 2003, 43). It is also estimated that monsoon rain will intensify, which is expected to enhance the variability of river flows. This trend has major impacts on hydropower, agriculture, infrastructure and human health, but also on Nepal’s ecosystems and biodiversity. As a consequence of heavy rainfall combined with severe thunderstorms, landslides and flooding are common in Nepal. Therefore many farmers see their fields flooded or washed away because soils can often not absorb the amount of water during monsoon months. With more intense monsoon rains, food security may become more challenged as well (Buddeke 2010, 25, cf. GON/WECS 2011). Yet, in the rainshade areas of Nepal, the opposite is the case. In these areas, there will be less rain expected, due to the diminishing snowfall in the Himalayas, because of raising temperatures. In these regions there will be less melting water flowing into the streams, leading to lack of water. It has even been reported that some villages will need to resettle because of this problem (Bernet 2013, 214-5).

Outside of the threat posed by climate change, Nepalese water resources are also threatened by an increasing population and industrial expansion, together with a growing demand from urbanisation and the irrigation sector. Furthermore, Nepalese water resources are facing many environmental hazards. Suggested solutions to these problems are to switch focus on their management through the river basin approach or integrated water resources management (NENCID, undated, 13; HMGN/WECS 2002; 2005).
1.4.2 Economic Value of Water

Water is the principal natural resource supporting the economy of Nepal. It is particularly important for two sectors: irrigation and hydropower. In the hydropower sector there is a magical number of 83,000 MW of potential capacity for electricity production that is often quoted. Yet, as presented by Bhattarai (2009) (and many others) the technically and economically more feasible potential is about 43,000 MW. This is indeed quite a potential if one compares it with the current hydropower capacity of the system which is 556 MW (Bhattarai 2009, 73; Pradhan 2009, 126-7). Sufficient electricity for industries would also boost the economic growth in the country.

The development of the irrigation and hydropower sectors began in earnest in the 1960s under the aegis of foreign aid institutions. Since then, water has been viewed as the main resource to lead the development of the country, including the naming of water as the 'blue gold' of Nepal. The basic premise of this approach to development is that investment in constructing the physical structures required for altering the flow of water in space and time leads to high economic growth. Infrastructure is created for irrigation (to stimulate yields and production), hydropower (to provide reliable power for industrial expansion and revenue from export), navigation (to substitute land based transportation), access to domestic water (to save time collecting water) and industrial uses (to enhance production processes).

Three early hydropower projects were built in the Trisuli, the Rosi Khola and the Sunkosi rivers with financial and technical assistance from India, the former Soviet Union and China respectively. Particularly in the post-1990 era the neo-liberal ideas, and striving for economic growth, facilitated by the new Hydropower Development Policy 1992 (revised in 2001 and under revision in 2013), made Nepal to seek for further foreign technical and financial aid to study the feasibility of constructing large-scale hydropower projects which could export energy to the Indian grid. Most of these projects were conceived as multi-purpose projects: besides generating energy they would facilitate irrigation, flood moderation, navigation and inland fishery. India is extremely interested in buying electricity from Nepal as it also suffers from power deficit. Pun (2006; 2009) explains that despite the fascination for power export to the Indian grid and belief that this will lift Nepal into riches of the world, not one project dedicated to that aim has been built. Instead, Nepal imports electrical energy from India.

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6 This estimation derives from the doctoral dissertation of Hari Man Shrestha written in 1966 at Moscovsky Energetichesky Institute.
7 Of total energy, actually only a small part is produced by hydropower. GON/WECS (2010) points out that the share of hydro-energy in the total energy consumption is only 0.6 per cent. Other means for getting energy are in the rural areas fuelwood, agri-residue and dung, which easily can lead to overexploitation of existing forest resources and decrease the yield of farmland, and in the urban areas diesel generators, although Nepal also suffers from shortage of petrol.
8 For a short history of the irrigation and hydropower sectors, see Dixit (2000).
9 Several authors question this popular view that water resources will lead to Nepal's development (Gyawali 1989; Thapa 1997; Bandyopadhyay, Gyawali 1994; Rijal 1997).
10 In 2007, this corresponded to 10.8 per cent of the energy consumed that year (Dixit 2009, 97). In 2005, 50 MW of power exchange was being transacted between India and Nepal, through 'in principle' 150 MW of power exchange has been agreed upon the two governments (Pun 2006). For a review of the hydropower sector development, see Pandey (1998).
In the irrigation sector, water is required to stimulate agricultural production, which is the largest economic sector of the Nepalese economy and provides a living to large part of the population\textsuperscript{11}. Therefore, the intensification of agriculture through irrigation is essential to increase food supplies and to strengthen the economic base of the country. Additionally, increasing yields through irrigation would improve the economy of the country, particularly if the agricultural surplus could be exported. Currently, Nepal has 2.64 million hectares of cultivable land and 66 per cent of this land, i.e. 1.76 million ha, is irrigable. Around 60 per cent of the irrigable land has some kind of irrigation facility, of which only 41 per cent has round-the-year irrigation. Most of the irrigated area (about 74 per cent) is under farmer-managed irrigation systems (FMIs)\textsuperscript{12} and the remaining area falls under agency-managed irrigation systems (AMIs) (HMGN/WECS 2005, 5; Thapa, Pradhan 1995, 79-83; Bhattarai 2009, 73). Outside the hydropower and irrigation sectors, water supply for domestic and industrial use is obviously one of the main uses of water. The use of water for water supply and sanitation is discussed in detail in Chapter Three.

\subsection*{1.4.3 Political Water}

Due to the economic potentiality, water in Nepal has attracted the attention of those people who are politically motivated. This is highlighted in the hydropower sector and in the negotiation of water resources management with India, related to the transboundary rivers. In addition, due to the scarcity of water, conflicts over the use of water have arisen. These are manifested both at local and national level. The economic potentiality and scarcity of water have made water in Nepal a highly sensitive political issue. In this part, I first elaborate on the conflicts at the local level, showing how these relate to the availability of water and the political influence. After this, I turn to analyse the political aspects shaping water resources management at a national level and after this, elucidate the India-Nepal water relationship.

\subsubsection*{1.4.3.1 Water Conflict at the Local Level}

Different kinds of water-related conflicts have been reported in Nepal (Upreti 2004; 2007). Source disputes, the sharing of water for different purposes (for example, use of water for drinking water, irrigation, hydropower), and the payment of compensation for damage caused while constructing canals and laying drinking-water pipes, have frequently been reported. Similarly, conflict over contributions to the water supply and irrigation systems, and disputes among water users’ associations/committees on their roles and

\textsuperscript{11} Nearly four fifths of Nepalese households are essentially farm households (4.25 million households out of which 3.36 million have agricultural holdings), who derive nearly half of income from agricultural sources, consisting of farm income and agricultural wage income. Engaging two-thirds of labour force, this sector alone contributes some one-third to the GDP (Karkee 2008, 1).

\textsuperscript{12} Some systems are being transferred wholly to the water users’ associations (WUAs) concerned for management, whereas some are being jointly managed by the government and the WUAs (HMGN/WECS 2005, 5).
responsibilities, are other common water-related conflicts (ibid.). Earlier studies (Upreti 2001; IMC 1990; Pradhan et al. 1997; 2000) have shown that water conflict is a normal phenomenon – in the absence of a clear provision of water rights – if the same source is used for more than one purpose. The occurrence and intensity of such a conflict is especially high when water becomes scarce in the dry season, whereas in the irrigation system, the disputes often relate to the head section limiting the supply (in terms of time and quantity) in the tail section (Upreti 2007, 20-21).

Researchers have attached conflicts to a weak governance of water resources (Pradhan et al. 1997; 2000; IMC 1990; Upreti 2001; 2007). They have noted that conflicts are more common in agency-run irrigation and water supply systems than in farmer-managed irrigation systems and have shown that in several externally-funded drinking water projects, conflicts have erupted after a few years due to the scarcity of water, because of the increase in the population in the villages. This has been the consequence of technicians, who designed the project having ignored the potential future for water demand, citing financial and technical reasons.

Upreti (2007, 23-24) also mentions that political interference and interests cause politicisation of conflicts. In water supply, this is elucidated in the question of where to put the tap stand. Due to the influence of politicians, or because of their own hidden interests, technicians locate the tap stand close to the houses of particular people (mainly rich and powerful – sometimes negotiated with a bribe), disregarding other people’s protests. Similarly, sharing the source is another problem in such projects. The decisions are decided on the basis of technical justifications, thus ignoring the existing use of patterns and the social context. Once the projects are built on these grounds – political or technical – without considering people’s needs and opinions, local people may damage structures built, and cause the conflict to escalate.

1.4.3.2 Domestic Politics Shaping the Water Sector

Water being a highly sensitive political issue is also highlighted in domestic politics in Nepal – especially in the hydropower sector. In this part, I show that the main interest of the domestic political players has been to get a share of the potential ‘hydro-dollars’ and to guarantee that each ministry dealing with water/hydropower has a position that allows them to join the governance game in the hydropower sector.

This kind of a game is well illustrated in the political wrangling over the power balance in the administration of water resources that took place in 2009. Then the Ministry of Water Resources (MoWR) was abolished and two new ministries were created: the Ministry of Energy (MoE) and Ministry of Irrigation (MoI). The jurisdiction of MoWR was handed over to the Ministry of Energy. In addition to the power play within the coalition parties13, this decision relates to the typical view of water in Nepal as consisting of two economically potential sectors: hydropower development and irrigation. It was most likely considered that these two powerful sectors should not be under one minister.

13 This was explained to me in an interview by Pashupati Shmshere Rana, chairperson of RPP on Sep. 13, 2010.
but should be divided to allow more distribution of the financial resource base and political power when deciding over finances. Institutionally, the splitting of the MoWR did not make much sense. It put the whole water sector into an uncoordinated state and the Water and Energy Commission Secretariat (WECS) as a coordinating agency – at that time heavily engaged in the Integrated Water Resources Management – in a fuzzy situation. This cross-sectoral agency, which previously was under the MoWR, became to be administered by a ministry that was solely responsible for the advancement of hydropower development. At the same time, there were four other ministries responsible for water-related issues, the MoE, MoI, Ministry of Physical Planning and Works (MPPW) and the Ministry of Local Development (MLD) and no institution with the power to coordinate them. A similar reasoning for the splitting ministries and their jurisdictions to avoid them becoming too powerful has been suggested to have taken place in the context of MoWR and water supply\textsuperscript{14}. I was informed that water supply and sanitation used to be under the MoWR, but it was swapped under the MPPW, because otherwise the MoWR would have had too much funding and making it too weighty in comparison with other ministries.

Politicalisation of water in Nepal has not taken place only because of domestic politics, but these have been influenced through the global political setting. A well-known example of this is Arun III, a controversial hydropower project in Nepal, which has not been implemented because of opposition from civil society. This took place in the early 1990s, when the global focus on liberalism also paved the way for competitive politics in Nepal, and raised aspirations and public yearning for an improved performance in governance (Dixit 2000, 198). In this liberalised political environment, Nepalese citizens started to demand rights, as well as access to information, culminating in a public debate on hydropower development, which was seen to solely serve the purpose of the market-economy's interests. Demands were expressed to first provide electricity to the Nepalese citizens, before exporting it to India, and to be transparent with the financial and environmental costs of hydropower development (see e.g. Dixit 2009; Dixit and Basnet 2006). Thus, the operations of the project, led by its main donor, the World Bank, caused a wide political debate in Nepal\textsuperscript{15}, leading to protests against Arun III.

Upreti (2007, 25) shows how the interests of politicians and bureaucrats for kickbacks, in the water sector, have led to cases of corruption, and concludes that the cases of corruption and malpractice in Nepal’s water resource development is not that different from the findings of Robert Wade (1982), in the administrative and political corruption in the irrigation projects in South India. Gyawali and Dixit (1999) and Swain (1998) additionally suggest that political and not economic considerations have guided the selection of the proposed Pancheswar Project, whose implementation is set by the treaty between India and Nepal on the Mahakali River (cited in Dixit 2000, 218).

\textsuperscript{14} Interview with Pashupati Shumshere Rana on Sep. 13, 2010. A similar point related to avoiding the allocation of funds to a certain government organisation, in order to not make it too strong, was made by a NGO director, when speaking of urban water supply and sanitation.

\textsuperscript{15} Different views on the Arun III case have been presented by Pun 2009; Mahat 2005; Gyawali 2003. There were similar parallel cases in South Asia: e.g., Farakka Barrage between India and Bangladesh, and Sardar Sarovar project in India.
Because of the issue of corruption, among others, there is a constant discussion going on in Nepal whether hydropower development should focus on the ‘World Bank approach’, meaning large projects as being the best solution for the economic development of the nation – mostly advocated by politicians – and scholars arguing for the development of less risky (smaller) hydropower projects, and consistently questioning the development of export-led large hydropower projects (for the first category see Mahat 2005 and for the latter see Gyawali, Dixit 2001; Panday B. 1994).

1.4.3.3 India-Nepal Water Relationship

The politicisation of water is well manifested in the Nepal-India water relationship, which has been thoroughly researched by Nepalese senior water professionals, many of them having been involved in the negotiations between the countries on the water sharing agreements, in Nepal-India Water Relationship edited by Dhungel and Pun (2009)\(^\text{16}\). There are four water-sharing agreements on three of the rivers between India and Nepal. The general feeling in Nepal, is that in the making of the agreements, Nepal, on the one hand, was bullied by India and, on the other hand, the government of Nepal did not keep the side of Nepal in the negotiations. Thus, Nepal has failed to receive the due benefits from the projects agreed upon in the agreements\(^\text{17}\). Because of this, the attitude in Nepal towards new agreements on water sharing with India are skeptical\(^\text{18}\) (Shrestha H.M. 2009; Pradhan B.K. 2009; Dhungel 2009, 20; Iyer 1999; Pun 2006; Siwakoti 2003; Nepal 2005; Rijal 1997, 133). Siwakoti (2003) adds that opposition to these treaties has always been crucial in building strong, nationalist-minded politics in Nepal, particularly for the left movement\(^\text{19}\).

The feeling of betrayal by their own government is viewed to derive from the fact that Nepal does not have a long-term strategy as to how it should deal with India, in relation to this sector (Upreti 2007, 28; Dhungel 2009, 67). Moreover, political parties follow one line of thinking while in power, and the opposite while in opposition. Dhungel (2009, 67)

\(^{16}\) The relationship has been an interest by the academic community for a long time already, and has been discussed by, (just to name a few), Upreti B.C. (1993); Rijal (1997); Dixit (1997; 2009); Gyawali (2003); Subba (2003); Upreti B.R. (2007); and Mirumachi (2010); and in numerous articles in the journal ‘Water Nepal’.

\(^{17}\) This relates to the negotiation strategies, that India has negotiated, so that it only pays for the energy, but gets the irrigation water and flood control for free. Hence, Nepal has been faced with the problem of how to price its water resources. Interview with Dr Sudhindra Sharma (researcher) on Jul. 23, 2009.

\(^{18}\) A current example in regard to the India’s plans to establish a River Linkage Project. The countries affected by it, Nepal and Bangladesh, feel that this project is unilaterally launched by India, and that there are several benefits for India, deriving from the River-Linking Project, that are not openly disclosed to Nepal and Bangladesh (Siwakoti 2003; Shrestha H.M 2009). The aim of the project is to join major rivers in South Asia through a total of 30 links, which are divided into two connections – Himalayan connection with 14 links and Peninsular Connection with 16 links. Of the 14 Himalayan Connection links, five affect Nepal (Shrestha H.M. 2009).

\(^{19}\) Yet, at the same time, the same leftist forces repeated these mistakes by ratifying the Integrated Development of Mahakali River Treaty in 1996. The signing of the treaty not only led to the breakdown of the unity among the left forces in Nepal, but also to the split in the CPN-UML, allegedly related to the direct bribing of Nepalese politicians by India. Interview with Dr Sudhindra Sharma (researcher) on Jul. 27, 2009. For an analysis of the Mahakali Treaty see Gyawali and Dixit 2000.

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explains that Nepal has always followed an ad hoc policy in reaching an understanding, or signing a treaty, or in picking projects for cooperation with India. Compared to such a situation in Nepal, Dhungel finds India is guided by a long-term strategy: to get optimal benefits from the waters flowing from Nepal in meeting its own requirements, mainly irrigation requirements and the control of floods, as well as the power/energy to meet its growing energy deficit. Dhungel also pinpoints that India strategically aims to have a hold on all the rivers in Nepal discussing issues project by project, whenever Nepal thinks that its goals would be achieved. Thus, despite a long list of projects agreed for cooperation, only a few have been taken up so far. To ensure that this goal is not obstructed or challenged by Nepal, India has also followed the policy of raising objections to multilateral, or other funding agencies, whenever they decide to extend support to Nepal in the water resources sector, in the plea of prior use or on the grounds of causing adverse effects to the downstream flow from the proposed project(s) (Dhungel 2009, 67). A similar opinion is expressed in Nepal, where a shared view is that in the Nepalese water sector, the World Bank is in the first place looking after India's interest, not that of Nepal. The World Bank and the ADB would not fund any projects in Nepalese upper-riparian rivers, which would reduce the water in the lower riparian areas that are in India.

1.4.4 Cultural Significance of Water

In general, the research on the cultural significance of water for the Nepalese people, that is available in English mainly limits itself to the studies of Sharma (1994; 2001), who attaches it to the religious significance and analyses the role of water within the overall development thinking in Nepal – the issue of bikas, which refers to the thinking of development being not something endogenous, but brought into communities from outside. This is discussed in detail in Chapter Three. There is plenty of research available that is in Nepali or other vernacular languages, such as Newari. This literature was beyond my possibilities to delve into. Obviously, there is plenty of research on Hindu, Buddhist and other cultural aspects of water in documents discussing role of water in India, Sri Lanka and Thailand. Yet, here, I limit myself into the discussion available on Nepal in English language. In this part, I focus my analysis on the religious significance of water in Nepal, and present the legal regime in the water sector.

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20 Subha (2001, 193) provides an example from 1991, when the then-government of Nepal tried to 'bypass' the parliament while finalising a river deal with India, through the decision by the Nepalese prime minister Girija Prasad Koirala to let India use a slice of Nepalese territory to make additions to the left embankment of the Tanakpur Barrage on the Mahakali river.

21 Interview with Dr Sudhindra Sharma (researcher) on Jul. 23, 2009.
1.4.4.1 Religious Significance of Water

In addition to having an economic value, water is also a multifaceted symbol in Hinduism – the dominant religion in Nepal. Sharma (1994; 2001) explains that water is regarded as one of the *panchatatva*, i.e., five primeval elements of the universe, along with earth, fire, air and ether. Mythical-religious facts symbolised by water in Hinduism relate to water as primal matter, as an instrument of purification and atonement, as a unifying force, and as an enlivening element. The Hindu paradigm views water as a life giving substance and a purifying agent. Water is sacred, because it has the potential to wash away sins. It is because water purifies, that rivers are considered sacred, thus, Hindu pilgrimages include a bath in a sacred river (or in some cases a spring) (Sharma 1994, 69; 2001, 37-9). In addition, among Hindus, many of the daily, yearly, and life-cycle rites, such as bathing and cremation are conducted along the river banks (Sharma 2001, 37-9). Water, therefore, is closely linked to ritual cleanliness. Furthermore, the caste system of Hinduism – enacted in Nepal by the Muluki Ain (the national code) in 1854 – bases itself on the ritual purity deriving from water. Here the water lineage – groups distinguished on the basis of water acceptability – acted as a basis for the major demarcation (Sharma 2001, 43-4). These provisions relating to caste relations and hierarchy were not included in the new Muluki Ain of 1964 (Pradhan, Meinzen-Dick 2003, 47).

Hydropower development actually brings together the two important roles of water in Nepal: economic and religious. The drive for economic development through building more hydropower in the country can actually pose a problem to the religion, because the places that are potential places for hydropower generation, are exactly the same places that are holy sites of Hinduism, namely those of the confluence of two or more rivers, and rivers passing through a gorge (Sharma 1994, 67).

1.4.4.2 Legal Regime

The modern legislation of Nepal views water as a resource and vests its ownership with the state. This contradicts with the customary water law and the religious significance of water. Water rights in Nepal have traditionally been linked together with land rights. The state has been relinquished rights over land, and at the same time, made water more

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22 The largest religions of Nepal are Hinduism (78%) and Buddhism (10.5%). Others are Islam, Christianity, Jainism, Sikh and Kirant, all proportionately small (Dahal 2003). The role of water is the most significant in Hinduism; thus, the focus will be on that particular religion.

23 This is the first comprehensive law of the Nepalese state, and it drew consciously from the holy Hindu texts (*dharmashastras*). It related primarily to the fields of administrative and personal law, and gave legal sanctions to caste norms.

24 Von Benda-Beckman, von Benda-Beckman and Pradhan (2000, 10-11) write that the use of the word 'customary law' in the context of Nepal is not without problems. For 'custom' and 'customary law' are usually associated with local tradition, sets of rules having their own basis of legitimacy in generally accepted social practice, distinct and different from the rules of the state with their own legitimacy. Actually, the 'customary law' based on rules that regulated the relationship between feudal lords and their fiefs, and hence, had more to do with the feudal state or state formation, than with local relationships *per se* (for case studies see Pradhan et al. 2000).
strongly controlled by the state. In the classical Hindu theory of kingship, the king was the 'owner' of all land, as well as the natural resources in his kingdom. His subjects had different rights to the land, depending on the tenure that he bestowed on them. The rights to water were subsumed under, and acquired, through land rights (Pradhan 2000, 42-5). The Muluki Ain largely recorded and officially validated these rules, basing itself on the Hindu scriptures. The Muluki Ain did not regulate water in detail, most likely because water was not considered as a source of major revenue, and as mentioned above, the rights to water were included under land rights.

The legal regime concerning water began to be highlighted only when the state commenced to be heavily involved in the construction and management of irrigation systems and hydroelectricity, and when water was considered an important resource. The legal regime concerning water has developed through increasing regulation and control. It has evolved into a state of full state ownership for all water (Pradhan 2000, 39; Shrestha M.N. 2009, 38-9). The Acts legitimising the state's increasing control and regulation of water were the Canal Act of 1961, the Canal, Hydroelectricity and Related Water Sources Act 1967, and the Water Resources Act 1992 (Shrestha M.N. 2009, 39), which stipulated that the state owns all water sources, even the water sources such as springs on private land, rendering all individual water rights as secondary to the rights of the state. Before the Water Resources Act 1992, the water supply and sanitation sub-sector was not legally regulated, and these regulations have subsequently been developed, first in the 1990s and then in the 2000s. However, individuals, groups of individuals or the community, have a right to divert water from sources like streams, rivers or groundwater, to the extent that the extraction does not adversely affect the functioning of government irrigation schemes or hydro-power plants. Thus, people have use-rights to the water resources (Magar 2005, 201). Modern legislation, and the Hindu scriptural view on water, are based on quite different value premises. Modern legislation does not take into account that in Hinduism, water is associated with cleanliness and ritual purity. By associating water with physical health, the state simultaneously disassociates water from ritual purity (Sharma 2001, 76). Local traditions, being influenced by both ecclesiastical canons and modern legislation, include elements of both. Sharma finds that modern legislation is visible through the pervasive influence of the ideology of bikas, which the state itself has propounded over the years.

These developments in land and water rights are both part and the consequence of broader changes in the political economy. Especially after the so-called 'revolution' in 1950-51, which ended 104 years of despotic Rana regime, replacing it by parliamentary democracy and constitutional monarchy, with a distinction between the king and the state. The nature and functioning of the Nepalese state changed from being mainly an instrument to maintain law and order and to collect revenue to one which also plans, regulates and implements developmental and welfare activities. New laws were enacted, empowering the state to increase its control and regulation of natural resources. Officially

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25 It had only one chapter that detailed provisions relating to water, particularly for irrigation, and the provisions relating to water was part of a chapter mainly concerned with the reclamation and cultivation of land. For a detailed study of the Muluki Ain and the Nepalese caste system see Hofer (1976).

26 See also Pradhan, Meinzen-Dick 2003, 47.
this was for the benefit of all citizens. Due to the economic value of the water and the belief in blue gold, the focus of the state has been to regulate those areas having the most potential, such as hydropower and irrigation (Shrestha M.N. 2009, 38).

Because of the focus by the state to regulate the economically more potential sectors, the right to drinking water in Nepal is not explicitly guaranteed by any legislation or by the constitution. However, Nepal has acknowledged the right to drinking water in government policy. In the Water Resources Strategy 2002 the state acknowledges the public's right to drinking water and sanitation: “Every Nepali Citizen, now and in future, should have access to safe drinking water and appropriate sanitation as well as enough water to produce food and energy at reasonable cost”. Even though there is explicit right to drinking water provided for in Nepalese legislation, such a right can be implied from certain provisions of the Water Resources Act 1992, which gives priority to drinking water and domestic use of water over all other uses of water (WaterAid Nepal 2005a, 8).

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<tr>
<th>No.</th>
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<td>Water Resources Regulation</td>
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<td>Local Self-Governance Regulation</td>
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<td>6</td>
<td>National Drinking Water Quality Standards</td>
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<td>Water Supply Management Board Act</td>
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<td>8</td>
<td>Water Supply Tariff Fixation Commission Act</td>
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Table 1.1 Water Supply and Sanitation Sector's Legislation

In this section, I have suggested that the way water rights are treated nowadays in Nepal contradict the traditions and the religious meaning of water. The view on water changed after, in political spheres, it was realised that water in Nepal has an economic potential, and it was therefore set under the ownership of the state. Thus, water legislation supports water as blue gold. This is the thinking of the state, and the aid agencies, as they focus on those sectors perceived to bring the highest returns – hydropower and irrigation. The legal framework provides little guidance to water supply and sanitation, and this has been substituted by the extensive formulation of policy and strategy papers, with the assistance by the donors of Nepal. In the subsequent chapters, I show how policy formulation is influenced by the political interests of donors and governmental agencies.
1.5 The Nepalese State

To contextualise the Nepalese state as an actor in the water supply and sanitation sector, I provide a short overview of the political history in Nepal. This section shows that its administrative culture has long roots in the centralised style of administration, and that its political culture, particularly since over the past 15 years, has been characterised by political instability, which has not allowed democracy to consolidate. Furthermore, it highlights that old traditions of patronage and clientelism still characterise Nepalese politics. After my overview of the history of Nepal, I open up the concepts used in this thesis to characterise Nepal, namely, clientelism and patronage, neopatrimonialism and a hybrid regime.

Since 1769, when Prithvi Narayan Shah brought more than seventy-five principalities together and formed what today is known as Nepal, the centralised nature of the Shah (1769-1846) and Rana (1846-1951) regimes has continued to characterise Nepalese political culture and administration. In 1951, the Ranas were pushed out of power and a multiparty system under the monarchy was introduced, only to be reversed in 1962 with a ‘more suitable form of democracy’ than the ‘imported (Western) model’, namely the ‘partyless Panchayat’ system (Panday 1999, 242). The partyless Panchayat polity created a rather façade of elected institutions, through the enactment of laws, and a high degree of centralisation, and the patrimonial practices remained both at national and local level (Borre, Panday, Tiwari 1994, 11-2). The kings manned the bureaucracy with their trusted people, making it the nerve centre of administration and political structure (Seddon 1987, 223, cited in Pfaff-Czarnecka 1989, 113; see also Rose, Fisher 1970, 72-3). After the replacement of the Panchayat system with a multiparty democracy in 1990, political instability and a frequent change in government have characterised the governance. The reintroduction of a multiparty democratic governance, however, did not result in any substantial acceleration in the democratic development process of the country, nor was the centralised state apparatus capable of giving room for decentralisation. The frequent changes in government (Bharadwaj et al. 2004, 62-6; Poudyal 1995, 160-3; Hoftun et al. 1999) placed a considerable amount of pressure on institutions and resulted in highly personalised conflicts within and between them. Researchers have come to see that the intra-party quarrels, and splits of parties following big personalities with a patron-client relationship, has led to factionalism, and to the belief among the people that democracy is not able to function in Nepal (IDEA 1997, 8). As Panday (1999, 282) eloquently puts it: “All major parties have been willing and equal partners in the enterprise, which props up their rent seeking interests, which may sometimes be disguised and presented as a political agenda”.

This has led to the ‘politics of survival’ (Migdal 1988, 236) that prevent the state from enhancing its capabilities, by not allowing the development of complex organisations in state institutions, and to a ‘fighting of bushfires’ as expressed by Kohli (1991, 386), “

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27 The panchayat system (the Panchayat Raj) was modelled on forms of indirect or ‘guided’ democracy then existing in the Philippines, Pakistan, Egypt, Indonesia and Yugoslavia (Whelpton 2005, 101).

bulk of political energy is spent fighting one bushfire after another, guided by the central concern of how to hang on to power” (ibid.). The party politics also became dominated by the caste and ethnic group interests. There was no clear ideology behind their advocacy, but they relied on short-term benefits for the party or the party leaders. The parties are not focusing on promoting equality and participation of all population groups, but advancement of its own group's interest and their patronage-based networks.

Due to the focus on ‘fighting of bushfires’ and the tendency to favour one’s own group, the state has not been able to focus its work on delivering development and services to the country equally. Thus, there are still large parts of the country that have not even received basic services. These areas are normally inhabited by sections of people that have been historically excluded from political and social processes, and have not been able to have influence on the national political and bureaucratic offices. These groups were mobilised by the Maoists, (Upadhya 2002, 42; Sharma, 2007, 61) who launched a ‘people’s war’ in February 1996 (Bharadwaj et al. 2004, 66), or are currently mobilising themselves to challenge the old political parties and political culture, having chosen identity politics as a basis for their argument (ICG 2012b, i).

1.5.1 On State Definitions

Nepal has been presented by many with patronage and clientelistic networks, (Rose, Fisher 1970; Blaikie et al. 1980; Bista 1991; Panday 1999; Baral 2000; 2008; Kumar 2000) and as a state ‘captured’ by the elite through their patronage-based and clientelistic networks (Pfaff 1999; Pradhan 2002; Tamang 2002; Rai 2005). Eisenstadt (1973), Bratton, van de Walle (1997) and Erdmann and Engel (2006) conceptualise clientelism together with patronage, which I follow. Clientelism means the exchange, or brokerage, of specific services and resources for political support (in the forms of votes). It involves a relationship between unequals, in which the major benefits accrue to the patron, and redistributive effects are limited. Patronage, on the other hand, refers to the politically motivated distribution of ‘favours’, not to individuals, but essentially to groups, in the Nepalese context to one's caste or ethnic group. Clientelism, therefore, implies a dyadic personal relationship between a patron and client, while patronage refers to the relationship between an individual and a bigger group. Politically, patronage is important.

29 Traditional patronage networks have been manifested by the development and long-term functioning of the institution of Chakari, providing favours to a person in power, in the hope of receiving favours and assistance in return. The Chakari system has to a large extent become part of the present political system and Nepalese bureaucracy. It is deep-rooted, and according to the state-centric view, where aspects outside of the sphere of the state, should not interfere the decision making, as it stands in the way of the development of democratic practices. However, it is easy for the dominant groups to continue to perform their patronage based services to their supporters, as they are in control of resources, both economically and politically, at the centre and district levels. Bista (1991, 5) calls chakari as nepotism ‘originated in the religious ritual practice of obeisance, which was extended to the governing classes and then to all in certain positions of power’. Kumar (2000, 37) makes a separation with the clientelistic view of Bista and considers chakari as a political system for sustaining political elites and less of a patron – client system. Cited in Rai 2005, 46-7. Cf. Suhardiman (2008) on upeti system in Indonesia.
When a part of high-level politics, it is an important instrument in creating and maintaining political cohesion, i.e. a coalition of ethnic elite, which is needed to form and support a government or a political party. In contrast, clientelism concerns individuals and, thus, it is based on personal relations. Developing a clientelistic network is a means to gain protection, and to achieve goals in a situation of societal uncertainty created by public institutions, which may behave in ways that are not calculable (Erdmann, Engel 2006, 21). Yet, clientelism can also be a transfer of public goods and services by the patron, and not only an exchange of private or personal goods and services (Erdmann, Engel 2006, 20). This is also the case in the Nepalese water supply and sanitation sector, where the patron can promise water supply and sanitation services to the people in a particular area, as exchange for votes or any other kind of support.

Due to my focus on patronage as political power, I interpret the Nepalese state to be neo-patrimonial30, along the definition of Erdmann and Engel (2006, 18):

“neopatrimonialism is a mixture of two, partly interwoven, types of domination that co-exist: namely, patrimonial and legal-rational bureaucratic domination. Under patrimonialism, all power relations between ruler and ruled, political as well as administrative relations, are personal relations; there is no differentiation between the private and the public realm. However, under neopatrimonialism the distinction between the private and the public, at least formally, exists and is accepted, and public reference can be made to this distinction. Neopatrimonial rule takes place within the framework of, and with the claim to, legal-rational bureaucracy or “modern” stateness. Formal structures and rules do exist, although in practice, the separation of the private and public sphere is not always observed. Naturally these spheres are not isolated from each other; quite to the contrary, they permeate each other; or more precisely, the patrimonial penetrates the legal-rational system and twists its logic, functions, and effects.”

A special feature of the neo-patrimonial state is the combination of the state and economic power, depicted in the nationalisation of the economy, which gave all power to the governmental officials, who were often weakly prepared for this task (Leftwich 1993, 64-5)31. After the arrival of the aid agencies, and even more after the privatisation of the economy, the rent-seeking among bureaucrats has essentially increased. Thus, for understanding the relationship between politics and economy in Nepal, a focus on the relevance of rent-seeking and rentier states is necessary. Boone (1990) defines rent-seeking as “politically mediated opportunities for obtaining wealth through non-productive economic activity” (Boone 1994, 427; Gallagher 1991, cited in Erdmann, Engel 2006, 26), which in this thesis mostly refers to kickbacks from procurement (aid money) or bribes paid within the bureaucracy for bureaucratic transfers.

Van de Walle (2001, 55, 135) interlinks rent-seeking with state capacity. According to him, state capacity has been weakened by patronage and rent-seeking, and, on the other

30 There are several ways to characterise the Nepalese state, all of which encompass aspects of neopatrimonialism. These are: rent-seeking states (Krueger 1974), soft states (Myrdal 1970) and weak states (Migdal 1988, 1994).

31 Others writing about the mutually reinforcing pattern of neopatrimonial governance and a rentier economy are Lewis (1994) and van de Walle (2001).
hand, low state capacity has facilitated various rent-seeking and corrupt practices. For him, as well as for Erdmann and Engel (2006), low state capacity derives from neopatrimonial rule. Others (Skocpol 1985; Midgal 1988; Kohli 1994) have viewed state capacity to relate to the relationship between the state and social forces – to the autonomy of the state to act without influence from other actors.

To me, the identification of South Asian states as ‘soft states’ by Gunnar Myrdal (1968, 849-900, 1120), still captures the situation in Nepal. The soft state for Myrdal was characterised by a general lack of social discipline in underdeveloped countries, signified by deficiencies in their legislation and, in particular, in law observance and enforcement, a lack of obedience of rules and directives handed down to public officials on various levels. Often, collusion of these officials, with powerful people, or groups of people, whose conduct they should regulate, and, at bottom, a general inclination of people in all strata to resist public controls and their implementation. In these soft states, he continues, policies decided are often not enforced, if they are enacted at all, referring to low autonomy and capacity of the developing countries in the area of policy making, and particularly in their implementation. Myrdal additionally mentions that the administration is not mature enough to enforce these laws, it is typically corrupted, and the leaders of the state do not possess a full understanding of democracy. Most of the countries are nominally democratic, but practically not.

Nepal has transformed from a purely authoritarian governance to formal democracy. However, democracy in Nepal is not consolidated. These states, which have not been able to consolidate democracy, but where formal transition to democracy has taken place, are defined as 'hybrid regimes', which brings together several of those characteristics that I have attached to Nepal above. The dual dynamics of a hybrid regime consist of a limited state capacity, which is exacerbated by the contest of rules of the game, and particularly in their implementation. Myrdal additionally mentions that the administration is not mature enough to enforce these laws, it is typically corrupted, and the leaders of the state do not possess a full understanding of democracy. Most of the countries are nominally democratic, but practically not.

Hybrid regimes “tend to be characterised by populist politics, delegative/strong-man leadership and decision-making processes, a sense of collective frustration among citizens about the failure of democracy to deliver tangible economic benefits, and disillusionment about what can be achieved through formal political institutions. Moreover, in these regimes, the rule of law is at best uneven. Clientelistic structures and high levels of corruption often persist, especially when citizens have few means of holding elites to account, except during election times. [...] The civil service often continues to suffer from a mix of ethnic/regional and political clientelism – ranging from creation of additional ministries to

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32 See also Erdmann 2002; Karl 1995; Rüb 2002. Others have suggested placing these imperfect or flawed democracies as sub-types of democratic rule, such as 'delegative', 'illiberal', or 'defect' democracies (O'Donnell 1994; Merkel, Croissant 2000). For a critical review of democracies with an adjective see Collier, Levitzky (1997).

33 The same remark has been made by Migdal (1988, 4-5). Fritz and Rocha Menocal (2006, 12) specify this, by writing, that leaders, who stay in power too long, tend to become increasingly erratic and ineffective. Indefinite leadership can be seen as an obstacle both to the political democratisation process and to social and economic development (making reference to van de Walle 2001; Grindle 2004; Birdsall 2006.)
accommodate important support groups to the abuse of civil servants to rally support for incumbents during pre-election periods.”

In summary, I have described the Nepalese state as embedded in patronage and clientelistic networks, which together with the ratio-legal bureaucratic practice, makes Nepal a neopatrimonial country. I have shown that because of neopatrimonialism and rent-seeking within the politico-administrative culture of Nepal, the governance capacity of the state has been weakened – having interlinkages with Myrdal’s definition of a soft state, and corresponding to Fritz and Rocha Menochal’s comprehension of a hybrid regime.

1.6 Structure of the Thesis

This introductory chapter has presented the main questions that this thesis aims to investigate, and has provided an introduction to the meaning of water in Nepal, showing that it has an economic potential, that has become a highly sensitive political issue, and that it has an important role for the main religion of the country – Hinduism. In addition, it has pinpointed that the country has long roots in a centralised style of administration and governance and that democracy is a rather new concept in Nepal. Exactly as in other hybrid regimes, Nepal’s democracy is still to be consolidated. The section also defines Nepal as a neopatrimonial country, where the legal-rational bureaucratic governance coexists with the patronage and clientelistic traditions.

Chapter Two outlines the conceptual and theoretical framework, as well as the methodology used in this thesis. The central elements of the framework are the concepts of ‘policy as a process’ and ‘politics of policy’. Theoretically, the study makes use of policy network theories. Methodologically, this study is a case study research, focusing on analysing the policy making process of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan, finalised in 2004. The research methods were interviews, literature study and some participant observation.

Chapter Three introduces the aid system and analyses the role of aid in Nepal. It views aid delivery as a game between the donor and the recipient government, rather than only as a benevolent deed done to improve the living of the people in the poorer countries. Thus, the chapter illuminates the different interests and incentives of the recipient country’s governmental agencies and the donors to gain and deliver aid. It shows that the aid delivery is donor-driven and that the new aid instruments of process conditionality, policy dialogue, and sector-wide approaches – designed to increase ownership at the recipient government – have actually allowed the donors to increasingly involve themselves in the policy making in the recipient countries.

Chapter Four provides evidence for the argument that water-related problems in Nepal stem from problems in governance, rather than from the scarcity of water. The problems in water governance has led to a huge variation in coverage of and accessibility to water supply and sanitation, among other problems. The chapter presents the institutional arrangements in the sector, and shows that governance problems relate to the centralised style of administration, called in the water sector as ‘hydrocracy’. The governmental
hydrocracy, the Department of Water Supply and Sewerage has been contested by several issues and actors, because of its inability to meet and adapt to the changing priorities of other sector actors. Furthermore, the chapter analyses the overlapping functions and duplication in jurisdictions between the two main governmental agencies – the DWSS and the Dolidar. These hinder the creation of effective institutional arrangements in the sector, the organisations’ capacity to govern the water resources, and the ability to lead priority setting in the sector.

Chapter Five highlights the framing force of aid. It shows how the global thinking of how aid should be delivered determines how policy papers in Nepal have been formulated. It provides empirical evidence on this, by comparing the birth of global ideas with contemporary policy papers in Nepal. It shows that these development fashions trickle down into the national development plans and the policy documents in the water supply and sanitation sector. Further, is shows that there is little ‘own ideas’ from the side of Nepal in these documents. Conceptually, the chapter draws on the application of ‘policy narratives’ and shows that global ‘dominant narratives’ (Roe 1994) and ‘nirvana concepts’ (Molle 2008) also characterise Nepalese policy papers.

In Chapter Six the main ideas are coming from global aid policy and characterising aid governance in the 2000s – the principles of the Paris Declaration, particularly harmonisation, coordination and sector-wide approaches – are investigated in the context of the water supply and sanitation sector in Nepal. It is found that the efforts at coordinating the sector are donor-driven, yet the aim of donors has not been to coordinate the sector, but to establish a national programme (sector-wide approach programme) to the sector. Central in this has been to secure a position as a sectoral leader and to legitimise their own story-line for the national programme through building alliances to support the legitimisation attempts. Therefore, the alliances formed for this purpose are called legitimacy alliances and their coming-together is analysed through making use of the concepts of policy network theories.

Chapter Seven combines the arguments of the previous chapters with detail in the case study of this research: the policy making processes of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan. It traces the policy formulation process and shows that the process was guided by the ‘project politics’ of the main funding agency, the Asian Development Bank. The chapter shows that the policy making process was donor-centred, yet, highlighting the power of governmental agencies to manoeuvre their interests in the policy process and identifying strategies that the aid recipient country agencies can resort to when negotiating policy with a ‘powerful’ donor. The chapter concludes that policy making in the Nepalese rural water supply and sanitation sector is not a technical exercise, as presented by the donors, but a political struggle for power and resources.

Chapter Eight concludes this thesis by confirming that the policy making process in the rural water supply and sanitation sector in Nepal is political. This is manifested by the actors involved in the aid, deploy aid-related concepts, to legitimise the aid activities. The chapter presents the aid relationship to base on the pattern of permanent negotiation, supported by the continuous negotiation of policies, programmes and aid modalities between the sectoral actors. Due to the permanent negotiation that the donors are active in, the national decision making in Nepal and their role is strengthened by the donor-
dependency of Nepal, reformulating this into a case of interdependence. Additionally, the chapter presents the theoretical contributions of this study. The donor involvement in the policy making process has not been theoretically analysed, which particularly affects the applicability of policy network theories. It shows that the logic of most policy network theories is different from those policy alliances where donors are members, as these alliances do not aim to change policy, but to legitimise their own policy priorities and consequently the aid.
2 Theoretical and Methodological Framework

2.1 Conceptual and Theoretical Framework

The conceptual framework that I have used in this study aims to explain how the rural water supply and sanitation sector, and particularly the making of the Rural Water Supply and Sanitation Policy, is shaped by the policy actors. Central in this analysis is the mapping of their dynamics, relationships, interests and strategies, in the policy process, and the alliances the actors build for influencing policy into their preferred direction. The selection of theoretical concepts follows a pluralistic approach to theory and is guided by the research questions rather than a single ‘grand’ theory. I have not hesitated to seek guidance from a range of theoretical traditions in order to help shape my analytical framework, yet, even though the theoretical framework encompasses several approaches, the unifying line in the conceptual and theoretical framework is viewing policy as a process, and emphasising the politics of policy perspective.

2.1.1 Policy as a Process

Analysing policy as a process is the central aim of this dissertation. In a normative sense policy is presented as intention (rhetoric) rather than action (what actually was done) (explained by Colebatch 1998; Howlett, Ramesh 1995). My focus is on the latter, following the definition of Roberts (1971) and Jenkins (1978); policy being a “set of interrelated decisions taken by a political actor or group of actors concerning the selection of goals and the means of achieving them within a specified situation where these decisions should, in principle, be within the power of these actors to achieve”. In the case of Nepal, I take a delimited view on policy process; looking only at the formulation process of the policy, thus, excluding the implementation and how it shapes policy.

My focus is on the structured interaction in the policy process. This allows us to analyse public policy through the participants, their understanding of the problem, the ways they interact with each other, and the outcomes of this interaction. Hence, policy formulation and implementation is not seen as a matter of instrumental and implementation technicalities, but as proposed by Long and van der Ploeg (1989), Grindle and Thomas (1991) and Hill (1997), policy making should be analysed as a continuous and contested process. Therefore, public policy is seen here as representing a balance of negotiated interests rather than the ‘expectations of society’ (Bolding, Manzungu, Zawe 2004) or an ‘authoritative statement by a government about its intentions’ (Bridgman, Davis 1998).

34 My conceptual framework has similarities with the framework of Suhardiman (2008) and Reis (2012), who, in their dissertations, have also investigated policy making in the water sector. Suhardiman’s focus was on the irrigation sector in Indonesia and Reis studied the water supply and sanitation at grassroots level in Vietnam.
My interest in looking at the making of water supply and sanitation policies in Nepal lies in the process aspect, meaning how the policies were made and by whom, rather than looking at what was decided (Jenkins 1978; Thomas, Grindle 1990; Turner, Hulme 1997). My analysis adopts the part of the post-positivist concentration on the dynamics of the policy process instead of attempting to foresee the policy outcomes (Lasswell 1958; Pressmann, Wildavsky 1984; Kingdon 1995). This view contrasts with the linear model of policy making, which proposes a step-by-step progression from agenda-setting, to policy formulation via implementation to outcomes, after which one makes an ex-post evaluation to establish whether the objectives had been achieved (Mackintosh 1992). This view on policy making misses out on power- and authority-related aspects and neglects that a large part of policy making is not necessarily oriented to goals and implementation, but rather to the capacity to act and the conservation of power (Jann, Wegrich 2003, 96, cited in Reis 2012, 7). Characterising policy as a process allows us to view policy making holistically, including looking at political, cultural, economic and institutional aspects of the society influencing the policy making. For instance, I analyse how the shifting trends of international aid have affected changes in Nepalese policies and how the institutional set up in the sector with bureaucrats’ social, economic and political motives have affected policy dynamics. The process approach also allows me to analyse water policy in Nepal as a series of decisions and actions, constructed by human agents who have multiple, often conflicting and sometimes changing perceptions and interests, instead of being constricted into the stages of policy formulation and implementation (Turner, Hulme 1997; cited in Suhardiman 2008, 9-10). I suggest that all policy processes create their own structures, which need to be discovered by looking at the dynamics of the policy process.

Viewing policy as a process allows us to focus on what policy actors actually do, what kinds of roles they take, how they interact, as well as on the interests and motivations of relevant actors, or policy elites, as Grindle and Thomas (1991, 5) call them. They write,

“Perceptions and behaviour of policy elites need to be explained systematically, as do the constraints on their action. A systematic understanding of the values, experiences, and perceptions of policy elites and the historical, political, and institutional context in which they operate is essential to understanding specific instances of reform”.

Accordingly, I draw on the analysis of the policy elites beliefs, motives, incentives and strategies to be involved in policy making. This makes policy making contested, in which balances of power between different interest groups and individuals are negotiated, and intended and unintended outcomes produced. In short, in this research I focus on discovering and understanding policy actors’ strategies (as the representation of their policy perceptions and interests) and how these have shaped the actual making of water policies, the organisation of policy interaction in time and space, and the outcomes produced (Mollinga, Bolding 2004). The main policy actors researched in this study are the Nepalese water bureaucracies and aid agencies. I exclude the politicians from policy actors, because of their marginal role in the policy making process. The national level politicians do not participate in the policy consultations, policies are not discussed on a
regular basis in the parliament, (currently called Constituent Assembly) and the politicians take little interest into the contents of policy – as long as it has limited benefits for their patronage-based purposes. The institutions (not people) that play the main role in the policy process are called policy elites. Together with the donor agencies the policy elite consist of the bureaucratic and governmental elite, whose responsibilities include policy making or participate in policy making, and implementing authoritative decisions for society. In this study they are mostly governmental organisations within the water sector. Policy elite in Nepal also tend to stem mainly from the elite of the country (e.g. high caste). Thus, through their positions in the bureaucracy, higher castes are able to shape policy making and to guard their own interests in the process.

In the policy actor analysis I follow the definition of Mollinga (2007, 23-4) on donor-centred policy process, which differs from the classic state- and society-centred policy processes. Mollinga writes that the state and society centrism in policy analysis (see Grindle 1999) implicitly assumes the existence of sovereign states within which these processes occur. But in the case of certain developing countries, the sovereignty might be undermined by an external actor, like an international donor. This is also the case in Nepal, where aid agencies have increasingly influenced both the content of policies and the policy making and implementation structures (Panday 1999, 2001; Koponen, Sharma 2004). This external influence on policy making has become dominant in the Nepalese water sector, particularly when compared to the domestic generation of policy dynamics, therefore, one can speak of a donor-centred policy process.

2.1.2 Politics of Policy

In recent debates on water policies it has been highlighted from various sides that politics is at the centre of ‘water governance’ (e.g. Franks 2004; UNDP 2004; Conca 2006; Plummer, Slaymaker 2007; Mehta et al. 2007; Mollinga 2008b). The concept of ‘governance’, as used in the mainstream discourse, has been criticised for its reduction to a technical issue, neglecting the political aspect that determines outcomes (Plummer, Slaymaker 2007, 1; Mollinga 2008b, 9; cited in Reis 2012, 5). Hence, there is a growing concern for moving the debate towards a focus on the contested and political nature of water, discussing knowledge politics, social power relations, and the wider political economy related to water management (Molle et al. 2008; Mollinga 2008b; Mehta et al. 2007; cited in Reis 2012, 5). For understanding the political side of the water policy making in Nepal, I use the ‘politics of policy’ theoretical perspective (Grindle, Thomas 1991; Grindle 1999). Like the policy process analysis, the politics of policy theoretical perspective originates from the post-positivist approach in the study of policy making (Howlett, Ramesh 1998). It views policy as being politically contested by different interest

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35 The discussions in the parliament are not open to the public; thus, it would not have been possible for me to observe these.
36 Whether any of the countries in today’s world (characterised by global governance) have full sovereignty can be contested. In this thesis, I do not take a stand on this discussion. My point conceives only the possibilities of international donors in undermining the government’s power to decide about its own priorities.

44
groups at all stages of its existence, and with all interest groups trying to shape it in particular ways (Grindle 1977; Mollinga, Bolding 2004).

My focus being on analysing the role of those actors that influence the governance of water supply and sanitation sector, and subsequently the policy making, necessitates having a broader view to governance. Thus, I do not use governance to refer to the state-centred governance, which presupposes that, the state institutions have a monopoly in the governance, and therefore control other societal actors. In this thesis, governance refers to society-centred form of governance, which provides a role for actors outside the premises of the state to be part of governance and e.g. policy-making. These actors include donors, civil society, actors in the economy, networks, committees, and actors at local levels, among others.

Similarly, the concept of politics in general use refers to official politics, that is, state and party politics. Here, politics is seen in broader sense, dealing with the mediation of social power, and the strategic action related to that mediation, namely, to the process through which the social relations of power, that shape resource use are constituted, negotiated, reproduced, transformed, or otherwise shaped (Kerkvliet 1990; Mollinga, Bolding 2004). My understanding of politics resonates with that of Leftwich (1983), who relates politics to “all activities of conflict, cooperation and negotiation involved in the use, production and distribution of resources, whether material or ideal, whether at local, national or international levels, or whether in the private or public domains”.

Sketching water politics as a research field, Mollinga (2008b) suggested a typology identifying four domains, which are distinguished by differences in space and time scales, configurations or main actors, types of issues that make up their subject matter, mode of contestation and their sets of institutional arrangements: (1) the everyday politics of water resources management, (2) the politics of water policy in the context of sovereign states, (3) inter-state hydropolitics, and (4) the global politics of water. Drawing on the case of rural water supply and sanitation in Nepal at the national level, this study is foremost concerned with the second domain, the politics of water policy in the context of sovereign states. However, it also discusses the fourth level of the global politics of water by looking at the ‘journeying’ of policy ideas from the global policy level into the Nepalese national setting and by this contributes to the study of interlinkages between domains.

Adopting a politics of policy perspective has three major conceptual advantages (Suhardiman 2008). Firstly, it suggests a continuous decision making process throughout policy formulation (and its actual implementation), and underlines the crucial role of the negotiation processes, resource allocations, and alliance formulation in these processes. Secondly, the politics of policy theory draws attention to the policy elites’ interests, perceptions, and strategies, in relation to the policy. Unlike theories, which presume rational decision making in policy processes, the politics of policy theory focuses on the way policy formulation and implementation is shaped by political practices applied by the policy elite. In addition, the politics of policy theory acknowledges the need to include other policy actors (including people at the local level, donors, civil society) as part of the policy analysis, despite the focus on the policy elites. The third conceptual advantage of the theory is, that it includes circumstances unique to a particular policy initiative as an essential part in the policy analysis. Here, the characteristics of the proposed policy
change are analysed in relation with other significant contextual elements, and thus, not in isolation from the existing power structures, relationships, and power struggles.

The making of water policies in Nepal is highly political, due to the involvement of many different actors with different interests and motives, and the high stakes, due to the profitability of the water resources in Nepal. In this study, I view the negotiation processes as a game (Koponen, Sharma 2004) in which the Nepalese governmental actors and the donors have their own interests. In this game, each side has to allow ample room of manoeuvre for the other as both parties have certain interests at stake, and own ‘target groups’ to be kept satisfied. Thus, the rules of such a game are not explicitly discussed and agreed upon, but formed and changed by tacit agreement that generates a lot of friction. Furthermore, I suggest that the conditionalities set by the aid agencies have partly made the policy process political. In this thesis, the focus is on the conditionalities related to governance, policy making and the guidance provided for structuring the policy making. These appear to be very contingent on histories of conflict and structural characteristics of state-society relations and often conflict the aid recipient’s own priorities and means for achieving the desired development. The politics of policy approach will help me to unpack this black box.

2.1.3 Power

In this research, power is understood as social power (French, Raven 1959; Lukes 2005) referring to the social agents’ action over another or others, and to their capacities. Social power helps to understand the relationships between the different interest groups in the policy process. With social power I mean the ability of an actor or a group to change the incentive structures of other actors in order to bring about outcomes, and to influence their decision making by various mechanisms, for instance through manipulation, coercion, knowledge, and authority. Social power thus refers to the negotiation, struggle and contest in policy making. In these processes different policy actors mobilise different resources, interact in different ways and (re)shape policies. There are questions of inclusion/exclusion, open/hidden agendas, front/back room interaction, and the like (Mollinga, Bolding 2004, 298).

However, power is not only seen to restrict in how hierarchies and hegemonic control demarcate social positions and opportunities, and restrict the access to resources. It is also the outcome of complex struggles and negotiations over authority, status, reputation and resources, and necessitates the enrolment of networks of actors (Latour 1994; Callon, Law 1995, cited in Long 2001, 71). Such struggles are founded upon the extent to which specific actors perceive themselves capable of manoeuvring within particular situations and developing effective strategies for doing so. Creating room for manoeuvre implies a degree of consent, a degree of negotiation, and thus a degree of power, as manifested in the possibility to exerting some control, prerogative, authority and capacity for action, be it frontstage or backstage, for flickering moments, or for more sustained periods (Villarreal 1992, 256, cited in Long 2001, 71). Thus, as Scott (1985) points out, power
inevitably generates resistance, accommodation and strategic compliance, as regular components of the political action.

Expert and coercive power are important aspects of social power for understanding the power of the aid agencies in Nepal. Expert power relates to the aid agencies’ power deriving from their knowledge, expertise and skills, as well as from the Nepalese state’s needs for those skills and expertise. This type of power is highly specific, and in the context of this study, limited to the areas of economic, public, and water sector development, in which the aid agency representatives are trained and experienced. Coercive power, on the other hand, refers to the ability to demote or withhold rewards. In the context of this study, these rewards are the funds provided by the aid agencies to the Nepalese state for its development activities. It is the desire of the state for valued rewards, or the fear of having them withheld, that ensures their obedience under the power of the aid agencies. Mollinga (2008b) has used the concept of ‘technologies of power’ (Foucault 1982) to refer to wide array of means and devices by which power is exerted. The examples range from physical force to legal procedures, to money, to discursive techniques, to lobbying, to modes of education, and socialisation, and many more. Technologies of power are consciously, as well as unconsciously, used by actors in social transaction. The means of expert and coercive power can be seen as technologies of power, particularly the policy narratives, as discursive power, and all aid instruments, including the conditionalities, set by the aid agencies, can be viewed as technologies of power.

Within the context of the Nepalese society social power also refers to power based on social traditions and habits. These are the patronage networks, which have roots in the caste system and ethnicity. This power can be used as means of exclusion, and to protect the interests of the more powerful social group. Next, I shortly elaborate patronage networks before moving to policy network theories.

2.1.4 Policy Networks and Subsystems

I use parts of policy network theories to map the policy actors’ relationships in Nepal. Within the policy process I am particularly interested in the decision making process, how decisions were made, and by whom, and which were the factors influencing the decision making. Through the policy network theories, I aim to analyse the alliance formation of these actors, the formulation of policy goals, how they influenced each others decision making, and the bargaining and struggle over policy outcomes. The policy alliances are seen as interdependent, therefore, an important aspect is to look for the mechanisms that link the aid agencies and the Nepalese state in the making of water policies. In this study policy networks are defined as
“stable patterns of social relationships between interdependent actors, which take shape around policy problems or policy programs, and that are being formed, reproduced, and changed by an ecology of games between these actors. In these games, actors try to influence policy processes by strategic behaviour. A network is not a static entity, but changes over time as a result of the ongoing series of games.”

Klijn 1996, 97-8

I use some of the concepts of the Advocacy Coalition Framework (ACF) (Sabatier, Jenkins-Smith 1993; Jenkins-Smith, Sabatier 1994) and Kuhn’s (1970) broader sociological definition of a paradigm as “an entire constellation of beliefs, values, techniques, and so on shared by members of a given community” to analyse formation of the alliances and reasons for why certain actors found other actors more appealing as alliance partners than others. Through the focus of the ACF on belief coalitions – a set of basic values, causal assumptions, and problem perceptions – I am able to identify the main reasons for the formation of different alliances within the water policy process in Nepal, that is, their core beliefs, which link them into an alliance. In my research, beliefs and causal assumptions are an important factor in explaining the understanding of the problem and the formulation of policy alternatives, for instance, why the aid agencies and other members of their alliance actively propagated neo-liberalism, privatisation and good governance, as the best solutions for the water sector reform, thus sharing a belief system, and how these issues became an important part of the policy struggle. For analysing the evolution of the thinking of the donors and their alliance partners, I apply the concept of story-line (Hajer 1995; Rein, Schön 1986).

There are also other advantages of the application of the ACF for this study. First, it focuses on policy subsystems rather than on specific governmental institutions, as the principal unit for understanding policy change, and that these subsystems have an intergovernmental nature. Secondly, the ACF, like the politics of policy perspective, emphasises the importance of the external environment around the policy actors and coalitions. Issues are seen to emerge through changes in the environment, which causes re-evaluation of the belief system about public policy, and new interest and interest groups can emerge. This supports my view of policy as a dynamic process and allows me to concentrate on assessing how changes in socio-economic and political contexts, outputs from other policy subsystems, and system-wide governing alliances affect or constrain the policy making and the resources of the policy actors. Thirdly, the framework focuses on the policy subsystems as composed of policy elites rather than members of the general public. Grindle and Thomas (1991) outline,

37 Klijn’s definition of game is “an ongoing sequential chain of strategic action between different players (actors) governed by formal and informal rules that develop around issues and decisions in which actors are interested. In these games, actors try to influence policy processes by strategic behaviour”. In this connection game refers to manoeuvring, struggle and strategic action. My reference to ‘game’ does not include a reference to game theory.
“policy choices are the result of activities that take place largely within the state and that are significantly shaped by policy elites who bring a variety of perceptions, commitments, and resources to bear on the content of reform initiatives, but who are also clearly influenced by the actual or perceived power of societal groups and interests that have a stake in reform outcomes”.

2.1.5 Bureaucracy

In the context of my study, I speak of bureaucracy and bureaucratic actors. I do not, however, view the bureaucracy as a collective actor, but consisting of various bureaucratic agencies with own interests that can conflict with each other. With bureaucracy I mean a form of rule and a category of governmental system, meaning government by officials rather than government by people, a single person, or by only a hereditary class. Like Beetham (1987) I view this bureaucracy to be “the accumulated product of social history of past policies [that] become congealed in institutional form and develop a network of interests around them, both inside and outside the bureaucracy”.

Political and bureaucratic corruption is a widespread phenomenon within the Nepalese government. However, since the advent of the multiparty democracy, there has been growing public anger about corruption and the misuse of power, but the top of the administration has failed to respond to this anger (Gyawali 2004). This has contributed to the general distrust of state institutions and erosion of regime legitimacy. Within the bureaucracy, corruption is most obvious in the public works’ procedures and in the misuse of public office for personal gain. However, even though mostly used for private gain (Bardhan 1997), I refer with corruption to something more systematic, as illuminated in the system of payments made for bureaucratic transfers, promotions and positions (Theobald 1999; Davis 2004).

2.1.6 Framework

My conceptual framework tries to explain how, on the one hand, patronage-based social relations and a dependency on foreign aid influence decision making at the national level in the rural water supply and sanitation sector, and on the other hand, how aid agencies’ priorities shape the process. I hypothesise that in this situation, donors are able to use this weak negotiation position of the country to promote their own ends, which not necessarily correspond to the needs and priorities of the country. I want to understand what kind of means do the governmental actors have to overcome this influence. The framework helps to explain and explore the relationships and interactions for meaningful conceptual and theoretical propositions.

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38 This is in contrast to the mainstream view of bureaucracy, in which it simply is used to refer to government administrative agencies staffed by public servants.
39 For a detailed description of corruption within the public works see inter alia Wade 1982.
2.2 Methodology, Methods, Research Process and Data

2.2.1 Introduction

This thesis investigates the characteristics of policy making and water governance in the Nepalese rural water supply and sanitation sector. For this a case study approach was chosen, which serves to identify inductively variables, hypotheses or causal mechanisms that affect policy making (George, Bennet 2005, 74, cited in Reis 2012, 18). Within the various types of case studies, mine falls in the category of case studies, that use theoretical frameworks to provide an explanation of particular cases, which can lead as well to an evaluation or refinement of theories (Vennesson 2008, 227). The case of Rural Water Supply and Sanitation Policy is taken up in order to shed light onto the dynamics between

Figure 2.1 Conceptual Framework
the different policy actors. The aim of this thesis is therefore, not to investigate the 
impacts of policy, but what were the mechanisms and issues behind the policy, leading to 
its formulation. Using the words of Mosse (2005, 2) it does not ask whether, but how, 
policy works. In this sense the research is open-ended, ‘soaking and poking’ for causes 
and effects; it is concerned with explaining a puzzling outcome without preconceptions 
about its causes (Gerring 2007, 71, cited in Reis 2012, 18). Just as it is not the goal of the 
study to evaluate policy impacts, its primary goal is neither to produce ‘policy-relevant’ 
outcomes.

The basic methodological elements of my doctoral research are summarised in the 
table 2.1 in the previous page. Methodology can conceptually be understood as consisting 
of three levels: (1) the scientific model, which constitutes the epistemological and 
ontological foundation of the research, (2) the research method or strategy, and (3) the 
research techniques. Each of the levels is “filled-in” in relation to choices at the other 
levels, ensuring that there is (or should be) coherence between the scientific model, the 
research strategy and the research techniques, though there are no simple one-to-one 
relations between the levels. The methodology discussed here is the result of several years 
of designing and developing an appropriate methodological approach for the complex case 
study and challenging political and social environment in question.40

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40 This table format has been used by Gert Jan Veldwisch in his doctoral dissertation (2008). I found it very 
useful in organising my thinking about methodology and have therefore applied it in my research.
<table>
<thead>
<tr>
<th>Model</th>
<th>Basic elements</th>
<th>Difficulties encountered</th>
<th>Emphases and adaptations made in response to difficulties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific model</td>
<td>Critical realist and sociological institutionalism, basing on postpositivism, and making use of constructivism.</td>
<td>Blurredness in identifying the right kind of mix in methodology, due to multiple research problems within the case.</td>
<td>Focus shifted from social constructivism to critical realism.</td>
</tr>
<tr>
<td>Theoretical base</td>
<td>Policy as a process - theory, policy network theories, theories on state capacities.</td>
<td>RWSSP policy process not fitting into the existing policy network theories; theories on state capacities focus on state-building, which is not the case of Nepal.</td>
<td>Policy network theories not applied as such to analysing the sector dynamics, but used only as providing framework and leading to reformulation of the theories; emphasis on neopatrimonialism, instead of state capacity.</td>
</tr>
<tr>
<td>Research methods/strategies</td>
<td>Case study research, process tracing, extended case method, interface framework, analysis of discourses.</td>
<td>Several research strategies make it difficult to define, which of these is applied for a particular issue.</td>
<td>Instead of strictly following one research strategy/method, emphasis put on a right kind of mix along the research questions.</td>
</tr>
<tr>
<td>Research techniques</td>
<td>Semi-structured interviews; dialogue with interviewees; participant observation; field note diaries; acquisition of secondary data.</td>
<td>Building rapport with donor representatives difficult; reluctance by some of the interviewees to speak against either donors or government due to their dependency on those for living.</td>
<td>More emphasis on finding written material; combining interviews with observation and contextualising interviews.</td>
</tr>
</tbody>
</table>

Table 2.1: Three levels of methodology as applied in the research
2.2.2 Scientific Model

The scientific model underlying this research is chosen to meet the needs of the case study method, and to understand the social dynamics of the water policy processes and water governance. In the case study analysis, I follow the process tracing, as explained by Vennesson (2008). For this, I position myself nearest to critical realism, however, having ties to constructivism. These linkages between these two philosophies of methodology have been analysed by Delanty (1997), who visions a new approach called critical constructivism. Critical constructivism argues that empirical reality can only be known through our cognitive structures. It departs from the autopoietic versions of constructivism in which science, including social science, is perceived as a closed system of knowledge, disconnected from public discourse, and other forms of knowledge (Delanty 1997, 139-141, cf. Vihemäki 2007, 46-7).

Critical realism – basing on post-positivism – builds on the idea that there is a real world ‘out there’, but that we only know it through the constructions that people make of it – here coming close to constructivism. Critical realism holds that the goal of science is to find out what is the reality, even though acknowledging at the same that this can never be fully achieved. As it is not possible to know with certainty what has actually taken place, post-positivism emphasises the importance of multiple measures and observations and the need to use triangulation, because all sources can retain errors. The post-positivist approach also believes that all observations are theory-laden, and that scientists are inherently biased by their cultural experiences and world-views. The critical realism also takes a stand on the issue of cause and effect, by presenting that there is no linear relation between cause and effect, rather, the phenomena are governed by, at best, probabilistic laws. Hence, the mechanisms of change need to be studied in-depth in order to understand social processes of change (Veldwisch 2008, 44; della Porta, Keating 2008, 24). The critical realist approach puts emphasis on the analysis of both structure and agency, which are seen interlinked, giving better understanding for causality41 (Archer 1995, 1, 15).

Here, I find, the other philosophy of methodology in my research, the new – sociological – institutionalism comes in handy: its focus on analysing the motivations and interests of the agents, an issue, that is central to my research. Sociological institutionalism shows how the institutions, in which an individual lives, through socialisation and learning, shape the very values of and desires of that individual (Keating 2008, 104). It relates to a theoretical framework in my thesis, namely the policy networks, which I analyse through their shared understandings, values, and meanings. Sociological institutionalism has been shaped by culture studies, linking it with the third important factor in my study, the importance of contextualisation, which is emphasised by constructivism. Together with process tracing, sociological institutionalism allows me to reconstitute actors’ beliefs and perspectives, and to regroup them in a limited number of

41 Archer (1995, 15) writes: 'the interplay between structure and agency can actually be analyzed over time and space. It is based on two basic propositions: (i) That structure pre-dates the reaction(s) leading to its reproduction or transformation; (ii) That structural elaboration necessarily post-dates the action sequences which gave rise to it.'
categories, keeping in mind the evaluation of broader theoretical arguments (Vennesson 2008, 234).

The advantage of (social) constructivism, in addition to its focus on analysing agency (Kratochwil 2008, 86), is its focus on how social phenomena develop in particular social contexts through the self-transforming actions and perceptions of diverse and interlocked actors, and through the multiple forms of social knowledge and their relations with power (Booth (ed.) 1994; Long 2001). The advantage of this perspective is that it allows me to focus on the human and institutional aspect in the policy process, and to analyse how policies have been negotiated, and by whom, how they developed out of this negotiation process, and whether there are patterns of change, which have been induced or sustained by the water and sanitation policy. Constructivism also helps me in analysing the discourses in the Nepalese context by focusing on how these are constructed, reconstructed, and also deconstructed.

These scientific philosophies help me in my ‘process tracing’: I aim to provide a narrative explanation of a causal path that leads to a specific outcome (George, Bennett 2005, 176; Steinmo 2008; Vennesson 2008, 231, 235). By using process tracing I am able to assess theories by identifying the causal chain(s) that link the independent and dependent variables. My goal is to uncover the relations between possible causes and observed outcomes. This procedure can be used in theory testing and development (Vennesson 2008, 231), exactly as I have done with the policy network theories. Thus, the focus of this research is to trace the rural water supply and sanitation policy process in Nepal, the motives and incentives of the actors to participate in policy making, and to reflect on the dynamics between different actors. I have used the process tracing to discover a causal mechanism, and to show that a posited underlying mechanism connecting causal and dependent variables exists, and to demonstrate the conjunction and temporal sequence of variables (Vennesson 2008, 231, quoting Elman 1996, 17-18). Furthermore, it has provided me with means to learn and evaluate empirically the preferences and perceptions of actors, their purposes, goals, values, and their specification of the situations that face them. Process tracing helps me to uncover, directly and indirectly, what actors want, know and compute (Vennesson 2008, 233, quoting Simon 1985, 295).

There are two advantages of process tracing over story telling and different types of narratives. First, process tracing is focused. It deals selectively with only certain aspects of the phenomenon. Hence the investigator is aware that some information is lost along with some of the unique characteristics of the phenomenon. Second, process tracing is structured in the sense that the investigator is developing an analytical explanation based on a theoretical framework identified in the research design.

### 2.3.3 Research Methods

My aim is to provide an explanation of the dynamics of the rural water supply and sanitation sector, and of the sectoral policy processes in Nepal, through using an in-depth case study research, in which the case is studied over time, rather than at a single moment.
I go behind the myths, models and poses of water policy and institutions in Nepal, to uncover the dynamics of the making of these policies. I have approached my case study through process tracing (Vennesson 2008), extended case method (Burawoy et al. 1991; Burawoy 1998), and interface framework (Long 2001). Of these, the extended case method was used in the early phase of the study, particularly in the planning, and during the field work, whereas the process tracing and interface framework guided the later part of the field work and the analysis of the data.

The main advantage of the case study research and the extended case method is that they allow me to concentrate on the reconstruction and consolidation of existing theory, rather than developing new or testing old theories. The theoretical construction is therefore not confined to the beginning of the investigation, but the researcher revises his/her main concepts because s/he is learning from the cases that s/he has decided to examine (Ragin 2000, 31-2, cited in Vennesson 2008, 230-1). Theory-building is seen as a process in which case study evidence is examined for anomalies and refutations replicated in the case, theoretical positions are revised, and the evidence is examined once again from a new perspective, in this iterative mode. This perception proves particularly useful in the interpretation of policy process and politics of policy in the Nepalese context, illuminating the dynamics of how policies are formulated in Nepal – and why they are formulated – as well as the question of leadership in the sector and in policy development.

The second advantage, presented by the approaches, is their emphasis on locating and explaining the case within its wider context (Hammersley, Gomm 2000; Burawoy 1998). Here, the emphasis is on situational analysis, which constitutes a social situation as unique, and pays attention to its complexity, depth and thickness. It takes the social situation as the point of empirical examination, and works with the given general concepts and laws about states, economies, legal orders, and the like, to understand how the case is shaped by wider structures. Here, the rural water supply and sanitation policy process is seen to have been shaped by the global policies of the aid agencies, the political, societal and economic context of the country, and the incentive structures of the policy actors.

The third advantage is the emphasis on the processual aspect. This means that the focus of the analysis is on the sequence of events, over quite a long period of time, where the same actors are involved in a series of situations, in which their structural positions must continually be re-specified, and the flow of actors through different social positions specified. Thus, this enables me to trace how events chain on to one another, and therefore, how events are necessarily linked to one another through time.

The fourth advantage is provided by the use of the extended case method – applied in the context of interviews and participant observation – to aim for dialogue with the interviewees. This has allowed me to more informally interact with the interviewees and build rapport with them.

The interface framework analysis of the actor-oriented approach has also had a direct bearing on how I look at the sector dynamics and the policy process. Long (2001) argues that an actor-oriented perspective is to explore how social actors are locked into a series of intertwined battles over resources, meanings and institutional legitimacy and control. The interface in this research consists of the arena, defined as a social location or situation, in which contests over issues, resources, values and representations take place. Here, actors
confront each other, mobilise social relations, and deploy discursive and other cultural means, for the attainment of specific ends, including that of perhaps simply remaining in the game (Long 2001, 59). In this arena, aid agencies, Nepalese bureaucracies, and societal and economically interested actors, come together to decide on the future of the rural water supply and sanitation sector, as well as to formulate and implement relevant policies. Interfaces typically occur, according to Long (2001), at points where different, and often conflicting lifeworlds or social fields intersect, or more concretely, in social situations or arenas, in which interactions become oriented around problems of bridging, accommodating, segregating or contesting social, evaluative or cognitive standpoints. The social interface analysis aims to identify the organisational and cultural means of reproducing or transforming them (Long 2001, 65, 243). Therefore, through the interface analysis, I aim to characterise the different kinds of strategies used by the policy actors that reproduced or transformed these strategies. These are analysed as part of ongoing processes of negotiation, adaptation, struggle and transformation of meaning, which I view as socially constructed during the process.

In the study policy, actors are presented as active participants, who process information and strategies in their dealings with other policy actors, as well as with outside institutions. They are viewed as interdependent, rather than independent, autonomous units, having relational ties for channelling resources between them. This continued interaction encourages the development of boundaries and shared expectations that shape the interaction of the participants so that the interface becomes an organised entity of interlocking relationships and intentionalities, which then develop into networks (Long 2001, 69). In this research, these are presented as social networks (Wasserman and Faust 1994) that concentrate around policy belief systems (Sabatier, Jenkins-Smith 1993).

In the next section, I discuss my research path, including the explanation of the research techniques as outlined in table 2.1 above, as well as my data and the process leading to define my case study.

### 2.2.4 Research Process, Data and Casing

I started my research at the Center for Development Research, Bonn, Germany, in 2005, where I formulated my research proposal under the supervision of Prof. Peter P. Mollinga, who introduced me to the topic of policy processes. Initially, we were thinking of designing my research as a comparison of cases in Nepal and India, but soon realised that it might be better to focus on one of the countries. I chose Nepal, as I was familiar with its water sector, having administered a bilateral water supply and sanitation project for the Ministry for Foreign Affairs of Finland. In 2007, I changed my enrolment to my alma mater, University of Helsinki, with Prof. Juhani Koponen as my second supervisor. After this, I was for years, periodically working on my thesis, or being employed in the field of development cooperation, due to my inability to secure funds for this research. This involved being far away from my supervisors and detached from the scientific community.

In the summer of 2009, I was finally ready to go the field, where I spent 2.5 intensive months. Before entering the field, I sent a questionnaire to some selected organisations,
which purpose was to help me to design the interviews beforehand, however, I got little response on these questionnaires. Rather, the message from the people who answered me was that it would be easier to speak about the issue once I was in Kathmandu. I pursued my fieldwork in Kathmandu, where I focused my data collection on gathering knowledge on several water policy processes in Nepal, to understand the general dynamics in the water sector as a totality – particularly the role of the World Bank and the Asian Development Bank – and with the intention of comparing several water policy processes. I looked at the two-phased Water Resources Strategy, of which the first part was finalised in February 1997, and the second part in June 2002, as well as the Water Plan Nepal (2005), which was formulated to guide the implementation of the Water Resources Strategy – both funded by the World Bank. I also initially considered studying the policies funded by the ADB, namely those of the Rural Water Supply and Sanitation Sector Policy, Strategy and Action, finalised in 2004, and the Urban Water Supply and Sanitation Policy, finalised in 2009.

Water is an important and highly politicised issue in Nepal. It involves complex issues of hydropower development, with possibilities for high returns, but is hazardous for the environment and the resettlement of people, the irrigation sector with reforms, and perspectives for agriculture, privatisation and liberalisation, particularly affecting urban water supply and sanitation, and the highly donor-dominated rural water supply and sanitation sector. I realised that working on the overall water policies would include making myself acquainted with all of these issues, which would be too many aspects to deal with within the framework this thesis, and to make the contextualisation of this thesis nearly impossible. Hence, I limited myself to concentrate on the urban and rural water supply sectors and their policy frameworks. I realised that policy formulation in the Nepalese water sector is tightly combined together with development project formulation, which was clearly depicted in the water supply and sanitation sector. Furthermore, the power dynamics between and within the different governmental agencies and donors, which I wanted to analyse, are issues driving the sector development forward. Hence, I abandoned my initial focus on policy conditionalities, and on providing generalisations on the role of multilateral funding agencies in national policy-making in an aid-dependent country, and decided to concentrate on analysing the power relations between those actors that play a role in water supply and sanitation sector policy making. In my investigation, I have specifically focused on the ADB-funded water supply and sanitation policies in the rural and urban sectors. Both of these policies seem to have links to development programmes: the rural policy to the Community-Based Water Supply and Sanitation Project, and the urban policy to both the Melemchi Water Supply Project and to the Small Towns Water Supply Project. In addition, both policies and all projects were funded by the ADB, which gave me a possibility to seek for common nominators in ADB’s involvement in the sector.

After my first field period, I analysed the interviews tentatively and reflected the field results in a report, which I submitted to my supervisors. During this process, I found that I should still limit the scope of this thesis in order to be able to defend it one day. Thus, I needed to make a choice between the urban and rural water supply and sanitation sectors. I chose the rural water supply and sanitation sector due to my own background in
community-based development. I understand its jargon better than that of the urban water supply and sanitation sector, which functions on very economic terms. I also changed my focus to researching the dynamics of the rural water supply and sanitation sector. I wanted to understand the wider context of policy making, as well as the donor-government relationship. I had gone to the field with the presumption that the donors dictate the sector development, but through my interviews, I got hints that I might be wrong with this. Hence, I wanted to look at the larger framework, in which the policies are made, and analyse where the influence on the sector development derives from, and what the mechanisms are behind it. In addition to my focus on the Rural Water Supply and Sanitation Policy, Strategy and Action Plan, my research became to include an analysis of how global changes in the thinking on issues in the rural water supply and sanitation have shaped the sector in Nepal. Therefore, I find that through the alternately proceeding data collection and analysis, the ‘right’ case got transfigured to me.

The second part of my fieldwork, I carried out the next summer, in 2010 (2 months). This time, I had a clear idea of with whom to talk and what issues I needed to address: my main issues related to the sector coordination, power dynamics in the rural water supply and sanitation sector, the negotiation strategies of the government, and the donors in the policy process and detailed tracing of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan. In addition, I interviewed people both at the national and district levels on policy implementation, however, only with the intention of understanding what the main issues are that prohibit effective policy implementation – an issue that had come up in several of my interviews. The district interviews were carried out with Syangja district authorities (Western Nepal) and in Dhulikhel (Kathmandu Valley).

Already during the first fieldwork, I had given up on my interview guide and opted for a more open way of interviewing. I rather had talks or discussions with my interviewees, not straightforward interviews. However, I tended to cross check issues mentioned in interviews with my other key informants. My key informants, whom I interviewed two to three times, consisted of consultants involved in the sector for several decades, some senior officials in the main government agencies in the sector, as well as retired officials and senior-level people in NGOs. I was not able to get any donor representative to become my key informant, due to their extremely cautious way of talking. Hence, for analysing the donors’ motives and interests in the sector, I needed to rely on a variety of sources, including their own policy papers, project documents, informal talks and on analysing what was not said by them. During both fieldworks, I got a good response to my interview/talk requests, and was able to carry out 102 interviews, thirteen of which I recorded.

My main method for data collection was interviewing. Before starting with the fieldwork, I had operationalised my research questions (and sub-questions) and based on these formulated interview guides (Yow 1994, 35-38; Kvale 1996, 129-131) for each group (government officials, ex-officials, donor / NGO representatives, academia, media), I planned to interview with the intention of interviewing a number of people on the same topic, to reveal a range of opinions, attitudes and strategies (see table 2.2 below). However, I gave up on the questionnaire quite quickly, and before each interview, just noted down some main issues that I wished the interviewee to cover, moving between
semi-structured interviews (Kvale 1996), and interviews which can better be described as dialogue with the interviewee (Bailey 2007). This way, I was able to identify the main events, issues, and the dynamics in the sector, rather than forcing the respondent into a field that he / she did not feel important for the case. I also stopped recording, as I realised that people were hesitant to speak openly, as long as the recorder was running. I also realised that if I presented myself as a student, and did not try to prove my knowledge or familiarity with the topic, some people were quite open in their communication with me. I assume that they considered a female student not to be a threat to them and thus were willing to give their opinion.42 For instance, on the donor influence and on the nature of the government, including the lack of capacity on the side of the government to govern the sector. I was also presented with outright testimonies on corruption. However, those people that were in one way or another dependent on the aid for their living, were not willing to discuss the practices of the donors or the government. Through a snowballing method, I got to know of other people who were important for my study, and was able to accumulate and triangulate the information provided to me by previous interviewees. In getting the first interviewees identified, my local supervisor, Dr Sudhindra Sharma (and his contacts), was extremely helpful.

<table>
<thead>
<tr>
<th>Water resources and water governance</th>
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</thead>
<tbody>
<tr>
<td>1 What are the main issues in the Nepalese water sector?</td>
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<tr>
<td>2 Are there some water related issues that cause disarray among organisations working in the water sector?</td>
</tr>
<tr>
<td>3 How are Nepal’s water resources governed?</td>
</tr>
<tr>
<td>4 How are Nepal’s governmental institutions governing the water resources interacting?</td>
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</tbody>
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<table>
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<tr>
<th>Water policy formulation + politics around water</th>
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<tbody>
<tr>
<td>5 Who all have been involved in the formulation of water policies?</td>
</tr>
<tr>
<td>6 What is the regulatory framework for policy formulation in the water sector?</td>
</tr>
<tr>
<td>7 Do politics play a role in the water sector?</td>
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<tr>
<td>8 Who are considered as the main players in the water sector?</td>
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<tr>
<td>9 How do the water policies get initiated?</td>
</tr>
<tr>
<td>10 What kinds of meetings were organised during the formulation?</td>
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<tr>
<td>11 What kind of a timetable was set for the formulation process?</td>
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<tr>
<td>12 How was the progress of the formulation process monitored?</td>
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<tr>
<td>13 What were the main obstacles in the formulation process?</td>
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<tr>
<td>14 What were the issues that caused most discussion about?</td>
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<tr>
<td>15 Was an agreement reached?</td>
</tr>
<tr>
<td>16 What compromises were reached?</td>
</tr>
<tr>
<td>17 How would you assess the policy paper?</td>
</tr>
<tr>
<td>18 Who were the main participants in the process?</td>
</tr>
<tr>
<td>19 What kind of committees were formed?</td>
</tr>
<tr>
<td>20 Who were the most active participants in the process?</td>
</tr>
<tr>
<td>21 Were all organisations/persons relevant to the topic invited to join?</td>
</tr>
<tr>
<td>22 Were there any conflicts between the participants?</td>
</tr>
</tbody>
</table>

42 Or they tried to use me to convey their message to the public. This I have tried to avoid by contextualising the interviews.
How would you describe the negotiation style of different participants?

Who is responsible for the monitoring of policy implementation?

What have been the main obstacles in the implementation?

What have been the main changes that were a consequence of this policy (and its implementation)?

Table 2.2: Initial Questions Guiding Interviews

Furthermore, I participated in seminars and thematic meetings, where either general water issues, or issues related specifically to water supply and sanitation were discussed. These included a conference on discussing sanitation related issues organised by the Finnish funded rural water supply and sanitation programme in Western Nepal, a district level workshop on WASH planning involving district level decision makers and representatives from the departments as well as programme staff, and the steering committee meeting of the same programme which included a vivid discussion on WASH planning and programme operations with participants from ministries, departments, aid agency, NGOs and district level officials. These events highlighted the main issues hindering policy implementation at the local level, and shed light on the power relations between departments as well as aid agencies and governmental agencies. Furthermore, I participated in a series of meetings related to establishing an M&E system within the MPPW, organised by the World Bank, and in a conference organised by the same. These events showed me how consultants work in the Nepalese context, their power vis-à-vis the government, and the indifference by the government to take ownership of the development efforts. These discussions further illuminated the political side of policy making, the struggle between governmental agencies and the donors, and assisted me in mapping the sector actors and issues.

I also spent time in collecting written material from libraries and from private people. This took a lot of time because the documents were located here and there – there are mainly private libraries in Nepal – and because there were very few electronic copies of official documents, someone needed to get copies done for me. The main libraries where I found the relevant books and documents were the library of the Nepal Water Conservation Foundation (private research institute) and the library of the Water and Energy Commission Secretariat (WECS). The access to the first one was easy due to my links to the organisation, but the access to the latter one was more difficult. WECS is situated in Singha Durbar, which is a fenced area where several ministries and governmental departments are located. To be able to access it, one needs to have a pass to show at the gate, exactly as when one interviews people whose offices are in Singha Durbar. I never had an official pass, but after serious negotiations at the gate, and some telephone calls to important people, I found my way in the area approximately ten times during my fieldwork. I collected copies of all water supply and sanitation policies made in Nepal since the mid-1980s, as well as different drafts of these policies (when available), laws, regulations and government guidelines relevant to the sector development, reports analysing the sector development, documentation on the Rural Water Supply and
Sanitation Policy, Strategy and Action, such as workshop reports and background papers, development project documentation, general reports and books.

<table>
<thead>
<tr>
<th>Type of Institution</th>
<th>Semi-structured Interviews</th>
<th>Dialogue Based Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aid agencies</td>
<td>26</td>
<td>3</td>
</tr>
<tr>
<td>Civil society organisations</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>Media</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Public sector officials or ex-ministers, now either researchers or experts</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Politicians (active)</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Researchers / experts / consultants</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>District level interviewees</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total number of people interviewed:</strong></td>
<td><strong>89</strong></td>
<td><strong>13</strong></td>
</tr>
</tbody>
</table>

*Table 2.3 Type and Number of Interviews*

After the fieldwork, I wrote a report on my findings, as well as drawing an annotated outline of my dissertation, and submitted these to my supervisors, coding my data in Atlas TI. During the data analysis, which took place parallel to the writing of the first drafts of my thesis, I used different ways of approaching the material. The strategies were related to the type of material at hand, and the characteristics and quality of the material. I analysed the contents of the interviews and discussions I had had, with a focus on the issues, actors and processes that were of the most interest to me, as well as the causes, consequences and relationships via content analysis and discourse analysis. This included contextualising my interviews by paying attention to characteristics of the discursive situation, e.g. from which position, or institutional context, the speaker was communicating. Due to the political interests of the sectoral actors, I was aware that my interviewees might be led by their own interest in how they answered my questions. The written material I used for either to triangulate the information, or to contextualise the interviews, and by this, to understand why and how certain issues were said.

The exploration of the secondary materials, research literature and ‘grey documents’, I did through analysing discourses in the policy documents, i.e. focusing on the ways of defining the problem, goals and solutions. Yet, I also approached them as partial accounts of the historical events, changes and processes regarding the thinking on rural water supply and sanitation both globally and in Nepal. By discourse in the Nepalese rural water supply and sanitation sector, I mean a set of meanings embodied in metaphors, representations, narratives and statements that advance a particular version of ‘the truth’ about the water supply and sanitation policy and governance issues, and the relations between them, endorsed primarily by the aid agencies and Nepalese bureaucracy. Through the analysis of discourses I sought for ‘dominant’ discourses’ (Long 2001), and nirvana concepts, narratives and models (Molle 2008), and analysed how these are endorsed,

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43 I did not do any discourse analysis per se, but aimed at understanding what the discourses in the policy documents were, where these stem from, and how they have influenced the Nepalese policy documents.
transformed or challenged, by providing the means to spell out the knowledge and power implications of the interplay, and the blending or segregation of opposing discourses. Molle (2008) gives 'sustainable development’, good governance’ and ‘participation’ or ‘empowerment’ as examples of nirvana concepts. In the water sector, Integrated Water Resource Management (IWRM) is an example of a nirvana concept. Narratives or storylines in the field of development establish causal relationships between two negative aspects of a particular problem, such as waste (or pollution) of resources occur because insufficient pricing fails to reflect real costs (hence the necessity to price water) or the poor performance of water user groups, reflects lack of human capital or obstructive bureaucracies (training needed). People, promoting same kinds of narratives, form discourse coalitions. Models, on the other hand, are based on particular instances of policy reforms or development interventions, which ostensibly embody a dimension of 'success’ and qualify as 'success stories’. In the water sector, a good example of a 'successful policy model’ is the Mexican model of Irrigation Management Transfer, or certain models for river basin organisations.

In addition, I was able to elucidate the power aspect of the policy struggle, and to analyse the direction of the influence in certain policy decisions, by comparing the texts of the aid agencies with those of the Nepalese government, and looked for discrepancies and similarities in the documents.

During the writing process, I posed my data ‘why-questions’, which Alasuutari (1995) calls ‘unriddling’ or resolving the puzzle. I called this ‘detective work’ once I realised how from the bits and pieces – through the why-questions – the dynamics in the Nepalese rural water supply and sanitation sector started to emerge.

2.2.5 Research Limitations

The limitations of this study relate to two issues: (1) the data collection process and (2) the scope of data collection and analysis. Regarding the first, one of the main limitations was that it was difficult to get reliable information from one source only. The government and the aid agencies have also a very ambiguous relationship, on the one side they blame each other for various issues related to development work (e.g. the scheduling of work and sticking to it, work style, funds). This, however, is done very indirectly, not pointing at the issue or the person directly, and on the other hand, they present each other as partners, and do not want to say anything else but positive aspects of each other. In addition, as shown later in this thesis, both parties have their own incentives in the aid game, and therefore, had obviously an interest either to tell me what had happened or not. Therefore, I had interviews where I got little direct information, and interviews where the interviewee openly told me his/her point of view to the sectoral dynamics. Both types of interviews naturally required a critical examination on their parts. In this kind of a situation, it is very challenging to find out ‘what really happened’. This was complicated by the fact that only a few international consultants were ready to talk with me. These people maybe had less at stake in the Nepalese context, and therefore, were able to speak about the situation in Nepal and criticise the Nepalese government. Yet, they were restricted to speak about the
aid agencies, who were their de facto employers. I assume, many of them had second thoughts about explaining internal issues involving their employer (the ADB or the government), or were afraid that they might end up in a situation in which they needed to criticise these.

Regarding the second issue, I also realised that many of my interviewees were hesitant to speak openly when I had the recorder on, thus, I stopped using it in the interview situations. In case the recording would have worked out, and people would have been more at ease to speak when the recorder was on, I could have been able to better analyse the interview situations, e.g., the way people answered the questions, pauses kept in the discussion, etc., and to draw my conclusions on these. This was not possible, because I had to concentrate on making notes by hand, on issues that the people were telling me. In addition, I had hoped to be able to get more observation-based data through attending meetings, conferences and being more present in the happenings, in order to familiarise myself better with the interviewees. However, during my two rather short fieldworks, I did not find access to large numbers of meetings, and only a few conferences took place during that period. I had to limit the fieldworks, due to family reasons; during both fieldworks I had my small son with me, and had to get someone to take care of him while I was working. This arrangement could not be organised for a long period of fieldwork. Furthermore, due to the limited period in the field, I decided to limit the analysis on the dynamics during the policy formulation process, and only had a glimpse of the issues of policy implementation. I think that a deeper analysis of the policy implementation, issues standing in the way of the implementation, and the linkages between policy formulation and implementation, would have provided important empirical knowledge on the policy dynamics, and brought this dissertation to a higher level theoretically. In addition, I could have explored how local level politics and aid practice affects policy priority setting, and received first-hand information on the role of global and national policies for donor-funded development projects. This is a topic that should be explored in another research. Likewise, I have not analysed how Nepalese (party) politics shape the policy making, what kinds of motives parties have in the process or in setting the agenda, and what were their linkages with the aid agencies. This would have required a different kind of perspective, focusing on the political field in Nepal, and the functioning of the Nepalese state, and could have been linked with the study on how the economic factors affect the negotiation capacity of the government. I also decided not to discuss the influence of party politics on policy making, because it is a complicated field, having its own dynamics totally outside the donor-bureaucracy manoeuvring point of view taken in this thesis. Party politics in Nepal does not follow a clear pattern, but there is a disintegration of parties along strong-man personalities, and lately, it has witnessed a rise in many small parties along ethnic or regional interests. To be able to understand the logic behind any political organisation would have demanded much more time in the field, which I unfortunately did not have. A similar reasoning applies to the lack of focus given to NGOs in this thesis. The NGOs are typically politically affiliated, and thus their analysis would have required a deeper understanding of politics and how patronage and clientelism work in Nepal.
3 The Aid Game

3.1 Introduction

Aid has two sides. On the one hand, it assists recipient countries in their efforts to develop. On the other hand, aid actors have their own agendas and interests, some of which can be conflicting with the overall purpose of aid. In this chapter, I focus on the latter side of aid, arguing for a political economy view on aid and aid giving. I claim that aid should not be viewed as only a technical and altruistic way of bettering the life of the poor, but to realise that all actors have interests in the development process, including the ‘benevolent’ aid agencies. Hence, I illuminate the different incentives and interests of the developing countries' governments and donors to gain or deliver aid, and show what kind of implications these have had for both the government and donors. In my analysis, I emphasise aid for policy reform, which is the focus of this thesis. I deliberately use the terms ‘recipient’ and ‘donor’, rather than the more politically correct term ‘development partner’, which is commonplace in official aid documents. I view that the basic feature of aid relations remains unchanged – namely a transfer of resources in an asymmetric relationship between a donor and a receiver, where the donor has more power than the receiver (Jerve, Skovsted Hansen 2008, 3; Koponen, Seppänen 2007, 337), summarised by Quarles van Ufford (1988, 21),

“Development organizations are directly affected by the basic contradiction of development goals (...). They are placed between different publics: (a) the public which is at the receiving end of aid, and (b) those who are allocating funds. These two parts of the environment are segregated from each other and do not overlap. The ambiguity greatly affects the ways development organizations operate. Because of this distance, it is difficult for the donor agency staff to tell whether progress is being made, what are the results of their development efforts and what kinds of impacts the projects and programmes are leaving behind.”

The main arguments of this chapter are:

- The traditional chain of aid delivery is donor-driven; the donors have designed the aid framework and aid is delivered accordingly; hence, the recipients have little power to direct aid delivery.
- Aid has had an important role throughout the past sixty years in Nepal, which has led to a dependency on aid and donors at various levels.
- Aid instruments of process conditionality, policy dialogue and sector-wide approaches, have been designed to increase ownership of the recipient government, yet, due to the way that they are designed, they actually allow the donors to increasingly involve themselves in policy making in the recipient countries.
• All actors have their own objectives in the aid game, thus, aid cannot be viewed simply as a benevolent act by the donors, but it has its own political dynamics deriving from these interests.

This chapter is organised in six sections. After the introduction, in the second section some terminology is outlined, and the effectiveness of aid is analysed globally. The third section depicts the role of aid in Nepal, and shows that its effectiveness has also been contested. In the fourth section, the chain of aid delivery is shortly presented to guide the reader in the aid process, and in the fifth section, the focus is broadened to the means of aid, particularly in relation to policy reform, that is, the issues of ownership, conditionality and sector-wide approaches. In section six, the incentives of recipient countries, donors and consultants are elaborated, whereas section seven concludes this chapter.

3.2 Effectiveness of Aid: Contested

3.2.1 Some Definitions

Most foreign aid (see box one below for definition) is designed to meet one or more of four broad economic and development objectives: (1) to stimulate economic growth through building infrastructure, supporting productive sectors such as agriculture, or bringing new ideas and technologies; (2) to strengthen education, health, environmental, or political systems; (3) to support subsistence consumption of food and other commodities, especially during relief operations or humanitarian crises, or (4) to help stabilise an economy of following economic shocks (Radelet 2006, 7). In this thesis, I deal with the first and second objective of aid, excluding humanitarian and economic aid.

Aid can also be scrutinised from three perspectives, as presented by Koponen and Seppänen (2007): (1) as resource transfer from wealthier countries to poorer ones – being part of foreign politics or as a tool of foreign politics; (2) as planned development intervention – projects and programmes and as guidelines related to these; and (3) as a battle for resources between different stakeholders, in which one party will get more than the other. Shortly, aid and intentions for development can be either examined as being a well-meaning development intervention, or as an unplanned political and social game for resources. In this thesis, aid is examined comprehensively, referring to all perspectives outlined above. Above all, the aid actors are viewed having their own interests, which can lead to unplanned consequences both politically and socially.
Box 3.1: Definition of Foreign Aid
Foreign aid is the generic term for all kind of international aid. In addition to official development assistance (ODA), as defined by the OECD-DAC, consisting of aid provided by donor governments and multilateral aid agencies to low- and middle-income countries; I include in foreign aid also aid provided by NGOs, humanitarian organisations and private people for the purpose of ‘development’, which are excluded in ODA. These include both grants and loans given for infrastructure development, technical assistance in the form of international experts, and knowledge transfer. This definition reflects the use of term foreign aid in Nepal.

The whole aid system and its dynamics can be examined through what Koponen (2007) calls developmentalism. It refers to the actors, institutions, structures, practices and models of thinking, that draw their power from the idea of development, meaning that with good intentions, having development intervention, one can reach an ideal development in societies. Developmentalism is the framework of development discourse and action, which can also be called a development machine or a development industry (Koponen 2007, 60; Koponen, Seppänen 2007, 338). The idea of developmentalism evolved after the Second World War and was particularly influenced by the Point Four Speech by US President Harry Truman in 1949. From the speech stem by researchers coined concepts of ‘development imperative’ and ‘under-development’ and that became part of the jargon of international politics (Koponen 2007, 61). The actors, which can be seen to be part of the developmentalism drive, are driven by a moral imperative: they believe that by taking efforts for the sake of development, they will ‘do good’. Hence, the primary interest is not only to fulfil their institutional or personal interests, but to enhance the well-being in the world. From the perspective of developmentalism, a developing country is not anymore only a poor country or a country, which has not developed along the model of western countries. It is a country that is being developed, a target of external development intervention, and for receiving development aid, it is required to follow a predetermined policy. This thinking legitimises the development actors to interfere in the governance of developing countries and in the lives of their citizens (Koponen 2007, 62, 64). Now, having presented the aim of the aid system, I turn next to assess whether the aid is achieving these goals – a highly disputed issue among researchers (for discussion cf. Koponen 2011).

44 The narrower ODA definition for foreign aid comes from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), which defines it as financial flows, technical assistance, and commodities that are (1) designed to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes); and (2) are provided as either grants or subsidised loans. Grants and subsidised loans are referred to as concessional financing, whereas loans that carry market or near-market terms (and therefore are not foreign aid) are non-concessional financing. Non-concessional loans from donor agencies are counted as part of official development finance, but not as official development assistance (Radelet 2006, 4).

45 These actors, institutions, structures, practices and models of thinking include, among others, development aid, development cooperation, various actors such as the UN and the World Bank, development discourse and development studies.
3.2.2 Contested Aid Effectiveness

There are researchers who speak for aid, claiming that just by scaling up the funding for development and investing in all kinds of 'capital' – physical, human, institutional and natural, the aid will ultimately reach its goals. The most prominent of these researchers is Jeffrey Sachs, who advocates for market economy and believes that through economic development, the development in developing countries will take off on its own (Sachs 2005). An opposite view to Sachs' advocacy for making aid more effective by increasing funds for it, has been presented by Moyo (2009). She claims that development aid suffocates development in Africa and should be terminated. Instead, she suggests, one should rely on international financing markets, investments from China, micro-finance and funding from Africans living abroad\(^\text{46}\). Tandon (2008) is similarly very critical about the donor-driven international aid system, which he views as pursuing an imperial project, impeding the homegrown attempts for development by the aid recipient countries, by reducing policy space. He, like Moyo, calls for the ending of the aid business. Easterly (2006), on the other hand, is more consistent in his criticism on aid than Moyo. He views poverty as a complex net of political, social, historical, institutional and technical issues. This net needs to be solved, problem by problem, and preferably through homegrown development efforts. The aid as is currently delivered has failed, because of the white man's burden, and the feeling by the western countries that they need to provide answers to the development problems faced in the developing world. Hence, merely increasing the aid flows cannot solve the problem of poverty. Collier (2008), another opponent of Sachs' view, claims that aid tends to speed up the growth process, but at the same, it suffers from diminishing returns. According to his research, there needs to be a right kind of an instrument to a specific situation (he calls these traps: conflict, natural resource, bad governance, landlocked traps). The leftist criticism, which has ended up in the margins in the aid discussion, because of the dominance of the mainstream writers, such as Sachs, Easterly and Collier, believes that aid sustains and even strengthens those economic and social structures that cause poverty, and market forces are seen as part of those structures (see e.g. Thérien 2002; Sachs W. 1992; Escobar 1995).

Since the 1990s, it has been increasingly argued that too much aid is detrimental to development, as it encourages recipients to depend continually on aid as a source of finance, thereby discouraging the expansion of domestically created revenue and self-sustaining development (Azam et al. 1999; Riddell 2007, 38). In addition to financial dependence, recipients can also suffer from a dependence on the technical advice provided by the donors. Nepal, to which I turn next, has been referred to as an aid-dependent country in several studies (Khadka 1991; Lohani 1999; Poudyal 1988; Pyakuryal et al. 2008; Ghimire L.S. 2009a; Luitel 2009).

Generally, aid dependency has been defined in the context of Sub-Saharan countries (Collier 1999b; Harrison 2001; Sobhan 2001; Moss, Pettersson, van de Walle 2006; Whitfield 2006; Morse, McNamara 2012). The closest to the situation in Nepal comes

\(^{46}\) Both Moyo and Sachs have been criticised of their view on developmental problems has been judged as simplistic (Koponen 2011, 17-8; Riddell 2007, 165) Riddell (2007) adds that in the assessment of the impact of aid there are some methodological challenges and data-gaps, which are difficult to overcome.
Bräutigam\(^{47}\) (2000, 1-6, 9) who defines it as “a situation in which a country cannot perform many of the core functions of government, such as operations and maintenance, or the delivery of basic public services, without foreign aid funding and expertise”, referring it to large amounts of aid delivered over long periods, and creating incentives for governments and donors, that have the potential to undermine good governance and the quality of state institutions. She continues that these incentives are not always acted upon, but when they are, large amounts of aid may reduce local ownership, accountability and democratic decision making, while fragmenting budgets and lowering the tax effort. Large amounts of aid, delivered to countries with weak institutions, create some of the institutional problems that lead to ineffectiveness. In aid dependent countries, donor agencies and foreign experts, often take over many of the critical functions of governance: substituting their own goals for an absent leadership vision, using foreign experts and project management units in place of weak or decaying public institutions, and providing finance for investments whose operation and maintenance is neither planned for nor affordable. A long-term dependence can create disincentives (perverse incentives) for both donors and recipient governments in managing their engagement.

### 3.3 Aid in Nepal

Foreign aid has been an integral part of the Nepalese political and economic scene for more than half a century. During this time, the volume has grown exponentially\(^ {48}\) (see table 4.1 in part 4.3.1). The all-time high was reached in 1989 when the aid amounted to 80 per cent of the country’s development expenditure and 14 per cent of its GNI. After that the amount has declined gradually, but the per capita amount of about US$ 19 received is still highest in South Asia (Stiller, Yadav 1979, 79-80; Sharma et al. 2004, 2-3; Saarilehto 2006, 24). Thus, on the surface, Nepal has become a highly aid-dependent country and its relationship with its donors appears asymmetrical. However, the partner relationships forged during this time have created spaces for different working modalities, and the Nepalese have found strategies through which they can manoeuvre in the aid game (cf. Sharma et al. 2008, 133).

Nepal’s development efforts are commonly taken to have begun in January 1951, with Nepal’s agreement for Technical Cooperation, as a consequence of President Truman’s Point Four speech, and after this India, China and the Soviet Union entered with their development projects. US aid – aimed at keeping up the frontline against Communist China and Soviet interests in Asia – was directed to agriculture, rural development and improving the infrastructure to maximise growth, whereas India concentrated on administrative reform, transportation and communication during the 1950s. Irrigation, water and education were added in the 1960s. Indian aid was motivated by security issues

\(^{47}\) For more general definitions see e.g. Lensink and White (1999) and Riddell (1996).
\(^{48}\) Aid volume grew fast until the 1990s, but due to the Maoist conflict in Nepal, most aid agencies decided not to make any new commitments for development projects, which turned the aid flow down. After the settlement of the conflict, aid volume has started to increase again.
linked to China and by acting as a counterweight to US influence. Also, maintaining close trading relations with Nepal was part of the motivation. China focused on transportation and industry, motivated by preventing Nepal’s meddling in the issue of Tibet and the border disputes with India, countering Soviet, US and India influence, and tightening economic ties (Saarilehto 2006, 24 quoting Khadka 1997, 94-95, 136, 149, 224, 285, 292; Sharma, Koponen 2004, 2-5; cf. Baidya 1984; Stiller, Yadav 1979). According to Mihaly, (1965) the effectiveness of aid during the early decades was hampered considerably by frequent changes in the Nepalese government, and its incapable long-term planning and the implementation of projects and programmes. Development aid supported this dysfunctional system.

Foreign aid to Nepal was not simply directed by the donors’ strategic, political, and economic interests. King Mahendra (1955-72) and King Birendra (1972-2001) actively exploited Nepal’s strategic position between India and China, to make the major powers compete over influence in the country. This helped siphon in aid money to support the regime, and the influence of other major countries also helped Nepal to counter India’s dominant economic and political role in the country. The kings and ruling elite used increasing aid from multiple sources to support their own claims for power, and aid can be considered as one of the reasons that the partyless system could be maintained for such a long period (Saarilehto 2006, 24-25; Khadka 1997, 349-351; cf. Justice 1986, 33).

The country had gained membership of the United Nations in 1955 and of the Bretton Woods Institutions – the World Bank and the International Monetary Fund – in 1961. However, it was only from the early 1970s onwards, that the multilateral lending agencies began their activities in a significant manner in Nepal, following the waning of the strategic interests of the major powers in Nepal. This increased the number of loans financing development efforts, including two structural adjustment loans provided by the World Bank and the IMF (1985-1991). The process of structural adjustment was completed in 1994 with mixed results (IIDS 1996). The World Bank concentrated on irrigation, agricultural production, energy, water supply and sewerage, and the Asian Development Bank mainly on agriculture, industry and transportation. The UN agencies UNDP, UNICEF and ILO also worked actively in Nepal (Sharma, Koponen 2004, 5).

The restoration of democracy in 1990 opened the doors for the entry of international non-governmental organisations (INGOs), which started a steady increase in their disbursements over the years (Sharma, Koponen 2004, 5-6)\(^49\), as well as allowing the establishment of national NGOs, whose growth in numbers has been phenomenal\(^50\). Japan emerged as the biggest aid contributor to Nepal in the 1990s, and also ‘small’ European countries became important donors. Multilateral actors – the World Bank and the ADB – increased the amount loaned to Nepal, and during the 1990s, loan aid rose to three times

\(^49\) The sources are not unanimous regarding the disbursements from INGOs. For instance, according to UNDP’s Development Cooperation Report, in 1999, INGOs disbursed around US$ 24 million while Social Welfare Council shows INGOs committing some US$ 20 million for the year 2000. While the UNDP lists only 21 INGOs providing assistance to Nepal, the Social Welfare Council (SWC) shows 96. The SWC should, therefore, show a larger disbursement from INGOs, but that is not the case. Acharya (2002) rightly notes that these figures cannot be taken at face value.

\(^50\) By 2000 over 11 000 NGOs had been registered compared to only a few hundred that existed in 1990 (Shah 2002, 144).
the amount of grant aid, and the debt burden of the country increased considerably
(Sharma, Koponen 2004, 5-6). Transportation, hydropower and irrigation continued to
received the lion’s share of the external assistance. Despite a growing emphasis on the
social service sectors, these never received the kind of a development budget allocated to
the transport and power sector, and were left primarily to the INGOs (Bonino, Donini
2009, 13).

From the beginning of the 1990s, in line with global trends, many of Nepal’s donors
began to emphasise local ownership and the people’s participation, as essential
components for an effective allocation of foreign aid. In the second half of 1990s,
participation started to be linked with social inclusion and donors began to address caste
and ethnic-related issues, and, generally, the social dimensions of ‘development’. The
global trends of country ownership, participation processes, poverty reduction, result-
oriented programmes, and above all improved governance, were enshrined in the Poverty
However, as globally observed (see Chapter Five), also in Nepal only technocrats were
involved in the PRSP finalisation process and “rhetoric apart, the PRSP has failed to
become a participatory process and a shift in donors’ behaviour was not apparent in the

The escalation of the Maoist conflict (2002-2006) was seen by the international
community as Nepal becoming a ‘fragile state’, which can generate instability and trouble
not only for itself, but also for its surroundings. The events in Nepal led donors to the
rethinking of their role in the conflict-torn country. They faced the ultimate question in the
developmental partnerships at country level: if the partnership is ideally between ‘people’,
who is entitled to claim the representation of the ‘people’ and forge partnerships in their
name? Each of the donors had originally entered into a partnership with the Nepalese
government of the day, but what was to be done when the nature and legitimacy of the
government itself was being called into question? The donors decided to freeze all new aid
projects until elections had been held, but to remain in the country and try to influence the
events, yet, they acted in a very differentiated way (Sharma 2007; Sharma et al. 2008,
140-1).

More recently, new debates have arisen in the wake of the 2005 Paris Declaration on
Aid Effectiveness and its drive towards aid harmonisation, and the formulation of the
OECD Principles for Good International Engagement in Fragile States. In the case of
Nepal, these debates have informed recent discussions on contending/complementary aid
paradigms, such as humanitarian assistance vs. development assistance, withdrawal or
further engagement of donors, project-based vs. programme-based aid, and budgetary
support (Bonino, Donini 2008, 14), all part of the debate in the water supply and sanitation
sector, as will be shown in the coming chapters.

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51 For example, India suspended its arms deliveries to the Nepalese army, China said that the whole issue is
Nepal’s internal matter, the EU, as a whole took; the line that on-going activities would be continued, but
new ones would be put in hold. DANIDA, the Danish development agency, even announced a suspension of
aid to the Nepalese government.
3.3.1 Bikas Thinking and Aid Dependency

In Nepal, development thinking is a crosscutting issue having effects from the national level to the villages. It is known better with its Nepali word, ‘bikas’. In Nepali language, it signifies growth, and evolution – just as its English equivalent ‘development’ does. In everyday parlance, however, bikas for the most part means things: especially commodities that come from elsewhere. Development is delivered from outside with outside help, such as the state, an aid agency or an NGO, and is not part of ‘traditional’ living. Examples of these kinds of issues are non-local issues such as water supply, road, irrigation, electricity, schools and health posts. It is the non-local origin of these things that makes them bikas (Sharma 2006, 205, citing Pigg 1993). Hence, in the water and sanitation sector, piped drinking water and sanitation facilities, which were introduced by the Kathmandu based governmental agencies and donors, get associated with the notion of bikas. Bikas-thinking has affected the readiness of the people to initiate themselves in development efforts, and put their share of work in the, for example, the provision of material for water supply schemes or latrines. Rather, they tend to wait for the people who represent bikas, to come and bring bikas to them, depicting a dependency on those that are typically seen to provide financial and technical assistance. K.M. Dixit (1997, 175,178) explains,

“[Foreign assistance] has created a dependency syndrome right from the central secretariat to the village roundtable – as represented in the government’s inability to mobilise “domestic resources” (through taxation, incentives, philanthropy etc.) as well as loss of cooperative spirit among villagers. Whereas earlier, the rural peasantry would come together to build a suspension bridge or maintain a cautara (trailrest), the overwhelming tendency now is to wait for the “project appraisal team” of a governmental agency, ingo, ngo.”

Pigg (1993) further argues that development language provides new categories in which existing social differences are understood. It fosters an ideological representation of society through an implicit scale of social progress. Nepalese people categorise themselves as depending on the level of bikas (or modernisation) that is available in their location (Pigg 1992; 1993). This thinking has become powerful, because the terms are compelling within the Nepalese context. The notion that some people are inherently more ‘developed’ than others, echoes Hindu concepts of caste superiority. The markers of class differences also match images of what characterises ‘development’. Pigg’s point is that development further intensifies social differences in Nepal. Pigg (1997) and Sharma (2001, 76) also explain that through the comparison with other near localities having more or less bikas, the local areas internalise to varying degrees the global narrative on development, and hence the local traditions get mixed with development thinking.

Outside the use of bikas by an anthropologist, it has also been used to refer to the capitalist aid industry by Des Chene (1996), who similarly to Pigg, argues that as any capitalist enterprise, achievement of its goals entails the reproduction of social inequality. Her point is that the bikas industry presents itself as a form of social welfare – as an aid to poorer nations, when initiated from abroad, and as a means of self-improvement when
Nepali-organised, following the logic of developmentalism, – not as a business, thus, the gaps between its rhetoric and its realities are yet vaster than in many other capitalist organisations.

I find that there are two kinds of interwoven aid dependencies in Nepal that are being debated. One is the above-mentioned dependency on those who are considered to possess the means for development, deriving from bikas-thinking. This translates into two levels, depending upon where the aid system operates. At a national level, the governmental agencies are dependent on donors and consultants in aid management, whereas at the village level, people expect that the donors, NGOs or governmental agencies will take care of the task, thus, no own initiative is required. This thinking has been facilitated by the competition between donors in Nepal. If one donor has not been willing to take care of a sector/project area, another donor has jumped in.

The second type of aid dependency stems from large aid flows. This relates to the point mentioned by Dixit above: a lack of domestic income generation from various sources, which again has led to higher levels of aid. The poor domestic economic performance has been explained by several factors. Geographically, Nepal is a landlocked country between two big countries – India and China – which has contributed to its weak economic performance. The trade with its main economic partner, India, has not taken place on equal terms (Dahal et al. 1999, 20), because of which Nepal has strategically aimed to increase aid flow. This has also been an attempt to free itself from the economic dominance by India. In addition, the mountainous geography of Nepal has made it difficult and expensive to maintain an effective infrastructure network, which has made the access of people and the transport of goods cumbersome. The weak development possibilities for the economy again have increased the amount of aid in funding the development efforts (see table 3.1 below), and a larger say for the economically interested multilaterals in Nepal, again leading to aid dependence (Khadka 1991; Lohani 1999; Poudyal 1988; Pyakuryal et al. 2008; Ghimire L.S. 2009a; Luitel 2009). Aid has also been claimed to be fulfilling increased aggregate demands in the economy in the short-term, benefiting mostly the elite, without a noticeable contribution towards sustainable and long-term development (Khanal et al. 2008, ii).

Furthermore, as will be presented in the next part, the role of donors has also contributed to Nepal’s dependency on aid. Their perverse incentive to disburse their allocated budgets, and a failure at times to monitor the aid money, has made it easier for the Nepalese government to borrow more money from the multilaterals. Also, it has led to bikas thinking, in which people rather rely on others to lead the development efforts than to do this by themselves. Thus, the donors of Nepal have also been confronted with two general aid related dilemmas: Samaritan’s and Patron’s dilemmas (see e.g. Araral 2008, 856). In the Samaritan’s Dilemma (Gibson et al. 2005) the donors are in the dilemma of stopping aid, particularly when there is so much dependency on aid, that stopping it would

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52 Personal communication with researcher Dr Sudhindra Sharma on Jul. 23, 2009.

53 Panday (1999) gives as reasons the extent of resource endowments, the “macro-economic fundamentals”, the extent and character of the entrepreneurial class, the state of technology, the character of development institutions and practices including the capacity of the civil service, the extent of infrastructure, and the level of human resources development.
sharply cause a major chaos in the recipient country’s economy and only hurt the poor. If a recipient government did not spend enough on the poor and thus violated aid conditionality, donors are in a dilemma, since imposing sanctions might well mean a double whammy for the poor. Second, is the Patron’s Dilemma, which suggests that it is not in the donor’s interest to impose the sanction of aid withdrawal, even when aid conditionality is violated for reasons of political clientelism (Kanbur 2000). When heavily indebted countries are involved, donors (the patron) are understandably reluctant to cut aid inflows, as this would mean interrupting debt servicing for their clients.

Yet, or because of aid dependency, Nepalese governmental agencies have developed strategies to deal with the donor pressure than comes with the aid money. Thus, I find that even though Nepal is presented as an aid-dependent country, it does not mean that it is totally dominated by the donors, but that the Nepalese governmental actors have ways to manoeuvre in the negotiations with the donors. These strategies are elaborated in part 4.5.3 and in Chapter Seven.

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<td>ODA per capita (current prices)</td>
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Table 3.1 Total Net ODA to Nepal (in USD millions, source: OECD/DAC database)

3.3.2 Contested Aid Effectiveness: Nepal

The nearly unanimous stand on aid in Nepal is that aid is ineffective. The reason for the ineffectiveness derives from the fact that development in Nepal is not following a straightforward process, in which technical solutions would solve the developmental problems, but it is affected by multiple factors, of which is the aid itself is a factor. In general, it has focused too much on the urban areas, and has led to corruption, and reduced the people’s own will to develop through the bikas thinking (Dahal et al. 1999, 80-82).

The failure of the development efforts in Nepal has been raised by researchers and professionals as early as the 1970s and 1980s, and the discussion has continued ever since, due to the relatively open intellectual atmosphere in the country. The most critical voices have been expressed by Nepalis themselves. The first criticism against the effectiveness of aid was however foreign, expressed by Mihaly (1965, 2003), Stiller and Yadav (1979),

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54 Exceptions here are the donors’ reports, which present evidence for Nepal’s progress in income levels, and in some human development indicators (cf. UNDP/Nepal 2004).
and Integrated Development System (1984), arguing that Nepal had been ill-prepared to deal with foreign aid. Mihaly (1965) argues that many of the problems of foreign aid at the time of writing were political rather than economic in character, since aid was used as a political device to woo underdeveloped countries confronted by a revolution of rising expectations. Mihaly concludes that donors to Nepal, with a few though significant exceptions, failed to achieve what they set out to accomplish. The failure is attributed less to weakness in implementation than on the very assumptions on which aid rested. The two primary assumptions Mihaly found seriously flawed are: 1) belief in the readiness of Nepal for social, economic and political change; and 2) belief that the government was able and willing to administer development and that the existing defects in the administrative body could easily be remedied through training, the same point highlighted by Stiller and Yadav (1979), who suggested that to view foreign aid as an input into Nepal's own development drive was ridiculous (cited in Sharma 2001, 5-6). The study made by Integrated Development System (1984) links the criticism with the bikas discussion, by arguing that in Nepal, development (bikas) is as old as aid (vaideshik sahayog), and in fact the two have become virtually indistinguishable from one another. Furthermore, it proposes that one of the underlying motivations for receiving aid on the part of the Nepalese state has been its claim to being civilised. The intention of the government was to enhance its external legitimacy by demonstrating its commitment to economic development as something that is expected of a civilised government, and this was possible only through aid (Sharma, Koponen 2004, 11-12).

I, among other researchers, see that there is a two-fold reason for the ineffectiveness of development and Nepalese government’s ill preparedness to deal with foreign aid. First, is the inability of politicians and the bureaucracy to deal with development challenges (as well as with the aid agencies) and second, the position of the donors. This has led to the donors’ leadership in the development process, which has broadened their role and power in the country, and has consequently led to dependence on aid. There are also other factors that have been attached to the failure of development, and before moving into analysing the role of aid agencies in the development efforts, I will shortly outline the social, geographical, political and economic factors. The multiple issues affecting the effectiveness of development efforts can be read in the government's Draft Foreign Aid Policy (GON/MoF 2008). Exactly the same reasons, (written word by word), were

55 The document is a proceeding of a seminar aiming to provide an independent stocktaking of achievements and weaknesses with regard to the utilisation of aid in Nepal.
56 The Draft Foreign Aid Policy (GON/MoF 2008) states that there are many country specific constraints in Nepal, such as widespread poverty, deep-rooted socio-cultural and economic exclusion and inequity, fragility of state institutions, poor governance, ineffective delivery of public goods and services, geographical inaccessibility, high rate of population growth and urgent environmental concerns, among others, which pose daunting challenges to development and the effective absorption of aid. Furthermore, Nepal is in the process of state and nation-building which should be recognised by donors when examining the problems relating to foreign aid. It also mentions that among the major concerns identified by the donor community have been the following: lack of ownership by the Government of development projects and programs, particularly those financed by donors; lack of leadership and direction by the government, particularly in expenditure prioritization and taking more responsibility in designing, preparing and implementing projects and programs; a poor, often unrealistic, and top-down planning and budgeting process with little involvement of other stakeholders, including local level institutions, community groups and beneficiaries in program preparation and implementation; pressure to increase development projects and
already given in the Foreign Aid Policy 2002 (GON/MOF 2002), suggesting that no real change had occurred in the past six years.

The reasons related to social factors have been most influentially expressed by Bista (1991), who attempts to explain Nepal’s lack of development with a reference to cultural factors: in spite of the heavy inflow of aid, Nepal remains backward due to the dominance of a particular value system, which he associates with Hinduism, particularly Brahmanism, and calls it the culture of fatalism. Kamata (1999, 74-5), moderating Bista’s strong position, adds that fatalism is a precondition, but not a sufficient condition of underdevelopment in the context of Nepal. He agrees that the cultural and social habits, such as chakari and afno manchhe, have contributed to the failure of development efforts in Nepal, but opines that there are other reasons as well. He writes, “aid and projects for development have reinforced a sense of powerlessness and, as a consequence, reinforced hierarchic fatalism.” Shrestha (1998), on the other hand, claims that the Nepalese have a colonial mindset, and have fallen for the seductive power of development, in which foreign aid has acted as an irresistible bait. Because of the bikas thinking development that has turned into a corrupted form in Nepal, in which people have lost the fidelity of the concept's original meaning (Panday 1998; cited in Sharma 2001, 12).

Several researchers point to the role of the Nepalese state in making the aid fail to achieve its aspirations. Mainly, the criticism dwells around weak political leadership and the economy, which have opened the doors for donors in the development process in the country (see e.g. Dhamadasini 1994). On the political front, the failure is seen to derive from the confusing and unstable political situation that the country has been witnessing for decades. This has not enabled Nepal to mature as a democracy, but has led to short-sighted politics, with leadership without vision, and a tendency to promote own interests, rather than the interest of the people (Panday 1998; Panday 1999; Dahal et al. 1999, 143-4; Dixit 2000, 198). Instead, parts of this money have been used ineffectively, alas for purposes that it was not intended for (Dahal et al. 1999, 26). According to Koponen and Sharma, (2004, 243-244) the macro-impacts of aid have been more influenced by its overall existence, than its specific modalities and effects; aid for any purpose relieves the government from the obligation to invest for that same purpose. Thus, the Nepalese governments have not even had a strong interest in influencing the channelling of aid and the donors have mainly dictated its direction.

Weak political leadership has also allowed the donors to enter policy making through their focus on governance issues. Panday (1999) writes that policy formulation in Nepal has been an exogenous and not an endogenous process, due to the strong position of the donors and the depoliticisation of policy making. In Nepal, donors seemed to have a larger

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57 Afno manchhe relates to the institution Chakari, which refers to providing favours to a person in power, in the hope of receiving favours and assistance in return (see footnote 29 on page 36). Afno manchhe, on the other hand, is 'ones own people'; those that help oneself in reward of being favoured in various situations (Bista 1991, 158).
role in the development and economic policy formulation than the political parties, which, as in a democratic polity, should formulate policies since they are responsible for their constituency (Panday 1999; Panday 2001; see also Mishra 1997). Furthermore, the bureaucracy of Nepal has not only been criticised for not leading development policy formulations, but also of being nonchalant regarding the implementation of the policies, (Panday 1999) and relying on donor assistance in aid administration and management.

The donors have been said to be partly at fault for the ineffectiveness of aid globally, as well as in Nepal specifically. The criticism relates to the aid delivery process. In Nepal, the donors have been accused of their tendency to reinvent the wheel (Panday 1999, see also Chapter Five on the changing development fashions and Chapter Six on the coordination attempts), and their need to disburse their budgets, rather than ensuring that the projects have met local needs, and were sustainable over the long term (Blaikie et al. 1980, 71-2), and that their bullying behaviour and demands have been forced on the government through the setting of conditionalities on aid funding\(^\text{58}\) and the non-compliance with government’s policies, budgeting and planning tools (Ghimire L.S. 2009b). These issues are taken up in more detail in this chapter. Outside the criticism of the aid delivery process, as shown afore in this section, the donors have also been accused of having political and foreign policy related motives.

3.4 Chain of Aid Delivery

After having introduced aid in Nepal, I move back to analyse the aid system. In this part, I aim to shed light on how aid works in a developing country. I present here the chain of aid delivery, consisting of setting up an operating framework, between the recipient government and the donor, choosing the right modality for delivering the aid, and the form of funding. As aid modalities, I present the project approach, whereas the more recent trend of establishing sector-wide approach programmes is the focus of the next section. I argue that aid delivery is donor-driven, because the donors have designed the instruments for aid delivery, and these serve their needs more than those of the recipient government.

The aid delivery process is traditionally perceived as if it was a linear chain, that links a donor government to a recipient country via the various intermediary organisations that can include the recipient’s government ministries and agencies, non-governmental organisations, other donors, and private implementation contractors (see figure 4.1 below). This presents the logic in aid delivery as perceived (and imposed) by the donors. There are other models that contest this linear model of aid delivery (see e.g. Gibson et al. 2005, 64).

\(^{58}\) Interview with two ex-high-level officials on Jun. 26, 2009.
The chain of aid delivery starts from discussions between the donor headquarters and the recipient government, in which their cooperation is outlined for some years ahead, including the types of projects to be funded and the budget\(^{59}\). These discussions take place every couple of years. The framework is usually presented by the donor to the counterpart ministry of the recipient government. Its purpose is to build the needed organisational capacity, to carry out the chosen policies, and to coordinate the joint allocation of government and donor funds accordingly (Gibson et al. 2005, 120, 122-3). In Nepal, the frameworks normally align themselves with the priorities of the national development plans\(^{60}\). However, as will be shown in Chapter Five, the national development plans are strongly influenced by donor priorities, and tend to cover nearly all aspects of development, because of which the claim to support the government priorities is not valid, at least when based on the national development plans. This leaning on the government strategies and policies by the donors in their country frameworks or operating systems can be seen as a consequence of the global trend in aid that pushes for more country ownership and donor harmonisation.

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\(^{59}\) This framework is called either Country Framework or Medium-Term Budget Framework. This country framework guides the individual projects and programmes, whereas the Medium-Term Budget Framework guides sector-wide approaches of the donor.

\(^{60}\) The funding agencies of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan process also have their own country frameworks in Nepal. The ADB calls this 'country safeguard systems' (ADB 2005), as it is supposed to guarantee that national laws, regulations, procedures and standards are followed and that the country's institutional capacity for implementing these is strengthened. In addition to country safeguard systems, the ADB has a Country Strategy for aid recipient countries, covering a five year period. UNICEF's strategy in Nepal is part of the UN's general 'United Nations Development Assistance Framework' in Nepal, and DFID has its own Operational Plans normally for a five-year period.
Box 3.2: Projects
Project aid is typically a short- to medium-term intervention in the recipient country, hence, remaining relatively distinct and limited. Some projects are called programmes by the donors, to refer to larger projects, which are carried out at provincial level, generally including several districts. Nowadays, all multi- and bilateral projects are aligned with national policies and development targets. The usual purpose of a donor project is to set in place physical and human capital, that the recipient is otherwise thought to be not willing or able to procure or fund. It has a set of activities with predefined objectives and outputs.

After the framework in the recipient country is set up, the donor country office (multilateral agencies) or the embassy (bilateral) starts identifying possibilities for projects, and together with the donor headquarters, hires consultants for the project preparation. Normally, it is the donor agency that leads the project identification and design processes. Once the project has been designed, it needs to be approved by the recipient government, and the headquarters of the donor agency, and the funding form needs to be decided. This can be either grants or loans (credits). The approval by the donor headquarters is normally a rigorous process, in which it is inspected that the project is in line with the policies of the donor agency. After the approval, the project is carried out by the donor and the recipient government. In some cases, neither of these is implementing the project itself, but a consultancy company, or a NGO, is contracted for this purpose. The institution responsible within the recipient government is often the agency, or a line ministry, that holds the portfolio most relevant to the project, although quasi-governmental and non-governmental organisations can also be made responsible for the implementation (Gibson et al. 2005, 120-21; Foster, Leavy 2001, 5). In these circumstances, a donor project operates as an enclave and is not integrated in the governmental budget. Due to the strong position of the donors in project implementation, the donor-demanded ownership by the recipient government has not materialised in many of the projects, but instead, the projects have remained to be seen as 'donor projects'.

Next, I will move on to the inspection of aid, to aid thinking, and to instruments that were to answer the problems of project aid. These culminate in ownership and conditionality thinking.

3.5 Donors Searching for Recipient Ownership: Conditionality and Policy Dialogue

The implementation of development efforts through the project modality did not bring results that the aid agencies had hoped for. Rather, the ownership problem, by the recipient government in the project design and implementation, as well as the weak

61 The quasi-governmental organisations are typical examples of donor-driven parallel systems, in which the donor has taken the lead in design and appraisal, has decided the inputs, which will be provided, and uses its own disbursement and accountability procedures, and not those of the government (Radelet 2006, 5; Gibson et al. 2005, 115-8). In Nepal, this is the case in some of the rural water supply and sanitation programmes; particularly the Fund Board is an example of a parallel system.

62 Interviews with an official at the Embassy of Finland on Aug 5, 2009 and a NGO director on Jul. 6, 2009.
maintenance of the aid efforts, marked nearly all development efforts. This thinking was also influenced by the donors’ belief that the development efforts were not effective enough, because of the wrong kinds of economic policies in the recipient countries. It made the donors to rethink their aid instruments, and to design others, which they considered more sustainable, and able to guarantee the ownership by the government in the development efforts. Over time, this led to a policy dialogue with the recipient government, in which the donors aim to influence the economic and social policy of the recipient country. First, this was tried through conditioning the aid to ‘right kind of policies’, later moving towards selectivity, and currently conditioning aid to planning processes. In this chapter I elaborate the policy dialogue, and the sector-wide approaches, and show that these two instruments follow the pattern of the projects as donor-designed aid instruments, even though they were created to overcome exactly this problem. However, before moving into the particular instruments, I will elucidate the issue of ownership, which underpins all of these instruments.

### 3.5.1 Ownership

Ownership is a factor that is presumed to reduce the inherent asymmetry of an aid relationship. In aid literature, it has various meanings, but generally, it refers to the roles and responsibilities, and ultimately, the power, and denotes a bundle of rights in a process of planned development: in setting the agenda, in allocating resources, and in designing and implementing development programmes (Jerve, Skovsted Hansen 2008, 10-1). In this thesis, however, I find the definition by Whitfield and Fraser (2009a, 3) more convincing. They write that there are two competing, and potentially contradictory concepts: “ownership as commitment to policies, however they were arrived at; and ownership as control over the process and the outcome of choosing policies”. The authors think that in much of the current literature, these two distinct contradictory concepts are confused.

Recognising the complexity in the ownership question, Whitfield and Fraser (2009a, 4) define ownership as “the degree of control recipient governments are able to secure over implemented policy outcomes”. Thus, their definition aims to analyse whether policy decisions reflect freely made choices on the part of the recipients: is the recipient country able to minimise foreign influence over its policy making.

Defining ownership as ‘commitment’ is preferred by donors as this does not question whether the reform agenda is predetermined or externally determined, as long as the recipient country shows commitment to the agenda agreed upon (World Bank 2005c 11-2; IMF 2001, 3-7). Furthermore, this definition of ownership allows different stakeholders (recipient governments, donors, NGOs, etc.) to include themselves into the policy

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63 Whitfield and Fraser refer here to Morrissey and Verschoor (2006) and Paloni and Zanardi (2006). Yet, they comment on that Johnson (2005) is aware of this elision and notes two possible definitions: (a) a right to choose the policies to be implemented; and (b) an obligation to accept responsibility for implementing them. However, Johnson argues that assessing the ability of aid recipients to claim their right to choose is too difficult because their choice is constrained by so many other factors that understanding how any particular negotiation affects their choices would require detailed contextual and historical knowledge (cited in Whitfield, Fraser 2009a, 3-4).
discussions, and by this show their claimed right to influence policy (Whitfield, Fraser 2009a, 4). In many situations, donors consider themselves one of the major ‘stakeholders’ in the planning process, and thus take an active role in the consultations, injecting their own views of what is ‘realistic’ and what is ‘best practice’ on a process advertised as allowing local actors to develop their own solutions64 (Fraser, Whitfield 2009, 84). Whitfield and Fraser (2009a, 13) also point out that aid agencies claim to intervene in poor countries in the name of development, or in the name of the poor, however, not acknowledging that they cannot claim to be representatives of recipient country populations and they cannot be held accountable by them. They write,

“The very idea that external actors can create ownership hints at the way that, in defining ownership as commitment to externally defined reform agendas, donors have denuded the concept of the key source of its progressive content: its potential to attach to popular aspirations.”

If recipient governments do not have sufficient room to decide about their development strategy and priorities, due to donor demands, or if they cede responsibility for policy choices and their outcomes to a donor, then aid creates additional obstacles for citizens in holding their government accountable. The ownership discussion is closely linked with conditionality – an aid instrument meant to improve it. Next, I will elaborate the different aspects of conditionality, presenting first, the economic and governance based conditionals, and then moving on to the process conditionality, linking this with the idea of policy dialogues between recipient governments and other stakeholders, including the donors.

3.5.2 Conditionality

Conditionality seeks to move leaders in developing countries to adopt economic and/or political reforms, by using donor aid as both a carrot and a stick, hoping to provide the necessary incentives and pressures, to encourage proper behaviour in the targeted aid recipient. The first generation, the economic conditionality, introduced by the IMF and the World Bank, required that loan recipients implement specific economic reforms (SAPs) in order to facilitate the loan repayment. The SAPs broadened the scope of the conditionality attached to the loans, from the sectoral or sub-sectoral, to the national macroeconomic level. Hence, several researchers view that the purpose of conditionality was not to maximise the probability of repayment of the loan, but rather to enable the borrower to remove its perceived fundamental policy-induced obstacles to economic growth. (Mosley et al. 1991 27-8; Bøås, McNeill 2003, 63-4; Emmanuel 2010, 857-8). Others have presented similar views: Killick et al. (1998, 9-10) do not only criticise the concept of conditionality, but also present arguments that question its existence. They

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64 Fraser and Whitfield (2009, 84) give as an example of this the two massive volumes of guidance developed by the World Bank called the ‘PRSP Sourcebook’, which gives the recipients a clear lead on the kind of issues a PRSP hoping to win World Bank support might cover.
argue that the aid agencies, by claiming that the conditionalities are agreed among the donors and the recipient government, do not logically make sense. “If consensus were the rule, why should credits not be paid 100 per cent up-front”, they ask. Likewise, Browne (2006, 50) questions the concept of conditionality by writing that “By its very nature, in seeking to impose policy direction outside, conditionality undermines the domestic accountability it seeks to achieve.” Rather, the setting of preconditions can be seen as the ultimate signal of distrust, and the absence of consensus, a device for maximising financial leverage, which would be redundant if there were a genuine meeting of minds.

Box 3.3: Conditionality

Conditionality can be presented from several perspectives:
(1) to give government an incentive to implement during the time period specified in the programme with a different set of policy measures than it would otherwise have chosen; (2) to record the understanding between government and donor partners on those policy measures, which will be undertaken by government; (3) 'bribing' with promises of aid a government to undertake policy measures with which it actively disagrees; (4) to use conditional offers of aid as an incentive to government to advance the timing of policy measures which the donor regards as critical; (5) to signal and give an indication to other donors and the private sector that the reform programme is sincere; (6) to monitor, when donors want to disburse their aid where it will do most good conditionality can provide a mechanism to ensure that aid is going to the 'right' countries; and (7) to support some reforms that may need financing; (8) paternalism, where donors believe they know what is best for the recipient.


However, by the late 1980s, a new consensus among multilateral lenders emerged, concluding that economic conditionality alone was insufficient in obtaining sustainable economic growth in developing countries. This change culminated in 1989, when the World Bank began to argue that development was not being achieved in the South, primarily due to 'adverse political environments' (World Bank 1989a), implying that the reason for the failure was found not in the conditionalities, and the programmes itself, but in the governance problems of the recipient countries: the recipient governments were not committing themselves to the reforms. That is to say, democracy and good governance

65 Harrison (2001) categorises the research on conditionality and the relationship between donors/creditors in three broad approaches: (1) deriving from rational choice and principal-agent models, the model of the state and external institutions meeting as self interested individuals (Killick 1997; Mosley et al. 1991); (2) deriving from radical International Political Economy (IPE) and African nationalist camps, the notion of IFI involvement as a new imperialism, creating a dichotomy between internal and external interest (Mengisteab and Logan 1995; Onimode 1989); (3) deriving from the organic intellectuals of the World Bank, the idea that external involvement (not intervention) reflects the liberal nature of globalisation, producing partnerships between states and donors, collectively charting a course of common sense and progress through policy-based lending (Bhatnagar and Williams 1992; Picciotto 1995; Rietbergen-McCracken 1996).

66 These policy recommendations dovetailed with the fall of the Berlin Wall and the rise of the perceived dual hegemony of multiparty democracy and liberal economics (Doornbos 2001, 93; Emmanuel 2010, 858). Stokke (1995, 9) pinpoints that the changes in the Second World towards the end of the 1980s triggered the Western governments to pursue basic political concerns -relating to governmental system and human rights, in addition to the principles of the prevailing Western economic system, in these countries.
reforms started to be viewed as imperative for economic development. Through the focus on governance, the donors also entered into policy making – a field outside their previous economic policies – in the recipient countries. The move to governance-related issues, created a new ‘sector’ for the aid agencies to fund, and in order to qualify for the funding for other sectors. In the process of receiving aid for other development sectors, such as the water sector, the political conditionality included reforms inter alia in the water resources administration, human resources and the funding system. The governance reform became to include restructuring state bureaucracies, reforming legal systems, supporting democratic decentralisation, and creating accountability-enhancing civil societies, and that subsequently led to the formulation of a new buzzword ‘good governance’. Additionally, it made governance a technical issue, that could be corrected by advancing technical solutions, to solve embedded political problems, and by this, circumvented politics that are part of institutional development (Santiso 2004). This is particularly visible if one looks at how the multilateral development banks have formulated the concept of ‘good governance’. The donors justified the change by arguing that they know what are good policies for the country, and because of their new focus on capacity building, they considered that they needed to facilitate the policy formulation processes, in order to ‘build the capacity’ of the local government officials and other stakeholders, to take over the policy formulation some time later. Fraser and Whitfield (2009, 99) suggest that this has increased institutional entanglement between donor structures and practices and recipient political and administrative systems. Later, this has been increased through the new aid modalities of sector-wide approach and budget support, which ensure that there is a constant donor presence throughout the budgetary process. This kind of institutional entanglement – illuminated in the policy dialogues created by the donors, in which policies of the recipient country are discussed together with its donors, was an attempt by the donors to increase the government’s ownership on the policies (cf. Whitfield et al. 2009).

3.5.3 Policy Dialogue and Process Conditionality

The policy dialogue system was based on another influential change that emerged out of the donors’ learning suggests that the ex ante conditionality should be replaced by ex-post conditionality. While ex-ante conditionality sets aid allocation ‘incentives’ based on promises of policy change, ex-post conditionality is claimed to rely on ‘selectivity’ based retrospective assessments of performance. That is, in place of using conditionality to induce policy change, it is suggested that aid should be used to target financial flows to those governments that have already established good policy environments, practically meaning those that are in line with the priorities of the donors (as argued in World Bank 1998b; cited in Nissanke 2008, 23-4; see also Haan, Everest-Phillips 2007, 1-2; Gilbert et al. 1999; White, Morrisey 1997, 503-4; Browne 2006; Koponen, Seppänen 2007, 352). The idea of policy dialogue included that policies are planned jointly, and in consultation
with other stakeholders, thus, even if aid was to be given to countries with ‘good’ policies in place, this did not exclude the involvement of donors in the policy processes. Nor can one argue that the policy priorities would have been coming only from the government, as both the recipient government, and other stakeholders, knew throughout the planning process, that much-needed aid may not be available if the plan does not, in the end, confirm the demands of the donors (see i.e. Nissanke 2008, 32, 35).

Fraser and Whitfield (2009, 85) call this ‘process conditionality’ referring to the demands for participatory planning and consultation in the policy making. They write,

“Despite significant change in the planning process, conditionality remains a central technology of the contemporary aid architecture, supplemented by the continuing use of funding tranches, deepening surveillance of recipients, increased donor coordination, more extensive participation of donors in the policymaking process, and more emphasis on Bank and Fund analytical work as a means to influence recipient policies (stressing the ‘expert’ and this authoritative development knowledge of these institutions).”

They reveal that the ideas of process conditionality and selectivity embody a difficult contradiction: while recipient governments can write their ‘own’ policies and strategies, donors will still seek to influence the process, in order to make sure that the product is one which the donor can agree. At the same time, through the ownership thinking that is required, that local actors drive the project, but as the donor behaviour shows, they have little confidence that the local actors are willing or able to do so (Fraser, Whitfield 2009, 93). The policy dialogue gives the government little room to reach policy decisions independently (in the public realm, at least) and then negotiate with donors. The consultative planning process and aim for consensus make it harder for the government to change its policy position later on. Additionally it locks both government and donors into a rigid framework. The increasingly coordinated nature of donors reduces the flexibility that governments have to seek alternative sources of finance, among traditional donors, as well as alternative development strategies (Whitfield 2009b, 353-4).

Yet, the recipient governments are not void of strategies in dealing with the donors in the conditionality game and can also be successful in keeping up their sovereignty in the negotiations with the donors. This has been seen to derive from the confidence by the recipient government to translate a country’s conditions into a negotiating capital that makes the difference (Whitfield 2009b). The less aid dependent countries have been presented to adopt three strategies in negotiating with the donors. First, they can

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67 Gould (2006, 83) calls the consultations as a ‘new form of politics’ that empowers certain state agents (Ministry of Finance and Planning, central government in general), domestic groups (‘elite’ NGOs), and external actors (donors) within the context of public policy formulation. This can be seen as part of a generic trend of privileging large (often donor-funded) public policy programmes vis-à-vis the budgeting process.

68 Mosley at al. (1991, 68-9) also present this view calling conditionality negotiation as ‘bargaining game’ and portrays it to consist of three ‘acts’, with each of them including a ‘dance’ between the donor and the recipient.

69 This confidence can come from various sources, such as ideology of the government, the background of the ruling party and political leaders, and the degree of popular legitimacy and support that the government enjoys (Whitfield 2009b). I would also add to the list the size of the economy of the recipient country, which for example, in the case of India, is an important factor providing confidence to the country.
strategically settle on a project-by-project mode of managing donors, hence, avoiding the infringement of donors on overall national policy making (Jerve and Skovsted Hansen 2008, 8). Second, the governments can threaten (and have threatened) to rollback previously undertaken reforms, as a way of countering donor pressure (Collier 1999a). Third, the countries can also breach the aid contract, as there is normally no cost to defaulting on the promises of policy reform due to a moral hazard. The donor often relaxes enforcement of the terms of aid contracts, if the recipient shows some sign of making good on promised reforms. The recipient, on the other hand, can withdraw these after the aid has been disbursed, which at the end, is crucial for the donors (Araral 2005, 149; cf. Collier 2000). This relationship between donors and recipients has been succinctly described by The Economist (1995) as ‘the Kenya-Fund dance,’ the dynamics which is played out as follows:

“Over the past few years, Kenya has performed a curious mating ritual with its aid donors. The steps are: one, Kenya wins its yearly pledges of foreign aid. Two, the government misbehave, backtracking on reform and behaving in an authoritarian manner. Three, a new meeting of donor countries looms with exasperated foreign governments preparing sharp rebukes. Four, Kenya pulls a placatory rabbit out of the hat. Five, the donors are mollified and the aid is pledged. The whole dance starts again.” (The Economist, 19 August 1995)

The weaker countries, on the other hand, have been identified to have five strategies in dealing with donor influence. These donor-dependent countries normally possess less of their own negotiating strength, perpetuating weakness. Contrary to what donors argue, there is indeed a trade-off between recipient ownership on the one hand, and partnership with donors on the other (Whitfield, Fraser 2009a, 21; Fraser, Whitfield 2009, 98; cf. Jerve, Skovsted Hansen 2008). Some of these strategies have been analysed within the Nepalese context in Chapter Seven, where policy negotiations between the governmental agencies and donors are analysed. In this part, I present the generic strategies as identified in the literature. First, by the strategy of non-implementation, the governments hope that it would be possible to get away with not implementing, or revising, policy commitments made during negotiation, and still getting the money from the donors. Without access to alternative sources of finance, or the political will to risk losing aid resources, this strategy does not allow governments to set a policy agenda, although it gives them some control over what aspects of the donor-driven agenda get implemented and when. Second, some of these countries have been attempting a different strategy, which is based on embracing donor interest in ownership, fully committing to new aid modalities, and turning significant governmental energy towards the task of constructing the kind of depoliticised states and administrative systems to which donors find it easiest to ‘align’, and transfer ‘ownership’. The hope is that by playing along with the ownership game, will bring less negotiating with a wide range of donors, and show that the country has been a ‘good

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70 Moral hazard generally refers to post-contractual opportunism (Gibson et al. 2005, 42-3).
71 This kinds of arguments are presented by Radelet 2006; Kanbur 2003; Svensson 2003; Easterly 2001; Gibson et al. 2005; Killick et al. 1998. Some researchers have linked the non-implementation with the incompetence of the country and viewed them to be corrupt or driven by the logic of neo-patrimonialism. See Hyden 1983; Callaghy, Ravenhill 1993; cited in Whitfield, Fraser 2009b, 29.
reformer’ and a ‘good partner’, and hence donors should not back off. Third, the government can put the blame on the donor for the hardships caused by reforms. Popularity at home can be gained by making the donor out to be the ‘bad guy’. In these situations, leaders are less motivated to develop the domestic consensus needed for reform, restructuring, or belt-tightening to be effective (Collier 1999, cited in Gibson et al. 2005, 113). The fourth strategy is the lack of prioritisation, which means that the government refuses prioritisation of the huge shopping lists of potential projects that emerge from the planning process, that may allow a recipient government to formally meet the needs of donors for a plan, but to retain some flexibility about which aspects to actually implement. On the other hand, it may allow the bilateral donors that come in to fund such processes more space to pick and choose those aspects of a national plan that they are willing to support, leaving recipient government priorities (typically infrastructure and defence) unfunded (Fraser, Whitfield 2009, 97-8). The fifth strategy is to play the role of reluctant reformer as if to wring more concessions out of the donor.

One common strategy for all recipient governments could be to rely on the donors not following their own principles, as often has been shown to happen (Gibson et al. 2005). Many donors continue to disburse aid, even when the recipients fail to meet conditions, sometimes repeatedly so. Donors are faced with their own internal incentives to continue to disburse aid; hence, the recipient governments can strategically manoeuvre their way out of unwanted policy principles, by using the above-mentioned strategies. At the same, because the aid money is normally conditionalised to the formulation of the policies, and not on their implementation, the government officials have little incentive to delay the policy formulations, as their primary interest is to guarantee the arrival of the development funds. This can be interpreted as donors ‘buying’ reforms with project aid, as is the practice of the ADB in the Nepalese water supply and sanitation sector (these manoeuvring strategies are elaborated in Chapter Seven).

In the following part, we focus on the new aid instrument, the sector-wide approach, whose origin is in the policy dialogue thinking, and on the push for more ownership by the recipient governments in the policies and programmes.

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72 Killick et al. (1998, 16) call this scapegoating: a tendency for some borrowing/recipient governments to use it as a convenient whipping-boy, as a foreign force for the government to blame for unpopular measures in order to deflect criticism from itself.

73 Albeit officially only funding countries with good policies in place, even aid agencies’ own research shows, that policy reforms are funded in states with ‘bad/weak’ governance states, which have demonstrated limited commitment to the reform, or even realised that no policy reform is possible (see World Bank 1997b). An example of this is Nepal, which remains to be seen as a state with ‘bad/weak’ governance, but still is a beneficiary of governance-based aid (see e.g. Chhetri 2004 on governance reform programme in Nepal).

74 Bilateral donors have, in the past couple of decades, moved into a limited number of core countries with their fund development efforts. As they only have a small amount of countries, where the funds flow, it becomes problematic for them, if in even one country where there are problems in the disbursement, leading to surplus in their budget. For multilateral donors, this is not as big of a problem, because they tend to fund development projects on a much larger scale.
3.5.4 Sector-Wide Approaches

The sector-wide approach programmes (SWAPs) are an attempt to move away from the isolated project aid, the uncoordinated donor programmes, and a lack of sustained impacts, towards building a long-term approach to donor-recipient development cooperation under a single programme based on common values and policy in one sector\textsuperscript{75}, as well as to coordinate the sectoral actors by bringing all donors under one 'roof': in donor language, to harmonise the aid practices, and to align at policy level (Foster 2000, 7-8; Haan, Everest-Phillips 2007, 4; Riddell 2007, 195-8; Koponen 2011). Hence, the SWAPs were planned to address exactly the same problems as with conditionality, making the sector-wide approach a new solution for old problems.

### Box 3.4: Budget Support, Sectoral Budget Support, Sector-Wide Approach and Basket Funding

**General budget support** is applied to cross-sectoral frameworks and typically in the context of fiscal reforms or adjustment, debt relief and the PRSP. Within the PRSP framework, the budget support is provided to the recipient country’s Ministry of Finance and directly to the governmental budget. In **sectoral budget support**, on the other hand, the funds can be earmarked to certain sectors, to help finance the sector expenditure plan, and is disbursed and accounted for through government systems, possibly with some additional sectoral reporting. Before moving to the full-scale sectoral budget support, a sector-wide approach programme can be implemented.

**SWAP** refers to funds provided to the recipient country’s ministry, which is responsible for that particular sector, for administering the jointly agreed plan of action (based on a jointly agreed policy). Hence, the defining characteristics of a SWAP are that:

- all significant public funding for the sector supports a single sector policy and expenditure programme;
- it is under government leadership;
- it adopts common approaches across the sector; and
- progresses towards relying on government procedures to disburse and account for all public expenditure.

The aim of SWAP is to eventually reach a stage where all sector finance goes through the budget and uses the same procedures, which is the practice of sectoral budget support. Before this, the SWAP is normally a hybrid of funding forms. It can also be funded through the ‘so-called’ **basket funding**, which is a form that can development into full-scale budget support. The difference with sectoral budget support, is that the money from basket funding is not spent following the beneficiary partner country procedures. Generally, expenditure in a certain (sub)sector is financed via a joint bank account, held by a group of donors (not a Ministry of Finance bank account of the beneficiary country). In doing so, specific procedures are followed that have been agreed by the participating donors and the beneficiary government. Basket funding is used whenever the donors want to channel the resources directly to the specific expenditure of a particular ministry, because they still have insufficient faith in the ability of the Ministry of Finance to earmark the funds for priorities in the poverty reduction strategy.

Sources: Foster, Leavy 2001, 4-9; Haan, Everest-Phillips 2007, 4; Koponen, Seppänen 2007, 353-4; website of the Belgian Development Agency

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\textsuperscript{75} In addition, to uncoordinated projects and programmes, another problem was the fragmentation in the budgeting process, with much spending being outside the government budget, and with reliance on donor rather than government financial management (Foster 2000, 7-8; Haan, Everest-Phillips 2007, 4).
There are several constraints that relate to SWAPs and their donor-initiated origin. Here I identify those that inform the attempts to establish a SWAP in the Nepalese rural water supply and sanitation sector (these are elaborated in Chapter Six). Due to donor interest in order to establish SWAPs in the aid recipient countries, the SWAPs have easily led to a strong donor involvement, even though their primary aim is to promote government ownership. This kind of strong donor involvement through institutional entanglement may lead to ‘top-down delivery systems’ and to greater administrative centralisation. There is often a fragmentation of government (Foster and Leavy 2001, 8), meaning that issues dealt within a sector do not all fall under one ministry, but are covered by more than one government ministry and department, including local governments, and both private sector and NGO participation. By placing the SWAP under (a donor-chosen) ministry, this can worsen the domestic power balance between ministries that operate in the sector (Gibson et al. 2005, 123; see also Lipton 1993). This also characterises the Nepalese rural water supply and sanitation sector, where responsibilities are at least officially divided among the MPPW, MLD, DWSS, Dolidar, their agencies at the local level, and the local governmental bodies (DDCs, VDCs and municipalities), and where the SWAP has been planned under the MPPW, making it much stronger than other agencies in the sector. Ideally, government, donors, and other stakeholders, would agree an effective framework of policies and management arrangements. In practice, for reasons of manageability, sector programmes have often defined themselves around the area of responsibility of a lead ministry, and have not been comprehensive in meeting sector needs. On the other hand, the strong donor permanence within a SWAP framework may also lead an aid recipient to contribute less effort, and consequently, hinder the maturing of the recipient government to take ownership in the process.

Furthermore, as explained above, the establishment of a SWAP requires the cooperation and coordination among donors and the government. However, specifically in case of Nepal, the leadership question within the coordination has turned out to be problematic, having led to competition between different donors – what Koponen and Seppänen (2007, 355) describe as ‘donors putting up their flags’. In Nepal, this has become visible in the parallel policy dialogues led by various donors, who have wished to have their own assessments of the policy environment, and suggestions for policy priorities (see Chapter Six). Due to the competition, the recipient government has few incentives to build its own capacity for project implementation, or to gather more ownership in the development efforts, as required by some of its donors. The government can rely on that in case one donor decides to drop funding, due to differences between the donor and the government, another donor will jump in to fill the financing gap. As noted

76 Foster and Leavy (2001, 12-3) continue to point out that there will never be total agreement on policy, not total satisfaction with implementation, nor complete agreement on every allocation within the budget. The judgement, which donors need to make, is whether the final outcome following dialogue is sufficiently beneficial to the poor to be worth supporting, which includes a judgement on whether the allocation of resources is moving in favour of increased and more effective spending on poverty reduction (Foster, Leavy 2001, 12-3).

77 In an interview, a government official explained me that the government does not need to care about the sustainability issues related to new units within the ministry set up by a donor, because there will be another donor willing to take care of them, if the other donor withdraws (an interview with a high-level official at
by Knack and Rahman (2004, 25) “Competitive donor practices (…) erode administrative capacity in recipient country governments. In their need to show results, donors each act to maximise performance of their own projects, and shirk on provision of the public sector infrastructure essential for the countries overall long-term development”.

Donor dominance in the sector-wide approaches has also become visible through the conditionality related to it. The overall strategy and operational plans for the sector often include agreed targets, and agreed ‘rules of the game’, setting out how government and donors agree to behave in implementing the sector-wide approach. Particularly in countries with a weak governance and dependence on aid, the SWAP modality – especially when driven by the donors – has not proved to be effective. It has placed strains on the government with increased planning operations, and demands for aid coordination. Even though there have been attempts to establish a sector programme in the water supply and sanitation sectors in Nepal since the mid-1990s, the project and programme aid has still been dominant, due to the donors’ stance that through these modalities, they are able to be in control of the funds and the implementation of the projects. Nevertheless, due to the global push for sector-wide approaches, the SWAPs have recently started to become more common in Nepal, and for some years, these are being implemented in the education and health sectors. Studies on SWAP in the education sector have found it to be dominated by the donors, and donor-led joint missions with the government (Bhatta 2011; Winther-Schmidt 2011), impacted by the various views of the donors, on how to structure the education sector (Hautaniemi 2011), and has led to less participation by the Nepalese in managing donors (Sharma et al. 2008, 148); showing that the SWAP, even when formed under a single ministry, might end up being dominated by the donors’ interests.

In addition to ownership, an important part of the sector-wide approach is the idea of a partnership between the donor and the recipient government (OECD 1996; Wolfensohn 1998). Actually, in the definitions of the aid agencies, these two are intertwined. Even though the SWAP was designed to increase ownership in the recipient countries, many researchers consider that it is actually a terminological Trojan Horse (Fowler 2000, 7; Pender 2001, 408-9; cited in Crawford 2003, 142); being an instrument for influencing a country’s development choices, and for a path in a far more all-encompassing way: being similar to the relationship between the concepts of ownership and policy dialogue. Koponen and Seppänen (2007, 355-6) explain that in the sector-wide approach and the budget support, the duality of the partnership concept, and the particular definition of ownership get accentuated, as through these alone, it is believed that sustainability can be achieved. Yet, when a single donor does not have visibility in those programmes anymore,

MPPW, Aug. 4, 2009). This is a general problem in Nepal – often talked about informally among donors; however, it was difficult to get other people to talk about this problem in an interview. Thus, I have only one reference for this issue, even though it would require more evidence.

They typically include matters such as agreement to a defined procedure for reviewing and modifying the sector plan and budget, including monitoring and reporting requirements, and may include specific undertakings agreed in the initial sector planning documents, or in subsequent joint reviews.

OECD (1996) defines partnership following: ‘each developing country and its people are ultimately responsible for their own development’. Thus, the ‘basic principle’ put forward was that ‘locally-owned country development strategies … should emerge from an open and collaborative dialogue by local authorities with civil society and with external partners’ (in Crawford 2003, 140-1).
all donors are collectively able to exercise more pressure on the recipient government than previously. Furthermore, there is a danger that through sector-wide approaches and budget support the donors are forcing a blueprint model on the recipient governments.

Until now, I have argued that in addition to the project modality, a move to the more recent aid modalities of conditionality and sector-wide approach, the aid modalities have been donor-driven, and despite their rhetoric for improving government ownership, and responsibility in the management of aid and policy making, the influence by donors has not decreased. To the contrary, donors have increasingly been involved themselves in policy making in the recipient countries. Next, I will illuminate the different incentives that the recipient country, and donors, have in aid management, and by this, highlight the political side of aid giving.

3.6 Incentives in the Aid Game

As seen from the choice of aid modalities, there are embedded incentives in foreign aid for both donors and the recipient government. These incentives are important in explaining why aid has not always been effective, and why it is difficult to make development, among other things, sustainable. These incentives actually guide more the delivery of aid than the stated ’official’ developmentalist principles. In this section, I analyse the incentives of the parties involved in aid delivery, focusing first on the interests and incentives within recipient countries, like here in Nepal. After this, I turn to the incentives for donors to provide aid. This includes a discussion on the role of consultants. I have excluded NGOs, as their role in policy making in the Nepalese rural water supply and sanitation sector has been limited, especially when donors and government have had an interest in a particular policy. This is elucidated in the case of the policy for water harvesting which was formulated by the NGO Forum for Urban Sanitation. The government had little of its own interest to formulate this policy, as water harvesting does not involve large investments, hence allowing an NGO to take the lead. Yet, during the preparations for the Urban Water Supply and Sanitation Policy, funded by JICA, and paving the way for the Melamchi Water Supply Project with large investments, NGOs were not included in the consultations, and efforts were made to keep them in the margins of the process80. Also, in the formulation of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan, they did not play a prominent role. This does not mean that they would not have own incentives for involvement in the development efforts, but that in the ‘aid game’ in Nepal, the role of donors and the government is more significant.

With incentives, I refer to instrumentalist factors, such as strategic, economic and political motives of the actors in the aid game. Spiller and Tommasi (2004, cited in Gibson et al. 2005, 9) refer with the term to either external stimulus or to internal motivation. The external stimuli include rewards and punishments, that individuals perceive to be related to their actions and those of others. The payments people receive, or costs they have to pay, the respect they earn from each other, and the acquisitions of new skills or

80 Interview with a NGO Director Jul. 6, 2009.
knowledge, are all external stimuli that may induce more of some kinds of behaviour and less of others. Donors use a variety of external stimuli in their effort to change the behaviour of officials and beneficiaries in recipient countries, including the allocation of monies, and the creation of institutions, that will provide incentives for certain types of actions. Internal motivation, again relates to the perceived rewards and punishments that can motivate individuals to take actions which are either productive for all, or only for the individual alone. Incentives, which lead the individual to avoid engaging in mutually productive outcomes or to take actions that are generally harmful for others, are called perverse incentives (de Soto 2000, cited in Gibson et al. 2005, 9).

3.6.1 Recipient Country

Even though the overall aim of the government is to provide welfare to its citizens, this has not necessarily, in all situations, guided the decision making of the bureaucrats and politicians in the country. Researchers leaning on rational choice theories have analysed that public offices are driven by the same factors that drive the behaviour of the private firm: self-interest (Araral 2005, 140; quoting Tullock 1965; Niskanen 1973; Dunleavy 1973; Downs 1967; Parsons 1995). This view suggests that bureaucrats are mostly eager to maximise their own interest rather than public interest (Araral 2005, 140). Here, I first discuss the incentives at the government and bureaucracy level, and after that, show what kind of incentives guide the thinking of the politicians, and how the decision making of both government officials and politicians is impacted by the patronage-based governance culture that exists in Nepal.

The self-interest of bureaucrats is illuminated in their desire to increase their own welfare. The low pay received by government officials in developing countries has attracted many talented individuals to work rather for a donor, for a much larger payment, than to opt for government employment. This has several implications. First, the donors' aim for sustainable changes in the country, which would be best achieved through enhancing the capacity of the recipient government, is hindered by the practice of hiring locals as consultants and experts (Gibson et al 2005, 44; see also Wade 1985, 1989). Hence, the combination of having government officials, with a low payment, and development aid, with large budgets, and an in-built need for a local workforce at the national level, has led to a problem of inviting the government officials to work less for their actual job, and more for the donors, leading to increased levels of corruption and corrupt behaviour. On the other side of the coin, Knack (2000, 5) has found that foreign aid, through presenting a potential source of rent, has made people seek for an employment in the public sector, because of the large amounts of money transferred to the ministries via aid. Knack explains that aid is commonly used for patronage purposes, subsidising employment in the public sector, or in state-operated enterprises, as foreign aid can provide funds for the government to undertake investments that would otherwise

81 There are employment possibilities in the donor country office, or as a local consultant in the donor paid consultancy missions. Some officials have devoted their working time to running their own businesses, such as consultancy companies, that provide services for donors.
be made by private investors. As rent to those controlling the government increase, resources devoted to obtaining political influence increase; thus, a pervasive consequence of aid has been to promote, or exacerbate, the politicisation of life in aid-receiving countries.\(^{82}\) (Bauer 1984, 38; Knack 2000, 6; Degndol-Martinussen and Engberg-Pedersen 2003, 273, all cited in Haan, Everest-Phillips 2007, 10). This problem also relates to a lack of commitment to development goals and efforts, which are particularly demanded by the establishment of sector wide approaches. If the government of the recipient country is one that owes its continuity in office to its distribution of benefits to key supporters, no investment has to be made in establishing a strong, independent, public service, capable of making coherent long-term policies, and designing and implementing good projects. As long as donors are willing to lend funds, the recipient can get by with promises and commitments, without any real commitments to any externally or internally imposed reforms (see Pedersen 1996; 1998; Gibson et al. 2005, 81).

Once in power, the officials have different incentives, depending upon their position within the bureaucracy. In general, top-level bureaucrats are interested in expanding the scope and scale of their empires, as well as rising in the bureaucratic hierarchy. Thus, they are more interested in projects that extend their duties, staff, and budgets (Cerny 2001, 401). They might also be interested to gain aid funds in one area, in order to be able to allocate government's funds into another area.\(^{83}\) Lower-level bureaucrats, meanwhile, see donor-funded aid projects as career opportunities, and as opportunities for getting extra (legal or illegal) income (Moe 1990a; 1990b; Gibson 1999; cited in Gibson et al. 2005, 59). In addition, donor organised workshops provide 'perks' to the officials at all levels: in some cases, public employees vie to attend workshops, because they involve an allowance, a stay in a prestigious venue (an international hotel or conference centre), and a good buffet or meal. It has even been realised that if department heads try to reduce the costs of workshops, by reducing allowances, or holding the sessions within their own buildings, it is far more difficult to get people to attend (Harrison 2001, 674). Furthermore, aid money provides many other fringe benefits, such as vehicles, study tours, salary increments etc., that would not otherwise be available to officials in low-income countries (Bräutigam, Knack 2004, 263). Haan and Everest-Phillips (2007, 10) assess that donors have failed to acknowledge the importance of these incentives for local government officials, which has been one reason for the ineffectiveness of aid. Civil servants can also support donor initiatives in order to access the benefits of the aid industry, but they may also comply with the proclivities and preferences of donors, because it makes life easier to rely on donor commissioned experts, or to download and

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\(^{82}\) By making control of the government a more valuable prize, aid may even increase political instability (Grossman 1992, cited in Haan, Everest-Phillips 2007, 10).

\(^{83}\) This is so called fungibility problem. Foster and Leavy (2001) define it following: Aid is said to be fungible when government offsets donor spending on a particular purpose by reducing its own expenditure on the same purpose. Fungibility means that total public spending (both government and donor financed) is adjusted to reflect the priorities of the national government rather than the uncoordinated preferences, which emerge from large numbers of donor projects. If government and donors are in agreement on budget priorities, then fungibility is welcome, and ensures that the agreed budget priorities can implemented. If donors disagree with government spending priorities, they can try to influence them through policy dialogue, conditionality, or by earmarking their aid.
slightly rework, the ‘best practice’ documents that donors produce (Mkandawire 2007, cited in Fraser, Whitfield 2009, 99).

There are different incentives for the recipient government, depending on how the aid money has been granted to the recipient – as a grant, credit or a guarantee, as shown by Gibson et al. (2005). This incentive effect of grants, however, can evaporate in the aid context, when a recipient government swaps all, or some portion, of its own contributions to the organisation carrying out the project with that derived from donor funding – the issue of fungibility. The incentive value of credits depends on how well recipient ownership is rooted. When ownership is separated from its associated responsibility, the incentive effects of credits become obscured. If repayments of credits taken to finance particular development projects in recipient countries are derived from the country's general tax base, (as is usual), rather than earmarked from the income generated by the funded project, there are fewer financial stakes for the project owner or recipient government in the success of a given development project. Incentives also weaken when donors extend credits as programme assistance. Macro-economic programme aid credits are designed to prompt recipient governments to adopt good policies, and to make national investments needed for high rates of economic growth and human development. The short-term political imperatives of recipient country officials may overtake the objectives of such long-term financing, leading recipient government officials to make promises to donors to secure the credits, only to later backtrack on these commitments. In Nepal, the government has tended to prefer loans over grants, even though these are not 'free money'. Loans are perceived freer, leaving more jurisdiction for the government, as they are not monitored as tightly as grants. In addition, loans tend to fund large infrastructure projects, in which the kickbacks are easier to channel through procurement practices.84 In grants, this is not the case, because a large part of the grant is allocated to technical assistance (TA), basically meaning the salaries of consultants.

Politicians in centralised political systems – such as Nepal – without the check of meaningful democratic elections, and governance arrangements at multiple levels, are more likely to use their power over the distribution of development aid to enhance or maintain their status as a patron (e.g. Coolidge and Rose-Ackerman 2000; Gibson and Hoffmann 2005; Joseph 1987; Robinson 2003; cited in Gibson et al. 2005, 58). In such cases, politicians will use aid to distribute as rewards to clients and followers. In countries where representative elections are seen as legitimate, politicians may seek to target development projects in certain electoral districts – a phenomenon better known as pork-barrel politics (Mayhew 1986; Stein and Bickers 1995; cited in Gibson et al. 2005, 58). In Nepal, where ethnicity and caste are important in national politics, politicians have tried to deliver the benefits of development aid to their clan, tribe and caste (see e.g. Panday 2002).

84 Interview with researcher Dr Sudhindra Sharma on Aug. 12, 2010.
3.6.2 Donors

Donors have a variety of motivations for providing aid, only some of which are directly related to economic development or poverty reduction. There is little question that foreign policy and political relationships are the most important determinants of aid flow.\textsuperscript{85} Foreign aid is still used as a tool to gain political influence, hence the countries getting aid from a particular donor have been chosen carefully, and through a political process. In addition, often, economic interests of the donor country direct the aid flows, or at least are taken into consideration, when deciding upon future aid commitments.\textsuperscript{86} Lancaster (2007) adds to this list cultural reasons to promote e.g. a language and values. Multilateral aid is naturally less prone to these pressures, although by no means immune (Radelet 2006, 6; Gardner, Waller 2005, 88). Those motivations, which are not linked to economic and political factors, have been identified by Gardner and Waller (2005, 88) as altruism and warm glow.\textsuperscript{87} These are guiding the moral imperative of the aid agencies, as explained in the developmentalism discussion; caring about those less fortunate is a commonly thought to be a task of the developed world and their aid agencies. However, in this thesis, I argue that the motivation of the donors to provide aid has its own political and/or economic interest; not only because of altruism or warm glow.

Once the funds have been earmarked, the most pressing need for the donor agencies is to disburse these. Hence, they have an incentive to keep the projects and programmes progressing, and are on a constant search for new possibilities to provide funds for. They need to spend the money that is allocated in one budgetary cycle, as parliamentarians are otherwise likely to interpret that unallocated funds as evidence that the funds are not needed and can be cut next year (Wildawsky 1984; Catterson and Lindahl 1999; E. Ostrom et al. 1993; Gibson et al. 2005; Mosley et al. 1991). Bilateral donors, in particular, are also influenced by the perceived return to aid in terms of economic and political benefits, and the direct tying of aid to its own national suppliers (Jerve, Skovsted Hansen 2008, 10). Indeed, this need to ‘move the money’ is a universal incentive in all public bureaucracies. Such an incentive can lead to particularly perverse outcomes in the context of development cooperation where projects are sometimes selected by the donor country's agency, because they involve a large sum of money without the need for an equivalently large amount of time and energy on the part of an agency's officials. The ability to spend the budget – or even better to increase the budget – labels the perception of how successful the donor has been. Hence, it is often considered that the amount of the budget tells how powerful the donor is. There seems to be concurrence between the donors in a recipient

\textsuperscript{85} During the Cold War, both the United States and the Soviet Union used aid to vie for the support of developing countries with little regard as to whether the aid actually was used to support development, in 2002, Iraq became the largest aid recipient in the world and still today, many donors provide significant aid to their former colonies as a means of retaining some political influence (Radelet 2006, 6).

\textsuperscript{86} The economic interest by the donors has led to the development of tied aid – aid that requires the recipient to contract with the donor country for supplies and staff – can be interpreted as a form of rent-seeking from the side of the donor. By offering tied aid to recipient countries, the donor country is effectively subsidising their export of goods and services since the recipient country must purchase these from the donor country (Jones 1995; Gibson et al. 2005, 55).

\textsuperscript{87} With this the writers mean that the citizens of the developed country will feel good simply from the act of giving, whether they get any results or not (Gardner, Waller 2005, 87-8).
country on the position of a 'lead donor' (see Chapter Six on description of this in the case of Nepal; cf. Dixit K.M. 1997). A similar competition can be observed within an aid agency, where different departments compete with each other over their position and power in the agency – based on the size of their budgets.\(^{88}\) Therefore, as the interest of the aid agencies is to have power in the recipient country, their incentive for this is to hold on to their budgets and if possible, increase the funds. Harrison (2001, 671) depicts this issue by explaining that the principal aim of the resident representatives of the World Bank country offices is to spend money during their residency, because a resident representative is evaluated largely according to the amount of programme funding that he or she can arrange. The same can be observed among the officials of a donor agency, who are responsible for the implementation of the development projects. They are under pressure to keep these running and the money flowing, as their own success in their job is assessed through the spending of the money (Killick et al. 1998, 149; Mosley et al. 1991, cf. Kanbur 2000; Araral 2008).

In addition, the staff members of donor agencies have an incentive to elicit adherence to global development fashions (see Chapter Five) as they are often assessed against this. Their incentives, therefore, include increased chances to be hired, advancement of their own career, the ability to publish in donor agency publications, and in general to be assessed positively. The association of hefty salaries, lucrative bonuses for successful loan placement, post-retirement schemes, and contracts that are temporary in nature, act as ‘golden handcuffs’. They tend to generate conformity, limiting “dissent by increasing the ‘opportunity costs’ of any dissidence” (Broad 2006, cited in Molle 2008, 146), thus, the staff members understandably are not very keen to jeopardise their gains in social status and salary for the sake of a mundane doctrinal disagreement (Molle 2008, 146).

Furthermore, for donors, which have invested much capital in recipient countries, the costs of a substantial decline in these states would be high indeed, for which reason they are hesitant to show publicly if their operations have not gained those results as expected (Browne 2006; Fukuyama 2004). The same applies to malpractice, which might have arisen in the recipient country, such as corruption, ineffective governance, etc. In case these issues would be raised to the public, the support for development funding might decrease. This would also negatively affect those development efforts that have been positive and making the good sides of development in the future impossible to continue. Hence, there is an interest from the side of the donor, to keep quiet on those issues that do not work as well as planned in the developing countries.

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\(^{88}\) This is the writer's own experience while working in the Ministry for Foreign Affairs (MFA) of Finland in the department for Asia and Oceania, which was in competition with other departments administering development programmes in Africa and Latin America.
3.6.3 Consultants

Development consultants are hybrid aid actors, in the sense that their incentives and interests relate to serving both the donor as well as the recipient government. The normal practice – exercised in Nepal as well – is that the consultancy firm is paid by the aid agency funding the project, but the consultants officially report to the recipient government. Problematic in this relationship, is that the interest of all parties has some overlap, but also considerable divergence on how the project should be designed or carried out. In addition, the loyalty of the consultants depends upon their own interests, e.g. the international consultants rely on the donors for future assignments, thus, they tend to follow the wishes of the donor, whereas the national consultants rely on having good relationships with the local officials, and therefore, are keen on securing the officials’ interests in the project. Both international and national consultants naturally rely on development projects for their future income, and hence, have an incentive to design the project, so that the donor is happy with it, and hesitate to recommend anything that would be against their continuation. Instead, negative findings, if any, are formulated to justify a new phase of the project, or presented in a positive way: once corrected within the current project, the project will be even more successful than that as planned. This is also pinpointed by Stirrat (2000, 42) who writes that consultants’ reports should never leave loose ends, but they always include a closure. There is a demand for tidy reports, not characterised by problems but by solutions.

Generally, both donors and the recipient government are for the use of consultants in the preparation and implementation of development efforts, because it saves their own resources and often they are lacking the specific knowledge on the issue. However, particularly in Nepal, the government officials often complain that too much of the development budget goes into the payments of the consultants, particularly the international consultants, whose payments are high, and that the work could as well be done by national consultants. They opine that the national consultants are equally capable in carrying out the work, and that this money could be used more effectively, as the payments made to the national consultants are much smaller. The donors, on the other hand, prefer to have someone ‘from their side’ to monitor the use of the funds and keeping an eye on the implementation, thus, they continue arguing for having at least some international consultants in the teams. The vested interest of the recipient government behind this idea is to have the money allocated for the technical assistance (particularly for the payment of the international consultants) to be shifted for investments in infrastructure, due to possibilities for kickbacks and taking away pressure from the budget of the government of Nepal to invest in those sectors (see fungibility of aid in this

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89 In this context, the consultants refer to people that are hired by an (international) consultancy company to design, implement or evaluate a development project/programme.

90 The national consultants can be viewed as officials’ ‘trusted men’ due to their close relationship to the officials. Here, one can speculate of the possibilities for designing the project budget, and the budget responsibilities, so that there is a possibility for a kickback to government officials. This could be a feature of patronage-based relationships.

91 Stirrat (2000, 41) adds, “Frequently it appears that they are hired to tell their clients what the clients want to hear, and even more frequently their advice or their findings are ignored.”
chapter). However, confusingly, in some of my interviews, as well as in the aid literature, it has been presented that the government officials prefer the hiring of consultants. I find two reasons for this. First, it can be that the officials want to avoid having to do the work themselves, and second, the government officials might think that the consultants are closer to the donor, and hence know better the wishes of the donor. This is important as the aim of the officials is to secure the development funds, and for this they need to follow the requirements and ideas of the donor. Therefore, under these circumstances, it is easier for the government to let consultants decide on these issues with the donor.

3.7 Conclusions

In this chapter, we have seen that aid has a double-faced character: it is both a planned development intervention, but also a negotiated process, and a battle for resources. Accordingly, I have presented donors as political actors whose work is not only guided by altruistic motives based on their developmentalist beliefs, nor are they neutral or rational actors that would linearly follow the development blueprints. The aid agencies consist of people (bureaucrats and consultants) and their work is guided and supervised by politicians, who all have their own incentives in the development process. These incentives might have little to do with the actual developmental goals, and more to do with their personal or institutional gains that can be reached through aid funds, or how the development process is organised. As pinpointed by Haan and Everest-Phillips (2007, 15) “Donors like to perceive themselves as the friends of the poor; but donors are (also) political actors – without adequate political checks and balances of transparency”. Thus, for donors, the main motivation to provide aid is not based on their altruism, but relates to the political and economic interests that they have globally and in the recipient country. They also have their own institutional needs to keep the aid business going, thus, aid is not necessarily delivered based on the demand of the developing countries, but on the requirements of the aid agencies.

However, my point here is not to label the donors as the only actors with perverse interests in the development cooperation, but I have also argued, that the bureaucrats, politicians and consultants in the recipient countries, have own incentives that guide their participation in the development efforts, contradicting the official line of improving the life of the poor. These perverse interests do not encourage action that promotes equality, and the well-being of all citizens of the country, or the developmental goals set for this purpose. Rather, due to the various incentives, aid promotes the well-being of selected citizens. For the recipient government, the incentives relate to two issues: money and power. The donor money brings certain incentives for bureaucrats at different levels and for politicians. Through money, they are able to gain more power, either in their position, or among their clientele. In addition, as will be shown later in this thesis, these actors have been able to contest donor dominance in the recipient countries, through manoeuvring in the development process. Therefore, I am suggesting that development efforts, and aid, should be viewed as a game between the donor and the recipient.
The game aspect is continued in the aid instruments, particularly in the conditionality and policy dialogue. These instruments have been designed by donors, to increase recipient government ownership in their development efforts. However, the donors’ perverse incentives have affected the way the instruments are designed: even though they are meant to strengthen the government’s negotiation and administrative capacity, and the ability to take their own decisions with responsibilities, the instruments have actually allowed the aid agencies to increasingly involve themselves in the aid administration and policy planning. This is also highlighted in the case of Nepal: donors have moved towards joint reviews with the government, common coordination efforts and have shown interests for establishing a SWAP. With all this partnership thinking, they have aimed to increase the government’s ownership on development efforts; however, their institutional entanglement has led to a manoeuvring on both sides, rather than to a sincere common interest to improve the living conditions of the poor in Nepal. This means that the recipient countries, such as Nepal, are not at the mercy of the donors, but that these countries have found ways to manoeuvre their interests in the aid game. This will be further elaborated in the coming chapters.
4 Governance of Water Supply and Sanitation

4.1 Introduction

Water in Nepal is considered to be the most important natural resource, having an enormous potential economically. Despite the abundance and the potentiality of water, it has not been tapped effectively enough to bring prosperity to the people of Nepal, and adequate water to the kitchens of Nepalese homes. In this chapter, I aim to present why the delivery of domestic water has not succeeded, despite of its ‘abundance’. My discussion is centred on the concept of ‘water governance’, and presents that the sectoral actors – the government institutions, donors and NGOs – in the water supply and sanitation sector have failed to govern the resource for the benefit of the whole country. I particularly focus on the role of the government, where the competition over power and resources, by the two leading agencies, characterises the sector government. I claim that the DWSS – clinching to its hardware-focused view of expanding the water supply and sanitation services – has remained in the era of ‘hydraulic mission’ and hence, has not been able to conform to the demands of today. However, before going into the analysis of the sectoral actors, I will show how problems in the water supply and sanitation sector stem from a lack of governance in the sector. Thus, this chapter has two parts: first it discusses the problematical issues in the sector and then debates sector governance.

The main conclusions of this chapter are:

- The inability of the water supply and sanitation sector to bring water to the people derives from problems in the governance of water; the inability to effectively plan and manage the water supply and sanitation schemes has led to a huge variation in the coverage of, and the accessibility of, the water supply and sanitation schemes, a weak water quality, an inability to keep the schemes functioning properly, and an imbalance between the water supply and sanitation to the advantage of the water supply.
- The ‘lead’ agency in this sector, the DWSS, is a hydrocracy, fulfilling its hydraulic mission, with the interest of extending the piped water supply network.
- The hydrocractic identity of the DWSS has been contested by several issues and actors. Central in this contestation is the increased focus on rural water supply and sanitation – pushed by the donors, which again has brought new actors to the field.

This chapter is divided into four sections. After this introductory section, the second section provides an overview on the generic problems in the water supply and sanitation sector in Nepal, outlining the lack of coverage, bad accessibility, a weak water quality, problems with the functionality of the water supply and sanitation schemes, and a misbalance between the water supply and sanitation, as the main deficiencies. It argues that these problems stem from problems in the governance of the water resources. The third section describes the field of water supply and sanitation in Nepal, and outlines that the lead agency is a hydrocracy, that has been contested from several sides; however, there
are discernible strategies that it has used to overcome this contestation. Section four concludes the chapter by relating the discussion of water governance in Nepal to the general governance debate contrasting the ‘old type of governance’, with the ‘new forms of governance’, and discussing the perspective of a polycentric governance in a Nepalese context.

4.2 Generic Problems in the Rural Water Supply and Sanitation Sector

I deal with four issues in the water supply and sanitation sector that have been named as problems: (1) coverage of the water supply and sanitation system, (2) accessibility to services, (3) water quality (4) functionality of the system, and (5) misbalance in the funding between water supply and sanitation. These issues have been raised by the donors, NGOs and governmental agencies in their analyses on the sector development (WaterAid Nepal 2010b; NMIP/DWSS 2011; ADB/MPPW 2011; GON/MPPW/WSSD/SEIU 2011; Sharma 2000, 126). As can be interpreted from the issues, I claim that the problems related to these issues stem from problems in governance, not from the lack of water. Naturally, the high variability of precipitation, flow and sedimentation – all natural causes – also affect water governance. These issues were explained in the introduction, in which water resources were discussed; here the focus is on the water supply and sanitation sector.

4.2.1 Coverage of Water Supply and Sanitation

The Government of Nepal has signed up to the Millennium Development Goals (MDGs), under which it needs to achieve 73 per cent drinking water coverage and 53 per cent of the population has to have access to improved sanitation by 2015. It has also declared that it will achieve universal access to water and sanitation by 2017 (WaterAid Nepal 2010a, 5, 16). Before 2011, the coverage of water supply and sanitation service was difficult to assess, because there was inconsistency in numbers due to the differences of definition and survey methodology (WaterAid Nepal 2010a, 18; NMIP/DWSS 2011, 3). To tackle this problem, the National Management Information Programme (NMIP) was set up to collect and publish coverage and scheme functionality related information in a database92. As per the NMIP/DWSS estimates, the coverage in water supply is 80.4 per cent, and the national sanitation coverage is 43 per cent of the population (2011). One can see that there is still a long way to meet the sanitation MDG, as out of the 43 per cent of the population having a latrine, 22 per cent have been observed to have a latrine, that can barely be used

92 As an example of the difficulties in the governance of water supply and sanitation, an international consultant explained to me that his team had tried to get data from the NMIP, but the DWSS official in charge had refused to do this, unless a bribe was paid. He justified this with the higher salaries given to the consultants. Interview on Nov. 22, 2012.
One reason for the slow progress in providing sanitation is the policy and funding bias towards water supply (see figure 4.1 in part 4.2.5).

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban Total</th>
<th>Urban House Connections</th>
<th>Rural Total</th>
<th>Rural House Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>96%</td>
<td>43%</td>
<td>74%</td>
<td>5%</td>
</tr>
<tr>
<td>1995</td>
<td>95%</td>
<td>45%</td>
<td>78%</td>
<td>7%</td>
</tr>
<tr>
<td>2000</td>
<td>94%</td>
<td>48%</td>
<td>81%</td>
<td>8%</td>
</tr>
<tr>
<td>2005</td>
<td>93%</td>
<td>50%</td>
<td>85%</td>
<td>9%</td>
</tr>
<tr>
<td>2008</td>
<td>93%</td>
<td>52%</td>
<td>87%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Table 4.1: Water Supply Coverage (Percentage of Population) (UNICEF/WHO JMP 2010; ADB/MPPW 2011, 22)

Yet, there are some shortcoming in this official measurement of coverage. Officially, only piped water supply is considered safe water supply, notwithstanding the fact that it might have been contaminated by sewerage inflow, or that traditional spring sources might have cleaner water. Furthermore, even though many of the villages still rely on their traditional spring sources, these are not included in the official statistics but are ignored. If these sources were included in the official statistics and the quality parameters of piped water were adhered, then the coverage number of drinking water in Nepal would most likely look different.

Sanitation has not always been an integral part of water supply, but has been attached to it by the donors. The International Drinking Water Supply and Sanitation Decade, declared by the UN, introduced the linkage between water supply and sanitation (see Chapter Five). The donors realised that an improved water supply alone, would not be enough to improve the health situation in developing countries, and thus, sanitation was integrated to water supply: it was later added with a focus on hygiene.

Currently in the sanitation sector, in addition to increasing the number of people using sanitation facilities, the aim of the government, and the donors, is to provide ‘an improved sanitation’ for the citizens, instead of ‘an unimproved sanitation’. Nearly 60 per cent of the Nepalese people do not have any sanitary facilities, but practise open defecation, which is considered an unsanitary practice (ADB/MPPW 2011, 38-40). The urgency for improved sanitation – resonating with ‘donor speak’ – stems from the high rate of child

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93 For this remark I am grateful to Dipak Gyawali.
94 This includes flush or pour-flush latrines to piped sewer system, septic tank to a pit, ventilated improved latrine, pit latrine with a slab and composting toilet, whereas unimproved sanitation, includes flush or pour-flush toilets to elsewhere (excluding aforementioned systems), pit latrine without a slab or open pit, bucket, hanging toilet or hanging latrines, no facilities or bush or field.
95 This is particularly a problem in the slums and shantytowns in the urban areas and in the rural areas. In the urban areas, the share of people without sanitary facilities is 20% and in the rural areas 67% (DWSS 2008, cited in ADB/MPPW 2011, 39). The amount of people living in urban areas is going up, thus, the pace of urbanisation is putting pressure on the provision of sanitation facilities in these areas.
morbidity and mortality in the country, as well as other diseases, such as diarrhoea and seasonal cholera outbreaks. Even though there are serious problems in the functionality of the sanitation system, the main issue in this sector is to motivate the people to have latrines and use them. To change their behaviour has turned out to be the main challenge. This includes teaching about the importance of washing hands with soap and water after defecation and before meals (SACOSAN 2003, 3).

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban</th>
<th></th>
<th></th>
<th></th>
<th>Rural</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Improved %</td>
<td>Shared %</td>
<td>Un-improved %</td>
<td>Open defecation %</td>
<td>Improved %</td>
<td>Shared %</td>
<td>Un-improved %</td>
<td>Open defecation %</td>
</tr>
<tr>
<td>1990</td>
<td>41</td>
<td>24</td>
<td>5</td>
<td>30</td>
<td>8</td>
<td>2</td>
<td>5</td>
<td>85</td>
</tr>
<tr>
<td>1995</td>
<td>44</td>
<td>26</td>
<td>4</td>
<td>26</td>
<td>13</td>
<td>3</td>
<td>6</td>
<td>78</td>
</tr>
<tr>
<td>2000</td>
<td>47</td>
<td>27</td>
<td>4</td>
<td>22</td>
<td>19</td>
<td>5</td>
<td>5</td>
<td>71</td>
</tr>
<tr>
<td>2005</td>
<td>50</td>
<td>29</td>
<td>3</td>
<td>18</td>
<td>24</td>
<td>6</td>
<td>6</td>
<td>64</td>
</tr>
<tr>
<td>2008</td>
<td>51</td>
<td>30</td>
<td>4</td>
<td>15</td>
<td>27</td>
<td>7</td>
<td>6</td>
<td>60</td>
</tr>
</tbody>
</table>

Table 4.2: Sanitation Coverage (Percentage of Population) (UNICEF/WHO JMP 2010; ADB/MPPW 2011, 38)

4.2.2 Accessibility to the Water System

The lack of full coverage in water supply and sanitation can also be explained through the unequal geographical distribution of agencies and water supply and sanitation programmes; an issue that is not highlighted by the donors and governmental agencies, opposite to the issues of coverage and low functionality (Sharma 2006), because of their own hesitations to extend the coverage to remote areas. Therefore, the tendency by the donors and governmental agencies has been to cover areas that are easily accessible.

The remoteness and relatively inaccessible hilly terrain of Nepal makes it more difficult and expensive for governmental and aid agencies to reach settlements in those locations. The agencies are required to provide services at the lowest possible cost, which has made these agencies fund and implement projects in areas which are easier to reach. This has led to several programmes being financed in one district, to a high per capita cost, and obviously to an imbalance in the coverage (WaterAid 2010b, 12; Domenech Pretus et al. 2008, 6). Particularly the two largest projects in the sector, the Fund Board and the CBWSSP, have been accused of not covering remote areas. In the case of the Fund Board, this is the consequence of the tight budget given to the NGOs implementing the projects. As the cost of covering more remote areas is higher, the budget framework given by the Fund Board does not allow the NGOs to work in the more costly, remote areas. Similarly,

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96 This is assessed by WaterAid Nepal (2008) to be 10 500 children in a year. These children die needlessly from disease related to inadequate sanitation and high-risk hygiene practices.

97 In a study made in 2000 it was found only 17% of the people having a latrine maintained it properly (SACOSAN 2003, 3).
the ADB argues that it does not want to continue funding the Community-Based Water Supply and Sanitation Project (CBWSSP), as this means that the ADB needs to start putting more focus on the really remote areas, which are geographically difficult to monitor. Due to the disinterest by the large donors to work in the remote areas, these areas have been covered by (I)NGOs. Yet, these organisations have a limited capacity and budgets to deliver services, and cannot, therefore, be made responsible for servicing the relatively inaccessible regions.

Clearly, as a result of this problem, the urban areas are better serviced than the rural areas. However, this does not imply that the urban areas would have an uninterrupted water supply; in reality, it is actually the opposite. In the urban areas, water is supplied only for some hours in a week. Because of this, water is pumped into a tank on the roof of the house, from where it is accessible during the times of interrupted water delivery. In case this water is not enough for the family’s needs, water can either be bought privately, or fetched from a well in the yard. Water availability is additionally worsened by leakage and misuse in the distribution network.

4.2.3 Water Quality

Outside of the problems of coverage, and accessibility to water system, there are also problems with water quality. The bad water quality relates only partially to governance problems, because in the Tarai, the problem with water quality stems from natural arsenic pollution in groundwater. In the populous Tarai, more than 95 per cent of people use groundwater as source for drinking water, requiring special treatment to make it safe for drinking purposes (Nepal 2005, 3).

Otherwise, water pollution in Nepal derives from the unhygienic practices of people. Standards of hygiene remain low, due to a lack of awareness, cramped living spaces, and inadequate mechanisms to dispose of human and other waste (WaterAid Nepal 2010a, 17; Dixit 2000, 203). Because of these practices, the donors are increasingly resorting to various methods of hygiene education, such as the Open Defecation Free (ODF) areas, and emphasising the importance of hand washing.

Water pollution and contamination remain among the most serious of public health problems in Nepal. Therefore, the government, with assistance by UNICEF, formulated the Water Quality Standards in 2005. The agencies considered that the international standards set by the WHO were not applicable in the Nepalese situation, nor were they able to enforce for better water quality – the WHO standards being only a guideline.

99 It was explained to me that the leakage in Kathmandu could be as high as 30-40%. Interview with a DWSS official on Aug. 11, 2010 (see also Dixit, Pradhan 1999).
100 Interview with a representative of UNICEF on Aug. 20, 2009.
4.2.4 Problem of Functionality

In addition to the problem of Nepal not being able to provide its citizens with enough water, there is a problem with the water supply system (in the rural areas it is called a scheme). In Nepal, this problem is referred to as a functionality of water supply services\(^{101}\). The DWSS data indicates that 38 000 gravity flow water supply schemes have been constructed (see table 4.3 below). As the table illustrates, about half of the existing water supply schemes in the country are partly or totally defunct. Moreover, it is assessed that 75 per cent of existing schemes run without a Village Maintenance Worker, 79 per cent have no Operation and Maintenance (O&M) fund, 72 per cent have inadequate maintenance tools and 68 per cent are lacking registered user committees (SEIU 2010b, 11). Consequences are felt at local, sectoral and macro levels. Premature failure of water supply schemes result in low return in sector investment, high recurrent costs and a widening resource gap to realise MDG and national targets. The people in the periphery are likely to loose out as public resources are likely to be reinvested in rehabilitation and reconstruction of existing schemes closer to decision making centres, at the expense of expanding services to uncovered and remote settlements (SEIU 2010b, 11).

<table>
<thead>
<tr>
<th>Functional Status of Gravity Flow Water Supply Schemes</th>
<th>No. of Schemes</th>
<th>Covered Households</th>
<th>% Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well managed projects</td>
<td>7 734</td>
<td>373 295</td>
<td>18%</td>
</tr>
<tr>
<td>Minor repair required</td>
<td>16 935</td>
<td>809 996</td>
<td>39%</td>
</tr>
<tr>
<td>Major repair required</td>
<td>4 375</td>
<td>246 481</td>
<td>12%</td>
</tr>
<tr>
<td>To be rehabilitated(^{102})</td>
<td>4 967</td>
<td>437 800</td>
<td>21%</td>
</tr>
<tr>
<td>To be reconstructed</td>
<td>3 438</td>
<td>189 756</td>
<td>9%</td>
</tr>
<tr>
<td>Projects not possible for re-operation</td>
<td>467</td>
<td>27 008</td>
<td>1%</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>530</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37 931</strong></td>
<td><strong>2 084 866</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Table 4.3 Functionality of water supply schemes (SEIU 2010b, 11; NMIP/DWSS 2011)*

\(^{101}\) Functionality is defined as “The degree to which a product or a service is meeting the aspirations, needs or demands of users or customers, within the range of available options, standards and norms”, and the functionality of water supply services as the degree to which water supply schemes function up to their design capacity for their design period and serve all water users with quantity, quality, accessibility and continuity; water supply services are sustained and continued beyond the design period; stakeholders adhere to defined roles, responsibilities, norms and standards; stakeholders meet performance standards; norms, standards and regulations are available, communicated, adhered to and enforced; operation, minor repairs and ongoing maintenance take place at scheme level; post construction support is institutionalised, available, accessible and practised (SEIU 2010b, 3).

\(^{102}\) Schemes in the rehabilitation category on average serve a larger number of households (nearly 90) than schemes in the other categories (between 35 and 58 households per scheme), suggesting that schemes serving more users are vulnerable to premature break down than those serving fewer users (SEIU 2010b, 11).
Users tend to see water and water supply schemes as a free service, and not as an economic good that needs regular tending and care. Gyawali (1992) relates this with the earlier discussed bikas thinking, according to which the people in Nepal consider the scheme as a gift, and not as something to be built from within. He views that because of this kind of thinking maintenance is not considered by the people as their task. Dixit (2000, 207-7), on the other hand, relates this with the hydrocratic style of the DWSS. In this approach, the DWSS has not tried to establish any dialogue, or cooperation with beneficiaries but has focused on building schemes by itself through its staff. Under these circumstances, the people have perceived that maintenance, repair and replacement, as being the responsibility of the DWSS, the agency that built the system in the first place. Thus, users are reluctant to deposit up-front capital and provide a monthly O&M tariff, and the mechanism to raise and manage funds is often not systematic, and is rarely effectively practised. Initial problems in a regular water supply trigger the default of regular payments of non-receiving users, starting a downward spiral and further degradation of scheme functioning (Dixit, Crippen 1993; SEIU 2010b, 14). At the same, implementing agencies appear to focus more on project completion, than on the entire life cycle of water supply schemes.

In addition to the problems at the local level, the functionality of the system is impacted by a lack of functional and workable institutional arrangements at the national level, to provide effective monitoring, and backstopping support, after the construction of water supply schemes. The general political situation in Nepal with the decade long conflict that formally ended in 2006, has had a considerable negative effect on the sustainability and functionality of water supply schemes. In the past, the tendency by the government agencies and donors has been to orientate on projects, where the focus has been to start new projects, instead of taking care of the constructed schemes to stay operational. There are also institutional, organisational and managerial reasons for the weak functionality of the system, deriving from the overlapping in their roles and a lack of adherence to their given roles and responsibilities, weak monitoring and a lack of enforcement in the implementation of policies (SEIU 2010b, 14). The institutional issue is elaborated in the next section.

4.2.5 Imbalance Between Water Supply and Sanitation

Even though the donors have been advocating for an increased focus on sanitation since the early 1980s, in Nepal this has not yet fully materialised. There is still an imbalance between allocations for water supply and sanitation, where the water supply receives much large funds than does sanitation (see figure 4.1). It is a rather Western view, that sanitation is an integral part of water supply, stemming from the water closets used in the Western world. However, in developing countries, and particularly in the countryside, this not necessarily the case. Toilets are normally dry toilets, and outside of towns, there is no central sewerage. I assume that the Western origin of linking water supply with sanitation has not been totally embraced in Nepal. A problem according to the donors and NGOs in increasing the allocations for sanitation, has been that the government has not had separate
budget lines for water supply and sanitation; thus, it has not been possible to make a distinction between these sectors. Because of this problem, donors and NGOs have been, for years, asking the government to establish separate budget lines for water supply and sanitation, in order to see an actual investment in sanitation, and to increase the allocation in that sector. In the fiscal year 2009/2010, the government specified a separate budget line for sanitation and hygiene (GON/MPPW/WSSD/SEIU 2011, 25), making it obvious that the sanitation sector is financially lagging behind the water supply sector.

![Bar chart](image)

*Figure 4.1 Budget Allocation (in million Nepalese rupees) for Water Supply and Sanitation (WaterAid Nepal 2010b, 11)*

In summary, it is evident that the obstacles in the sector development relate to governance problems over anything else. Regarding coverage, the two main issues are the lack of priority in sanitation, and the lack of coordination in the work of donors and governmental agencies. Because of these issues, the service delivery is not equal geographically and socially. Regarding water quality, there has been too little emphasis on softside development, such as awareness-raising, and too much focus on construction activities. In the issue of functionality, the problems derive from failures in planning, monitoring and the organisation of O&M. All this intersects with the abilities of the main agency for water
supply and sanitation, the DWSS, and how it has responded to the challenges it has been presented with.

4.3 Contested Hydrocracy

4.3.1 Hydrocractic DWSS

The governance system in the Nepalese water supply and sanitation sector can be analysed through the concept of ‘hydrocracy’ referring to powerful state water bureaucracies, which embraced the ‘hydraulic mission’ (Allan 2003; Rap et al. 2004; Molle et al. 2009, 328). In Nepal, the hydraulic mission points at the importance of developing hydropower, irrigation and water supply under the state-led agencies created for this purpose, such as the Department of Irrigation and Water Supply in 1966, separated into the Departments of Irrigation and Water Supply and Sewerage in 1972. These followed similar developments in other parts of the world (Molle et al. 2009, 332; Molle 2009; Wester 2009).

The governance structure of hydrocracy stems from the centralised governance of Nepal, providing these agencies with large powers, spanning from national to village level. In this section, I will analyse the Nepalese water supply and sanitation hydrocracy through the framework provided by Molle et al. 2009, who discuss the general trends in the irrigation hydrocracies around the world, and analysing the transformations in the sector: from the emergence of the hydraulic mission and associated water bureaucracies to their adjustment and responses to changing conditions. Generally, hydrocracies tend to resist change and despite reform programmes, they continue to persist. This tendency is explained through the concept of path dependency (Hall, Taylor 1996; Sehring 2009, 64), which implies that the direction and scope of institutional change cannot be easily, or costlessly divorced, from its early direction (North 1990; cited in Araral 2005, 154).

There are long roots of centralisation in Nepal, as described in the introduction to this thesis. The first modern water schemes were constructed by the Rana Prime Minister Bhim Shumshere in Kathmandu Valley during the late 1880s, to bring water to his palace. The access to piped water during the Rana days was a status symbol, and only few families, with a close connection to the Rana Prime Minister, had drinking water taps in their houses. It was simply not thought of as an essential service, necessary for the sustenance of human life, much less an area that the state should be actively engaged in for the sake of the welfare of its citizen. For the administration of the water systems, Bhim Shumshere instituted water offices known as Pani Goswara, in three cities in the Kathmandu Valley and other districts (Sharma 2001, 84-5; 2000, 120).

Traditionally domestic water has been available from various sources. In the rural (hilly) areas of Nepal the sources for domestic water consist of dhunge dhara (spring source with a stone carved-spout), kuwa (a spring source covered and collected in a small pond), padhero (an uncovered spring source), inar (man-made well usually with brick) and kal dhara (piped taps). For bathing and religious purposes, nadi (river), khola...
(stream), kunda (spring water source in a pilgrimage site) are employed. For other household purposes such as cleaning utensils and washing clothes, pokhari (a tank or pond usually of still water collected from excess water during the rainy season or from the run-off of another source), khare (stream active only during the rainy season) and kulo (temporary irrigation ditch) may be used (Sharma 2001, 52; Bennet-Capbell 1973).

Centrally organised drinking water supply development efforts in Nepal started more seriously in the 1970s, with the establishment of a governance structure, mediated by the vocabulary of welfare. On the part of the modernising elite, the rationale for the creation and expansion of a modern bureaucracy, has been justified, by emphasising the lack of scientificity of traditional bureaucratic practices (Sharma 2000, 199 quoting Khanal 1977). This was facilitated by a dominant international thinking of the time that conceived of the possibility of a strong, interventionist state acting as the agency of development and modernisation (Sharma 2000, 127). In the water supply sector, including sewerage, (sanitation as a theme emerged only later), the leading ministry was, at first, the Ministry of Water Resources, which was responsible for the Departments of Irrigation (DoI) and Water Supply and Sewerage (DWSS) until they were set up under separate ministries: DoI remained under the Ministry of Water Resources and the DWSS shifted under the Ministry of Housing and Physical Planning (MHPP) in 1984 (Prasain 2003, 107-9). In the operation of the DWSS continued a strong emphasis on providing drinking water services to urban centres, though the less urbanised district headquarters also began to receive attention (Sharma 2000, 122).

The DWSS adopted the identity of a construction-oriented agency. In its work, it emphasised the hardware component over the software, because of its staff coming from engineering schools. Its solutions to the problems of water supply, sewerage and sanitation were technical. It followed a provisional approach to implementing programmes, in which the department assigned local consultants to survey and design drinking water supply systems, following its procedural strategy. Hired contractors undertook the construction of the schemes, and the department fulfilled a supervisory function. The DWSS only maintained a few of the completed schemes. In this approach, the beneficiaries were passive recipients (Dixit 2000, 206). Thus, its organisational culture resembled that of a hydrocracy, as described by Molle et al. (2009). The hydrocratic agencies were leading the water sector development and their professional ethos was pervaded by a sense of hierarchy, a faith in planning, and the belief that considerable technical expertise was needed to address water issues insulated engineers from public and laypersons’ scrutiny (Molle et al. 2009; see also Watson et al. 2009; McCulloch 2009).

Sharma (2006, 218) suggests that the identification of the sector problems, such as inadequate coverage and low service, further made possible, the continuation of state structures and aid agencies, in expanding water supply and sanitation coverage, and

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103 Sharma (2001, 86-7) mentions that drinking water and irrigation were, during the first development plan period (1956-1961), subsumed under the Public Works Department, which, in turn, was under the Ministry of Agriculture, Transport and Construction. The shift under Ministry of Water Resources took place in 1972 (HMGN 1987). The DWSS was established in 1972 and began its operation from 1974 onwards (Sharma 2000, 122).
enhancing the service levels. By this, they justified their own existence and kept their ‘business’ going. He explains (ibid.),

“The global concern for safe water as a component of basic needs and the role of the state in ensuring essential services for the welfare of its citizens was construed by the state as one entailing expansion in the coverage of piped distribution network. How to deliver water through pipes became a hydrological and consequently an engineering exercise with health and hygiene becoming peripheral. Thus, the issue of providing safe water to the people was subsequently framed along purely technological terms. Civil engineers became the cadres for ensuring that piped network expanded throughout the country, while the responsibility of providing such services was given to the technical Department of Water Supply and Sanitation [Sewerage]. Thus the formulation of the problem as one of expanding piped coverage subsequently led to institutionalization of practices along a certain trajectory in Nepal.”

This view also matched with the interest of the construction-oriented DWSS, because the expansion of the network included a large amount of procurement. The DWSS was an overmanned and underpaid bureaucracy, whose main surplus income was in the form of commissions associated with procurement. This bureaucratic rent-seeking by government officials, to attempt to gain as much private gain as possible (primarily in the form of financial enrichment, but not limited to it), from their bureaucratic positions, also characterises other bureaucracies in developing countries (Suhardiman 2008 on Indonesia; Davis 2004 on South Asia; Araral 2008 on the Philippines). In Nepal the bureaucratic corruption also essentially includes payments made by an official to his/her superiors for appointments, transfers and promotions within the bureaucracy. This often relates to a patron-client relationship between high officials and their staff.

The extension of a piped network throughout Nepal also required the DWSS’ presence in the districts, for which a system of DWSS line agencies was established in the districts. This corroborates with the view of the DWSS in that through a centralised system of line agencies, the development in the regions was best driven forward.

The position of the DWSS as a lead agency in the sector began to be contested from the 1980s onwards, first through the pressure set by the UN International Drinking Water Supply and Sanitation Decade (1980-89), which forced the DWSS to widen its focus on the rural areas, and by opening the sector to new actors. After this, the pressure on its identity as the lead agency for water supply and sanitation was further contested by the neo-liberal lexicon, which talked about dismantling the developmental state, and that increasingly made its way into the development vocabulary, becoming the dominant paradigm during the 1990s (Sharma 2000, 128 quoting Cameron 1995). This new conventional wisdom was operationalised in the sector through calling for the DWSS to limit itself to policy formulation, regulation and monitoring, with a private sector participation taking care of the rest. Additionally, the DWSS was also supposed to regard its role in the sector as a facilitator, instead of that of an implementer (Sharma 2000, 129).

104 Similar observation was expressed in an interview with a consultant in the WSS sector on Aug. 18, 2010.

105 Ibid. and interview with a NGO director on Jun. 20, 2009.
4.3.2 Contestation by Setting Focus on Rural Areas

Since the early 1970s, there had been, broadly speaking, two programmes for providing drinking water services within Nepal. One was the DWSS, with the mandate to provide drinking water supply to communities of more than 1,500 population. The other was UNICEF, and later also Helvetas (a Swiss NGO), supported Community Water Supply (first CWS, later changed to CWSS) programme implemented by the Ministry of Panchayat and Local Development, which was responsible for community-based water supply systems for those with less than 1,500 population. From the 1980s on, facilitated by the International Drinking Water Supply and Sanitation Decade, the emphasis on servicing the rural areas through community-based approaches grew. The Community Water Supply approach, emphasising the importance of decentralisation, and community participation, in the rural water supply and sanitation, challenged the DWSS’ engineering-based approach, with a top-down delivery modality. The support of the aid agencies in the community-based approaches, brought financial resources, and different expertise along, including the possibilities to expand the staffing of agencies, thus, raising other agencies as powerful contesters to the DWSS.

The UN decade on water supply and sanitation also emphasised the inclusion of the sanitation sector in the realm of water supply. By the 1990s, all major drinking water projects were supposed to have a sanitation component (at least officially) (WaterAid Nepal 2010a, 18), highlighting the donor origin of integrating sanitation into water supply. Sanitation was not part of the DWSS’ thinking of water supply, because of the focus on the softside issues of hygiene, and awareness raising, instead of engineering skills demanding development of a piped water supply network. The donors have been in the driver’s seat in setting more focus on sanitation, through introducing new approaches to sanitation, and bringing in ‘international best practice’. Particularly active in this field has been UNICEF. Examples of these practices are school-led sanitation, child-to-child sanitation, child-to-home outreach approaches, community-led total sanitation, and the ODF areas (WaterAid Nepal 2006b; Steering Committee for National Sanitation Action 2009).

4.3.2.1 CWSS and Dolidar

While the DWSS was focusing on the urban areas and district headquarters, the CWSS and the MPLD were made responsible for providing a water supply to rural areas not covered by the DWSS. In the 1970s, particularly UNICEF, together with some other international donors, had paid attention to the fact that a large section of the population was without access to piped drinking water supplies close to their homes, and that health conditions in the country were abysmal. Because of the incidence of high child mortality, UNICEF and other donors became involved in drinking water initiatives by supporting the CWSS (Dixit 2000, 208). Furthermore, they demanded that the DWSS move towards a community-based approach. In the mid-1980s, the CWSS was set administratively under the DWSS, making it an agency operating in the rural areas as well.
The approach of the CWSS was quite different from that of the DWSS, emphasising local efforts in the construction and maintenance of the schemes. In rural hilly and mountainous regions, the provision of drinking water generally focuses on the use of springs and small sized gravity water supply schemes, and the preference is for one scheme that serves clusters of villages from a central reservoir. Subsequently, smaller schemes, in conformity with size and capacity of the community to operate and maintain, began to be built. In the Tarai lowlands the focus is on the use of groundwater (Sharma, Dixit 1998, 1-2). The Department for Local Infrastructure Development and Agricultural Roads (Dolidar), which was established in 1997 under the Ministry for Local Development (MLD), the successor of the MPLD (after the failure of the Panchayat system), has continued to focus on the rural areas, and implement projects in coordination with local communities and local bodies, challenging the hydrocratic approach by the DWSS.

Since then, there has been a rivalry between Dolidar and the DWSS, both of which deal with the rural water supply and sanitation administratively and operationally. The DWSS operated under the renamed Ministry of Physical Planning and Works (MPPW)\textsuperscript{106}. The MPPW is officially responsible for the policy formulation in the water supply and sanitation in close cooperation with the National Planning Commission (NPC) and the Ministry of Finance (MoF), which allocates the budget, whereas the MLD is in first place responsible for the works and administration at the local level (local governance). As shown later in this thesis, there is no clear demarcation regarding the responsibilities of these two departments. The latest policy, regulating the sector, the Rural Water Supply and Sanitation Policy from 2004, outlines that the DWSS is responsible for projects, with over 1000 beneficiaries, whereas the Dolidar is responsible for those with under 1000 beneficiaries. However, in practice, this demarcation is not functioning, and both agencies are managing smaller and larger projects (discussed in detail in Chapter Seven).

The duplication of functions between the DWSS and Dolidar and the restructuring of the urban water supply and sanitation sector\textsuperscript{107} has led to a situation of institutional fuzziness in the sector. The two departments are both yearning to be the sectoral leaders, unwilling to look for solutions on the issues of overlapping jurisdictions, because of their fear for a requirement to compromise, and through this, loosing power and position in the sector. They follow ‘path dependency’, where they again use those identities that once proved to be successful, and that are established in meeting new challenges. The

\textsuperscript{106} In 2012, the Ministry of Urban Development became responsible for water supply and sanitation and the DWSS was moved under it (from the MPPW). This decision set the department officially responsible for rural water supply and sanitation under a ministry, which is responsible for urban development only. According to an international aid worker based in Nepal, behind this decision was the interest of the Maoist leader, Baburam Bhattarai, to have urban development, including water supply and sanitation, under a ministry for urban development, which is his specialisation as an urban planner. The ministry is unsurprisingly led by Bhattarai, who at the same time acts as Prime Minister of Nepal (Personal communication with a group of professionals in the Nepalese water supply and sanitation sector on Aug. 20, 2012 in a workshop on sanitation in Tampere, Finland.

\textsuperscript{107} In this overview on water supply and sanitation governance I have not discussed all actors in the urban water supply and sanitation sector, as these are not necessary for the arguments of my thesis. Just to depict the fuzziness in the sector some further actors are still named: Water Supply Tariff Fixation Commission, Water Nepal Supply Corporation, Kathmandu Valley Water Supply Management Board, Kathmandu Upatyaka Khanepani Limited, Department of Urban Development and Building Construction and Town Development Fund. All these still have their own projects in the sector funded by various donors.
competition leads to a situation where they marginalise the other actors in the political processes, who may have an interest in alternative institutional arrangements. Thus, they not only perform a certain function, but they also serve certain interests (Sehring 2009, 64-5 quoting Streeck, Thelen 2005).

4.3.2.2 Donors and Their Agencies

The donor involvement not only contested role of the DWSS through the emphasis on rural areas and community-based approaches, but also through the setting up of competing agencies to administer development projects. The first of these was the World Bank funded First Water Supply and Sewerage Project, which started in 1974, and demanded that an executive agency for the project is set up. In response, His Majesty’s Government created a Water Supply and Sewerage Board (WSSB) in 1973, which has presented as an institutional by-pass around the existing bureaucratic mechanism with the objective of disbursing large sums of money (HMGN 1987). The WSSB has been renamed to Nepal Water Supply and Sewerage Corporation (NWSC) in 1989 to correspond the new focus on privatisation of water resources management. The NWSC has been responsible for water supply, sewerage and drainage services in five main municipalities within the Kathmandu Valley and in 23 urban areas outside the Valley. According to WaterAid Nepal (2006a, 5), it has not been able to deliver efficient services on a sustainable basis, even though it has been supported by a number of development agencies for almost three decades.

Similar structures have been set up in the urban water supply and sanitation sector, particularly after it was realised considered that the NWSC is not able to effectively manage the existing water supply and wastewater systems. Subsequently, donors of Nepal have initiated urban institutional reforms, and introduced private sector participation modality, for managing and improving the water supply and wastewater services in Kathmandu Valley. These institutions are contesting the DWSS on the urban water supply and sanitation front. Because of their increasing responsibilities in the sector, the DWSS seems to have become insecure about its role as lead agency in the water supply and sanitation. This particularly affects its unwillingness to move away from being an implementer in the rural water supply and sanitation sector, as it might then confront demands to cut responsibilities on both urban and rural spheres of water supply and sanitation.

Furthermore, the DWSS was contested by the Water Supply and Sanitation Fund Development Board (the Fund Board) that was established in the mid-1990s by the World Bank, as a semi-autonomous body, to administer a rural water supply and sanitation project funded by it, also bypassing the governmental system. The World Bank did not want to work within the governmental framework, and opted for the design of a project

108 Since 2006, the water supply in the Kathmandu Valley has been operated by the Kathmandu Upatyaka Khanepani Limited (KUKL), under the Kathmandu Valley Water Supply Management Board (SEIU 2010c, 9). This was established as an autonomous and independent entity under Water Supply Management Board Act (2006) and is the owner of all water supply and sewerage facilities of the Kathmandu Valley and responsible for developing and overseeing service policies (SEIU 2010c, 9).
that was able to overcome the integration to the government system. The implementation modality of the Fund Board goes through the NGOs: the Fund Board organises a bid for the NGOs centrally, and then contracts the selected NGOs to carry out the World Bank designed water supply and sanitation schemes in their regions. Thus, with this arrangement, the World Bank was able to bypass the government, both at the central and local levels (the case of the Fund Board is discussed in detail in Chapter Six, cf. Buddeke 2010).

4.3.2.3 Local Bodies

The global thinking in the 1990s emphasised the need for decentralisation – an issue that in Nepal has been pushed forward by donors. This push has posed a challenge to the DWSS, because in the name of decentralisation, it has been required to withdraw from local level implementation, and scale down its presence in the districts. The donor view on organising rural water supply and sanitation is to give more power to the elected local bodies, the District Development Committees, Village Development Committees and Municipalities. The Local Self-Governance Act (LSGA), enacted in 1999, provided these institutions with increased jurisdictions on planning, programming, and management of water supply and sanitation. However, both ministries dealing with rural water supply and sanitation, that is the MPPW(DWSS) and the MLD(Dolidar), had interests to have their own line agencies in the districts. District Technical Offices (DTOs, previously District Infrastructure Development Offices, DIDOs, renamed as DTOs in 2003), under the Ministry of Local Development (MLD), were established in 2001 in all districts, and were planned to be subsumed under the DDCs. However, this did not take place, but they became independent technical offices in the districts, administered by Dolidar, making DTOs in effect hierarchically higher than the DDCs (ARD Inc. 2003f, 8). For me, this is a sign of MLD’s and Dolidar’s attempt to abide with their power at the district level, and as a consequence of the competition between Dolidar and DWSS over budget allocations and presence in the regions.

At the local level, the DWSS was faced with the demand to withdraw from the rural areas, meaning to abolish the Water Supply and Sanitation District Offices (WSSDOs), an issue which did not match with the interest of the DWSS. As presented by Molle et al. (2009), water bureaucracies, like all bureaucracies, have adopted several strategies to secure their interests, or reinvent themselves when faced with host challenges.109 DWSS’ strategy against this demand was to restructure its governance at the local level. Hence, it renamed some its local level offices, having after this two types of local offices: the WSSDOs (district offices) and Water Supply and Sanitation Subdivision Offices (WSSSDOs). Through this reorganisation process, the DWSS remained present in all 75 districts of Nepal, thus, de facto changing nothing in its organisational set-up at the local level. Because of the competition between Dolidar and the DWSS, there is a double set-up

109 See also Mollinga, Bolding 2004; Gottlieb 1988 and McCool 1994 for case studies on various strategies that hydrocracies have adopted for maintaining their command-and-control and construction oriented style.
of offices dealing with water supply and sanitation in the districts, meaning obvious inefficiency in the use of financial resources and manpower.

The contest to the DWSS is further strengthened by the donors’ tendency to implement the water supply and sanitation projects through the local bodies, or NGOs, as explained earlier in the case of the Fund Board. The Finnish support of water supply and sanitation focuses on strengthening local government capacity, for the implementation of the rural water supply and sanitation schemes\(^{110}\) (WaterAid Nepal 2006a, 5-6), exactly the same as UNICEF, which emphasises sanitation in its work, and supports government in policy formulation in the sector. The only aid agency that is administratively under the DWSS is the ADB. It implements two water and sanitation projects: one in small towns\(^{111}\) and the second in rural areas, called the Community Based Water Supply and Sanitation Project (CBWSSP, stopped in 2010). The ADB has a similar implementation modality to the Fund Board; however, it relies on local bodies in the selection of the sites to be funded (WaterAid Nepal 2006a, 5).

\(4.3.2.4\) Water Users’ Groups

In addition to the demand to decentralise the management of water supply and sanitation to the district level, the donors have also demanded for an increased role for water users’ groups\(^{112}\) in the management of water supply and sanitation. These groups are responsible for providing water supply and sanitation services and have the lead role in construction and implementation of the projects. Furthermore, the users’ groups are supposed to ensure that local communities have access to water supply and sanitation schemes, and to bring issues, problems and social disputes to service providers, as well as making the community’s voice heard, which challenges the expert knowledge of the DWSS, in knowing what are the best solutions for the communities. It rather corresponds to the community-oriented expertise of Dolidar than the technical skills provided by the DWSS. However, the field reality shows that donors and governmental agencies, and international, national and local NGOs, are the primary designers and implementers of water supply and sanitation for the districts.

\(^{110}\) It currently implements two projects: Rural Water Supply and Sanitation Programme – Western Nepal concentrates on nine districts in Western and Mid Western Nepal and emphasises sanitation in its approach. Rural Villages Water Resources Management Programme II covers four zones of Far Western Nepal and concentrates on the multi-purpose use of water resources, including water supply and sanitation (SEIU 2010c, 10).

\(^{111}\) Under this programme, the plan is to provide water and sanitation facilities in 50 urban communities in a phase-wide manner. However, the progress has been substantially delayed. The ADB also supports an Urban and Environment Improvement Project, which aims to facilitate sustainable urban development in about 6-10 selected urban growth nodes of Kathmandu, by addressing critical environment improvement needs through institutional strengthening and capacity building at the town and community levels (WaterAid Nepal 2006a, 5).

\(^{112}\) Also known as consumer groups or users' committees. In Nepal Water Users’ and Sanitation Committees (WUSCs), consisting of 9 users (at least three females), are established during construction and become responsible for O&M after completion of the scheme. This responsibility also includes organising, managing and increasing the O&M fund for payment of the village maintenance worker, and regular repair and maintenance. The formation and operation of Drinking Water User Associations is regulated in the Water Resources Act 1992.
sanitation programmes, with water users’ groups and community members playing an active role. The role of local bodies in coordinating, implementing, and monitoring activities, is still weak in many districts, which is partially a result of the continued absence of elected officials at the local level (Domenach Pretus et al. 2008, 5-6; WaterAid Nepal 2010b, 8).

The unwillingness of the national level players to give up their power at the local level, and allow decentralisation to fully take place, by ‘building up the capacity’ of the local level actors, has hindered them to take up the responsibilities allocated to them. Therefore, in practice, most of the users’ groups are incapable of bringing issues to the attention of service providers. They are normally not knowledgeable about the schemes and budgets allocated to their VDC, and are not given an opportunity to plan, monitor and decide on their development needs. Seeing this problem, the Nepal Water for Health (NEWAH – an NGO) and WaterAid Nepal started a campaign in 2001, for establishing an umbrella-organisation of drinking water and sanitation users' groups in Nepal, with the aim of empowering them through being a member of a federation. The Federation of Drinking Water and Sanitation Users Nepal (FEDWASUN) was established in 2003. It additionally advocates for sustainable policies and programmes in the water supply and sanitation sector and promotes practices of good governance in the sector (WaterAid Nepal 2008). However, the capacity of FEDWASUN is still limited113, and among donors and governmental agencies, it is not yet viewed as an important player114. Like many other NGOs in Nepal, it currently leans on one charismatic leader who leads the organisation, and it is party-affiliated (UML). Because loyalty toward the party supersedes the importance of the common cause – the use of water and sanitation – there are actually several water supply and sanitation federations in Nepal115. However, only FEDWASUN is large enough to have a voice at the national level. The dynamics between the national and local level actors highlight the political side of water governance in Nepal, and depict the struggle that takes place over power, resources and the position between the DWSS, Dolidar and donors, as well as the institutions set up at the local level.

These institutions are depicted in the figure 4.2 below, showing the situation as of 2006. The organigramme of the whole water sector can be found in the annex 1. It depicts the institutional setting in 2004, when the Rural Water Supply and Sanitation Policy, Strategy and Action Plan were formulated.

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113 During my fieldwork, I tried to track down one document (a budget analysis) written by FEDWASUN, which is cited in a WaterAid Nepal's document. At FEDWASUN's office, I was told to ask for the document from WaterAid Nepal directly, as I was informed that it had actually been written by WaterAid Nepal, and not by FEDWASUN. In the end, the document was not available at WaterAid Nepal's office either.

114 FEDWASUN was, for example, not included in the official talks in the process of formulating the Rural Water Supply and Sanitation Policy, Strategy and Action Plan.

115 Interview with a consultant in the WSS sector on Jul. 23, 2009.
4.3.2.5 NGOs

Centralised water bureaucracies have also been challenged by civil society. The number of NGOs in Nepal has expanded dramatically since 1990, when liberalisation opened doors for other actors outside of the government and large donors, to participate in the sector development. Since then, different (I)NGOs and externally funded national NGOs implement and/or facilitate small scale water supply and sanitation schemes, and since the early 2000s, more and more (I)NGOs have entered the field of lobbying, advocating, formulation, review and updating process, for various general and sectoral policies (SEIU 2010c, 10), and by this, influenced the change in the focus in the sector towards a community-based approach. The two largest and most vocal NGOs are WaterAid Nepal and Nepal Water for Health (NEWAH), established by WaterAid Nepal. They are both linked with many other NGOs, such as FEDWASUN, NGO Forum for Urban Sanitation and Lumanti.

Since the 1990s, the aid agencies have argued for a wider participation in development efforts, including civil society and the private sector in the planning and implementation of development projects. These actors have entered the field as partners of the aid agencies. Because of this, they compete over the donor funding with the DWSS and other governmental agencies, and pose a threat to the already – by DWSS perceived –
diminishing role in the water supply and sanitation sector. The NGOs in Nepal are strongly affiliated with the donors that fund them, which becomes visible through the inspection of how their networks are organised. Some of these networks are close bodies, and are only for NGOs funded by a particular donor. One interviewee explained to me that this makes participation in the networks partly political and increases competition between them. The dependency on the funding institution also makes it more difficult for new members to enter\textsuperscript{116}. However, common to all of these networks is that they originate from an international NGO network, or a partnership initiative. Thus, the NGO organisation in Nepal is taking place because of external influence that involves Nepalese NGOs in the global and regional networks. Thus, even though there are several, also larger, NGO networks in Nepal, these do not coordinate the sectoral issues within all Nepalese NGOs, but rather network at the international level.

The most significant of the networks is the Nepal WASH Group, which is part of the UN-funded Water Supply and Sanitation Collaborative Council (WSSCC). The Council is a global multi-stakeholder partnership organisation that works to improve the lives of poor people, by enhancing collaboration among sector agencies and professionals around sanitation and water supply. It has National Coordinators and National Coalitions in 36 countries, Nepal being one of them. The National Coordinator in Nepal is the director of NEWAH, who acts as the focal point for country-level activities, and is the convenor of the Nepalese national coalition, named as Nepal WASH Group. The Council has a Global Sanitation Fund (GSF) to support national efforts to attain sustainable access to basic sanitation, and to adopt good hygiene practices. Nepal received funds from the Fund in 2010.\textsuperscript{117} Nepal WASH Group’s membership is wide, consisting of donors, NGOs, and government departments, such as the DWSS. The other open networks are the WaterAid funded and with it linked 'End Water Poverty' (EWP) Campaign and the 'Freshwater Action Network' (FAN). The most recent initiative is the 'Sanitation and Water for All Alliance in Nepal' (SWAAN), which links itself with the high level meetings on 'Sanitation and Water for All'. There seems to be cooperation among the main networks, visible in the SACOSAN civil society movement, because of their common goals for highlighting the role of sanitation and hygiene in the sector, advocating for a right to water supply and sanitation, and for larger budget allocations for the sector, particularly for sanitation. However, not all NGOs are members in a network.\textsuperscript{118}

\textsuperscript{116} Interview with a NGO Director on Sep. 9, 2010. Due to the difficulty to enter these networks, some smaller networks have been established in Nepal, such as Nepal Node for Sustainable Sanitation (NNSS) – cooperation between the NGO Environment and Public Health Organisation (ENPHO) and its Swedish funding agency the Stockholm Environmental Institute (SEI). The purpose of the NNSS is to promote knowledge sharing. Interview with a representative of ENPHO on Aug. 19, 2010.


\textsuperscript{118} Interview with a NGO director on Sep. 9, 2010.
4.3.2.6 Supra-National Layers of Governance

The last threat to centralised hydrocracy is presented to come from the supra-national layers of governance, also known as metagovernance (Molle et al. 2009, 341; Bell, Park 2006; Scharpf 1994; Jessop 1997; Whitehead 2003). In the context of Nepal, I refer with this to the various attempts to establish new forms of governance above the national level, mostly in the form of networks, alliances and committees. All of these attempts derive from a donor-initiative, either as a response to a required policy conditionality, or to recent efforts to establish a national programme in the water supply and sanitation sector, in the aid jargon, better known as sector-wide approach (see Chapter Six for an analysis of the set-up of a national programme). These attempts have aimed to move the sectoral decision making to a number of actors, singling out governmental agencies as the only decision-makers. One motive for the donors, in the context of Nepal, to push for metagovernance, can be the institutional fuzziness at the national level, and the competition between the DWSS and Dolidar on sectoral leadership. The concept of metagovernance can be linked with donor demands on building up partnerships, among the governmental agencies, civil society and donor representatives, in which policy decisions are discussed and decided.

In Nepal, in addition to the networks and alliances built by donors and their partners, within the government system, is that there are several intra-governmental committees, some including members from donor and civil society communities, that have been created to provide guidance to governmental decision making. The National Water Supply and Sanitation Coordinating Committee (WSSCC) was designed to consist of various government agencies dealing with water supply and sanitation. It was also designed to have a corresponding structure at the DDC level (D-WSSCC). However, an interviewee mentioned that the central level committee has never been functioning and the committees at district level exist, but many of them are not active. As a sign of this problem, several aid agencies have tried to revitalise the district level committees, such as the UNICEF funded Decentralised Action for Children and Women (DACAW), which has funded the committees in 22 districts, and the Finnish funded rural water supply and sanitation project in Western Nepal, which plans to establish a WASH unit under the DDC. Even though the Finns have had good intentions to organise coordination at a district level, it has, in the end, led to confusion. Sanitation related issues are dealt with in the Steering Committee for National Sanitation Action, chaired by the director general of the DWSS. It

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119 Molle at al. (2009, 341) give EU’s Water Framework Directive as an example of this level of governance.
120 Interview with a consultant in the WSS sector on Sep. 3, 2010.
121 Interview with a NGO director on Sep. 1, 2010.
122 In addition to the WASH Unit, the project plans to reform water administration at district level by introducing a WASH Plan as well as a WASH Fund at district level, and to reorganise the coordination mechanism at district level. This includes renaming the committee as D-WASH-CC (District WASH Coordinating Committee) and changing its composition (District Coordination workshop organised by RWSSP-WN on Aug.27, 2010).
123 In a district level workshop, some officials explained that there is a conflict at district level, because not all districts want to change the name, and therefore split the committee. The aim of the RWSSP-WN was to discontinue WSSDO’s role as the member secretary in the D-WASH-CC. As not all of the districts agreed with this, it has led to a situation, in which there are two committees in one district. (District Coordination Meeting organised by Rural Water Supply and Sanitation Programme – Western Nepal on Aug. 28, 2010. See also RWSSP-WN 2009, 40.)
was formed in 2000 to coordinate concerned stakeholders. The sectoral issues are discussed in the Sector Stakeholder Group (SSG), which is chaired by the MPPW. Of these two coordinating organisations, the Steering Committee meets regularly, whereas the SSG has been less active.

4.3.3 Conclusions

In this section, I have shown that the governance of water supply and sanitation has been characterised to a large extent by the role of the DWSS and its hydrocratic view of sector development. This has aggravated decentralisation of service delivery and has caused competition between the different actors in the sector, because of their differing views on how sector development should proceed. The path dependence of the DWSS has, therefore, been contested by various sides, particularly by the donor advocated focus on rural areas, including a decentralised administration of service delivery. This has brought new actors, to challenge the leadership of the DWSS, and has led to a rivalry with Dolidar. Furthermore, a new form of governance called metagovernance has emerged to coordinate the actors in the sector, who as a group, can exercise pressure on the DWSS’ advocated path of construction and centralised administration.

As shown here, the DWSS has been unwilling to compromise on its construction oriented view of water supply and sanitation, and has resisted demands to change, by manoeuvring out of the changes initiated by its partners in development – the aid agencies, thus following its path dependency. The strategy it has applied to fight back is called “diverting, neutralising and reconfiguring institutional reform efforts” (Molle et al. 2009, 343). Here, reform programmes have been implemented, as part of loan (grant) packages, as provided by aid agencies, with substantive elements of such reforms often strongly shaped by multilateral funding agencies, with more or less the support of sections of national government depending on the case. In Nepal, as will be elaborated in the coming chapters; this has indeed been the case. The governmental agencies involved in the reforms, and benefitting from the related development projects have normally agreed with the reforms conditioned in the aid packages. However, there has been a tendency to try to neutralise those effects that go against the interests of a particular government agency, such as the DWSS. As has been presented in the previous chapter, another reason for resisting changes, and contesting organisational reforms, is bureaucratic rent-seeking. The fate of the ministries depends on state budget allocations and donor funding. To get money from the state, or from a donor, the ministry needs functions and competencies. All ministries want money, hence, they want more responsibilities, or at least not to lose any of those that they already possess (Sehring 2009, 71).

Furthermore, I have argued that the governance problems at the national level derive from institutional fuzziness, which affects the institutions’ capacity to manage the sector, and has led to duplication in their work. These affect their ability to plan, coordinate, fund and monitor the activities in the sector, leading to a weak service delivery and problems of functionality. Furthermore, the similar fuzziness also characterises the governance structures at a district level, because of the inability by the actors at the national level to
agree upon their jurisdictions. The agencies at national level have also failed to give a larger role for local governments in service delivery and support them in this task. Instead, the sector is marked by constant power struggles between the various institutions at all administrative levels.

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<tr>
<th>Function</th>
<th>Role &amp; Responsibilities of (agency/stakeholder)</th>
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<tr>
<td>Development of projects &amp; guidelines</td>
<td>MPPW/DWSS (with 'no objection' - letter from the NPC)</td>
</tr>
<tr>
<td>Endorsement of policy &amp; guidelines</td>
<td>Cabinet/Ministries/Concerned Agencies</td>
</tr>
</tbody>
</table>
| Planning & monitoring             | Central planning: NPC/MPPW  
Local planning: DDC/Municipality/VDC  
Policy monitoring: Ministries  
Programme monitoring: Implementing agencies at various levels                                                                 |
| Decision making                   | At national government level, sectoral budget and investment decisions are made by the MoP and the NPC. Based on the national and international commitments, long-term targets, periodic plans are developed and a sectoral plan including investment plan is prepared to fit in the periodic plan. Local government bodies make investments on the basis of participatory and inclusive planning processes. |
| Regulation                        | Ministries and Departments set and regulate national standards. FEDWASUN is responsible for independent monitoring & social auditing of water supply schemes (RWSS Policy 2004). VDCs act as the local regulator for proper operation of water supply schemes and play a role in water disputes. |
| Implementation                    | Under the LSGA 1999, central ministries have devolved the responsibility for implementation of rural water supply and sanitation schemes to local bodies at district level. At district level, larger water supply schemes (above 1000 users) are usually designed and estimated by WSSDO, and the remaining by the DTO under the DDC. The Fund Board and NGOs also implement schemes with less than 1000 users. NGOs usually employ their own staff in the district, working alongside district government staff. Others operate independently and parallel to government, applying their own standards and criteria. At local level, WUSCs commonly act as local implementer and function like a contractor during construction, including purchase of materials and organising labour. |
| Operation & Maintenance           | WUSCs are responsible for the O&M as well as keeping an O&M fund for possible repairs.                                                                                             |
| Users/Consumers                   | Responsible for proper use, sound operation, following local rules and regulations, monthly contribution to WUSC for VMW & O&M, reporting problems to WUSC/VMW, self monitoring, accountability and organising tap committees. The interests of users are represented by the WUSC. Registered WUSCs are members of district water user federation. Users also form voluntary watch and pressure groups to support the federation. |

Table 4.4: Institutional Roles and Responsibilities in the Water Supply and Sanitation Sector (modified from SEIU 2010b, 10)
4.4 Conclusions

4.4.1 Governance Debate and Water Governance

I view that the problems of governance relate to the character of the water supply and sanitation bureaucracy, which follows a hierarchical model, with strong centralisation and lack of horizontal coordination, corresponding to the state-centred governance thinking (Rose 1978). The DWSS – following its hydraulic mission-based path dependency – considers that the government should exert control over the rest of government (local bodies, etc.), and the economy and society. Therefore, it has not been able to view other forms of governance as supplementing the traditional, institutional channels of governance, but it has considered them to contest its position. According to this, the DWSS has not been able to adapt to external changes, because it failed to understand that governance, in the thinking of its ‘partners’, consists of more common, generic, and societal problems, which can be resolved by political institutions, but also by other actors (Pierre 2000, 4).

This state-centred governance has been contested by new forms of governance (Kooiman 1993; Rhodes 1997; Peters 2000; Pierre 2000; Conca 2006), which stem from the rapid ascendance of neo-liberal regimes in the 1980s and 1990s, that define the state and its modus operandi, not as the solution, but rather as a chief source of several problems in society (Pierre 2000, 1). This is illuminated in the case of the DWSS, which in the 1980s, was sharply criticised by the donors (the World Bank), and as a consequence, was suggested to adopt the role of a facilitator – corresponding the neo-liberal view for a state institution – and to phase out from the implementation of water supply and sanitation schemes. Furthermore, autonomous, or semi-autonomous agencies, were established to bypass the government system. The donors advocated instead for the decentralisation of governance. They suggested that power should be devolved to lower levels, and to new actors, of which civil society and the private sector get most visibility in Nepal. Even though, advocating for a role for new actors in governance, the society-centred view to governance does not necessarily refer to a ‘hollowing out of the state’ (Rhodes 1994). However, the state should redefine its role in society, and find ways to cooperate with the new actors, and to coordinate them, manifesting in different types of networks and partnerships (Rhodes 1997), and characterising the supra-national level of governance. The new actors see themselves as representatives of citizens, and therefore, believe that they also know what the people want, highlighted in the aid jargon, where donors make priorities, and in the language and action of the civil society. With this argumentation, they justify their participation in the governance of common resources (Peters 2000). There are attempts in Nepal for moving the governance of water supply and sanitation to the supra-national level; however, the government has not been very active to take up the coordinating role envisaged for it by the society-centred view to governance.

Conca (2006) shows how there is no single ‘governor’ of water at any level anymore. He identifies global regimes that have come to contest the state-centred governance conception. He writes (ibid., 381), “governance of water occurs at several nodes and sites
of political life, few of which reside fully within the administrative apparatus of the state.”

In detail he explains this by writing that,

“Agendas are established, legitimized, and actively changed over time. Authoritative knowledge is created and wielded to shape national policies. Management practices and objectives begin to be drawn toward convergence as standards and techniques come to be universalized and externally legitimized. Governance as the inscription of rules snakes across borders, along with the governing acts.”

Even though Conca generally speaks of transnational, or global governance, his findings correspond to the situation in Nepal. Similarly, external forces – outside of the state jurisdiction – have increasingly shaped the governance of water supply and sanitation in Nepal, both in practical work, and at the legal and policy level.

Yet, even though the state-centred path dependency of Nepalese water hydrocracy does not seem to be ‘winning’ the game against the new actors in governance, it has not been totally without means to contest the contestation. Rautanen (2007) explains how the bureaucrats, relying on a neopatrimonial governance style, within which the gains for one’s own ministry, department, party, ethnic group, caste, or other reference group, can be secured, still using the old patronage systems, for taking care of those newer institutions, such as donors, and new forms of governance, such as water users’ groups, and are harnessed for clientelistic purposes. However, as shown in this chapter, this does not mean that formal changes would not have any meaning in Nepal. Rather, the water bureaucracies have been able to find strategies to contest the meant change. This finding will become clearer in Chapter Seven, which discusses the intended changes in the rural water supply and sanitation sector through the formulation of a new policy framework.

4.4.2 Institutional Fuzziness and Polycentric Governance

In this chapter, I have argued that the institutional fuzziness of the rural water supply and sanitation sector has stood in the way of governing water supply and sanitation effectively. The theoretical perspective of polycentricism argues the opposite, by claiming that the duplication and overlapping jurisdictions can also be seen as a natural and healthy situation, not only as a ‘pathological phenomenon’ (Aligica, Tarko 2012, 241). The developers of the concept of polycentricity (Ostrom, Tiebout, Warren 1961; Ostrom 1972 in McGinnis 1999) have argued, that there are some prerequisites that need to be fulfilled in order for polycentric governance to be successful. These are summarised as (1) many centres of decision making; (2) ordered relationships persist in time; (3) many legitimate rules enforcers; (4) single system of rules; (5) centres of power at different organisational levels; (6) spontaneous order resulting from free entry and exit; and (7) the alignment between rules and incentives (Aligica, Tarko 2012, 253). Because of this, there should be one, or several institutions (some of them governmental), that work in an accountable manner and within an accepted set of rules.

I claim that this is not the situation in Nepal: the various centres of decision making are all following an ‘own rules’, or twisting the rules for their benefit, without an agency able
to act as an enforcer. I consider that the situation in the rural water supply and sanitation sector — having a large number of actors from the government, aid and civil society, competing with each other over power and resources — requires one leader to coordinate them, and to provide rules, and mediate in the conflict situations. Here, I find the arguments of the opponents of the polycentric school of thought more appealing. They highlight the role of state in coordination, provision of information, adjudication, and resourcing of governance arrangements (Bell, Quiggin 2008; Bell, Hindmoore 2009). Thus, I argue, that the sector is better characterised as being beset with fuzzy institutional structures, with a duplication of functions and an overlapping of jurisdictions. The concept of polycentricity was developed and tested in the first place to explain the governance of urban public goods, including aspect of maintenance of competition in a market economy, and later has been applied to explain governance of complex natural resources (river basins, forestry), normally involving all levels of governance (see e.g. Andersson, Ostrom 2008; Molle el al. 2007; Bruns 2003; however, it has also been used to analyse the Namibian rural water supply sector by Falk et al. 2009).
5. The Framing Force of Aid

The Global Shaping of Nepal’s Water Supply and Sanitation Policy Narratives

5.1 Introduction

Policy ideas do not emerge in void (Grindle, Thomas 1991). The Nepalese national periodic plans (Five-Year Plans) and water supply and sanitation policies are shaped by the concepts and strategies of global policy trends introduced in Nepal by the aid agencies. The aid agencies have initiated, and formulated, new policies to correspond with policy change at global level, and their priorities are derived from these narratives. Thus, in this chapter, I link policy evolution in Nepal, with international policy trends in water supply and sanitation, and show that donors have dominated policy formulation in Nepal.

The chapter focuses on the following questions: What is the policy origin of Nepal's water supply and sanitation policy, and in what way has it changed since policy planning started in the 1950s? What are the factors and forces that initiated policy change, and subsequently, advocated for its adaptation? Who are the policy change-makers in Nepal? What has been the role of the aid agencies and water bureaucracy in policy making in the Nepalese water supply and sanitation sector? My aim is not to analyse the policy narratives, and their usefulness, success, or failure in Nepal, but to focus on how they were introduced and by whom. Theoretically, I aim to identify dominant policy narratives (here called approaches), in the Nepalese water supply and sanitation policies (Roe 1994). These are simple, causal, and explanatory beliefs, presented as blueprints, that are aimed to be legitimised in the recipient countries, underpinned by nirvana concepts, that embody an ideal image of what the world should tend to do (Molle 2008). My analysis starts with the identification of global narratives in the Nepalese water supply and sanitation sector, searches for their critique or counter narratives, and shows in the conclusions, how the narratives have formed a metanarrative.

The main findings of this chapter are:

- Policy making and priority settings in Nepalese development plans, as well as in the water supply and sanitation sector since the 1950s, and how is influenced by global policy trends and donors’ policy principles.
- A policy change in Nepal takes place on the initiation of a donor and as a consequence of changes in global level thinking, such as global level academic criticism, or a global level conference, normally organised by donors. After this, the donors initiate policy formulation in Nepal, often linking this with the planning of a new development project. This, however, has not taken place without resistance from the DWSS, when the policies have gone against its interests.
- There are three approaches to water supply and sanitation that can be identified. These have existed sequentially, or parallel, and some have characterised the sector
development more than others. The approaches are (1) the state-led approach, (2) the community-based approach, and (3) the composite approach.

- The main characteristics of the approaches are: the state-led approach emphasises state leadership, and planning in all development efforts, culminated in the periodic development plans, and centralised administration; the community-based approach contests the state-led approach and places the responsibility for the development activities at the local level with the users; whereas the composite approach is a mixture of community-based approaches supplemented with new priorities of environmental protection, water as an economic good, good governance and capacity building.
- The state-led approach to sector development is the dominant narrative in practical terms – advocated by the DWSS – whereas as the composite approach is the official dominant narrative at policy level – mainly advocated by the donors.

This chapter has four sections. After this introductory section, section two outlines how global policy narratives have influenced priority setting in the Nepalese periodic plans generally, and in the water and sanitation sector in particular, comparing the way policy problems and their strategies have been defined globally, and in Nepal’s periodic development plans. Section three focuses on analysing how policy change in the water supply and sanitation sector has been influenced by international aid donors. Section four provides an analysis on the dominant narratives in the Nepalese water supply and sanitation sector and presents the conclusions of the chapter.

5.2 Influence of Global Policies in Nepalese Periodic Plans

In this section, I argue that global policy narratives, on how world development should proceed, have guided general development policy in Nepal. I examine their influence, by comparing them with Nepalese periodic development plans, and in section 6.3, I widen my analysis to assess how these approaches have been embraced in Nepalese policy making in the water supply and sanitation sector. There are plenty of similarities in how the text has been formulated and which issues have been prioritised. Due to the similarities in prioritisation, and the sequential introduction of new themes, I conclude that there is strong evidence for an influence by the international aid agencies in national level policy making in Nepal.
5.2.1 State-Led Water Supply: State in Charge of Planning and Implementation

The state-led approach to aid was coined by two international plans: the Point Four Programme\textsuperscript{125} (1951) (Boås, McNeill 2003, 51; Nustad 2003, 15; Sharma 2001, 86), and the South Asian equivalent, the Colombo Plan\textsuperscript{126}, which Nepal joined in 1952. These plans emphasised infrastructural development through technical assistance to accelerate economic growth\textsuperscript{127}, along the modernisation thinking that viewed that all countries will proceed from traditional to modern through different stages (Rostow 1960)\textsuperscript{128}. The plans also supported state leadership in the form of governments' plans and policies into programmes of action (Turner, Hulme 1997, 12, 139-40). This thinking was made globally prominent by US President Harry Truman, who, in his inaugural address of January 20, 1949, said:

“We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. (…) With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial activity in other nations and can raise substantially their standards of living”\textsuperscript{129}.

It was believed that 'infant industries' needed to be protected from external competition in the early stages, and these doctrines were amply illustrated in the protectionist five-year plans of the developing countries\textsuperscript{130} (Kanbur 2003, 4). These became also the backbone of Nepal’s centralised planning after 1951, when the country opened up for foreign aid. According to the state-led approach, the state bureaucracy was made responsible for the delivery of water to people. In the first decades of centrally planned water supply, the focus was put on the urban areas. The First Five-Year Plan (1956-61) and the Second Plan (1962-1965)\textsuperscript{131} focused on the same areas outlined in the Point Four Programme,

\textsuperscript{125} The Point Four Programme served as a framework for American aid, which started in Nepal in 1951. Nepal's interest for cooperation with the USA was economic and USA's interest for cooperation with Nepal was strategic (Khadka 1997, 110-30).
\textsuperscript{126} More on the Colombo Plan see the Colombo Plan Secretariat’s website: http://www.colombo-plan.org. Even though it is called a plan, the Colombo Plan is an organisation with the intention of helping its member countries in the priority areas of its work.
\textsuperscript{127} This was supposed to follow the Keynesian paradigm of active interventionist economic policy (Boås, McNeill 2003, 55-6).
\textsuperscript{128} This thinking was theorised by Walt W. Rostow (1960) in his book The Stages of Economic Growth. He claims that all nations will go through same stages in their development, starting from the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption.
\textsuperscript{129} Public Papers of the Presidents. President Truman January 20, 1949, Inaugural Address. Cited in Rist 2008, 71.
\textsuperscript{130} Kanbur (2003, 4) presents India as an example, and explains that throughout the 1950s and 1960s western aid was helping to finance these plans, with the objective of keeping India out of the clutches of communism, based on the argument that economic development would keep developing countries in the western camp, and the further argument, that aid for centrally guided capital accumulation would help economic development.
\textsuperscript{131} The Second Plan was devoted to reviewing the progress so far. It was a preparatory plan to create the basic preconditions for a comprehensive countrywide plan, and therefore, it was not made to cover full five years (Pant 1966, 627).
emphasising infrastructure development through transport and communications, as well as increasing production and employment, and establishing rules and institutions for development (National Planning Board 1959; National Planning Council 1962). In the water sector, the priority was on irrigation. Most investments in the drinking water supply continued to go to urban centres. In addition to being a national development plan, the First Plan also served as an application by the Nepalese government to international donors to attain funds for the development of the country (Stiller and Yadav 1979).

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<tr>
<td>Objectives</td>
<td>Provide economic assistance to promote growth, development and employment; creation of democratic institutions.</td>
<td>Promote economic and social development as well as sharing and transfer of technology through technical assistance.</td>
<td>Increase production and employment; increase living standards of the people; establish rules and institutions for development.</td>
<td>Increase production; create a suitable environment for development; provide employment opportunities.</td>
<td>Increase agricultural productivity; promote institutional development; create economic infrastructure.</td>
</tr>
<tr>
<td>Priority sectors</td>
<td>n.a.</td>
<td>Infrastructure and human resource development.</td>
<td>Transport &amp; communication; agriculture &amp; irrigation; industry.</td>
<td>Transport, communication &amp; power; industry and tourism; social services.</td>
<td>Transport, communication &amp; power; agriculture &amp; rural development; industry; social services.</td>
</tr>
</tbody>
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Table 5.1: Comparison of Point-Four Programme and Colombo Plan with the 1st, 2nd and 3rd plans of Nepal (Khadka 1997; Colombo Plan Secretariat 2010; Sharma 2001, Pant 1966)

5.2.1.1 Basic Needs Approach: Tackling Poverty at Large

In the late 1960s the focus on infrastructure development and economic growth was criticised by developing countries and development theorists, who had found, that despite of impressive growth rates achieved by the developing countries, more and more people were falling into poverty, and the urban-rural inequality was growing (Chenery et al.

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132 Transportation and communication were considered essential for expanding the reach of the state and increasing economic growth (Sharma 2001, 87).
133 Sharma (2004, 48; 2001, 87-8) mentions that in the First and the Second Plan, the budget allocation for drinking water did not exceed even one per cent of the total outlay. The plans also did not analyse the water requirements of the people, nor did they mention, how the population at large was meeting its drinking water requirements.
Hence, emphasis on redistribution, growth, basic needs, and collective self-reliance became the new policy prescriptions of international aid institutions (Khadka 1988, 556). This policy line, called the basic needs approach, was developed by the World Bank and the ILO, and followed by other donors. The approach was widened to tackle poverty more directly as opposed to the 'trickle-down' from general growth (Kanbur 2003, 5). It did not replace or challenge the state-led approach, but refocused it towards servicing rural areas and poor people, as specified by the ILO Declaration of its 1976 World Conference on Employment:

“Basic needs, as understood in this Programme of Action, include two elements. First, they include certain minimum requirements of family for private consumption, adequate food, shelter and clothing, as well as certain household equipment and furniture. Second, they include essential services provided by and for the community at large, such as safe drinking water, sanitation, public transport and health, education and cultural facilities”

International Labour Office Bulletin 1977, 84

This general change in the donor policy was not reflected in Nepal's Fourth Plan (1970-1975), by specifically mentioning the basic needs, probably because the plan was written before the official formulation of the basic needs approach, and therefore, there was a time lag in the translation of global priorities to national policy making (NPC 1970). In addition, the ultimate goal of the donors actually remained the same: to increase growth and improve the infrastructure. Sharma (2001, 88) mentions that when the plan was formulated, social services were assigned as fourth priority, but in terms of actual expenditure, it achieved third position. He believes that this might refer to a shift in priorities after the finalisation of the plan, a shift, that can have been induced by a change in the donor priorities in the early 1970s. Furthermore, Sharma opines that during this plan drinking water got a higher priority due to two reasons: First, in earlier plans it had been subsumed either under public works or under irrigation, but from this period onwards, it was included under social services, and second, a separate department called Department of Water Supply and Sewerage (DWSS) was established in 1974. I hesitate to make this kind of conclusion. I doubt that the fact that water supply and sanitation was subsumed under social services, made any difference in the approach taken to sector development because the DWSS was an organisation that had an interest to engineer water supply, particularly in the urban areas. I rather view that the increased expenditure in the sector

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134 The basic needs were defined as nutrition, housing, health, literacy, and employment (Rist 2008, 162-5).
135 See Chenery et al. 1974. However, before this publication, the concept had appeared at the annual speech of the President of the World Bank to its Governors, given in 1972, by Robert McNamara. He concluded that the governments of developing countries should give greater priority to establishing growth targets in terms of essential human needs (McNamara 1981, cited in Rist 2008, 162-3).
136 See Ghai et al. 1980.
137 Riddell (2007, 32) writes, that the United States and the United Kingdom followed these multilateral institutions and changed their policies respectively from growth to the fulfilment of 'basic human needs', and to 'More Help for the Poorest' (Ministry for Overseas Development 1975). Riddell (2007) does not expose his source on the change in the US approach, but mentions that the change took place in 1973. Kanbur (2003, 5) adds, that the UN agencies followed the basic needs based approach, led by the World Bank, making it the new orthodoxy of the development doctrine and the aid doctrine.
relates to a donors’ role in providing more funds for sector development. During the Plan, the World Bank entered the water supply and sanitation sector with two large projects.\textsuperscript{138}

The Fifth (1975-80) and the Sixth (1980-85) Plans reflected much more the new emphasis in development thinking, having the slogans of 'meeting basic needs' and 'self-reliance' as catchwords in development planning. These two plans emphasised the same issues as the ILO and the World Bank in their manifestos, by focusing on the use of labour effectively (ILO), and putting more emphasis on regional balance (the World Bank) (NPC 1975; Thieshusen 1976, 628-9, referring to Chenery et al. 1974). In the drinking water sector, the Plans rationalised investing in drinking water and sewerage as essential to good health and cleanliness (conceived as a core basic need), by making drinking water services available to more people, implementing projects through people's participation, and maximum mobilisation of local resources, skills and labour, and finally, developing sewerage systems in the urban areas (NPC 1980; 1985; Sharma 2001, 90-91).

The basic needs approach supplemented the state-led approach, by refocusing it on human needs. In Nepal, however, it did not have a long-term influence, and was not able to establish itself as a working modality in the water supply and sanitation sector. Its contribution to the sector was setting the focus on poverty. In the official Nepalese policy framework, there was a change towards the basic needs approach – all of the main government policy documents mirroring its line of argument – but practically there was little change in the government approach to water delivery. Even the World Bank, which was the prime advocate of the basic needs approach, did not change its implementation modality in Nepal. Together with the DWSS, it continued to follow the infrastructure-based, urban-focused approach, that materialised in its Water Supply and Sewerage Projects. UNICEF, together with the Ministry of Panchayat and Local Development, was the only donor that applied the basic needs approach – in the Community Water Supply (CWS) programme – and rationalised its engagement with water supply and sanitation as essential for reducing child mortality (Sharma 2001, 88). Only in 1986, the government launched a government-led Basic Needs Programme, with the aim to meet the minimum basic needs of all Nepalese by the year 2000. Ironically it was abandoned four years later, in 1990, after the restoration of democracy in Nepal (NPC/ADB 1995,13).

\textsuperscript{138} The World Bank had entered the water supply sector in 1973, with the formation of a Water Supply and Sewerage Board. After this, it started to fund the First Water Supply and Sewerage Project in April 1974, with the aim of improving Kathmandu's and Pokhara's drinking water and wastewater services under the DWSS. The Second Water Supply and Sewerage Project was already conceived by the World Bank in 1973, since the work volume of the First Project was insufficient to meet its objectives. The Third Project ran from 1980 to 1988, and it was a continuation of the traditions of the First and Second Projects, despite their obvious shortcomings, as presented by the Pokharel Commission (HMGN1987). The Commission had been formed to review the World Bank's involvement in the water supply and sanitation sector of Nepal.
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<tr>
<td><strong>Objectives</strong></td>
<td>Increase productivity of the poorest; redistribution of income; increase employment possibilities; meet the basic needs of people.</td>
<td>Economic growth with better income distribution; create employment opportunities for all; meet the basic needs of people.</td>
<td>Increase production; create physical infrastructures; promote, expand and diversify international trade.</td>
<td>Increase production useful for people; maximum use of labour power; regional balance and unification.</td>
<td>Increase the rate of production; provide opportunities for gainful employment; fulfill minimum basic needs.</td>
</tr>
<tr>
<td><strong>Priority sectors</strong></td>
<td>Social services: nutrition, housing, health, literacy, employment.</td>
<td>Social services: food, shelter, clothing; drinking water, sanitation, public transport, health, education, culture.</td>
<td>Transportation, communica-tion &amp; power; agriculture &amp; irrigation; power, commerce &amp; industry.</td>
<td>Agriculture &amp; irrigation; transportation &amp; communica-tion; industry, commerce &amp; power.</td>
<td>Agriculture &amp; irrigation; industry, commerce &amp; power; social services.</td>
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*Table 5.2: Comparison of the World Bank and ILO approaches to Basic Needs with the 4th and the 5th plans of Nepal*
5.2.2 Community-Based Approach: Push for Participation and Decentralisation

Since the early 1980s, there were complaints that the state-led approach had led to poor performance, a degrading of the conditions of schemes due to a lack of proper operation and maintenance, and had had negative environmental and poverty impacts, albeit the basic needs approach had emphasised tackling poverty at large. It was felt that state leadership would need to be either replaced, or augmented, by a local management of resources, and locally led decision-making (Mansuri, Rao 2004, 4-5). The community-based approach contested the principles of the state-led approach, by changing the responsibility for the water supply and sanitation schemes to the users and minimising the role of government at local level. Thus, its basic emphasis was on a decentralised delivery of water services, and the participation (Chambers 1983) and empowerment (Sen 1985; 1999) of users in the planning, construction and management of the schemes (Cernea 1991). The central government and donors were provided with a role as facilitators and sources of funds. This thinking turned the whole development thinking upside-down (from top-down to bottom-up).

5.2.2.1 International Drinking Water Supply and Sanitation Decade (1980-1990)

The first ideas of increasing community responsibility in the management of water supply and sanitation facilities, were expressed during the International Drinking Water Supply and Sanitation Decade (IDWSSD, 1980-1989), declared by the United Nations139. Since the 1970s, some donors had realised that the past state-led policies, which emphasised the building of large-scale, technically demanding schemes, had left the legacy of expensive and non-functioning systems, all over the developing world, which could not serve the poor. Therefore, the poorer communities in rural areas needed to be provided with simple technologies, such as handpumps, wells and boreholes. However, in a centralised system of operation and maintenance, the repair of these stand-alone facilities, located in distanced areas, did not function, and once these broke down, they remained broken down (Black 1998, 13-4). As a solution, it was suggested that the communities should be in charge of the operation and maintenance of water supply and sanitation facilities.

The Decade Programme not only focused on community-based operation and maintenance, but it also induced other important policy shifts. It emphasised that the servicing of rural areas, together with urban slums, as being the areas at that time that were more populous than the city centres of the main towns. The slogan of the Decade was 'Water and Sanitation for All', echoing the basic needs approach slogan 'Health for All 2000'. Improving the health situation was the driving force behind the Decade, and

139 The IDWSSD was designed and declared at the World Water Conference organised in 1977, in Mar del Plata. Other global conferences held in the 1970s that also shaped the thinking in the water sector were the UN conference on Human Settlements, in Vancouver, in 1976, and the UN conference on Primary Health Care, in Alma Ata, in 1978.
therefore, in addition to the traditional supply of water, sanitation was made an integral part of all water supply projects\(^{140}\). The aid agencies also wanted to have clear targets for improvements in the sector, and demanded that all governments set national targets for reaching a universal water supply and sanitation coverage, and introduced the ambitious target of having universal coverage in safe water and sanitation reached by 1990. This, however, was not achieved (Black 1998, 4-15, 24).

In Nepal, the Sixth (1980-85) and the Seventh Plans (1986-1990) coincided with the IDWSSD. The Sixth Plan did not specifically mention the Decade, presumably because it was prepared ahead of its formal declaration. However, as suggested by the IDWSSD, the DWSS, together with the WHO\(^{141}\), prepared a national document\(^{142}\), intended to be used as a planning reference tool in the drinking water and sanitation sector. It listed objectives on how to develop the water supply and sanitation sector, according to the focus points of Decade, and to extend the coverage to the rural areas of Nepal. The report echoed the learning of donors by outlining that

“(...) recipient communities should be responsible for the operation and maintenance of their own supplies (...) the communities in practice do not have the technical expertise to operate their own supplies and thus it is left to the responsible sector agency to supply competent personnel and retain responsibility for the supply.”

HMGN/DWSS 1980, 5-6

A closer look at the report also gives a glimpse on the politics of policy in Nepal. Exactly as emphasised by the IDWSSD, the report focused on sanitation – atypical for Nepalese planning documents. However, unlike the IDWSSD, the part of the report on sanitation emphasised the hardware-based view on development, reflected in the presentation of progress for urban areas, as the number of sewerage systems for rural areas and the number of latrines built (HMGN/DWSS 1980, annex 10). The discrepancy between the focus points must relate to the manoeuvring between the authors of the report: the WHO and the DWSS. The hardware focus can be viewed as a DWSS influence, which had aimed to guarantee that its expertise as an engineering agency was taken into account. It had an interest for technical engineering, over the design of simple technologies, or softside techniques to provide water and sanitation, whereas the WHO wanted to highlight the importance of sanitation along global priority lines. Furthermore, the report set a universal target for extending the coverage of water supply and sanitation, and abolished the rural-urban divide, along with the example of the IDWSSD, however, less ambitiously than the IDWSSD. The Nepalese target for national water supply coverage by 1990 was 69 per cent, in which 94 per cent of the urban areas were covered, and 67 per cent of the

\(^{140}\) The Steering Committee meeting of the Water Decade, held in Interlaken, Switzerland, in 1987, encapsulated the decade priorities as strengthening the skills and capacities of public health engineering bodies; developing community financing mechanisms to recover costs; better balancing of inputs between water and sanitation, and between city centres and rural and poor urban areas; operation and maintenance; community participation and hygiene education, especially among women; and greater coordination and cooperation among the various players (Black 1998, 24-5).

\(^{141}\) The WHO had been made internationally responsible for monitoring the Decade.

rural areas. There were also targets for the mid-term of the decade, which echoed those in the Sixth Plan (HMGN/DWSS 1980). The document, however, did not give clear targets for sanitation. It shortly stated that sanitation coverage by 1990 should be 13 per cent, but did not break this down into rural and urban areas (HMGN/DWSS 1980, annexes 7, 8, 9). For me, this shows that the government had no real interest to improve the sanitation situation in the country, but that the focus on sanitation was written in the report, to please the donors, and to superficially show that sanitation was important.

The Seventh Five Year Plan (1985-1990) generally followed the argumentation of the basic needs approach. Sharma (2001, 92-93) notes that even though in terms of priority, agriculture and irrigation as well as industry, mining and the power sectors, preceded social services. In actual outlays, social services became the lead sector. In the drinking water and sanitation sub-sector, the priorities named by the Decade were incorporated, and because of this, the document spelt out a high priority of drinking water. The focus on community-based operation and maintenance must have sat well with the DWSS, as this did not challenge its role in the planning and implementation of water supply schemes, but was allowed to continue to function in its preferred style. The servicing of the rural areas was left for other actors, such as donors and NGOs\textsuperscript{143} (cf. Sharma 2001, 91-4).

<table>
<thead>
<tr>
<th>Document/ Plan</th>
<th>IDWSSD</th>
<th>DWSS and WHO: Ten Year Plan</th>
<th>The Seventh Five Year Plan 1985-90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Focus on rural and poor urban areas; development of manpower; community-based operation &amp; maintenance; increasing focus on sanitation &amp; hygiene; and greater coordination and cooperation among the various players.</td>
<td>Making communities responsible for operation and maintenance of their schemes; correcting regional imbalance between rural and urban areas; increasing focus on sanitation.</td>
<td>Increase production; increase opportunities for employment; meeting minimum basic needs. WSS sector: basic needs; manpower development; clean environment; more time for work through reduced time for fetching water.</td>
</tr>
<tr>
<td>Priority sectors</td>
<td>Drinking water and sanitation</td>
<td>Drinking water and sanitation</td>
<td>Agriculture &amp; irrigation; industry, mining and power; social services.</td>
</tr>
</tbody>
</table>

\textit{Table 5.3: Comparison of the IDWSSD, the DWSS' and WHO's Ten Year Plan for the Provision of Drinking Water Supply and Sanitation, and the 7th plan of Nepal (Black 1998; Sharma 2001; HMGN/DWSS 1980; NPC 1985)}

\textsuperscript{143} The IDWSSD not only induced a policy shift to focus the aid on rural areas, but also opened access to new actors into the sector, such as the ADB with its Rural Water Supply Sector Projects (implemented from 1985 to 1995 by the DWSS), and new bilateral donors, INGOs, and NGOs, with the purpose to assist the DWSS and the CWSS in rural areas, to reach the water supply and sanitation targets set by the Decade (WaterAid 2000b, 25-6; Sharma 2001, 92-3; 2004, 51).
Globally, the lesson of the Decade was that if communities had a larger role in the scheme of operation and planning, they would have the ownership of them when the schemes were maintained (or not maintained) by the government (UNDP-World Bank 1989, 15-7; Cairncross 1992). This suggests, basically, the decentralisation of water supply and sanitation scheme planning, operation and maintenance to lower levels. This learning widened the community-based approach to move further than just operation and maintenance, and started to include the role of users in the planning, management and monitoring of the schemes.

5.2.2.2 From Community-Based Maintenance to Community-Based Management and Planning

“Community management goes beyond simple participation. Community management is a key to sustaining services for the rural poor and is a viable option for the poor urban settlements. Government should support community management through legislation and extension and give it priority in national sector strategies for the 1990s. Communities should have prominent roles in planning, resource mobilisation and all subsequent aspects of development.”

New Delhi Statement 1990

The community-based approach, as outlined in the New Delhi Statement at the global consultation on Safe Water and Sanitation, held in New Delhi in 1990, was adopted by the donors as their new blueprint for development. The approach highlighted a decentralised delivery of water and sanitation, which confirmed that the government should move from that of provider, to that of promoter and facilitator. By this, the signatories of the statement meant that in the future, governments should do less to provide services, and instead enable other institutions – public, volunteer or private – to deliver and run them. The government would not need to finance and build on the same scale but it would need to do all of the things that ensured that services could be supplied (Black 1998, 44-6).

In Nepal, the principal objectives of the Eighth Five Year Plan (1992-1997) continued the framework set by the Seventh Plan, but it also applied the principle of decentralised development management, however, being quite vague about how it was perceived:

“The proposed methodology will create a basis for sustained development by promoting development initiatives at the community level by enhancing the awareness for self-development, fostering civic responsibility and self-reliance. In order to fully translate such development process into practice, the Government will adopt the policy of decentralization. (…) In accordance with the policies of democratic socialism, the formulation of plans will eliminate the top down approach to be replaced by the bottom up approach.”

NPC 1992, 86-7
Equally, echoing the New Delhi Statement, the Eighth Plan included a role for the NGOs and the private sector in the management of development activities. In the water supply and sanitation sector, the objectives were to provide a drinking water facility to 72 percent of the population, in consonance with the target of providing such facility to the entire population within the next ten years. This, according to the plan, can only be achieved “if drinking water and sanitary-facilities are widely expanded with active participation of the beneficiaries in project planning, construction, maintenance and monitoring” (NPC 1992, 528). Here, the Nepalese government acknowledged the role of users at the local level, however, limiting this to their participation in the scheme related activities, not providing them with any power in the decision making.

<table>
<thead>
<tr>
<th>Document/Plan Objectives</th>
<th>New Delhi Statement</th>
<th>The Eighth Five Year Plan (92-97)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Protection of environment and safeguarding of health; institutional reforms; guaranteeing full participation of women; community management; and sound financial practices.</td>
<td>Sustainable economic growth; poverty alleviation; reduction in regional imbalance. In WSS sector: Provide drinking water to 72 % of the population; basic knowledge of sanitation + facilities to max. no. of people; cleaning and conservation of environment.</td>
</tr>
<tr>
<td>Priority sectors</td>
<td>Water supply and sanitation</td>
<td>Social services; agriculture &amp; irrigation; power.</td>
</tr>
</tbody>
</table>

Table 5.4: Comparison of the New Delhi Statement and the 8th Plan of Nepal (New Delhi Statement 1990; NPC 1992; Sharma 2001)

5.2.3 Composite Approach to Water Supply and Sanitation

The institutionalisation of the community-based approach in donor thinking was supplemented during the 1990s, with new ideas on how to improve the development efforts. These ideas included viewing water as a finite resource, the importance of environmental protection, and aiming for sustainable development by the Brundtland Commission, (officially known as the World Commission on Environment and Development); the focus on the economic value of water, with emphasis on the economic effectiveness and role of the private sector as advocated by the Washington consensus (Williamson 1990); and subsequently, augmented by the governance and capacity-building themes as advocated by the post-Washington consensus. The last two were particularly advocated by the multilaterals, that pointed out that economic reforms were

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144 This was defined as “development that meets the needs of the present without compromising the ability of future generations to meet their needs” (World Commission on Environment and Developing 1987, 57).

145 The first reflections in the World Bank on the issue of governance date from 1989, but these did not yet start dominating the thinking. Only the recently elected, new President of the World Bank, James Wolfensohn, was able to induce a paradigm change in the World Bank in the mid-1990s. See e.g. the World Bank publication: Sub-Saharan Africa: From Crisis to Sustainable Growth (1989a); its formal statement on Governance and Development (1992); and the World Development Report 1991.
not possible without paying attention to the governance issues in the developing world (Bøås, McNeill 2003, 60-8; Riddell 2007, 247).

The Washington consensus refers to the neo-liberal belief that the combination of a democratic government, free markets, a dominant private sector, and an openness to trade is the recipe for prosperity and growth. It turned its back on state-led development and stressed that the state should only play a minimal role in the development, leaving space for market forces to lead (Pender 2001, 398-9). These principles were embodied in the structural adjustment programmes (SAPs) of the World Bank and the IMF. The SAPs included a large number of conditionalities, requiring wide-ranging reforms in national policies. Nepal implemented two SAPs, in 1986 and 1989, with a loan provided by the World Bank146.

These issues were augmented with the concept of good governance. In international debate, according to Villadsen (1999, 17), a consensus seems to have developed on the inclusion of the following seven features in the concept of good governance; democratic accountability; transparency in the public sector; public participation at all levels of government; a functional division between administration and politics – clear political and administrative roles; the legal protection of a citizen’s rights; a service-oriented civil service; and, financial accountability. However, there was disagreement on several other components, such as anti-corruption work. The UN definition of good governance is exactly as composite as the composite approach: “[g]ood governance has major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows rule of law. It assumes that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society”. (UNESCAP 2010).

The capacity-building perspective, on the other hand, has become since early 2000, increasingly to describe the process of institutional expansion, improvement, and reform needed at all levels – from national to local level – to make these services work effectively (Black 1998, 54). In 1991, a UNDP Symposium in Delft, the Netherlands, defined the concept of capacity building for water and sanitation activity and articulated a strategy for applying it at the country level. The concept embraced three areas: the creation of an 'enabling environment' via policy, legal and regulatory frameworks; institutional development, including community participation; and human resources development, including training and education. Black (1998, 54-5) presents that the novelty of this approach was the breadth of its scope, and the idea that all areas should be addressed in a mutually reinforcing framework. Capacity building could be aided by certain tools: comprehensive water assessments; policy and institutional reforms to reallocate functions and bring in private entrepreneurs; and education to develop new skills and up-to-date thinking.

Even though the Post-Washington Consensus added a strong emphasis to the strengthening of state structures and institutions, it did not imply a return to the state-led

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146 On structural adjustment loans, see Mosley, Harrigan and Toye 1991; Cammack, Pool and Tordorff 1993. For a background of the SAPs and their implementation in Nepal, see World Bank 1996a and Gyawali 2003, 76-80.
approach, as encapsulated in the World Development Report 1997 “the state is central to
economic and social development, not as a direct provider of growth but as a partner,
catalyst and facilitator” (World Bank 1997, 1)\textsuperscript{147}.

I label this as a composite approach, because of the multiple nirvana concepts (e.g.
good governance, capacity-building, participation, sustainability, among others) that
commenced to characterise the development thinking. There was not a single clear
‘narrative’, or a counter narrative, in the thinking, but it was characterised by several ideas
that were attached to the previous thinking instead of dismissing some of the older
priorities and advocating for a real policy change\textsuperscript{148}. In the Nepalese water supply and
sanitation sector, the focus set by the community-based approach on participation and
decentralisation, as well as the ideas of cost-recovery, capacity-building and good
governance\textsuperscript{149}, have characterised the sector development since the introduction of these
themes in the 1990s.

<table>
<thead>
<tr>
<th>Component</th>
<th>Emphasis</th>
<th>Origin</th>
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</thead>
<tbody>
<tr>
<td>Participation and empowerment</td>
<td>Community responsibility and ownership</td>
<td>Criticism on the State-led Approach by Chambers and Sen</td>
</tr>
<tr>
<td>Role of women</td>
<td>Focus on women (opposite to men)</td>
<td>Community-based Approach</td>
</tr>
<tr>
<td>Water as finite resource</td>
<td>Environmental thinking</td>
<td>Brundtland Commission</td>
</tr>
<tr>
<td>Water as an economic good</td>
<td>Cost-effectiveness and cost-recovery</td>
<td>Washington Consensus</td>
</tr>
<tr>
<td>Capacity-building of officials</td>
<td>Effectiveness of the state</td>
<td>Post-Washington Consensus</td>
</tr>
<tr>
<td>Governance of water resources</td>
<td>Effectiveness</td>
<td>Post-Washington Consensus</td>
</tr>
<tr>
<td>Sanitation</td>
<td>Health; environment; reduced number of days sick, leading to increased productivity</td>
<td>Community-based Approach, Brundtland Commission, Washington Consensus</td>
</tr>
</tbody>
</table>

Table 5.5: Emphasis and Origin of the Components of the Composite Approach

\textsuperscript{147} Bøås, McNeill (2003, 77-8) explain, that particularly the regional development banks, including the
ADB, were not well-equipped to deal with these new thematic issues, deriving from the governance agenda,
and if they had had their way, they would have continued funding the old style infrastructure projects. They
also mention that the ADB saw that the western countries that fund the ADB forced these issues on it.

\textsuperscript{148} Kanbur (2003, 7) has made similar observation and writes that the development discourse is at a high
state of synthesis, with most of the elements of the previous debates being present. Maxwell (2003) speaks
of the ‘New Poverty Agenda’, referring with it to a people-centred human development agenda, that gained
momentum in the 1990s, especially through the series of UN development conferences, departing from the
connects the composite approach with the birth of the Millennium Development Goals by writing “But in
the absence of a clear alternative policy path, the basic framework of Washington Consensus policies
focusing on macroeconomic stability and liberalization continued to be pursued, and continued as a part of a
broader agenda, behind the headline of ending poverty as the objective”.

\textsuperscript{149} Molle (2008, 132) presents the origin of the good governance as a nirvana concept: “the concept of good
governance emerged as a model in which inefficient, corrupt, biased and discriminatory governments –
would “as a result of” or “through” growing transparency and power-sharing - become accountable to their
populations and act for the common good.”
In the water sector the core principles of the composite approach were most succinctly articulated at the International Conference on Water and the Environment, held in Dublin, in January 1992, in the run-up to the United Nations Conference on Environment and Development in Rio de Janeiro, also known as the Earth Summit\(^{150}\). They were expressed as follows:

- Fresh water is a finite and vulnerable resource, essential to sustain life, development and environment;
- Water development and management should be based on a participatory approach, involving users, planners and policy-makers at all levels;
- Women play a central part in the provision, management and safeguarding of water, and;
- Water has an economic value in all its competing uses and should be recognized as an economic good (The Dublin Statement on Water and Sustainable Development 1992).

An important part of the composite approach was the Integrated Water Resources Management (IWRM), which by its name, integrated several components related to water sector under one roof\(^{151}\). It was defined at the Johannesburg World Summit on Sustainable Development 2002 “as a process, which promotes the coordinated development and management of water, land and related resources in order to maximize the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems”. The IWRM nirvana concept embodies the argument of Molle (2008), of a dynamic interplay between nirvana concepts, narratives and models. He writes that the IWRM concept provides justification for river basin management and river basin organisations – models, according to him, that call for demand management and pricing policies anchored in several storylines – meaning narratives. These concepts are translated into concrete action on policies, technical assistance grants, and development projects.

The main changes in the water sector, between the composite approach and the state-led approach, are described in the table below. The issues relate to the different focus

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\(^{150}\) These principles and action areas were, subsequently, endorsed at the post-Rio Ministerial meeting on water and sanitation, in Noordwijk, in the Netherlands (1994). The World Bank expressed these views in its influential report entitled ‘Infrastructure for Development’ (World Bank 1994). The report outlines the failures of infrastructure utilities across the Third World under their hitherto predominantly state-run regimes, and shows how their typical features (such as a focus on capital investment at the expense of maintenance, chronically low capacity utilisation and over staffing) derive from decisions being made on the basis of political expediency rather than sound utility-management principles. It identifies three core instruments for improving the efficiency of public sector infrastructure utilities: corporation, a new pricing strategy, and contracts between governments and private entities (Cited in Coelho 2005, 175-6).

\(^{151}\) The World Water Council was behind the idea. In its conference in Hague, in 2000, called the Second World Water Forum, the approach was put on the global arena and further discussed in the International Conference on Freshwater, held in Bonn, in 2001 (Conca 2006). The concept had been coined already some decades earlier, but in Bonn it was designed as a global paradigm for the water sector (Conca 2012, 123-165).
points introduced by the Brundtland Commission, Washington Consensus and Post-Washington consensus.

<table>
<thead>
<tr>
<th>State-led approach</th>
<th>→</th>
<th>Composite approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water as a social good</td>
<td>→</td>
<td>Water as an economic good</td>
</tr>
<tr>
<td>Centralised management and administration</td>
<td>→</td>
<td>Decentralised management and administration</td>
</tr>
<tr>
<td>Government (state) provision</td>
<td>→</td>
<td>Government facilitation</td>
</tr>
<tr>
<td>Administrative domain</td>
<td>→</td>
<td>Service domain</td>
</tr>
<tr>
<td>Supply driven approach</td>
<td>→</td>
<td>Demand-driven approach</td>
</tr>
<tr>
<td>Water supply</td>
<td>→</td>
<td>Water services</td>
</tr>
<tr>
<td>Production (agency) orientation</td>
<td>→</td>
<td>Customer orientation</td>
</tr>
<tr>
<td>Hardware projects</td>
<td>→</td>
<td>Software projects</td>
</tr>
</tbody>
</table>

Table 5.6: Major paradigmatic changes in global water and sanitation policy thinking (modified from Seppälä 2002, 372)

In Nepal, the composite approach, particularly its liberalisation and privatisation programmes, was hastily adapted by the government under pressure from donors, to move Nepal onto the right track\(^\text{152}\) (Gyawali 2003, 77). The Eighth (1992-97) and the Ninth (1997-2002) Plans, in addition to the community-based approach, put a focus on the post-Washington Consensus issues, such as the promotion of sustainable economic growth, through market-oriented liberal economy, poverty alleviation, and a reduction in regional imbalances (NPC 1992; 1998). In the water sector, the emphasis on economic development led to changes, especially in the hydropower sector. The Hydropower Policy (1992) abolished the government’s monopoly in investing in hydropower, aiming to attract private investment in the power sector, and to provide electricity before the biggest hydropower project of Nepal, Arun III\(^\text{153}\), could be made operational (HMGN 1992, 1). In Arun III, the interests of the multilaterals and the government met: the donors aimed to liberalise and privatise the economy, and the government was keen on having large infrastructure projects implemented in the country – for energy provision, and for possible kickbacks from various subcontracted works.

\(^{152}\) Harper, in his study on tuberculosis reform in Nepal, has found out that the principles subsumed here, under the composite approach, also guided the aid agency funded health reform in the 1990s; and exactly as in the water supply and sanitation sector, the attempt to decentralise the health sector did not succeed, due to the highly centralised and state-controlled tuberculosis strategy (Harper 2005, 142-45).

\(^{153}\) Gyawali (2001) criticises that Arun III, mainly funded by the World Bank, was too expensive for a small country like Nepal, and argues, exactly like some international and national NGOs, campaigning against Arun III – Gyawali having been active in the campaign himself – that it would be better for Nepal to have several smaller hydropower projects, instead of one big project (Gyawali 2001, 66-86, 148-152). The donors and the Nepalese government justified the building of the hydropower plant by Nepal's enormous need for energy, not only for the citizens, but also for industry (Mahat 2005, 243-57). The situation escalated into a conflict, and ended up in the withdrawal of the World Bank from the project, ending the whole project, due to a lack of finances. This experience changed the direction of World Bank policy in Nepal: it turned towards rural water supply and sanitation. Other policies and acts to support the privatisation of hydropower were the Electricity Act 1992, the Industrial Enterprise Act 1992, the Foreign Investment and Technology Transfer Act 1993, the Industrial Policy 1992 and the Foreign Investment and the One Window Policy Act 1992.
In the Nepalese water supply and sanitation sector the emphasis, on the economic value of water, through cost-recovery, as well as capacity building, and governance shaped the work in the sector\textsuperscript{154}. The Ninth Plan (1997-2002) suggested emphasising cost-recovery to make the sector financially more self-sufficient, applying the principle also to low-income communities. This required that people would make financial contributions, to cover the costs of, at least, operation and maintenance. In addition, for the sake of cost-effectiveness, the decentralisation of service provision that was emphasised in the Eighth and the Ninth Plans, demanding that NGOs, local bodies and the private sector would be involved in construction, management, and operation and maintenance of schemes, and by this, decreasing the demand on central level government to be involved in these activities and to invest in the schemes. To echo the market-driven and governance-focused language of donors, both Plans confine the roles of central public agencies in policy formulation, technical support, monitoring and evaluation, and let the private sector take care of the rest (NPC 1998, 694; 1992, 529-30).

\textsuperscript{154} Donors considered capacity-building and governance questions, important in Nepal, because they viewed Nepal as a country with weak governance, and the absence of citizen participation in the decision making processes; both of these issues had led to slow progress towards decentralisation, as well as government administration, with a tendency towards low transparency and accountability (UNDP 2002).
<table>
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<tbody>
<tr>
<td>Objectives</td>
<td>Linking social and economic development with protection of natural ecosystems; participatory approach to water development; empowerment of women and strengthening their role in water-related development; management of water as an economic good.</td>
<td>Sustainable economic growth; poverty alleviation; reduction in regional imbalance. <strong>WSS sector</strong>: Provide drinking water facility to 72% of the population; basic knowledge of sanitation and sanitation-facilities to max. number of people; cleaning and conservation of environment.</td>
<td>Poverty alleviation; pro-poor economic growth; equitable access to infrastructure and resources for the poor and marginalised people; social inclusion; improved governance. <strong>WSS sector</strong>: Increased access to drinking water and sanitation; participation of civil society and private sector in the management; availability of low-cost technologies; legislative reforms.</td>
<td>Poverty alleviation; pro-poor economic growth; equitable access to infrastructure and resources for the poor and marginalised people; social inclusion; improved governance. <strong>WSS sector</strong>: Increased access to drinking water and sanitation; participation of civil society and private sector in the management; availability of low-cost technologies; legislative reforms.</td>
<td>Poverty reduction; creation of employment; pro-poor economic growth; promotion of good governance and effective service delivery; establishment of sustainable peace. <strong>WSS sector</strong>: sustainable water supply services; provision of toilets in rural areas; rehabilitation of old and damaged schemes; introduction of a SWAP; effective coordination; strengthened organisational capacity.</td>
</tr>
<tr>
<td>Priority sectors</td>
<td>Water sector</td>
<td>Social services; agriculture &amp; irrigation; power.</td>
<td>Agriculture &amp; forestry; water resources; social services; industry; tourism &amp; international trade.</td>
<td>Social services; agriculture, irrigation &amp; forestry; transport &amp; communication</td>
<td>Transport, storage &amp; communications; agriculture, fishery &amp; forestry; electricity, gas and water.</td>
</tr>
</tbody>
</table>

Table 5.7: Comparison of the Dublin Statement on Water and Development with the Eighth, Ninth, Tenth and the Interim Three Year Plans of Nepal (The Dublin Statement on Water and Sustainable Development 1992; NPC 1998; 2003; 2007)
5.2.3.1 Towards Partnership

The priorities of the composite approach have remained dominant in development thinking; however, they have been supplemented with a revision of the aid modalities and practices. Since the mid-1990s, donors and aid recipient countries have been discussing the nature of their relationship, instead of coming up with new priority sectors to fund. The aim of this discussion has been to develop the relationship towards a partnership, by focusing on the coordination of development efforts, the harmonisation of their modalities, and alignment with the recipient country’s policies and practices. The idea behind this thinking was to make aid more effective.

The most important global policy papers that outline the building blocks of the partnership thinking are the OECD/DAC publication ‘Shaping the 21st Century: The Contribution of Development Co-operation’ (OECD 1996), and the statements from several development conferences held around the millennium. The OECD/DAC publication (1996) sketched that

- The need for aid recipients to take control of the development process, for aid to be integrated into recipient-owned and -led policy frameworks, developed with the co-operation of local civil societies;
- The need for recipient countries to foster internal accountability for their activities;
- The need for strong and effective partnerships between donors and recipients;
- The need for donors to work more closely together by coordinating and harmonising their aid activities, and by providing aid on a more reliable basis;
- The need for all activities and policies of donors to be harmonised and consistent with their aid and development policies;
- The emphasis to be given to the building of institutions and capabilities (Riddell 2007, 40-1).

The document influenced the inputs feeding into the Millennium Development Summit of Heads of State, convened by the UN in 2000, which paved the way for the adoption of the Millennium Development Goals (MDGs) in the following year. These quickly became the central yardstick against which the development efforts were subsequently to be judged (Riddell 2007, 40-42).

The international conferences that shaped the formulation of the partnership idea were the International Conference on Financing for Development in Monterrey, Mexico, in 2002, and the High Level Forum on Harmonisation in Rome, in 2003, leading to the endorsement of the Paris Declaration on Aid Effectiveness in 2005. Three years later, in 2008, the Third High Level Forum in Accra, Ghana, took stock of the harmonisation process, and built on the Paris Declaration to accelerate the pace of change (OECD/DAC 2008). The fourth High Level meeting in Busan, Korea, in 2011, established by all delegates agreed framework for development cooperation based on the partnership idea. Until now, the most influential of these documents has been the Paris Declaration, which articulated the principles of this thinking: effectiveness, partnership, ownership, harmonisation, alignment, capacity building, results and mutual accountability.
The focus on government ownership, and leadership in poverty reduction efforts, was aimed to be increased through the formulation of the Poverty Reduction Strategy Papers (PRSPs), which were meant to be produced by the recipient countries themselves, based on consultations with, and inputs from, domestic interest groups, including civil society, and in partnership with donors. In practice, many of these documents have been criticised as being externally driven, and in some cases, externally written; the similarity of many being cited as evidence of their Washington/World Bank origins (Riddell 2007, 46-7; Gould 2005; Fraser, Whitfield 2009, 84).

In Nepal, the donors brought these principles to the aid discussion in 2000 at the Nepal Development Forum (NDF). The preparations for the NDF, and the commitments made, set a new direction, and were strongly echoed in the 2002 formulated Foreign Aid Policy. The guiding principles of the policy were:

- Alignment with the national goal of poverty reduction;
- Moving from individual projects to harmonised (sector-wide) support;
- Foreign aid as integral to the mobilisation of resources for development;
- Transparency in the supply and utilisation of ODA within and outside the government system; and
- The long term aim of self-reliance by enhancing domestic resource mobilisation.\(^\text{156}\)

The greater harmonisation and coordination attempts taken by donors and the government, led to the establishment of broad based sector-wide approaches in the health and education sectors, including a Joint Financial Mechanism, by which the government and donors can provide financing behind a common programme. The government and donors plan to establish further SWAPs in agriculture, rural roads, local development, alternative energy, as well as rural water-sectors. However, as stated in a MoF evaluation document, this is problematic, because of inconsistency in aid management across line ministries, and weak sector coordination mechanisms, with a continued preponderance of projects. The projects are not always well coordinated and have been developed in an ad hoc manner (MOF 2010, 34).

In Nepal, the partnership idea, together with the continued influence of the composite approach, became to dominate periodic development plans. The Tenth Plan (2002-2007) was formulated as Nepal's Poverty Reduction Strategy Paper (PRSP)\(^\text{157}\), presenting

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\(^{155}\) Nepal Development Forum, previously known as ‘Nepal Aid Group Meetings’, started in 1976. Altogether 15 meetings have been held to date, including Nepal Donor Consultation Meeting held in 2008, in the form of a mini-NDF. Twelve meetings from 1976 to 2000 were held abroad and the subsequent meetings have been conducted in Nepal. In these meetings Nepal’s development partners meet with the representatives of government to discuss issues related to Nepal’s development.


\(^{157}\) The Tenth Plan included all the characteristics that were prerequisite for a PRSP, such as preparation with wide consultation, Medium Term Expenditure Framework, Immediate Action Plan, and a policy matrix (Pyakuryal et al. 2008, 32). Other priorities included limiting the role of public sector and prioritising public interventions; enhancing participation of the private sector, NGOs, INGOs, and community-based organisations in development activities; developing alternative delivery mechanisms, particularly through greater devolution of functions, responsibilities and resources to local bodies; and greater community
poverty reduction, and improving governance through civil service reform, and decentralisation, as significant steps for Nepal's development (NPC 2003, 3). In the water supply and sanitation sector, it focused on setting the right kind of legal and policy framework, as suggested by the partnership focus, as well as reform, and consolidated the institutional mechanisms and approaches to service delivery\(^{158}\) (NPC 2003, 108-9). The Plan followed the blueprint set for these PRS papers, and was supplemented by the donor-advocated Medium Term Expenditure Framework, which links the annual budget with the plan, and consultations with interest groups (NPC 2003, 5-7). The Three Year Interim Plan\(^{159}\) (2008-2010) also continued to adhere to the objectives of the existing PRSP; however, the PRSP label was left off the document. Instead, it is aligned with the other fashion of the time, the Millennium Development Goals. The MDGs quickly started to dominate the development jargon of Nepal\(^{160}\), and the aid agencies commenced to measure their success and effectiveness against the MDGs. In the water supply and sanitation sector, the Interim Plan was the first document to openly argue for a sector-wide approach by demanding to “introduce necessary policy, institutional and legal reforms for adopting the Sector Wide Approach (SWAP) through effective coordination between the stakeholder agencies” and “a uniform mode of project implementation amongst the different agencies in this sector” (NPC 2007, 309-1). As will be shown in the next chapter, the push for a SWAP in the water supply and sanitation sector has been strong; nearly all of the main players in the sector have attempted this, however, they have been unsuccessful. This has been seen as the most influential component of aid harmonisation and coordination efforts in the Nepalese water supply and sanitation sector.

involvement in the formulation and management of key programmes aimed at meeting the needs of the rural population (NPC 2003, 3).

The country strategies of Nepal's donors also spoke the language of the PRSP during that time. JICA's Country Program based on the PRSP and so did DFID's Country Assistance Plan, ADB’s Country Strategy and Program and the World Bank's Country Assistance Strategy (World Bank 2005a, 208). The need for an overall governance reform in Nepal was brought up by Nepal's donors in the Nepal Development Forum, in 2002. In addition to the typical issues like civil service reform and the capacity building of civil servants, it included measures for anti-corruption, as well as for motivating the key civil servants (HMGN 2002). The same priorities were repeated in the UNDP-authored Nepal Development Report 2001 (UNDP 2002).

\(^{158}\) Otherwise it followed the principles of the composite approach by suggesting to “increase sustainable access to basic drinking water in rural areas and basic sanitation in both rural and urban areas. (…) The main strategies are to encourage NGOs, community-Based Organisations (CBOs) and the private sector to actively participate in the planning, designing, implementing, operating and maintaining water supply and sanitation schemes with the support from NGOs and the private sector and to formulate and implement necessary legislative reforms and cost recovery policies, among others” (NPC 2003, 55-6). The emphasis on sanitation follows the Global WASH Campaign (administered by the UN), which was launched as a response to the failure of world leaders to recognise sanitation as a target at the UN Millennium Summit in 2000. http://www.sanitationandwaterforall.org/aboutswa.html Accessed 15.12.2010.

\(^{159}\) The Three-Year Interim Plan was formulated with the assistance of UNDP, which work in Nepal focuses on governance and capacity building.

\(^{160}\) A consultant said to me about the MDGs “they are our bread and butter, if we don't talk them, there is no work for us”. Interview with an ex-high-level government official, currently consultant, on Jul 23, 2009.
5.2.3.2 Conclusions

In this section, we have seen how the global policy ideas have become global political currency, and are in turn “invested in, and reappropriated by, various constituencies as a means of forwarding their agendas or as a smokescreen for business-as-usual strategies” (Molle 2008, 150). The nirvana concepts have been adopted through snowballing, referring to the process, in which a growing number of dispersed actors, projected in professional events, such as the UN conferences and circulated in academic literature, gradually become established as a consensual and controlling idea (Molle 2008, 143), after which they are incorporated into a narrative and later on supporting an investment model. Molle (ibid.) further analyses that

“[n]irvana concepts, narratives and models are disseminated and promoted by number of mechanisms inscribed in the professional, social and political sets of incentives faced by many decision-makers. They also tend to reflect the ideologies and interests of powerful parties and include more active processes of snowballing and paradigm maintenance by which concepts may become hegemonic and fuel a normative and prescriptive policy-making.”

The global level policy making through informal groups of actors come close to what Haas (1992) has termed epistemic communities, that is “a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area” (Molle 2008, 143). The global policy ideas were developed via a process through which consensus was reached within the given domain of expertise, and this consensual knowledge and belief was diffused, to be carried forward by other actors, exactly as shown here in the case of Nepal. The focus of the epistemic community was the political influence on collective policy making, and not on the correctness of the advice given (Haas 1992, cited in Molle 2008, 144).

Therefore, global policy thinking has been trickling down to the Nepalese periodic plans, however, often with only a short time lag. The Nepalese government has not openly opposed donor influence; yet, in some documents, it is possible to discern contestation, particularly by the construction-oriented DWSS, which seems to be sensitive about loosing its professional identity, because of donor demands for government facilitation, and putting emphasis on the more soft-side activities than that the DWSS is used to dealing with. At policy level, the state-led approach was first replaced by the community-based approach, and then after this with the composite approach, however, in the leading governmental water supply and sanitation agency – the DWSS – the state-led approach never perished.
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<td><strong>New approaches / Priorities</strong></td>
<td>Aid recipients to control the development process; aid to be integrated into recipients' policy frameworks; internal accountability of the recipient countries; strong and effective partnerships between donors and recipients; coordination and harmonisation of aid activities; emphasis on building of institutions and capabilities.</td>
<td>Make aid more effective; ownership by the recipient country on its development policies, including leadership on policy development; partnership of donor and recipient country; coordination of development activity; donor alignment and harmonisation with recipient policies and procedures; mutual accountability; management of development efforts for results.</td>
<td>Country ownership; effective and inclusive partnerships; policy dialogue on development policies; capacity building in recipient countries; delivering and accounting for development results.</td>
<td>Overall goal: Poverty alleviation and pro-poor economic growth through improved governance (reforms, decentralisation) and capacity building. <strong>In WSS sector:</strong> Increased access to drinking water and sanitation; participation of civil society and private sector in the management; legislative reforms.</td>
<td>Overall goal: Poverty reduction, creation of employment and pro-poor economic growth through good governance and effective service delivery and establishment of sustainable peace. <strong>In WSS sector:</strong> Sustainable water supply services; coordination of various agencies in the sector and introduction of a SWAP; strengthened organisational capacity.</td>
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Table 5.8: Comparison of the Shaping the 21st Century, Paris Declaration and Accra Agenda for Action with the Tenth and the Interim Three Year Plans of Nepal (OECD 1996; OECD/DAC 2005; OECD/DAC2008; NPC 1998; 2003; 2007)
5.3 Donor Influence on Nepalese Water Policies

The global policy trends, introduced in Nepal by the international aid agencies in the periodic development plans, also characterise the Nepalese water supply and sanitation sector policies. However, they do not parallel the water supply and sanitation policies to the extent as they do in the periodic plans, even though nearly all of the policies in the sector have been initiated by a donor, and formulated by either the donor, or by a consultancy team hired by it. Rather, the policies correspond with the policy framework of the donor that funded the policy formulation. The policy priorities stem from global approaches, yet they typically focus on certain components within the approach, which is then reflected in the particular water supply and sanitation policy. A special feature in policy formulation is that donors have conditioned the policy formulation to the funding of development projects, and the same donor has formulated many of the policies to match a development project in the pipeline. Thus, I view that the policies have been formulated for legitimising the donors’ operating frameworks, rather than by guiding the national development of Nepal, as prioritised by the government.

Certain aid agencies, in particular, have influenced policy making in the water sector in Nepal; each of them having their own focus point that they have tried to institutionalise in Nepalese water policies. The World Bank has focused on the overall water sector, with the interest to introduce the IWRM; the ADB has been active in the water supply and sanitation sector, and has been interested in advancing the privatisation of water supply facilities, particularly in the urban water supply and sanitation sector. UNICEF has influenced the policy, especially in the sanitation sector. The compartmentalisation of the donors is not because of official coordination between them, but it is based on territorialism between each of them, each of them looking for a gap within the areas where their institutional priorities are, and where they could fund their projects. The territories are not set, but there is some overlapping and cooperation, such as in the case of the formulation of the policy, and strategy, for the rural water supply and sanitation sector, whereby the ADB, UNICEF and the DFID – the British bilateral development agency – were all involved in (discussed in detail in Chapter Seven).

5.3.1 The World Bank and the Quest for Integrated Water Resources Management

The World Bank’s focus in the formulation of water policies in Nepal since the early 2000s, has been on the integration of the water sector, by institutionalising the IWRM approach. Its method for institutionalising the IWRM has been the formulation of policies and the building of institutional capacity. The IWRM, a component of the composite approach, has been officially adopted in the Nepalese water sector policy documents, yet, at the implementation level, the IWRM approach has not been able to replace the sector-focused thinking in Nepal.
The World Bank's efforts to institutionalise the IWRM in Nepal started at the turn of 1990s and 2000s, through the formulation of the Water Resources Strategy (formulated between 1995-2002) (HMGN/WECS 2002) and the National Water Plan in 2005 (HMGN/WECS 2005). These documents are the overall guiding policies for the whole of the water sector. The Nepalese strategy formulation team was guided by two professionals chosen by the World Bank, namely, a Harvard professor, Peter Rogers, and a World Bank employee, Guy LeMoigne, who had also authored the World Bank guidelines on how to formulate a National Water Resources Strategy (LeMoigne et al. 1994), which was used as background document for the strategy formulation. The Water Resources Strategy formulation process was furthermore influenced by the recently formulated World Bank's Water Resources Strategy (in 2003 and a later version in 2004). Hence, it appears that the World Bank had a strong interest to steer water sector development into the direction of the IWRM. Before Nepal, Jordan and Sri Lanka had been advised by the World Bank to formulate the Water Resources Strategy. The pressure on the Nepalese government to formulate the strategy was linked by the World Bank staff to the future investments in the sector: “so they started saying now we would not work with any country unless that country prepares a water resources strategy”. According to some Nepalese government officials, the strategy was introduced in a very top-down manner and under pressure, due to the conditionality of future funding on the formulation of the strategy, leaving them little possibility to decide otherwise, or to consider other priorities, describing the pressure by the World Bank with “they bullied us”.

Due to the strategy's focus on the IWRM, it provides little regulation on the water supply and sanitation sector. Otherwise, the strategy argues for the composite approach in water sector development, including decentralisation, participation of all, effectiveness in the sector through cost-recovery, and reforms at the institutional level (HMGN/WECS 2002). The strategy also states “The existing emphasis on large centralized line agencies to construct and manage projects in the water sector is no longer appropriate for sustainable water resource infrastructure” (HMGN/WECS 2002, 41). This probably did not resonate well with the Nepalese hydrocracies, which base their institutional identity on constructing and managing projects in the sector; but due to the linkage of strategy to the future funding of projects, the agencies had at this point, no other choice than to go along with the World Bank demands.

In 2005, the second policy document advocating for the IWRM, and funded by the World Bank – the National Water Plan – was framed as the Action Plan for Water Resources Strategy. Its formulation was led by the Water and Energy Commission Secretariat (WECS), which had been 'created' by the World Bank and the Canadian International Development Agency (CIDA), during the formulation of the Water Resources Strategy, as a policy making and coordinating body for the water sector.

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161 Interview with an ex-high-level official at the MoWR on Jun. 29, 2009.
162 Interview an ex-high-level official at the MoWR on Jun. 29, 2009. He remembers that this was the first time he heard the term 'Water Resources Strategy', before this policy papers in Nepal had been called policies.
163 Interview with an ex-high-level official at the Nepal Electricity Authority on Jun.29, 2009.
164 Both World Bank and the CIDA were providing financial and technical assistance to the WECS, to enable it to take over this task. The CIDA had an existing project called the WECS Institutional
The formulation of the National Water Plan reflected the new modalities suggested by the partnership idea, and the parallel running formulation of Poverty Reduction Strategies. The National Water Plan formulation included a wide consultation process, with regional and national seminars, with the aim of guaranteeing government ownership. The process was led by a consultancy team that consisted mostly of Nepalese retired officials and professors (HMGN/WECS 2005, 9). Contrary to the aims of the World Bank, it was reported that these national consultants did not understand the underlined thinking in the IWRM concept, because of which, the background papers prepared for the workshops did not have an integrated approach, but were sector-focused. The same problem was faced by the cabinet after the finalisation of the plan, where some ministers objected to the integrated approach of the document, leading to the cabinet nearly not approving it. Opposite to the general assessment of the IWRM concept as “something desirable and uncontroversial, and official documents suggest that governments can resort to it abundantly and at ‘no cost’” (Allan 2003; cited in Molle 2008, 134), in Nepal, the IWRM was a controversial idea that seemed to threaten the identities of hydrocracies. They were afraid that it sidelined their jurisdictions and desized their respective ministries, departments and line agencies.

Evidently, sectoral thinking was still dominant among Nepalese decision-makers and bureaucrats, and even though the World Bank had detailed plans on how to establish the IWRM doctrine in the Nepalese water sector, in this regard little has taken place within the Nepalese water bureaucracy. Several people in different positions, working in the water sector, told that the implementation of the Water Resources Strategy and the National Water Plan is limited or non-existent. Thus, the pressure set by the World Bank on the Nepalese water bureaucracy led to the formulation of two policy papers, but not to their implementation. The identities of the different hydrocracies are compartmentalised, and they are in a constant struggle over resources and prestige in the water sector. I think that the World Bank ignored this issue and their disinterest for implementing the IWRM. Thus, the hydrocracies opted for the strategy of non-implementation (see Chapter Seven for elaboration). The documents provide a framework for the water supply and sanitation sector, by setting targets for their coverage in both rural and urban areas, and confirm the direction set by the composite approach. However, neither the governmental, nor donor agencies working in the water supply and sanitation sector, refer to these documents as guidelines for their work. Rather, they refer to the sub-sectoral policies and guidelines. These sub-sectoral documents, on the other hand, do not

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Development Project’, which provided Canadian consultants to assist the WECS with strategy formulation and capacity building. Interview with CIDA Nepal representative on Aug. 6, 2009. ().

165 Interview with a member of the formulation team, an ex-government official, on Jul. 7, 2009.

166 Interview with a high-level official (at the time of the formulation at WECS) on Jul. 31, 2009.

167 Interviews with a representative of a water organisation, close to government, on Jul. 6, 2009; a representative of WECS on Jul. 2, 2009; Dipak Gyawali (researcher) Jul. 23, 2009; a representative of the World Bank on Aug. 7, 2009. See also World Bank 2008, x, which gives a similar opinion: “The ISP led to adoption of a new National Water Strategy in 2002 and a National Water Plan in 2005. Despite these significant achievements, and the passing of legislation to enable their implementation, Nepal still lacks the capacity to engage in integrated and comprehensive water resources management. Intersectoral coordination remains almost non-existent and each sector agency continues to plan water resources management and development independently”.

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make any reference to the integrated management of water resources. It seems that sectoral thinking sits firm in Nepal.

The formulation of the Water Resources Strategy and the National Water Plan were funded through the Nepal Irrigation Sector Project (NISP) 1997-2004 (HMGN/WECS 2002, 4)\(^{168}\). The reading of the project documentation, and the explanation given by a World Bank official, hint that the IWRM component was added as a self-standing component, to a project that had already been prepared as an independent irrigation project, but once the need for funds for the policy formulation arose, a new component was included in the project\(^{169}\) (World Bank 1997a; 2005b). Thus, from the documentation and the interviews with Nepalese ex-officials, I understand that the World Bank had decided that a Water Resources Strategy needs to be developed in Nepal, and that the funding for it was to be taken from a project that was under preparation for the water sector, probably as this was administratively easier than to seek funding for strategy formulation only. Even though the IWRM approach has not been easy to institutionalise in Nepal, the World Bank has not abandoned the doctrine and is currently funding a continuation project for the NISP\(^{170}\).

### 5.3.2 Asian Development Bank: Water Marketisation

The ADB’s primary interest in the Nepalese water supply and sanitation sector has been to highlight the economic value of water and to privatise water management in the sector\(^{171}\), in accordance with the leading idea of its own water policy (see Chapter Seven on an analysis of ADB’s water policy). The ADB’s approach in Nepal (and globally) resembles what Conca (2006, 215-6) calls ‘water marketisation’, referring to the process of creating the economic and policy infrastructure for treating water as a marketed commodity. It is not synonymous with water privatisation, but refers, rather, to a broader set of linked transformations related to prices, property rights, and the boundary between the public and private spheres. In the water supply and sanitation sector, the ADB has been involved in

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\(^{168}\) A World Bank official explained that the initial drafting of the WRS was funded through the Japanese Grant Fund, but as these funds were quickly exhausted, new funds were allocated from the NISP. Interview with a World Bank Nepal representative on Aug. 7, 2009.

\(^{169}\) The NISP consists of three components, which seem to have little in common: 1. Formulation of Water Resources Strategy and development of Integrated Water Resources Policy; 2. Irrigation Sector Infrastructure Improvement and Development; and 3. Institutional Strengthening and Development of sectoral departments, such as the Departments of Irrigation and Agriculture, but not providing assistance to WECS. The World Bank Project Information Document (PID) neither specifies that the aim of the institutional strengthening component would be to bring these departments closer to each other nor does it guide them in moving towards an integrated approach. One reason for not providing assistance to WECS might be that this was already done by CIDA.

\(^{170}\) The project combines the components of irrigation and IRWM, called the Irrigation and Water Resources Management Programme. An Integrated Water Resources Policy is supposed to be funded under this programme and to be formulated under the supervision of the WECS. The policy was originally planned to be formulated before the formulation of the National Water Plan, but for unknown reasons, the Plan was developed before the policy. Interview with a World Bank Nepal representative on Aug. 7, 2009.

\(^{171}\) Before the ADB, the World Bank had had some interest in privatising the water sector in Nepal. It had established the Water Supply and Sanitation Board in 1974, which it transformed into the Nepal Water Supply Corporation in 1989.
all sub-sectors, the urban, rural and peri-urban areas, with the aim of marketing water. Its focus has been on the idea of “getting the price right” (Conca 2006, 219-20). Behind the idea lies a narrative according to which pricing water correctly will help allocate scarce resources among competing uses and users. With higher prices that reflect opportunity costs, the narrative goes, low-value activities are phased-out, thus releasing water for high-value uses and raising social welfare (Johansson 2000; Molle 2008, 137). According to Molle (2008, 138), this narrative took a hegemonic character in the development establishment that was hard to contest, becoming a resilient narrative (Roe 1991).

The ADB’s interest is to fund development projects, which materialise this thinking, as well as to fund policy and legislation formulations supporting this. Therefore, the ADB projects have normally included a policy reform component. With this practice, the ADB aims to guarantee the approval of the project in its headquarters, by supporting it with a matching national policy framework. In Nepal, the ADB has influenced the formulation of the Rural Water Supply and Sanitation Policy 2004 and the Urban Water Supply and Sanitation Policy 2010. Currently, it is involved in revising water legislation and formulating an Integrated Water Supply and Sanitation Policy and an Integrated Water Supply Act. All policies are linked with the funding of a water supply and sanitation project. The Rural Water Supply and Sanitation Policy, Strategy and Action Plan formulation process is discussed in Chapter Seven, thus I do not elaborate it here, but focus on showing how the ADB’s focus to privatisate water supply has proceeded in Nepal; as well as presenting the similarity in the project funding and policy formulation pattern through the Urban Water Supply and Sanitation Policy and the Second Small Towns Water Supply Project.

Already, before the formulation of the Urban Water Supply and Sanitation Policy in 2009-2010, the ADB had been one of the main donors in the urban water supply and sanitation sector by funding the Melamchi Water Supply Project (since 2000), which aims to bring drinking water to the Kathmandu Valley through a tunnel from the Melamchi river, north of Kathmandu, and through the Kathmandu Valley Water Services Sector Development Program (since 2006). Both programmes have included several conditions requiring privatisation of provision and management of the water services in the Kathmandu Valley, under a performance-based management contract (Corral 2007, 1). Under these projects the Kathmandu Valley operations of the Nepal Water Supply Corporation, the public utility company, have been split into (1) an asset-holding entity, the Kathmandu Valley Water Supply Management Board; (2) a service provider (currently the contract is held by Kathmandu Upatyaka Khanepani Limited (KUKL); and (3) a regulatory agency, the Water Supply Tariff Fixation Commission (ADB 2006a, 1), combined with corresponding legislation of a Water Supply Tariff Fixation Commission Act 2006 (ADB 2008, 5). This tendency will continue in a new project, the ‘Kathmandu Valley Water Supply Improvement Project’, which started in 2012. In addition to improving the water supply distribution system in Kathmandu Valley, it will also raise the financial and asset management capabilities of those agencies overseeing the sector.172

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The Urban Water Supply and Sanitation Policy (2010), funded by the ADB as part of the preparation for the Second Small Towns Water Supply Project\textsuperscript{173}, did not focus directly on the privatisation of water facilities. It highlighted another priority of the ADB, the cost-recovery of construction and operation and maintenance cost from the communities living in the peri-urban areas. In addition, it highlighted the sector effectiveness through institutional reform, particularly related to the role of DWSS as a facilitator; user involvement in decision making and management through the establishment and strengthening of water users’ groups; and to promote public private partnerships (GON/MPPW 2009; ADB 2008). Due to the focus of the Small Town Water Supply Project in the peri-urban areas, the community-based approach was emphasised, both in the policy and the project, instead of the direct privatisation of water service delivery. Practically, this makes the policy a policy for peri-urban areas, and not an Urban Water Supply and Sanitation Policy, particularly because in the urban areas of Nepal, the privatisation of water facilities has been the preferred form of management, also by the ADB. Thus, it seems that the policy was formulated to correspond with the needs of the Small Towns Water Supply Project. This is illuminated when one compares the policy with the draft that had been prepared by JICA in the early 2000s, which focuses more on corporate-based management. One of my interviewees opined that the JICA draft corresponded to the needs of the Melamchi Water Supply Project, where the JICA was one of the funding agencies, instead of focusing on the needs of the whole urban water supply and sanitation sector\textsuperscript{174}. The project preparation, and policy documentation, suggest that the focus on peri-urban areas has also been the favoured approach by the ADB-paid consultant who formulated the policy. The need by the ADB for the policy was substantiated in an interview with an ADB official who told me that the ADB funded the policy formulation, because the Small Towns Water Supply Project was developed as a sector development programme, along the development trend of establishing sector-wide approaches, requiring guidance from a policy to be able to be implemented effectively\textsuperscript{175}. Hence, the government needed to approve the policy, prior to the project funds could be released by the ADB.

\textsuperscript{173} Before the preparation of the Second Small Towns Water Supply Project, the First Small Towns Water Supply Project had been evaluated. This evaluation report was critical about the alleged success of the project and according to some of my interviewees, a staff member of the ADB Nepal felt that this report criticised this staff member for not doing the work well. The staff member had namely advertised the project with its success and had even got a prize for managing such a successful project. Because of the controversial result, the report was not made public, nor was it made available to the consultants preparing the second phase of the project by the ADB. The consultants decided to carry out an own rapid assessment of the first phase, and found out that there were little safety-nets for the poor and disadvantaged in place, that the cost-recovery had been too high for the poorer segments of the people to participate in the project and that there had been occasions of corruption. These issues were taken into account in the design of the Second Small Towns Water Supply Project. Interviews with an international consultant in the WSS sector on Aug. 12, 2009 and a NGO representative on Jul. 15, 2009.

\textsuperscript{174} Interview with a NGO representative on Jul. 6, 2009.

\textsuperscript{175} Interview with a representative of ADB Nepal on Aug. 10, 2009.
5.3.3 UNICEF Advocating Sanitation

UNICEF has been working in the Nepalese sanitation sector since the IWDSSD (1980-1990). Its focus has been on the community-based approach, which has guided its policy and work since the CWSS programme started in the 1970s. Being an UN agency for children's well-being, it justifies its involvement in water supply and sanitation in Nepal, with its close relationship to the health of women and children. In general, UNICEF is not a big funding agency in the sector; its focus is not on funding large projects, but piloting new ideas, and trying to institutionalise approaches that it finds work well in the Nepalese context of government and donor policy (Steering Committee for National Sanitation Action 2000, 20). This explains its persistent involvement in influencing policy: it aims to get its ideas to other donors and government agencies, which fund the work in the sanitation sector.

The UNICEF-led donor influence on Nepalese policy making commenced in 1980 and focused on the principles of the Drinking Water Decade. First, it put the focus on widening the sanitation coverage in rural areas, and UNICEF, and the funding agency the CWSS, were eager to introduce this approach at the DWSS, under which the project was shifted in 1987. Second, UNICEF advocated for integrating sanitation in all water supply projects, and third, making communities responsible for the operation and maintenance of their schemes (UNICEF 1990b, 12-3). Already before this, UNICEF had, together with the MPLD, tried to put pressure on the DWSS through funding the formulation of two policies, namely the Policy for the Maintenance and Repair of Community Water Supply and Sanitation Systems in Nepal 1982, and the Policy for Sanitation in 1982. However, the policies did not focus on defining priorities, but delineated roles and responsibilities at different levels, starting from villages up to ministry level (Dixit and Crippen 1993, 72-4; Sharma 2001, 91; HMGN/MPLD 1982a; 1982b; UNICEF 1990a, 21).

UNICEF’s influence continued in the 1990s, with its aim to set a policy framework in Nepal which aligned with its global priorities on sanitation and hygiene education. Similarly, the National Sanitation Policy, formulated in 1994 with the assistance of

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176 After the establishment of the Ministry for Housing and Physical Planning, in 1987, all rural water supply and sanitation programmes were brought under it, making the DWSS the lead government department in the sector. Hence, it also became the agency responsible for the UNICEF- and Helvetas-supported CWSS programme (Sharma 2001, 94; 2004, 53). According to a UNICEF representative, UNICEF was, subsequently, able to influence the newly established ministry to change towards the community-based approach and to put more emphasis on sanitation (interview with a UNICEF Nepal representative, on Sep. 13, 2010).

177 The Community Water Supply and Sanitation Programme (CWSS) was administered by the MPLD until 1987, when it was shifted under the DWSS.

178 Sharma (2001, 94 fn 60) and Bihari Krishna Shrestha (interview on 23.7.2009) explain that UNICEF got indirect assistance from a government official, Bihari Krishna Shrestha, who wrote a guideline on the approach, and managed to bypass the DWSS in the approval process, by getting it first approved by the minister, using his acquaintance with him. Sharma quotes another government official who confirms that Shrestha played an important role in the introduction of the community-based approach in the MHPP and the DWSS. The guidelines made two significant points: first, it called for a change in the role of the DWSS, from an implementer to a facilitator, and secondly, it required the department to establish a working relationship with users’ groups and to construct smaller, more decentralised schemes (Sharma 2001, 93-4; 2004, 52).
UNICEF, emphasised sanitation and other principles of the community-based approach rather than the contemporaneous composite approach,

“1. Changing people's unhygienic sanitary behaviour and practice related to personal, household, and environmental hygiene through environmental health education, information and mobilization of community (…). 2. Ensuring community involvement, in particular women's involvement in water management, hygiene education, and other sanitation promotion activities. 3. Encouraging the participation of non-governmental organization and volunteers as partners in development.”

HMGN/MHPP/DWSS 1994, 2

Even though the policy included detailed guidelines for planning, and the implementation of a sanitation programme, a UNICEF representative reported that it was never followed up properly, mainly because the DWSS focused on water supply rather than on sanitation. However, the increasing number of aid projects on water supply, that started in the mid-1990s, included sanitation as a component in their designs.

The formulation of the Water Supply Sector Policy in 1998 highlights the role of aid agencies in initiating policy formulation in Nepal and the politics of policy. The World Bank and UNICEF initiated policy formulation, which even though being a policy only for water supply, made sanitation an integral part of all water supply projects (HMGN/MHPP 1998, 4). This can be interpreted as UNICEF's influence on policy formulation. The policy continued to base itself on the priorities of UNICEF in Nepal, particularly in decentralisation. However, it also included other components of the composite approach, such as minimising adverse environmental impact, improving the situation of women and children, and using local resources and materials, as well as seeking for cost-recovery (HMGN/MHPP 1998, 4-6). Even though the policy formulation was not officially linked with any project preparation, nor prepared by a project preparation team of donor paid consultants, it was formulated at the same time that UNICEF funded project the 'Decentralized Planning for the Child Programme' (currently called Decentralized Action for Children and Women, DACAW). The project focuses on improving the life of rural women and children, one of its main components being water

180 In the development projects, the community-based approach had became the dominant approach by the mid-1990s, when nearly all rural water supply and sanitation projects were implemented through this modality, demanding that the integration of the sanitation component affected all water supply projects, and the communities' participation in the construction, and in the subsequent operation and maintenance. Three main donors applying the community-based approach were the World Bank with the JAKPAS/Fund Board, the Finnish government with the Rural Water Supply and Sanitation Project in Western Nepal and the DFID, which funded local NGOs. However, the ADB funded the Third Rural Water Supply Sector Project (1992-1997) and the Fourth Rural Water Supply and Sanitation Sector Project (1997-2001), which were implemented by the DWSS, did not follow the community-based approach as strictly as the other donors (Sharma 2001, 95; 2004, 54, 61).
181 In the literature on water supply and sanitation in Nepal the policy is often mistakenly referred to as the National Water Supply and Sanitation Policy, due to its abbreviation 'NWSSP'. However, the second s-letter in the abbreviation does not refer to sanitation but to sector, thus, the policy is not a policy for sanitation, but only for water supply. The introduction of the policy states that there is a National Policy on Sanitation (1994), but a policy on water supply is still lacking.
supply, sanitation and hygiene education (UNICEF 2007). The community-based focus of the policy has definitely supported the legitimisation of the DACAW project, but I was not able to find any evidence to assess whether there was a direct influence from the project design.

UNICEF’s influence on institutionalising sanitation as an integral part of water supply and having hygiene education as a part of it, increased in the 2000s. Since 2000, it has been involved in the formulation of five policy papers in the sector. The National Sanitation Policy 2000\(^\text{182}\) was formulated based on UNICEF's conviction that the traditional policy of combining sanitation to water was no more pursuable, as it had failed to deliver the anticipated results. Thus, the two needed to be separated in future planning and programming (Steering Committee for National Sanitation Action 2000, 73).

Astonishing, in this statement, is that until then, UNICEF had advocated the integration of sanitation in all water supply projects. It had opined that these two fields should not be separated, particularly because both of them are so closely related to health issues – a focus of UNICEF's work in Nepal. Further, by 2000, there had not been a common policy for water supply and sanitation in Nepal, which could be separated into two separate policies. There was only the National Water Supply Sector Policy from 1998 and the National Sanitation Policy from 1994. This statement must have referred to UNICEF’s experience in other countries, and it was assumed that a combined policy for water supply and sanitation would also fail in Nepal. Another plausible explanation for UNICEF’s advocacy for a separate sanitation policy could relate to the nature of the DWSS as an organisation. Maybe it was afraid that the focus of the DWSS on water supply would not provide adequate priority for sanitation, which UNICEF wanted to guarantee.

UNICEF argued for the formulation of the Sanitation Policy (2000), because the first national policy on sanitation in 1994, had provided only a meagre guidance to the concerned agencies, that had as a result, implemented sanitation programmes in their own ways. Therefore, UNICEF found it important to have an updated policy, to guide the work in sanitation related matters (DWSS/ESS/UNICEF/NECMAC 2000, 2). As a solution, UNICEF offered its new approach to sanitation, which it introduced in the Nepal Status of Sanitation Report 1999/2000\(^\text{183}\). The approach was called the Basic Sanitation Package (BSP). The idea of the BSP was to pay attention to the fact that sanitation is not purely about building latrines, but a package of activities, including software components. UNICEF considered that by including the BSP into the policy, it would bring about uniformity and standardisation in the development programmes (SACOSAN 2003, 7; Steering Committee for National Sanitation Action 2000, vi-vii, 54). The policy also included a new component: it mentioned the role of schools in sanitation, which is also a

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\(^{182}\) The policy followed for UNICEF typical arguments of decentralisation of sanitation services to local level and to NGOs; behavioural change; health related issues; gender sensitivity; and integration of sanitation to all water supply projects (DWSS/ESS/UNICEF/NECMAC 2000).

\(^{183}\) The report was officially written by the Steering Committee for National Sanitation Action, but at the UNICEF office, a staff member referred to the report as 'our report'. I suspect that the report was written by UNICEF staff, and has been made official under the name of the Steering Committee, to put a government flag on it.
UNICEF-developed approach\textsuperscript{184} (DWSS/ESS/UNICEF/NECMAC 2000, 3-6). The policy was never submitted to the cabinet. The official reason given to me was the frequent changes of Directors General at the DWSS, who was supposed to approve it, and after his approval, forward it to the cabinet. I think that this was the DWSS maneuvering against a policy, which focused too much on soft-side development, hence going against its interests as a hydrocracy. UNICEF, understanding the problem, and knowing how the DWSS ‘thinks’, revised the policy slightly in 2002, by putting more focus on the contamination of water sources, and on urban and semi-urban areas (HMGN/MPPW/DWSS 2002), and submitted it anew to the DWSS. But the DWSS remained stubborn, and this policy also never reached the cabinet.\textsuperscript{185} The DWSS must have been, at that point of time, well funded by other donors and therefore, it was able to challenge UNICEF on this front.

The politics of policy between the DWSS and UNICEF continued throughout the first decade of the 2000s. The struggle, was based on previous dynamics: UNICEF coming up with a policy and the DWSS finding a way to block it. In 2004, the case was about the ADB funded formulation of the Rural Water Supply and Sanitation Strategy, in which UNICEF funded the work of a sanitation specialist. Nevertheless, UNICEF was not satisfied with the sanitation-related issues. Hence, after the approval of the Rural Water Supply and Sanitation Strategy, it revised the 2002 Sanitation Policy, together with the sanitation cell within the DWSS, and renamed it the Draft National Hygiene and Sanitation Policy, Strategy and Guidelines 2004. Exactly as in earlier occasions, the DWSS’ Director General was against its approval, arguing that there was a recent policy for rural water supply and sanitation; thus, a new policy was not required.\textsuperscript{186} UNICEF – not wanting to leave the game as loser – decided to rename it, from a policy to guidelines, and then, the document would not require cabinet’s approval, and it could be officially approved by the ministry,\textsuperscript{187} and seeing this as an opportunity to bypass the unwilling DWSS. The Guidelines institutionalised the UNICEF-advocated sanitation approaches of school-led sanitation, community-led total sanitation\textsuperscript{188}, Basic Sanitation Package and National Sanitation Week\textsuperscript{189} (HMGN/MPPW 2004c, 2-5). My interpretation is supported

\textsuperscript{184} UNICEF developed a school-led total sanitation approach, based on the experience of Water Aid and NEWAH, and on its own child-to-child approach, which was developed by the UN International Year of the Child, in 1979. The school-led total sanitation approach bases itself on the experience of previous related approaches, such as school-led sanitation, school sanitation and hygiene education, and child-to-parents and child-to-community approaches in promoting sanitation (SACOSAN 2003, 6-7).

\textsuperscript{185} Interviews with a UNICEF representative on Sep. 13, 2010 and a consultant to UNICEF on Sep. 5, 2010. Email correspondence with the consultant on Oct. 9, 2010.

\textsuperscript{186} Email correspondence with a consultant on Oct. 9, 2010.

\textsuperscript{187} Interview with a UNICEF representative on Sep. 13, 2010.

\textsuperscript{188} The 2004 and 2005 policies consolidated the community-led total sanitation approach, which had been introduced to Nepal by WaterAid Nepal and NEWAH. Currently, most aid agencies in Nepal follow this approach. It advocates for making all Nepalese villages and districts as open defecation free (ODF), practically meaning that all households have latrines and are using them.

\textsuperscript{189} UNICEF had started the National Sanitation Week in 2000 as a means to draw together local leaders, CBOs and development workers to increase public awareness of hygiene and sanitation. The first two times the Week focused on construction of latrines, but from 2002 on it has been linked to Nepal's WASH campaign and has focused on 'soft' issues such as promoting handwashing and engaging national media to hygiene education (Tayler et al. 2005, 22).
by the observation of Tayler et al. (2005, 20), who mention that the sanitation-related workshops that they organised, revealed some scepticism among the DWSS engineers, about the relevance of the Community-Led Total Sanitation Approach in a Nepalese context. I, therefore, think that the purpose of UNICEF funded policies has been to institutionalise the UNICEF approach to sanitation. In addition, a study of the guidelines text shows that it does not make any reference to the dominant aid themes, such as the MDGs or PRSPs, but only focuses on the sanitation approaches initiated by UNICEF.

By the end of the decade, the global focus on sanitation increased, especially through the UN International Year on Sanitation in 2008. The Nepalese governmental agencies felt this through the South Asian Conference on Sanitation (SACOSAN), in which the government was a member. On the domestic front, the NGOs and donors that participated in the SACOSAN preparations, kept on reminding the government about its commitment on the formulation a National Sanitation Master Plan. This materialised in 2008-2011, funded by UNICEF, the Fund Board and WaterAid. In the formulation of the Plan, UNICEF had a pivotal role. In an interview with a UNICEF officer, he told that the whole basis of the Master Plan was an outcome of UNICEF model concepts, referring to the Total Sanitation and School-Led Sanitation Approaches.

It seems evident that UNICEF’s aim has been to institutionalise its own thinking on sanitation in Nepal. This claim, I support with two observations: (1) several of the policy papers do not focus on providing clear objectives, or defining roles and responsibilities, in the sector, and (2) in UNICEF funded policies, there is little reference to global priorities, the composite approach and partnership thinking. Rather, the policies are based on UNICEF’s own thinking and priorities. With the formulation of the policies, it has attempted to institutionalise a sanitation framework it believed in, and that it had piloted in the Nepalese context. Its aim was not to institutionalise an approach to support its own projects, nor to make their approval in UNICEF headquarters possible, as had been the goal of the World Bank and the Asian Development Bank.

The policy making of sanitation policies also highlights the politics of policy perspective, and illuminates how the Nepalese government has found ways to manoeuvre against unwanted policy change. Even though, the policies are donor-centred, the Nepalese government has not been indifferent about them, or subsumed under the donor influence, without resistance. There are signs for skilful manoeuvring on both sides:

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190 Another reason for the disinterest by governmental agencies towards sanitation could be explained through the fact, that they perceive sanitation as a social sector activity with low returns to investments, thus, not bringing the expected economic benefits, which is a high priority for the government. For the bureaucrats, dealing with sanitation projects, these are just low-return projects, with limited possibilities for kickbacks, or consultancy work. The sanitation projects emphasise social aspects, whereas the DWSS bureaucrats are engineers.

191 The Nepalese government committed to this in the 2003 SACOSAN conference in Dhaka, Bangladesh. The civil society and donor community came together under the End Water Poverty Campaign to advocate for the formulation of the Master Plan. Interviews with a NGO representative on Aug. 20, 2010, a NGO representative on Sep. 1, 2010, a consultant to UNICEF on Sep. 5, 2010.


UNICEF, allied within the sanitation cell in the DWSS, led by a sociologist (not a technically-oriented engineer), were successful to gain support for its efforts within the government. However, at the higher hierarchical levels of the DWSS, the directors general have come up with explanations to block the eager UNICEF and its sanitation policies.

In summary, as seen from the table below, the aid agencies working in Nepal have been actively involved in the funding of policy formulation processes in the water supply and sanitation sector. It summarises the main policies guiding the water supply and sanitation sector in Nepal, including the agencies that funded the policy formulation in question. In addition, the table explains which policy narrative is behind each of the policy formulations, and reflects upon the background of those policies.
<table>
<thead>
<tr>
<th>Policy</th>
<th>Funding Agency/ Donor</th>
<th>Policy Narrative</th>
<th>Focus of the Policy</th>
<th>International Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Policy for Sanitation Policy 1982</td>
<td>UNICEF</td>
<td>Community-based</td>
<td>Devolving responsibility to users</td>
<td>Donors' learning of the ineffectiveness of the state-led approach</td>
</tr>
<tr>
<td>A Policy for Maintenance and Repair of Community Water Supply and Sanitation Systems in Nepal 1982</td>
<td>UNICEF</td>
<td>Community-based</td>
<td>Main responsibility for O&amp;M at district level, central level only supervising</td>
<td>Donors' learning of the ineffectiveness of the state-led approach</td>
</tr>
<tr>
<td>National Sanitation Policy 1994</td>
<td>UNICEF</td>
<td>Community-based</td>
<td>Health improvement; involvement of women; participation of communities, NGOs and private sector</td>
<td>Donors' learning of the ineffectiveness of the state-led approach</td>
</tr>
<tr>
<td>Water Supply Sector Policy 1998</td>
<td>World Bank and UNICEF</td>
<td>Composite</td>
<td>Water supply to all; involvement of women; health improvement; cost-effectiveness; private sector participation</td>
<td>Community-based approach; Washington-Consensus</td>
</tr>
<tr>
<td>National Sanitation Policy 2000</td>
<td>UNICEF</td>
<td>Community-based</td>
<td>A package of activities: hardware, software, environment, sustainability</td>
<td>Increased focus on sanitation, (WASH, Water and Sanitation for All); UNICEF's approaches to sanitation</td>
</tr>
<tr>
<td>Water Resources Strategy 2002</td>
<td>World Bank</td>
<td>Composite</td>
<td>Provision of water and safe sanitation for all by 2017; capacity building; cost-effectiveness; environmental protection</td>
<td>Officially IWRM, in practice post-Washington consensus and sustainability</td>
</tr>
<tr>
<td>National Sanitation Policy 2002</td>
<td>UNICEF</td>
<td>Composite (only partly following)</td>
<td>As in the 2000 policy</td>
<td>Increased focus on sanitation, holistic approach (WASH, Water and Sanitation for All), UNICEF's approaches to sanitation</td>
</tr>
<tr>
<td>Policy</td>
<td>Donor(s)</td>
<td>Approach</td>
<td>Key Themes</td>
<td>Reference/Related Issues</td>
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<tr>
<td>Rural Water Supply and Sanitation Policy, Strategy and Action Plan 2004</td>
<td>ADB (main donor), OFID, UNICEF and the Fund Board</td>
<td>Composite</td>
<td>Provision of water and sanitation for all by 2017; community-led approach; capacity-building; cost-effectiveness; environmental protection</td>
<td>Dublin Conference 1992; IWRM; focus on decentralisation and capacity-building</td>
</tr>
<tr>
<td>National Guideline for Hygiene and Sanitation Promotion 2005</td>
<td>UNICEF</td>
<td>Community-based (only partly following)</td>
<td>Community-led; gender sensitive; poor-focused; use of NGOs, CBOs and private sector in sanitary issues</td>
<td>Increased focus on sanitation; post-Washington consensus; MDGs; UNICEF's approaches to sanitation</td>
</tr>
<tr>
<td>National Water Plan 2005</td>
<td>World Bank</td>
<td>Composite</td>
<td>Provision of water and sanitation for all by 2017; capacity-building; cost-effectiveness; environmental protection</td>
<td>Officially IWRM, in practice post-Washington consensus and sustainability</td>
</tr>
<tr>
<td>National Urban Water Supply and Sanitation Policy 2009</td>
<td>ADB</td>
<td>Composite</td>
<td>Socio-economic development, improved health to urban populations; social inclusion; provision of sustainable water supply and sanitation services; protection of environment.</td>
<td>Post-Washington consensus, sustainability</td>
</tr>
<tr>
<td>National Hygiene and Sanitation Master Plan 2010</td>
<td>UNICEF, WaterAid, Fund Board</td>
<td>Composite (only partly following)</td>
<td>Enabling environment for attainment of MDGs; ODF; decentralisation of decision-making to local bodies.</td>
<td>Increased focus on sanitation (SACOSAN conferences); MDGs; UNICEF's approaches to sanitation</td>
</tr>
<tr>
<td>Integrated Water Supply and Sanitation Policy</td>
<td>ADB</td>
<td>Composite</td>
<td>n.a.</td>
<td>n.a.g</td>
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</tbody>
</table>

Table 5.9: Policies regulating rural water supply and sanitation in Nepal since 1980s

159
5.4 Conclusions

5.4.1 The Influence of Aid Agencies on Policy Making in Nepal

This chapter shows that there is a long-term influence by donors on policy making in Nepal. Thus, a pattern has developed on how policies are formulated in the rural water supply and sanitation sector in Nepal. The influence starts from global policy narratives, which reflect the latest perspectives and ideologies of the donors on how the development should proceed, but it is disguised as knowledge by the donors. This knowledge is the use of expert power. These narratives should be pursued in developing countries, and are typically applied in all aid recipient countries equally, as blueprints. These new aid doctrines have influenced Nepalese periodic development plans and later, the sectoral water policies. In sectoral policies, the influence has not only limited itself to the broad lines of aid priorities, but certain aid agencies have had more specific agendas for the water supply and sanitation sector, and have pushed for these issues. UNICEF considered sanitation as an advocacy point, the World Bank focused on the IWRM, while the ADB emphasised the economic value of water. Thus, I conclude that the official Nepalese policy papers have been influenced by the priorities of donors. Despite the donor influence, the Nepalese governmental agencies have not adopted all policies and/or policy principles, but have ignored them by not focusing on the implementation of the policies, or have resisted the approval of the final documents, when the priorities have not been in line with the interests of the governmental agencies and bureaucrats.

5.4.2 Dominant Policy Narratives in Nepalese Water Supply and Sanitation

The second point this chapter makes is to identify dominant narratives in a Nepalese context. In the Nepalese water supply and sanitation sector, I identify three of them, operating in different domains. The first dominant narrative was developed in the late 1940s and early 1950s, by the developmentalist school, that emphasised the role of the state in service provision. It was believed that a centralised state – with line agencies at the local level – should lead the planning, implementation and the maintenance of the water supply and sewerage services. The planning was supposed to be carried out through periodic development plans. These plans allocated the task of implementation to the relevant ministries, departments and line agencies, which constructed the schemes and had the responsibility for their maintenance. The users of the water services were seen as passive beneficiaries, and had no role in the process. This thinking led to the formulation of the state-led approach. In the Nepalese water supply and sanitation sector, the approach is followed by the governmental lead agency, the DWSS.

The second dominant narrative in the sector, is the critique of the state-led approach. This critique, raised in the 1970s and 1980s, advocated that the inclusion of users in the planning, implementation and maintenance of the schemes, would bring better results,
with fewer resources, than leaving this task to the state. Thus, it was argued, that the users should be involved in all phases of the water supply and sanitation service delivery, and that the governmental agencies should respectively withdraw from the construction and maintenance of the schemes. According to this story, the involvement of the users would make them feel like owners of the schemes, as they had themselves been heard in the planning phase, had constructed the schemes, or at least had commissioned the construction, and after this, were in charge of the maintenance. This belief was supported by the requirement that the users took part financially, or through their labour force in the construction and operation & maintenance. It reserved a new role for the state, namely, that the government departments should facilitate user participation in service provision. The belief led first to the formulation of the community-based approach, which is in Nepal, the basis of nearly all water supply and sanitation projects in rural areas.

The third dominant narrative evolved from the community-based approach in the 1990s. The basic principles of the community-based approach were supplemented with other elements, such as economic factors, environmental protection, a focus on governance, and building capacity, both at central and local level, and an emphasis on sanitation and hygiene: forming the composite approach, and highlighting the politics of policy making at a global level. The composite approach was formulated in the global policy making arenas, where it obviously had evolved out of attempts for consensus in policy negotiations. In addition to the community-based approach, the other underlying theme in the approach, bases itself on market supremacy and its maintenance. Here, it was thought, that the market could not regulate itself, but that the state should play a role in it. Because many of the developing states were perceived as weak, it was considered that their governance would require assistance to be able to deal with the economic challenges. The components of good governance and capacity building were designed for this purpose. The donors also realised that economic and other policies would not be successfully implemented, unless the government would have ownership of those. Therefore, a new focus point was added to the composite approach, namely, the partnership idea. Through donor – aid recipient government partnerships the principles of neoliberal market maintenance would not be imposed on the government, but be agreed upon in partnerships and in dialogue. Through this, the government would ‘own’ these ideas and reforms. Furthermore, the neoliberal market presupposes effectiveness and sustainability. To ensure this, new aid modalities and practices were designed: harmonisation, alignment, coordination and the sector-wide approach. In Nepal, the sector-wide programme is supposed to solve the fragmentation of the rural water supply and sanitation sector, which stems from having several actors, with differing implementation modalities, operating in the same field, making the work ineffective and unsustainable. In Nepal, the composite approach is advocated and followed by the international aid agencies.

These approaches are also dominant in specific domains. The state-led approach dominates the hydrocracies. The community-based approach has been the basis of UNICEF’s work in Nepal, and most sanitation-related policies are founded on decentralisation ideas, and the idea of community participation. The composite approach, having several composite objectives, is advanced by the multilateral and bilateral donors.
However, the multilaterals have put more emphasis on economic principles, and the market maintenance, whereas, the bilaterals believe in the principles of the partnership idea.

<table>
<thead>
<tr>
<th>Time</th>
<th>State-led approach</th>
<th>Community-based approach</th>
<th>Composite approach</th>
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<tbody>
<tr>
<td><strong>Global dominance</strong></td>
<td>1950s – 1980s</td>
<td>1980s – to present</td>
<td>1990s – to present</td>
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<tr>
<td>Dominance in Nepal</td>
<td>1950s – to present</td>
<td>1990s – to present</td>
<td></td>
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<tr>
<td><strong>Narrative/story</strong></td>
<td>Central level of the state should lead</td>
<td>Communities should</td>
<td>All water supply</td>
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<td></td>
<td>technical and infrastructure-based</td>
<td>have a central role in</td>
<td>and sanitation</td>
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<td></td>
<td>water supply developments; health</td>
<td>the decision-making,</td>
<td>schemes should</td>
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<td></td>
<td>important in water supply and sanitation;</td>
<td>management and</td>
<td>focus on</td>
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<td></td>
<td>water should be free or subsidised</td>
<td>operation and</td>
<td>participation; O&amp;M</td>
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<td></td>
<td>maintenance of water</td>
<td>through community</td>
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<td>supply and sanitation</td>
<td>involvement;</td>
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<td>activities in their</td>
<td>environmental</td>
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<td>localities</td>
<td>protection; cost-</td>
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<td>effectiveness;</td>
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<td>governance;</td>
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<td>partnership between</td>
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<td>the donor and the</td>
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<td>government; aid</td>
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<td>coordination</td>
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<tr>
<td><strong>International</strong></td>
<td>Truman's Point Four Programme and</td>
<td>Critiquing narrative of</td>
<td>Brundtland</td>
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<td>origin</td>
<td>Colombo Plan, Basic Needs</td>
<td>state-led approach;</td>
<td>Commission;</td>
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<td>donors’ learning from</td>
<td>Washington-</td>
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<td>the state-led approach</td>
<td>consensus;</td>
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<td>post-Washington</td>
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<td>High Level Forums</td>
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<td>on Aid.</td>
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<td><strong>Effect in Nepal</strong></td>
<td>Strengthening of a central level,</td>
<td>Decentralisation of</td>
<td>Introduced PRSP</td>
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<tr>
<td></td>
<td>infrastructure-based, department to</td>
<td>power to local bodies;</td>
<td>and MDGs to Nepal</td>
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<td></td>
<td>lead water supply with line agencies at</td>
<td>establishment of user</td>
<td>and privatised WSS</td>
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<tr>
<td></td>
<td>the local levels</td>
<td>groups; use of NGOs,</td>
<td>in the urban areas;</td>
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<td></td>
<td></td>
<td>CBOs, and private sector</td>
<td>focus on</td>
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<td></td>
<td></td>
<td>companies in the water</td>
<td>sanitation; attempts</td>
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<td></td>
<td>supply and sanitation;</td>
<td>by the aid agencies</td>
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<td></td>
<td></td>
<td>financial contributions</td>
<td>to coordinate the</td>
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<td></td>
<td>from users</td>
<td>sector and have a</td>
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<td></td>
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<td>national programme</td>
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<td></td>
<td></td>
<td></td>
<td>in the sector.</td>
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<tr>
<td><strong>Status in Nepal</strong></td>
<td>Officially abandoned, in practice</td>
<td>Officially followed by</td>
<td>Officially followed</td>
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<tr>
<td></td>
<td>followed by the DWSS</td>
<td>the governmental</td>
<td>by the governmental</td>
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<td>institutions. Applied in</td>
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<td>all aid projects by</td>
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<td></td>
<td>bilaterals and NGOs</td>
<td>donors.</td>
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*Table 5.10: Dominant Policy Narratives in Nepal*
Like in many places in the world, the ‘irony’ seems to be that donor-led policies and programmes, with all of their composite objectives, have not been able to outplay the state-led approach, as the most preferred approach of the government agencies in Nepal (see e.g. Araral 2008; Suhardiman 2008). Two issues are significant factors; namely, the focus points of the state-led approach on the centralisation, and infrastructure development. These offer possibilities for holding on to power and rent-seeking/kickbacks. In a centralised system, the donor money is allocated to the ministry/department level, which handles the procurement for building material through its local level offices, which again are directly controlled by the central level. With this practice, the donors actually reproduce the centralised control of the ministries, instead of ‘building capacity’ at the local level. In a decentralised system, where these local level offices should have independent power from central level control, local level offices are replaced by elected bodies, which cannot be controlled by the central level ministries, or as advocated in Nepal, to be abolished to a large extent, and be substituted by private sector companies or NGOs. As explained in Chapter Four, because government salaries are low, often officials have a felt need for some extra income, to be able to have a middle-income based on living standards, and therefore, are on the look out for the possibilities for kickbacks, from the procurement of development projects. This also explains the government’s lack of interest for operation and maintenance (as well as donors’ interest for it). As long as it is possible for government institutions to focus on the construction of new schemes, they have little incentive to promote regular operation and maintenance. The composite approach, as advocated by the donors, tried to abolish these two important focus points of the government system, by demanding a decentralised water supply and sanitation delivery, and focusing on the so-called soft-side of development. This means, having less focus on infrastructure development, and more emphasis on capacity building and behaviour change among government officials and beneficiaries. The government institutions have objected to these donor priorities. In addition to the general resistance by government institutions towards decentralisation, the different decentralisation modalities followed by donors, have failed to provide the government with a single example on how decentralisation should be established in Nepal. Instead, they have all followed their own ideas, and at the same, tried to pressure the government to adopt their favoured decentralisation model194.

The current practice in Nepal corresponds to the concept of a metanarrative (Roe 1994, 156), which “is the intertext that accounts for how two policy narratives, each popular opposite of the other, can both be the case at the same time”. In Nepal, the water supply and sanitation policies place the final responsibility for the planning of service delivery, to the government; however, mentioning that the planning should be based on the plans developed at local level. The government’s interest to lead implementation efforts is tolerated by the donors; however, in their own projects, they prefer the community-based

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194 The Finnish projects prefer to work directly with the local government bodies, the DDCs and the VDCs, whereas the Fund Board directs the financial resources to the users via NGOs, CBOs and the private sector. In addition, there are national NGOs, which work directly with the users with their own implementation modalities, and the ADB, which continues to support the DWSS and its line offices in the districts. In addition, only few of the projects have been able to evolve from the community-participation approach to community-management approach (Sharma 2001, 101).
approach. Thus, it seems that these two practices live next to each other. The conflicting issues between the two narratives are raised in talks between the government and donors, but have never really been tackled with determination. This might be because of the politics of policy making between the two parties: the government has received funds for the development through the development projects that have followed the approval of the policies, and the donors get a policy framework that serves their needs, when getting their own development projects approved in their headquarters. Even though there are attempts to find consensus for the sector through coordination, and the sector-wide approach, these issues have not been clarified. Hence, the establishment of a national programme has not succeeded until today, as will be shown in the next chapter.
6. Catching Fish in Muddy Waters

Alliances for Partnership, Leadership and Legitimacy

6.1 Introduction

This chapter gives insights on how the global push for harmonisation, alignment, coordination, and the idea of a single approach for the sector – encapsulated in the sector-wide approach\(^{195}\) – has led both aid and governmental agencies to attempt to coordinate, and lead the sector, and to build alliances within the agencies. I analyse the alliance building for a national programme through the concepts of story-line (Hajer 1995; Rein, Schön 1986) and core beliefs (Sabatier, Jenkins-Smith 1993)\(^{196}\). These I see to have originated from global narratives, and consist of various elements of the narratives that the actors have chosen. The story-lines for the national programmes stem from the core beliefs of each institution. The core beliefs are values that the agencies rarely compromise on, and on which they define their institutional character. The story-lines, on the other hand, facilitate the reduction of the discursive complexity of the global narratives, and create the actors with possibilities for problem closure. I find that through the core belief, and the related story-lines, the actors illustrate where their work fits into the global discourse on development.

The main findings of this chapter are:

- Sector coordination has been donor-driven. The donors have defined the problems, introduced the idea of a national programme, and made the first plans for it; the role of governmental agencies has at best been a partner in the attempt.
- The attempts to establish a national programme have been called sector coordination, even though there has been little happening in this regard.
- Instead, the aim by the sectoral actors in the establishment of the national programme has been to secure a position as sectoral leader, and to legitimise their own story-line for the national programme. Therefore, I label the alliances formed for this purpose as legitimacy alliances.
- Yet, none of the donors, or the government, has taken a clear leadership role. The donors are viewed as to be constrained by their own guidelines and working modalities, to be able to fully harmonise their working modalities with other donors, and the governmental agencies have been hindered by unclear institutional arrangements and instability in the country.

\(^{195}\) In Nepal, this is called a national programme for the rural water supply and sanitation sector, as well as a single approach for the sector. The donor advocated programme-based approach (opposite to the project-based approach), is a pre-form of the sector-wide approach. Here, I use all terms identically, referring to them with the attempts to have a single approach in the sector, with some form of a fund through which all donors would jointly fund the sector activities.

\(^{196}\) Similar analyses could be made by using the concepts of episteme or paradigm (Haas 1992; Kenis 1991).
• There is not a common view on how the sector development should proceed, but the actors have own interpretations on global priorities and are trying to secure leadership on this basis: they are catching fish in muddy waters.

This chapter is organised into four sections that analyse the alliances by donors, and governmental agencies, in the rural water supply and sanitation sector. After this introduction, section two presents the alliances for establishing a national programme. Section three argues that these attempts to coordinate the sector have actually been attempts to lead the sector, which has been the hidden motive in the attempts. It also explains how both aid and governmental agencies have been constrained to take up the role of a leader in the sector. Section four concludes the chapter.

6.2 Alliances for a National Programme

In this section, I argue that the attempts to establish a SWAP have been donor-driven. I show how global pressure has guided the thinking of donors in Nepal, how they have identified the problems that support its establishment, and have led attempts to coordinate the sector, including presenting themselves as leaders of the national programme. Even though the push for a national programme stems from global narratives, in Nepal, the donors have justified its necessity with domestic reasons, such as the fragmentation in the sector.

The push for establishing a national programme for the Nepalese rural water supply and sanitation sector started with the emphasis on cost-effectiveness, exclusion of government in the water supply and sanitation delivery, and improved donor coordination. They were, after this, further augmented by the partnership idea at the turn of the millennium. The recently found common goals for donors articulated in the Paris Declaration on Aid and the Millennium Development Goals and Poverty Reduction Strategy Papers, focused the thinking of donors towards unifying and harmonising their practices. They opined that common goals would be best reached through a single approach in the sector.

The donors legitimise the national programme, by fragmentation in the sector, which is presented as a consequence of having a large number of donors and NGOs working in an uncoordinated way, as well as the blurry responsibilities of ministries and departments for the sectoral issues. Furthermore, the donors considered that the national programme would solve problems that derive from the project-based approach that had dominated the rural water supply and sanitation sector. Because of the project-wise implementation, all sectoral actors had their own implementation mechanisms for rural water supply and sanitation projects197, causing confusion, particularly in the villages and districts (see e.g.

197 The implementation modalities had competing views, especially with regard to how to implement decentralisation: some followed the government’s LSGA (1999), and focused on working with the local bodies, whereas the Banks viewed that working with the NGOs, and the private sector, was more efficient and would bring more sustainable results.
Whiteside 2005; GON/MPPW/WSSD/SEIU 2011; Ringskog et al. 2011). The DFID’s analysis of the sector summarises the donors’ arguments:

“From an institutional standpoint, over 20 international organisations are active in the sector providing around 67% (2003/4) of total investments. As a consequence, the sector is frequently characterized as being NGO dominated, fragmented and over projectised with weak linkages to government at all levels. As is now widely acknowledged, project based approaches tend to create a lack of coherence at policy and budget level including: fragmentation, inconsistency, duplication and distortions inspending; high transactional costs through multiple management units; lack of ownership and misplaced accountability, and the creation of islands of excellence involving high technical and service capacity that cannot be replicated in the sector at large.”

*Whiteside 2005, 13, 23*

The first three endeavours to establish an alliance for a national programme were initiated and managed by donors alone. From the mid-2000s onwards – in the three following endeavours, the donors have tried to involve governmental agencies into the alliances and the design of the national programme. This, however, has not changed the fact that the attempts have been donor-driven. Another factor, making a distinction in the alliance building, is the role of the DFID. During the first endeavours, the DFID was involved in all alliances. However, in 2005, it withdrew its aid from the sector, leading to a new type of alliance, which was characterised through joint donor-government alliances. The table below provides an overview on these alliances, depicting the lead agency, members, and the result of the alliance. The alliances are elaborated in the following parts.

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198 For similar views, see also SEIU, SOPHEN 2009, 2; SEIU 2010a; UNICEF 2011, 1; Basnet, Jaishi 2009, 1.
<table>
<thead>
<tr>
<th>Alliance</th>
<th>Lead</th>
<th>Years</th>
<th>Members</th>
<th>Result</th>
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<tbody>
<tr>
<td>Fund Board</td>
<td>World Bank</td>
<td>2002-2010</td>
<td>DFID, WaterAid</td>
<td>NGO and donor opposition, continues to operate as a project</td>
</tr>
<tr>
<td>Sector Alliance</td>
<td>DFID</td>
<td>2002-2005</td>
<td>FB, WaterAid, GWS, NEWAH, ADB</td>
<td>Difficulties with gov agencies, DFID withdrew from the sector</td>
</tr>
<tr>
<td>CBWSSP</td>
<td>ADB</td>
<td>2004-2010</td>
<td>DFID</td>
<td>No real support, continues to operate as a project</td>
</tr>
<tr>
<td>Dolidar-Finland</td>
<td>Dolidar</td>
<td>2009-2010</td>
<td>MLD, Finnish funded projects</td>
<td>NPC declared the attempt illegal: Dolidar not a lead agency in the sector</td>
</tr>
<tr>
<td>SEIU</td>
<td>ADB, MPPW, DWSS</td>
<td>2009-</td>
<td>Nearly all stakeholders</td>
<td>Currently operational, aims to establish joint sector review and budgeting</td>
</tr>
<tr>
<td>UNICEF-NPC</td>
<td>UNICEF</td>
<td>2010-</td>
<td>Finland, World Bank, ADB</td>
<td>Currently operational, aims to assess the sector for establishing a national programme leading to a SWAP</td>
</tr>
</tbody>
</table>

*Table 6.1: Overview of the Alliances*

### 6.2.1 The Fund Board: The World Bank's Attempt to Control the Sector

The first attempt to establish a national programme in the rural water supply and sanitation sector was already tried out by the World Bank in 1996, with the formation of the Rural Water Supply and Sanitation Fund Development Board, shortly known as the Fund Board. Behind its establishment was the World Bank's belief that service delivery, through the government system, was not efficient, because it was not ready for moving from the supply-led implementation modality, to the composite approach, including delivering services through the NGOs and the private sector, and delegating more responsibility to communities. The World Bank wanted to avoid direct cooperation with the DWSS and aimed for delivering water supply and sanitation services to the rural areas outside of the established government system. The World Bank's disinterest for

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199. The World Bank had started to prepare for the Fund Board already in the early 1990s, and in 1995, it funded a pilot programme called JAKPAS (Janata ko Khanepe, n Ra Sarasat). This was transferred into a fully-fledged programme, the Rural Water Supply and Sanitation Fund Development Board in 1996. A consultant in the WSSS sector (interview on Aug. 12, 2010) told me that he had made a bid to JAKPAS, in its design phase, and had suggested a modality for strengthening the capacity of the DWSS as an agency responsible for JAKPAS. He obviously did not win the bid.

200. A representative of Dolidar suggested that the aim of the establishment of the Fund Board was to demolish the DWSS (interview on Aug. 2, 2009). See also the World Bank commissioned report (World Bank 1993, i), which was written to give guidance for the set-up of the Fund Board, making a similar statement, cf. East Consult 1992, viii, 9, 36-7; World Bank 1990b, 5,10.
cooperation with the governmental system stemmed from its experience of having implemented four large water supply and sanitation projects under the WSSB and the NWSC. During this time, it had realised that the work style of the governmental agencies was not efficient, and there had been a leakage of project funds (HMGN 1987). Therefore, the World Bank opted for the creation of the Fund Board, as a semi-autonomous body, bypassing the government system. Believing in this model, the World Bank tried to convince the other donors to join in funding it.

The bypassing of government's operational framework did not entirely work. The Fund Board needed to be established under the Development Board Act, which outlined that the board of the organisation shall be appointed by the government. Hence, the MPPW was able to man the board with its own people, or people known to be loyal to its interests\textsuperscript{201}. Through this arrangement, it was able to influence the selection of the managing director of the Fund Board, and subsequently, the internal issues of the organisation.

As shown here, the Fund Board’s story-line (table 6.2) was based on the conviction that the governmental agencies would not be able to deliver water supply and sanitation services effectively, or sustainably, thus, the delivery modality should be changed, giving this responsibility to the actors at the local level: to communities, assisted by the NGOs, the private sector and the water users groups. The World Bank was, at that time of the Fund Board formation, an advocator of the Washington Consensus approach, and accordingly, supported those delivery modalities that met with the ideas of privatisation and liberalisation.

\begin{table}[h]
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\begin{tabular}{|l|}
\hline
\textbf{Fund Board’s Story-Line} \\
\hline
Central government's hardware focused on service delivery and this has not been effective due to dilatory and irregular fund management. Therefore, central government's role needs to be replaced with a community-based approach, in which the beneficiaries have the responsibility for WSS services. They should be assisted by the NGOs and the private sector. The mechanism for this is the creation of the Fund Board, through which all investments in the sector would be coordinated, directly to the communities, without government involvement. \\
\hline
\textbf{Core Beliefs} \\
Priority is placed on the demand-led provision of water supply and sanitation, privatisation and the liberalisation of the economy, downscaling the role of government, and providing a central role for the private sector and civil society, in the scheme implementation. Cost-recovery is an important aspect in the provision of WSS services. Water and sanitation is seen as a basic human need. \\
\hline
\textbf{Relation to Global Narratives} \\
Criticism on state involvement in WSS delivery, (Washington Consensus); focus on community-based approach. \\
\hline
\end{tabular}
\caption{Fund Board’s Story-Line}
\end{table}

\textsuperscript{201} In the Fund Board, the board was appointed of seven government officials and one representative from an NGO and one representative from a private sector company; later, it was slightly changed, to include representatives of the local level bodies (interview with a World Bank representative in Nepal on Sep. 10, 2010). One NGO director claims that the so-called independent representatives of the board, coming from an NGO and the private sector, have been relatives, or close affiliates, of government officials, and thus, have not performed as independent as portrayed (interview on Sep. 1, 2010).
During the first phase (1996-2003) of the Fund Board, the main aim was to establish its preferred approach as the model approach to the sector, and to create a fund, through which all donors active in the sector could jointly fund the sector development; however, at this phase, it was unsuccessful. The World Bank’s reasoning for the creation of the Fund Board did not make reference to further partnership, ideas outside of donor coordination, as these were not yet clearly defined in the global arena. The reason for donor coordination was to improve cost-efficiency (World Bank 1993, x). Despite the failure to attract other donors to fund the Fund Board, the World Bank found that through the organisation it had been able to establish, its interpretation of the community-based approach in the sector, it was convinced that a national programme should be established on the basis of the Fund Board experience. This was its main aim during the second phase (2004-2010). The World Bank was able to attract the DFID\(^{202}\) and WaterAid Nepal, to join and to finance the Fund Board. The DFID had originally planned to allocate all of its resources to the rural water supply and sanitation sector through the Fund Board, making the Fund Board a common project of the DFID and the World Bank. As the DFID's strategy in the rural water supply and sanitation sector was to allocate funds through the NGOs, it found it important that the Fund Board would also be able to attract larger national NGOs under its roof, and by this, bring all the big sectoral players to support a common approach.\(^{203}\) But the NGOs opined that the Fund Board's internal culture was not compatible with their working style. They considered that there was too much internal politicking within the Fund Board; it was unable to cooperate and coordinate with the other donors and the NGOs, and it was perceived as unwilling to revise to its implementation modality, to meet the differences in the modalities between the NGOs and the Fund Board.\(^{204}\) In the end, the DFID realised that without the involvement of these national-level NGOs, the sector would not generate the desired results, and concluded that it would withdraw from funding the Fund Board.\(^{205}\) The ADB had also declined to fund the Fund Board. I believe that the ADB did not want to be 'just' a funding agency in a World Bank-initiated project. It questioned the sustainability of the Fund Board as a leading sector agency, due to its dependence on World Bank funding, and portrayed it as a World Bank project, instead of as a national programme\(^{206}\).

Even though confronted with setbacks, the World Bank did not give up on its plan to establish a national programme around the Fund Board. Instead, as a new measure, the

\(^{202}\) DFID started to fund the Fund Board already in 2002. I assume this was because of its interests for sector coordination.

\(^{203}\) Interviews with a NGO director on Sep. 1, 2010 and an ex-DFID representative in Nepal on Sep. 10, 2010.

\(^{204}\) Interviews with a NGO director on Sep. 1, 2010, and two consultants in the WSS sector on Aug. 18, 2010 and Sep. 1, 2010.

\(^{205}\) An interview with an ex-DFID representative in Nepal on Sep. 10, 2010. WaterAid also withdrew its funding from the Fund Board, most likely because of its close links to the DFID, as one of WaterAid's funding agencies. This was not the only reason for DFID's withdrawal from the sector. Other reasons given by other interviewees related to DFID's internal priority changes. Nepal's difficult political and security situation, as well as DFID's disappointment with the attempts to establish an M&E unit within the MPPW. Interviews with two consultants in the WSS sector on Sep. 1, 2010 and Aug. 18, 2010.

\(^{206}\) Interview with an ex-DFID representative in Nepal on Sep. 10, 2010, a consultant in the WSS sector on Aug. 12, 2010.
World Bank and the Fund Board sought for consensus among stakeholders for its main implementation modalities, through their involvement in the formulation of the Sector Strategy in 2002-04, led by the ADB, and subsequently, by initiating the formulation of a sector policy (the formulation processes are discussed in Chapter Seven). By this, it was able to streamline the Fund Board piloted issues of community contributions and O&M into the government system\textsuperscript{207}, and guarantee the components of the composite approach – the participation of the NGOs and the private sector – were included in strategy and policy\textsuperscript{208}.

Albeit, there were efforts to streamline the Fund Board’s approach into the government system, and to attract other donors to support the formation of a national programme under the Fund Board. By 2010, the World Bank had decided to assess its funding of the Fund Board\textsuperscript{209}. There are two reasons – one internal and one external – for the World Bank's decision to stop the funding. First, it had reassessed the implementation modality through the NGOs, and realised that many of the NGOs were corrupt and politicised. Second, due to the heavy involvement of government in the operations of the Fund Board, through its presence on the board of the Fund Board, the World Bank was not interested in continuing with the funding under this arrangement\textsuperscript{210}. In addition, its attempt to establish the Fund Board as the central sector agency had not succeeded, because it had not been able to get other donors onboard.

\textsuperscript{207} Interview with a World Bank representative in Nepal on Sep. 10, 2010. See also Committee on Recommending Policy Changes in Community Contribution to Rural Water & Sanitation Projects for Bringing Uniformity 2002.
\textsuperscript{209} The funding to the Fund Board came to an end in August 2012. If not renewed, the Fund Board will most likely be exclusively funded by the MPPW (Ringskog et al. 2011, a).
\textsuperscript{210} Interviews with a high-level official at the MPPW on Aug 17, 2010 and a NGO director on Sep. 1, 2010.
6.2.2 ADB Contest: Community-Based Water Supply and Sanitation Project

In 2002, the ADB contested the Fund Board with a project called the Community Based Water Supply and Sanitation Project (CBWSSP). It was also designed as a national model project for the sector, aiming for a SWAP under the ADB leadership\footnote{ADB’s interest for a SWAP was confirmed by an ADB representative in Nepal on Aug. 10, 2009.}. Similarly to the Fund Board, the project structure included the establishment of a central fund, a Designated Sector Account under the Ministry of Finance. The ADB’s story-line (table 6.3), for which it pursued others to support, had similarities to the story-line of the Fund Board, but it also differed in parts from it. The main difference was the stand towards local bodies. In addition, the ADB envisaged that its story-line was best legitimised through the formulation of a sectoral strategy, and after this, implemented by the CBWSSP.
Core problems are the slow growth in the sector, including limited resources, and lack of accountability and collaboration with stakeholders. A clear strategy for the sector needs to be developed, to avoid redundancies, and to identify potential synergies, as well as to develop a project that is truly community driven. The strategy should reduce the role of central government at the local level, meaning that planning and management should be done through local government, and that communities should be involved in the implementation. This implied a community-driven WSS service delivery, which should be established as the main approach, within all sectoral actors, with agreed implementation modalities. These are to be implemented in the sector model project (CBWSSP).

Core beliefs

Priority is placed on downscaling the role of central government, and for providing a central role for local governmental bodies, the private sector and with civil society in the implementation. Cost-recovery is to be a central part in the WSS delivery. Water supply and sanitation are seen as a basic human need.

Relation to Global Narratives

Lack of efficiency, alignment, harmonisation and coordination (partnership idea), and too much focus on the central level agencies as implementers (Post-Washington Consensus). Advocacy for community-based approach.

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<thead>
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</tbody>
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Table 6.3: CBWSSP’s Story-Line

The ADB’s tactics to legitimise its story-line and to contest the Fund Board approach included the formulation of a sector strategy – a kind of a policy paper for the sector (see Chapter Seven), the formation of official groups to coordinate sector activities, and design the CBWSSP as a national programme. Through these, the ADB aimed to legitimise its preferred approach – or story-line – to the sector development. The alliance building for ADB’s story-line included a consultative process for strategy formulation, with the aim of bringing all sectoral stakeholders together to jointly decide on the approach. The ADB was able to get co-funding by the DFID and UNICEF, both of which saw their involvement as an opportunity to influence the strategy and the design of the new ADB project. The DFID was also interested to fund the CBWSSP, however, this did not materialise.212

The official coordination mechanisms included in the ADB’s alliance building effort was the set-up of two bodies, the Sectoral Stakeholder Group (SSG), meant to coordinate all sectoral stakeholders, and the National Coordinating Committee for Water Supply and Sanitation, consisting of government agencies. The SSG followed the structure of an informal donor, and the NGO group that had convened under the leadership of the DFID (see next section). The ADB considered that a closer cooperation of donors and NGOs with governmental agencies would be beneficial to the sector development. Thus, it brought the DFID-led group under government leadership and included governmental bodies as members.213 The main task of the SSG was to assist the MPPW in sectoral

212 Interviews with an ex-DFID representative in Nepal on Sep. 10, 2010 and a member of the PPTA consultancy team on Aug. 18, 2010.
213 Interview with a member of the PPTA consultancy team on Aug. 1, 2009. The membership of the SSG, which was formed under the MPPW, includes MLD, MoHP, MoES, DDCs, VDCs, multilateral and bilateral.
policy formulation and sharing knowledge among the members of the group. However, its placement under a ministry's leadership, as well as its large size\textsuperscript{214}, led to problems and to the inactivity of the group.

Despite the exhaustive plans for gaining support for the model project, ADB’s attempt to lead the sector did not succeed. It was not able to convince the other donors to join with funding for the model project, neither through strategy consultations nor the design of the project. Currently, only ADB money flows to the Designated Sector Account and in project implementation, the CBWSSP had little cooperation with other projects\textsuperscript{215}. The ADB – just like the World Bank with the Fund Board – decided to stop funding the CBWSSP in 2010. The official reason given for this is that the ADB saw it more important to move to the semi-urban and urban areas, and found that the rural water supply and sanitation sector dis not require the ADB’s support any longer\textsuperscript{216}. Obviously, the ADB must have been disappointed that its plan for the national programme did not succeed. As an official reason, the ADB gave that it had drawn the conclusion that the mechanism of working through the NGOs has not been efficient enough\textsuperscript{217}. Nevertheless, the administrative capacity had also seemed to be weak on the side of the CBWSSP’s administration: some local NGOs involved in the CBWSSP project implementation, complained that the CBWSSP’s staff has been asking for a commission from the projects they granted to NGOs. In addition, there was political interference in project administration from the side of local political figures\textsuperscript{218}.

\textsuperscript{214} Interviews with a member of the PPTA consultancy team on Aug. 1, 2009 and Sep. 3, 2010; a high-level official at the MPPW on Aug. 4, 2009 and a NGO director on July 15, 2009. The consultants had envisaged that the SSG should meet at east once every two months (ARD Inc. 2003d, 1-10).

\textsuperscript{215} The CBWSSP’s staff particularly mentions that there is no cooperation with the Fund Board, even though the two projects have many similarities in their implementation modalities. Interview with members of the CBWSSP staff on Sep. 5, 2010.

\textsuperscript{216} Personal communication with a consultant in the WSS sector on Apr. 14, 2011 and interview with members of the CBWSSP staff on Sep. 5, 2010.

\textsuperscript{217} Interview with an ADB representative in Nepal on Aug. 10, 2009. The World Bank made the same experience with regard to the Fund Board.

\textsuperscript{218} Interviews with two local level NGO leaders on Sep. 7, 2010.
6.2.3 The DFID's Sector Alliance

The DFID's attempt to establish a SWAP in the rural water supply and sanitation sector was driven by its belief in the partnership ideas of coordination, harmonisation and alignment. It found that the sector was too fragmented, and opined that a SWAP would make service delivery more efficient by bringing actors together. It viewed that the Fund Board as being the most suitable body for all donors to co-fund, and hence, promoted it as the basis for a national programme\textsuperscript{219}. Its focus was on the macro level. It did not aim to have an own project as a national programme, but tried to bring the sectoral actors together under an existing programme. The DFID’s story-line (table 6.4) focused more than the previous alliances on the idea of harmonisation and alignment, leading to a partnership between the stakeholders over time. Yet, in its argumentation for the national programme, it did use the partnership jargon, but justified it with the need to improve

\textsuperscript{219} Interviews with an ex-DFID representative in Nepal on Sep. 10, 2010 and a NGO director on Sep. 1, 2010. At this point, the CBWSSP did not yet exist, thus, the Fund Board was the only large programme in the sector, outside of the Finnish government funded project, which was administered under the Dolidar. This had probably spoken against the DFID’s decision to name it as the lead project (it also was not designed as one). WaterAid Nepal took part and showed an interest towards the SWAP plans. Interview with a consultant in WSS sector on Aug. 12, 2009.
service delivery in the rural areas, seeking legitimisation for this demand from the World Development Report 2004, which focused on the same thematic (World Bank 2004c). Furthermore, it more clearly than others stated that the focus of aid should be shifted to the excluded groups, which were not able to express themselves as clearly as those who had power.

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<thead>
<tr>
<th>The DFID’s Story-Line</th>
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<tr>
<td>The problems in the sector stem from the fragmentation due to large number of actors, all having their own working modalities, and that the focus of the work had not been on the excluded groups, but beneficiaries had been those best able to express demand, namely high caste and economically stable, educated groups. Because of this, harmonisation of working approaches between implementing agencies, improved linkages with government, and a shift from infrastructure to institutional reform were required. This should take the form of a sector-wide approach and include the organised coordination of all sectoral stakeholders, leading to an institutionalisation of coordination.</td>
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<tr>
<th>Core beliefs</th>
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<tr>
<td>Priority is placed on the harmonisation of sector modalities, to reach a more (cost-)effective service delivery, through the establishment of a sector-wide approach. Water and sanitation were seen as a human right; that was translated into a pro-poor service delivery, and focus on the excluded groups (Composite Approach).</td>
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<tr>
<th>Relation to Global Narratives</th>
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<tbody>
<tr>
<td>Harmonisation, alignment, coordination: Partnership idea</td>
</tr>
<tr>
<td>Inclusion of all stakeholders in the service delivery: Composite Approach</td>
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</table>

Table 6.4: DFID’s Story-Line

The DFID’s alliance building concentrated around an informal forum for donors and NGOs, which it had named as Sector Alliance. The Sector Alliance discussed how – on a coordinated and harmonised basis – to deliver water and sanitation services, as well as to move from a project-based approach, to a sector-wide approach. The Sector Alliance comprised of three DFID partner organisations, which it funded at that time: The Gurkha Welfare Scheme, the NEWAH and the Fund Board, and as a non-funded basis the ADB’s CBWSSP. Together with the World Bank, the DFID wanted to win the ADB's trust, and convince it to join the Sector Alliance as a full-member220 (Whiteside 2005, 5, 17). The Sector Alliance was the only sector coordination effort that was able to attract other donors to join its alliance, even though one needs to take into account that all of these organisations depended financially on the DFID.

In the mid 2000s, the DFID realised that its plans to organise sector investments under the Fund Board would not work out, due to some donors and most national-level NGOs that showed a disinterest in supporting the Fund Board, for reasons mentioned earlier. The DFID found that its efforts did not bring results, and were particularly not leading towards a SWAP, which was its main objective. It pulled out of the sector in 2005, and even though reasons for this have not been publicly shared, I assume that the above-mentioned factors had contributed to it. In addition, it is also likely that the decision was linked to the

220 Interview with an ex-DFID representative in on Sep. 10, 2010.
political changes in Nepal\textsuperscript{221}. The DFID used the same argumentation as the ADB, by stating that there were enough donors in the rural water supply and sanitation sector, thus, its funds would be better used in another sector. Therefore, its focus in Nepal was shifted to rural roads\textsuperscript{222}.

Until its withdrawal from the sector, the DFID can be viewed as the sector leader among the donors. It was involved in all coordination attempts, showed an interest towards funding other attempts to establish a national programme, but at the same time, had its own Sector Alliance designed as a framework for donor and NGO cooperation. Due to its ability to convince other donors to join its effort, it had a stronger position in the sector than the other donors or the NGOs. As the DFID was not busy with the establishment of its own programme, it was actually able to focus on coordinating the sector and be a leader. Because of not playing the project politics, the DFID did not have as many hidden motives as the ADB and the WB had, because of their need to seek legitimisation for their projects.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure6.3.png}
\caption{DFID and its partners' funding relationship}
\end{figure}

\textsuperscript{221} The king carried out a coup in 2005, after which the DFID pulled its aid from the Nepalese water supply and sanitation sector, maybe as an action to reduce its aid volume in Nepal.

\textsuperscript{222} Interviews an ex-DFID representative in Nepal on Sep. 10, 2010 and a consultant in WSS sector on Aug. 18, 2010.
After the DFID's withdrawal from the sector, the position of sector leader became vacant and several parallel efforts emerged to fill it. The new characteristic of the endeavours for a national programme was that the donors started to search for a partner within governmental agencies, such as Finland, with its partner agency the Dolidar, the ADB with the MPPW and the DWSS, and UNICEF's parallel with the National Planning Commission (NPC) and the DWSS. At the time of the writing of this thesis, two of the efforts are still underway, thus, it is not possible to assess their success yet.

### 6.2.4 The Dolidar and Finland

Finnish bilateral aid and its partner agency the Dolidar were both interested in leading the sector towards a SWAP. The Dolidar focused essentially on the establishment of a single programme, under its wing, and by this to challenge the position of the MPPW and the DWSS as lead sector agencies, whereas Finland, aimed to form a coordination group, and slowly start formulating a SWAP. As partner agencies, they advocated for sector development that proceeds through local bodies. Even though they were both working towards the same goal at the same time, my data does not make any reference to a joint effort. As they are partner agencies, I assume that there has been a link between these two
efforts, but this should not be interpreted as a common attempt to coordinate the sector, which cannot be evidenced.

The story-line of the Dolidar and Finland (table 6.5) focused on capacity building of local level bodies and the decentralisation of water supply and sanitation to the local level. An approach manual for rural water supply and sanitation programmes prepared by the Dolidar, envisaged a central role for the DDCs in the planning of the water supply and sanitation services, and after this, by the implementation and management by the water users’ groups. The planning should start from the District Water Use Master Plans – an instrument that had been introduced in Nepal by the Finnish funded water supply and sanitation programme in Far Western Nepal (GON/Dolidar 2009). The manual paved the way for the Dolidar’s plans for a single approach in the sector, including a basket fund. With this, it aimed to harmonise approaches and modalities in the water supply and sanitation sector, and presented it in a consultative meeting at the Dolidar, in regional level workshops. Due to the competing position for sector leadership with the DWSS, the Dolidar asked the NPC for an approval for its effort to form a SWAP. The NPC did not give permission and argued that the DWSS was the lead agency in the water supply and sanitation sector, meaning that a SWAP should be led by the MPPW and administered by the DWSS.

<table>
<thead>
<tr>
<th>The Dolidar’s and Finland’s Story-Line</th>
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<tr>
<td>There are many actors with their own implementation modalities, which cause confusion. The current sectoral leader (the DWSS) has not been able to align these, which has led to fragmentation. A single approach / national programme for the sector development is required under the governmental – the Dolidar’s – leadership, giving a central position for local bodies in the planning and water users groups in the management – as envisaged by the LSGA. The Dolidar suggested the establishment of a single approach / sector-wide approach, including measures to coordinate the sector actors. Finland suggested measures to coordinate the sector, and shadow align its projects and by this prepare for a programmatic approach.</td>
</tr>
<tr>
<td>Core Beliefs</td>
</tr>
<tr>
<td>Development was possible only through poverty reduction and enhanced sustainability, which was best achieved through local level development. Finland viewed water and sanitation as providing security for the people.</td>
</tr>
<tr>
<td>Relation to Global Narratives</td>
</tr>
<tr>
<td>Harmonisation, alignment: Partnership idea</td>
</tr>
<tr>
<td>The WSS service delivery was to be through decentralisation: Composite Approach</td>
</tr>
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</table>

Table 6.5: Dolidar’s and Finland’s Story-Line

On a practical level, the Finnish efforts to coordinate the sector and establish a SWAP, have not brought much result. There are only a few signs that these had proceeded any

223 The participants in the consultative meeting came from the DWSS, UNICEF, the WHO, the Fund Board, the CBWSSP, NEWAH and one Finnish funded WSS project (Basnet, Jaishi 2009, 1-2). Even though not being part of the Dolidar coalition, the DWSS and the Fund Board participated in the meeting. I assume that this did not mean that they supported the single approach, presented by the Dolidar, but that they were interested in hearing what the Dolidar had planned.
further, from a report written by an MFA advisor and a Nepalese consultant. As a measure for a SWAP, the report recommended shadow alignment of the two Finnish funded rural water supply and sanitation programmes. This meant bringing their planning and implementation modalities closer together in a quietness, so that these projects could form the basis for a SWAP. The report also suggested the splitting of the total programme finance into two: Technical Assistance (TA) and Investment Financing. Under this arrangement, it was suggested that the TA financing to be channelled via consultancy accounts, and investment financing to be channelled from the MFA Finland, to the Treasury's Designated Sector Account, which had been established by the CBWSSP (Rautavaara, Neupane 2008, 25). To which extent these recommendations have been followed has not been assessed in this thesis. However, it is known that the approach of the Rural Water Supply and Sanitation Project – Western Nepal, is to support the government’s efforts to move towards a SWAP in the sector, by harmonising the sector modalities in those districts that the project works, including the setting up a WASH fund at district level, through which all investments to district-level water supply and sanitation services would flow. The project tried to attract other donors that work in the same area to join the fund. The project claimed to support the local bodies’ own WASH strategies, which, however, have been developed with the financial and technical assistance of the project\textsuperscript{224} (GON/MLD/Republic of Finland/MFA 2009, 1-4), illuminating well, how the process conditionality functions, and shows its embeddedness in the project work. I believe that the Finnish attempts to shadow align the water supply and sanitation projects are supported by the Dolidar. The approach taken in the Dolidar’s Approach Manual also supports this view, as it gives the Finnish supported modality, a central role in the envisaged SWAP. This, I interpret as a teaming up between Finland and the Dolidar on establishing a SWAP. The difference to the other alliances is that in the Dolidar-Finland alliance, the governmental agency had the lead. It was the more active partner in the alliance, particularly if compared with the lack of activeness by the MPPW in the next alliance to be presented.

\textsuperscript{224} A Dolidar representative said in the District Coordination Committee, on Aug. 28, 2010, that the WASH Plans are similar to those made by the other Finnish project, even though that project calls them Water Use Masterplans.
Contrary to the weak evidence of internal coordination between Finland and the Dolidar, the ADB and the MPPW openly worked together in the design of a new coordination mechanism for the urban water supply and sanitation sector, which followed the unsuccessful attempt by the ADB to lead the rural water supply and sanitation sector. The Sector Efficiency Improvement Unit (SEIU) was formed by the ADB and the MPPW in the mid-2009s, to improve sector delivery and to coordinate the sector activities (ADB 2009a). It was placed in the premises of the DWSS, and the director of the SEIU was seconded from the DWSS staff. Its design and funding was included in the preparation and funding of the Second Small Towns Water Supply and Sanitation Project, exactly as the previous effort by the ADB had been funded through the CBWSSP. The improved coordination between the sectoral actors was presented by the ADB consultants as a possible guarantee for the success of the Second Small Towns Water Supply and Sanitation project.\footnote{Interview with a consultant in the WSS sector on Aug. 18, 2010.}

In addition to coordinating the sector through the SEIU, the ADB and the MPPW aimed for the establishment of a SWAP under their leadership. The strategies for bringing uniformity for a SWAP included influencing policy making by the renewal and review of...
policy, laws and regulations, in the form of an umbrella Water Supply and Sanitation Act, and a Water Resources Act, and on improving sector coordination through the SEIU\textsuperscript{226}, exactly as the ADB’s previous working modality in the water supply and sanitation sector suggested. As funds for the work of the SEIU and the preparation of the SWAP were supposed to come from the Small Towns Project, the ADB and the MPPW envisaged that the work of the SEIU should focus on the urban water supply and sanitation\textsuperscript{227}; but after the SEIU had started its work, its jurisdiction was enlarged to include rural water supply and sanitation. This change might derive from the fact that the SEIU was named as the secretariat of the SSG. Many of its donor members were active in the rural WSS sector (the World Bank through the Fund Board, UNICEF and Finland) and thus, were interested in including the rural water supply and sanitation sector, within the scope of the SEIU. Otherwise, its membership of the groups is a mix of representatives of government agencies, donors and NGOs and its work would be carried out by specialised working groups (SEIU 2010a). This changed the original idea of the SEIU; that being of leading the urban/peri-urban sector development, into the direction demanded by the Small Towns Project. The inclusion of the rural water supply and sanitation sector in the scope of the SEIU also increased the possibilities of influence for the ADB. The SEIU became an organ for donors to influence policy, on all fronts, and it has later become an arena for the power battle for donors. It has been observed that, e.g., UNICEF is attempting to capture power within the SEIU.

The design of the national programme, as outlined in a report in 2011 (GON/MPPW/WSSD/SEIU 2011), focused on a decentralised service delivery at the district level, through the District Water Supply and Sanitation Coordination Committee (D-WSSCC), which was to be chaired by the Local Development Officer (LDO), who was appointed by the MLD, and the WSSDO, acting as a member secretary — the WSSDO being under the DWSS. The inclusion of the WSSDO in this arrangement speaks for a larger role for the DWSS in the rural supply and sanitation sector, and sets a counter-force against the MLD; and it also hints at a manoeuvring, based on the good relationship between the ADB and the DWSS. There seems to be a common understanding between the sectoral stakeholders, that the DDC and the Water Supply and Sanitation Coordination Committee under it are the central agencies for planning and for the leading of the work at the local level. However, in the report, the issue of central level arrangements have been left with less attention, e.g., the issue of the DWSS becoming a facilitatory agency is not

\textsuperscript{226} Ibid.

\textsuperscript{227} See, e.g., the Second Small Towns Water Supply and Sanitation Project's Grant Agreement (ADB 2009b) on the SEIU, which states that the SEIU will support the implementation of the Urban Water Supply and Sanitation Sector Policy; and Report and Recommendations of the President to the Board of Directors (ADB 2009a) which states that the SEIU will develop and efficient, effective, and accountable urban water supply and sanitation sector by establishing and implementing policies, establishing service standards, and enhancing coordination.

The governmental agencies in the urban water supply and sanitation sector, the Nepal Water Supply Corporation and the Department of Urban Development and Building Construction, were also invited to join the SEIU, but they refused. A NGO director that I interviewed suspected that this was because these agencies do not want to expose the others their financial resources, due to the competition between them. The interviewee believed that the NWSC does not have many funds, whereas the DUDBC, has plenty (interview on Sep. 2, 2010).
discussed; nor whether the MLD should provide support to the districts. The inclusion of the WSSDO into this arrangement must have been a tactic by the donors, to have the DWSS onboard, in order to be able to move forward. The story-line of the SEIU (table 6.6) likewise emphasises the role of local level actors in the water supply and sanitation service delivery, and demands a reduced role for central government.

<table>
<thead>
<tr>
<th>The SEIU’s Story-Line</th>
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<tbody>
<tr>
<td>Core problems are the inefficiency in the sector, and weak collaboration within the stakeholders. These should be solved by establishing a better coordination mechanism, and taking measures to improve the sector’s efficiency, particularly through a performance-based system, and by improving policy and legislature framework. The sector stakeholders needed to be coordinated through an organised group called Sector Efficiency Improvement Unit, which suggested measures for a sector-wide approach. In the SWAP, the government should only play the role of a facilitator, whereas the districts and the WUSC will be central in the WSS delivery. At the local level, the central agency for the WSS delivery is the DWSSCC, which is run jointly by the LDO and the WSSDO.</td>
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<tr>
<th>Core Beliefs</th>
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<tbody>
<tr>
<td>Priority was placed on the privatisation and the liberalisation of the economy, working through the local level actors, and downscaling the role of central government. Cost-recovery was a central part of the WSS service delivery. Water and sanitation were seen as a basic human need.</td>
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<thead>
<tr>
<th>Relation to Global Narratives</th>
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<tr>
<td>A lack of efficiency, a need for alignment, harmonisation and coordination; Partnership idea. Decentralisation of the WSS service delivery, focus on private sector involvement: Composite Approach</td>
</tr>
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</table>

Table 6.6: SEIU’s Story-Line

The ADB’s involvement in the work of the SEIU follows the same pattern as in the SSG and other coordination efforts; meaning that it was active in the setting-up of the new coordination mechanisms, according to its priorities, but that it has not been actively involved in the work of the SEIU, after the Small Towns Project was approved by its headquarters, and its implementation had begun. This seems to confirm my assumption that the ADB’s primary motive in the sector is to legitimise its story-line through coordination of other actors, and by implementing projects, preferably with other donors, along these principles. The ADB has not shown to be particularly interested in following up the work of the SEIU after this. The leadership in the group has, therefore, been captured by UNICEF, which currently acts as the chairperson for all donors (or development partners, as they are called in Nepal)\(^{228}\). The SEIU has remained active through the working groups, which have included a large number of members on quite an equal basis, for solving sectoral problems\(^{229}\).

\(^{228}\) A Finnish WSS consultant suspected this to stem from the fact that the person representing UNICEF in sector coordination, and hence, being the central person in this regard towards other stakeholders, was a former employee of the DWSS, having therefore close links there. This has enabled UNICEF to find common ground with the DWSS, advancing its interests, even though being a representative of all of the other actors. Interview on Nov. 22, 2012.

\(^{229}\) Naturally, some members are more active than others; for example, there seemed to be difficulties in getting the JICA involved in the work of the SEIU; also the ADB-funded CBWSSP did not take part in the
6.2.6 UNICEF and the NPC

Coincidentally with the SEIU, and bypassing both the SEIU and MPPW, UNICEF teamed up with the National Planning Commission, to prepare a national WASH sector programme, in order to solve the fragmentation in the rural water supply and sanitation sector. UNICEF’s reasoning for this was that an improved sector performance, requires solving the overlapping institutional responsibilities in the urban and rural setting. The NPC, being hierarchically above all sector ministries, was viewed as the right governmental authority to deal with institutional reform (NPC/UNICEF 2011, 2). The aim of the NPC-UNICEF effort was to address critical barriers, that prevented the achievement of universal and sustainable sanitation and drinking water for everyone. These barriers included insufficient political prioritisation, a weak sector capacity to develop and implement effective plans and strategies, and uncoordinated and inadequate investments. UNICEF and the NPC got support from the Finnish Embassy, the World Bank and the Asian Development Bank (NPC/UNICEF 2011, 2).

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230 These issues are similar to the focus points of the global partnership called ‘Sanitation and Water for All’, in which UNICEF is a key member. The government of Nepal is also a member of the partnership, and in October 2010, it was selected to the Steering Committee of the partnership. Sanitation and Water for All website <http://www.sanitationandwaterforall.org/aboutswa.html>. Accessed on May 25, 2011.

231 The MoU also stated that there was a possibility that the JICA, the DFID and Australian Aid, might be joining the effort (NPC/UNICEF 2011, 2).
The aim of the NPC-UNICEF exercise (see for their story-line table 6.7) was to carry out a WASH sector assessment and to formulate reform options\(^{232}\), with the full participation of concerned ministries, departments and donors, under the NPC leadership, and the preparation of a coherent national WASH sector programme, including the option of a SWAP for the rural WASH sector, as outlined in the Approach Document for the Three Year Plan (2011-2013) (GON/NPC 2010). UNICEF and the NPC also wanted to ensure that the resources in the sector were organised to meet global and national targets, and in case needed, new financial resources could be found (NPC/UNICEF 2011, 2; UNICEF 2011, 2). They emphasised the importance of financial resources, because the two main funding agencies in the sector, the World Bank and the ADB, had signalled to withdraw their aid and focus, only on the urban/peri-urban water supply and sanitation sector (NPC/UNICEF 2011, 2).

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<tr>
<th>UNICEF’s and NPC’s Story-Line</th>
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<tr>
<td>The sector was fragmented due to the large number of actors, which has led to a duplication of work. In addition, the functionality of the schemes is not as high as the stated coverage. A WASH Sector Assessment needed to be carried out, to find a shared vision for sector development, to improve performance and effectiveness in the sector. The assessment would serve as a basis for the design of a national programme, and include a possibility for a sector-wide approach, which was to be designed to meet the global and national commitments, and targets for implementation.</td>
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<tr>
<th>Core Beliefs</th>
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<tr>
<td>Priority was placed on the achievement of the Millennium Development Goals for Water and Sanitation by 2015, and having universal access to water and sanitation by 2017, as well as on ‘reaching the unreached’, and those vulnerable from physical remoteness and/or economic and social deprivation. Water and sanitation were seen as a human right.</td>
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<tr>
<th>Relation to Global Narratives</th>
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<tbody>
<tr>
<td>Harmonisation, alignment and coordination: Partnership idea</td>
</tr>
<tr>
<td>A focus on the MDGs and sanitation: Composite Approach</td>
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Table 6.7: UNICEF’s and NPC’s Story-Line

From the experience of the SSG, the NPC and UNICEF, it had learned that a larger coalition of government agencies, donors and civil society, would not work well without an effective Steering Committee. They thought that the sector reform and planning for future operations should not come from donors only, as had been the trend in the past, but that the process should be led by governmental institutions. Therefore, they established a high level inter-ministerial Steering Committee, comprising of six secretaries from the relevant ministries (MPPW, MLD, MoF, MoEnv, MoHP and MoWCSW) to lead the work. The Committee was assisted by a Technical Group, consisting of international and national consultants, whose task was to carry out an independent sector assessment, and formulate reform options. However, the ultimate leadership in the effort seemed to be in

\(^{232}\) What this meant was that recommendations for continued cooperation, and a harmonised support, was effective beyond 2011 in the sector. The assessment would primarily focus on the evaluation of current institutional and implementation arrangements, in relation to cost effectiveness, sustainability considerations, as well as equitable access (UNICEF 2011, 2).
the hands of the funding agency, UNICEF, which led and coordinated technical assistance for the sector study (NPC/UNICEF 2011, 2).

The suggestions in the Sector Assessment Report (Ringskog et al. 2011) for the national WASH programme signalled UNICEF’S influence. The report, in the part for sector reform, states (ibid., 25), “The government of Nepal should consider: Developing a Sector Wide Approach (SWAP) out of the MasterPlan with a dedicated sanitation and hygiene fund (a common basket) allocated against equity but also formal performance criteria (…)”. The report confusingly suggests a SWAP for sanitation, even though the task of the UNICEF-NPC alliance was principally supposed to solve problems in the water supply and sanitation sector. The authors designed the SWAP around the Sanitation Master Plan, (funded by UNICEF), and the idea of Open Defecation Free districts, also advocated by UNICEF. In water supply, the only reference made was on the issue of functionality, envisaging a National Functionality Program to improve this. In addition to the National Sanitation Program, and the National Functionality Program, a third national programme was also suggested for water quality. This was a sub-sector, where UNICEF had been active, because of its direct link to heath issues, having been involved in the formulation of the Water Quality Standards, and funding its formulation. Therefore, for me, it seems that the role of the NPC has been limited in the assessment, and that UNICEF has dominated the priority setting and influenced the recommendations. The report does not support the image of a powerful National Planning Commission that would take care of the interests of the various ministries and other actors in the sector, but has succumbed under the domination of a donor, for unknown reasons.

Likewise confusingly, the sector assessment was supposed to analyse exactly the same issues as the SEIU working groups. As a matter of fact, there were four reports produced at the same time on similar topics, with only slight variations in their focuses. These were the SEIU’s Sector Status Report (GON/MPPW/WSSD/SEIU 2011), UNICEF’s Sector Assessment Report (Ringskog et al. 2011), a report produced by the consultancy support for the SEIU, named as Assessment Report on the Current Condition of Nepal’s Water Supply and Sanitation Sector (ADB/MPPW 2011), and a study on the functionality issue (NMIP/DWSS 2011). This is definitely not a sign for a successful coordination of the work, but rather signals everybody’s desire to position themselves as sectoral leaders, and institutionalise their agendas, through their own assessments of the situation. From the NPC-UNICEF documentation, it does not become clear why they commissioned a study, that obviously overlaps with the responsibility of the SEIU, and even included the same members as in the SEIU study, without making a reference to the cooperation in it. The bypassing of the SEIU, can only be understood as a means of to improve coordination and harmonisation, and assessing the strengths and weaknesses in the interaction between sector stakeholders, by including the work of the SEIU in the assessment. In any case, UNICEF bypassed a functional coordination mechanism, and commissioned a study that doubled the responsibility of the SEIU.
Generally, when looking at alliances in the water supply and sanitation sector, I consider that there are no signs for a common understanding on what constitutes a sector. The ADB through the SEIU, wanted the sector to grasp urban and peri-urban areas. In its thinking, the peri-urban areas have more similarities with the urban areas, than with the rural areas. Therefore, not advocating for rural areas to be included in the scope of the SEIU. UNICEF, on the other hand, seems stubbornly to push for an increased focus on sanitation. I believe that if any of the donors wants to establish a SWAP successfully, then the aid agencies should see that they cannot only focus on their thematic, or regional priorities, but to focus on seeking a common approach for the whole rural water supply and sanitation sector. Evidence, however, shows that the actors have not been able to be coordinated, because they have had their own interests in leading the sector. The establishment of a national programme has been a competition, between the donors, and upon whose terms the sector will be led. This will be discussed in the next section.

233 The ADB is also active in the urban and peri-urban areas, outside of the Small Towns Project. It funds, together the UN-Habitat, the formulation of the Water Resources Act – UN-Habitat being the UN agency for the improvement of human settlements, and focusing its work in Nepal, more on the urban areas. In addition, the ADB funds the water supply and sanitation development in the municipalities, through the Urban Environment Programme under the DUDBC. Interview with a NGO Director on Sep. 2, 2010.
6.3 Sector Leadership

This section concentrates on analysing the hidden motives of the attempts to coordinate and create a national programme, namely the desire to lead the sector. I argue that although the attempts to coordinate the sector under the leadership of a donor, none of the donors (or governmental agencies) have taken up an explicit role as sectoral leader, including positioning themselves as leaders, and negotiating with others on the terms of the leadership. As reasons for the inability, or unwillingness, to take up the leadership position, I view, from the governmental side, its political instability, and on the side of donors, their attachment to their guidelines and working modalities. In addition, because of their interests to institutionalise their approaches in the sector, it seems that none of them truly wanted to be led by another party. This has not enabled them to fully harmonise the working modalities with the other sectoral actors.

6.3.1 Constrained Leadership

I argue that the attempt to lead the sector has been a hidden motive of the donors and the governmental agencies. This was never openly mentioned as their motive; rather, the establishment of a national programme was stated as a motive for improving service delivery through coordination. The formation of the Fund Board, as a sector coordination agency, was a vested attempt by the World Bank to have control over the sector, without having to take an official leadership position for itself. Thus, the Fund Board was created as a semi-autonomous body to lead the sector instead. Due to the competition between the World Bank and the ADB in the water sector, on the role of the largest and most powerful donor, the ADB, after the establishment of the Fund Board, designed the CBWSSP, to challenge the position of the Fund Board, including the building up an alliance, to support this, through the formulation of sector strategy, and the formation of two coordination mechanisms.

The same hidden sector leadership motive was also behind Finland's coordination efforts, through a shadow alignment of the projects, and the preparation of a national programme, along the Finnish modality of delivering water supply and sanitation services in Nepal. However, on a practical level, the Finnish coordination and leadership attempts did not bring many results. It seems that the talk of leadership, remained as an internal issue within the Embassy and the MFA Finland. Through the interviews and the document study, it also became clear, that there are different opinions about the applicability of a SWAP in the rural water supply and sanitation sector, between the MFA Finland and the Embassy. This might be one reason for the slow progress in the coordination; e.g., a donors group, under Finnish leadership, was never established\(^{234}\), even though it was one of the main points of the MFA report. The Dolidar, on the other hand, aimed to challenge the position of the DWSS as sectoral leader. It resorted to its responsibility for the rural

\(^{234}\) Interview with an official at the Finnish Embassy in Kathmandu on Sep. 3, 2010. The official was also of the opinion that Finland was not going to have sector leadership, but would take part in all coordination efforts.
infrastructure, and argued that this made it a sectoral leader. However, the NPC saw the situation differently.

The DFID can be viewed as the only real leader in the sector, due to its interest in building a more stable alliance in the sector, coordinating all donors and NGOs, and in addition to this, monitor and evaluate sector development. On the other hand, it did not officially want to pose itself as a sector leader but argued for an equal representation of all in the sector\textsuperscript{235}. Even though, it did not openly have any desire to lead the sector, in practice, it pushed the sector in its desired direction, through its involvement in all coordination efforts, and by funding the Fund Board. After the DFID’s withdrawal from the sector, UNICEF has slowly moved towards being the sectoral leader among the donors, and it has been appointed as the chairperson of the development partners.

6.3.2 Constraints to Sector Leadership

Even though some of the donors were interested in taking up the leadership role in the sector, both donors and governmental agencies were also constrained in this regard. The donor agencies were held up because of their working modalities and their headquarter’s policies and practices, whereas the governmental agencies were constrained by the political situation, and the frequent changes deriving from the unstable political situation. In addition, they were held back because of the ambiguous responsibilities, and the competition\textsuperscript{236} that derives from ambiguous division of work between the actors. I first explain how the fuzziness in the institutional arrangements and the unstable political situation, hindered the governmental actors from seizing the leadership, followed by how the donor working modalities, prevented them from fully leading the sector.

6.3.2.1 Constraints to Government Leadership

For decades, the two leading governmental agencies, the MPPW and the DWSS, have had a competition between themselves, and with the MLD and the Dolidar, over leadership in the rural water supply and sanitation sector. The MPPW’s stand is that the DWSS, as a government department, cannot be the sector leader, but that this position should be allocated to a ministry. The MPPW has had several possibilities to become the sector leader, for example, through its involvement in the Fund Board, the CBWSSP and the SEIU; however, it has not been able to actively involve itself in their operations. Its hindrance is its dependency on the donor money. As a result of this, it needed to stay on good terms with all of them, trying to please them, or at least, not trying to upset any of


\textsuperscript{236} The competition between the governmental agencies, and even between the governmental and aid agencies, is displayed in the interview with the DWSS Director General on Aug, 23, 2010, who presented all of the other actors in the sector, as competitors of the DWSS. Under this situation, it has proved difficult to coordinate the work with other agencies, as well as to cooperate with them.
The DWSS, on the other hand, is a powerful department, particularly at the local level, but it has not been able to act as donor coordinator, because of its position as a department, coordination being the task of a ministry. As a hydrocracy, it has not been possible for it to share the latest approaches to sector development, as advocated by the donors. Neither of the institutions is able to truly coordinate, and lead the sector, because of the undefined division of responsibilities between the MLD and the MPPW, which has led to competition between them, instead of the efforts of cooperation. Currently, as they are barely talking to each other\textsuperscript{238}, cooperation between them, and the coordination of the donors, as divided under these two ministries, seems difficult.

In addition to the unclear government responsibilities, the unstable political situation in the country has put some constraints on government leadership. Its energy and resources have been limited by the Maoist insurgency, and the constant changes in the government set-up, leading consequently to changes in the ministry, together with department leadership, and local level leadership. Particularly, the personnel changes in the administration, both at central and local level, have greatly contributed to the government's inability, to lead the rural water supply and sanitation sector\textsuperscript{239}. The aid agencies, also viewed, that the political context the government, was too unstable to be able to lead and coordinate the sector, which gave them a justification in attempting to capture the sector leadership. They viewed that the government lacked the capacity to initiate, and thought that through an external – and coordinated – push, they might be possible to move the government (Whiteside 2005). For example, Finland wanted to organise a group for only donors and NGOs to influence the government. The DFID gathered a donor and NGO alliance to support its view on sector development, and the World Bank tried to overcome the governmental system, by the creation of the Fund Board. At the time of the Maoist conflict, the conflict situation was an additional reason for the donors to cooperate. They were worried about their own operations in the country, and wanted to find ways on how to work in conflict-affected areas. They opined that provision of basic services, such as water and sanitation, was a key to overcoming the conflict, by equalising the disparities in the countryside (Whiteside 2005, 5; Rautavaara, Neupane 2008, 8).

6.3.2.2 Donors' Working Modalities

The working modalities, and the policies of donor headquarters, have constrained donors’ attempts to lead the sector, because for the harmonisation of working modalities, each donor agency needs to address the issues at headquarters level: their policy and working

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\textsuperscript{237} Interview with an ex-DFID representative in Nepal on Sep. 10, 2010. This is further explained in Chapter Seven having a similar pattern in a different context.

\textsuperscript{238} Interview with a SNV representative in Nepal on Sep. 6, 2010.

\textsuperscript{239} Informal talk with UNICEF representatives on Sep. 13, 2010. The Joint Secretaries in the ministries are shifted approximately every six months, due to transparency and accountability issues. At local level, the LDOs are also shifted around on a frequent basis. If there were elected representatives in the DDCs, then these could monitor the central level bureaucrats, and to deliver services, but currently, this is not functioning (ibid.)
modalities are normally decided at headquarters, not in country offices. Even though donors officially advocate for the harmonisation and alignment at policy and implementation levels, on a practical level, they still flag for their national or organisational achievements through projects, and want to have an identifiable character in their operations. Obviously, by leading the sector development, through a sector-wide approach, would be considered beneficial for this, but being led and coordinated by another aid agency, would not correspond to these aims. The example of Finland shows how, sometimes, headquarters and the embassy do not assess the situation similarly, which can constrain work in the recipient country. In this case, it was not headquarters that held up the coordination and leadership attempt, but the embassy, which viewed that Nepal was not yet ready to move for a SWAP, and had a more realistic picture of the capacities of Finland to lead, than headquarters. Indeed, under current circumstances, Finland’s and the Dolidar’s chances, to lead the sector, and establish a SWAP, are limited. The Dolidar is not a powerful department, and does not enjoy the backing of other donors, thus, its possibilities to challenge the DWSS are not good. Finland, being a partner of the Dolidar, is, therefore, a marginal donor among the aid agencies.

The aid agencies are also constrained by their own priorities, which define the focus points of their work, and which cannot be changed without a change in the development policy of the agency. Particularly, if their core values (or normative core beliefs as called by Sabatier, Jenkins-Smith 1993) are contradicting, harmonisation can become tricky. Similarly, as shown in section 6.2, all of the donors had an own story-line for the SWAP, and they tried to attract other donors to join in. They were not able to come up with a common story-line, which led to failures of the endeavours in establishing a national programme for all to jointly fund. This shows that the fragmentation of the sector, also labels the attempts to coordinate the sector, and not only service delivery modalities.

Donors are also constrained by the way their projects are planned. These projects and programmes are typically planned several years ahead, based on agreements signed between the two governments (bilateral projects), or the recipient government and the funding agency, such as a multilateral bank. This limits the aid agencies to do any large changes in the design of their projects in the coming years, and subsequently, affect their ability to harmonise their practices. The issues of harmonisation and coordination have been brought up in coordination meetings for over a decade, with little practical results. The project-wise implementation mechanism continues to characterise the work, and the donors’ own guidelines, channel the work. It nearly looks like it that the donors are hiding behind their headquarters guidelines and working modalities, and use these as excuses for not needing to take up action for real harmonisation and leadership.

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240 This problem in the Nepalese context was expressed particularly at UNICEF. Interview a UNICEF representative in Nepal on Sep. 13, 2010.
6.4 Conclusions

In this chapter, I have shown that the attempts to establish a national programme, in the water supply and sanitation sector, have been initiated by donors, and was meant to legitimise their preferred story-lines for a SWAP. Additionally, through the national programme, donors wanted to secure their leadership in the sector. They allied with other donors and governmental agencies for this purpose; however, none of the attempts in this regard have so far proved successful.

The attempts for establishing a national programme in the sector have been donor-driven. The donors call this coordination, however, all large donors in the sector have tried to establish a SWAP under their own wing; referring to competition over leadership, rather than referring to coordination. They have not been able to come together, and act together, but they are all trying on their own – or with their governmental partners – to capture the leadership. The donors have had different tactics for legitimising their own approach: through policy formulation and to institutionalise it within the government system; establishment of coordination committees, in which their approach is advocated; through the design of a sector-wide approach; and overcoming other competitors, through resorting to the NPC as a governmental institution, above the ministries.

As everybody is primarily interested in legitimising their approach, no common approach to the sector development, which in other words would not be contested by some party, has emerged, leading also to weak coordination. The DFID has been the only exception in this regard. It was also the only aid agency that was driven by partnership ideas, and not by competition with others. The coordination attempt in the sector, is better illustrated, as games over leadership: when one attempt has failed, the next donor has seized the opportunity, and made its own bet for sector development leadership.

The idea of a partnership – in the form of donor-government alliances – does not seem feasible in Nepal under the current situation, because of a power imbalance between the donors and Nepal. This imbalance derives from Nepal’s poverty: Nepal being a country with little financial resources, and a lack of transparency in its development management. In addition, it has been politically unstable for the past two decades. Therefore, the governmental agencies and donors do not possess equal powers, but one is more powerful than the other, possessing resources that the other one is in demand of. This provides the donors power over the governmental agencies. As donors’ operations are guided by their priorities, and Nepal is the ‘weaker’ partner in the partnership arrangement, the technical solutions to the developmental problems of Nepal, provided by donors, tend to correspond to donors’ needs rather than those of Nepal’s. For example, the Paris Declaration identifies country ownership of development efforts as the central challenge in making aid more effective. Practically, this means that aid recipient countries need to take the lead in deploying both domestic, and external resources, to support the implementation of development efforts. In principal, ownership refers to the kind of political leadership, developmental vision, and a willingness to transform state structures. However, the Paris Declaration reduces those needs, by the setting up of a particular kind of technocratic planning apparatus, based on lengthy texts, monitoring matrices, and information systems (Overseas Development Institute 2008, 2).
Furthermore, these technical solutions do not meet the neopatrimonial interests of Nepal's bureaucracy and politicians, which are often anti-developmental, by seeking only incentives for the politicians' and bureaucrats' own inner circles. At the same time, these are the people who are in charge of development efforts in Nepal, and the management of developmental budgets. One reason for the failure of the attempts to establish a national programme in the rural water supply and sanitation sector, could relate to the incentives the aid agencies are providing to the decision-makers of Nepal, which do not match with the decision makers’ interests. Therefore, the decision-makers have also their own interests in not changing policy direction. For the same reason, the government has remained unclear about its own priorities in the water supply and sanitation sector.

The donors are most likely aware of this problem, and thus, have not pushed for a full-scale design of a sector-wide approach. For them, it is easier to remain advocating for global policy paradigms, instead of addressing the real problem – the nature of the Nepalese state – they introduce various technical solutions to the problems they wish to address. These issues are raised again and again in the various alliances that were created to ‘coordinate and harmonise’ the policies and practices, as shown here. These issues can apparently be brought up in each new forum, without having the need to decide anything about it. History shows that the issues can be left open, and then continued in the next round of discussions.

**6.4.1 Legitimacy Alliances**

In the attempts to establish a national programme, the aim of the donors has been to legitimise their priorities, visible in their story-lines for a SWAP. Due to global priorities, the donors feel a need to harmonise, and align, their policies and practices, and have, therefore, sought to ally with other donors, or their governmental partner agencies. Through the alliance building, donors are considered to be stronger, and better able, to attract others to join the alliance, and by this, support their story-line on how the sector development should proceed in the future. I call these ‘legitimacy alliances’, as their ultimate purpose has been to legitimate their own priorities in Nepal, by getting other sectoral stakeholders to support this, forming a national programme, along their interpretation of the problems, and possible solutions, and even engaging themselves in the policy formulation.

These legitimacy alliances have similarities to policy communities and sub-systems (Richardson, Jordan 1979), discourse coalitions (Fischer 1993; Hajer 1995), issue networks (Heclo 1978), epistemic communities (Haas 1992), and advocacy coalitions frameworks (Sabatier, Jenkins-Smith 1993). Nevertheless, they are not fully applicable to the situation in Nepal, because of their stand towards policy change.

I identify two types of trends in core beliefs to be legitimised. First, the World Bank's and the ADB's view on development, bases itself on reducing poverty, through economic development, which focuses on growth. Here particularly important, is to privatise and liberalise the economy in the aid recipient countries, including the reduction the role of central government in aid implementation (ADB 2004a, 5-6, which is a review of ADB's
strategies in Nepal 1988-2003; ADB 2004b, i; ADB 2001; World Bank 2004a, v; World Bank 2004b; World Bank 1998a, 8; World Bank 1989b). This view is reflected in the way the national programmes have been designed in the water supply and sanitation sector. The World Bank funded the Fund Board, based on the total reduction of government involvement in the scheme implementation, and instead, it advocated for a larger role for water user groups, the NGOs and the private sector companies. The ADB, in its formulation of the CBWSSP, focused on a reduction of the central government responsibilities in project implementation, moving the planning to local bodies, and followed the example of the Fund Board, by moving these responsibilities to the users, the NGOs and the private sector. Both of these approaches corresponded the community-based approach to development. The focus of the Banks, on the privatisation and liberalisation of the economy, has particularly impacted on the urban water supply and sanitation sector, however, some of the changes are trickling down to the rural water supply and sanitation sector, due to the ADB’s strong position in the urban sector, and the changes it advocates through the SEIU. In both rural and urban sectors, it advocates for outcome-based aid, increasing public-private partnerships, and developing benchmarking and performance-based indicators, to assess the overall performance of the sector, and to provide data for aid disbursements. Even though the Banks have similar core beliefs, this has not automatically led to the cooperation between themselves in Nepal, but rather, there has been competition over power between them, as depicted by the establishment of the Fund Board and CBWSSP as model projects with similar designs.

The core beliefs of the bilateral donors and UNICEF, focus on poverty reduction from a holistic perspective, not forgetting the economic factors emphasised by the Banks. However, the bilaterals and UNICEF emphasise harmonisation and coordination, according to the Paris Declaration, and meeting the Millennium Development Goals (Ulkosai ministeriö 2009; United Nations Country Team Nepal 2002; Department for International Development 2004; Whiteside 2005, 17). In Nepal, they view the inequality in service delivery as a problem that should be rectified, as well as to highlight the fragmentation of the sector, and as a problem standing in the way of a successful implementation of a national programme. Like the Banks, the bilaterals and UNICEF emphasise the necessity to devolve more power to the users, and to the importance of building capacity at local level. Their advocated holistic approach to development, has caused the change in the sector, towards more of an emphasis on capacity building, and institutional reform, as well as on the soft-side of water supply and sanitation, such as UNICEF’s focus on improving sanitation, and Finland’s, on capacity building at the local level.

Yet, as shown in the presentation of alliances, these have been possible, over two different types of core beliefs, as indentified above. The story-lines, which stem from core beliefs, are not carved in stone, but there is a space for changes and modification, the most

241 Interview with a consultant in the WSS sector on Aug. 18, 2010.
242 Ministry for Foreign Affairs of Finland
important factor for the donors being *that it looks like it*, they are advocating the story-line (Hajer 1995, 63), presenting a similarity to the double-sided view of aid, which has both official and unofficial motives. I suggest that as donors, they are also aimed to legitimise themselves as sectoral leaders; they need to give space for the modification for their story-lines. Thus, they have been vague about the outline of the national programme, in order not to shy away others, and leaving room for discussion²⁴³.

The legitimation of core beliefs and the story-line, for the single approach, has been done through three main methods: alliance building, programme design and policy formulation. In this chapter, I have illuminated legitimation through alliance building and programme design. In the next chapter, I will show how this is done through policy formulation.

²⁴³ The only exceptions to this are those coalitions that developed a model project, such as, the Fund Board and the CBWSSP, as well as, the Dolidar, which outlined its view on the single approach in a manual.
7. The Politics of Policy

The Making of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan

7.1 Introduction

The Rural Water Supply and Sanitation Policy, Strategy and Action Plan have been touted by donors and bureaucrats in Nepal, as a stakeholder-led policy process, referring to decision-making by all actors involved in sector governance. Yet, there are signs for different results. Therefore, my interest is to analyse why, and how, multiple policy documents in the rural water supply and sanitation sector were formulated in Nepal, at one go, and to understand the motives and interests of the actors involved in this process. I also aim to assess how the composite approach, described in Chapter Five, and the global pressure for establishing a SWAP, (Chapter Six) impacted policy making. This chapter focuses on analysing the interaction between donors, and the government, in negotiating policy and projects, and highlights the inter-linkage between policy formulation, and development project preparation, through the ADB-funded Community-Based Water Supply and Sanitation Project. I argue that the policy process was not led by stakeholders, but by donors; however, at the same time providing evidence that the governmental actors were not powerless in front of the donors. I show here, that the Nepalese governmental agencies had several strategies that they could resort to, in order to avoid unwanted donor influence, speaking against the common view of Nepal being dominated by its donors.

My data consists mainly of different reports, produced by the consultants, who were hired to formulate the strategy and action plan, various drafts of these documents, workshop material, as well as interviews with consultants and participants of these formulation processes. The workshops and plenaries, which provided the substance for the strategy formulation, took place in 2003. That was before my fieldwork. Therefore, I am not able to describe the discussion from my own experience, but need to rely on interviews with participants, and on my understanding of the interests and principles of their organisations.

The main findings of this chapter are:

- The strategy formulation process in Nepal is donor-centred, however, not donor-dictated. The donors and their consultants had a significant role in the initiation of the strategy formulation, setting the agenda for the strategy, and leading the formulation process.

244 The Rural Water Supply and Sanitation Strategy and Action Plan was formulated by the ADB, UNICEF and the DFID. After the finalisation of these documents, the Fund Board (funded by the World Bank) and the MPPW, formulated the policy as a means of balancing suggestions by the strategy and action plan. In this chapter, when speaking of a policy process, I refer to the formulation of any of these documents, using it as a general term for formulating policies.
The governmental agencies were not active in the initiation, or in the formulation process; nevertheless, some of them captured the strategy in the finalisation phase, and manoeuvred to secure their, and other donors’ interests, by resorting to various strategies.

These strategies of the governmental agencies are: remaining vague about policy priorities and allowing donors to lead; knowing what is important and not important for the donors; tactic of wait and see; the non-implementation of policies; foot-dragging in policy implementation with a number of excuses; and alliance-building.

The institutional issues became the hot potato in the consultations, and, albeit discussed intensively by participants, they were not solved, due to reasons related to power, alliances and leadership in the sector.

This chapter is organised into 7 sections. After this introduction, I turn to discuss the interests and motives of the main actors in the process: in the second section the donors, particularly the ADB, in the third section, the consultants, and in the fourth, the government’s interests and motives. The fifth section focuses on analysing the politics around the design of the development project, that was prepared parallel to policy formulation. The sixth section presents the institutional issues that were put on the agenda in the policy formulation process, and analyses why these issues were not solved. The last section analyses the interests of the donors and the government in the policy process, their influence on the outcome of the process, and presents the strategies used by the governmental agencies and donors, and revises the understanding of a donor-centred policy process.

7.2 The ADB: Initiator of the Strategy Formulation

In this section, I argue that the ADB initiated strategy formulation and because of its interest, to have a compatible framework for its upcoming project in the sector. Thus, through the strategy and the project, it desired to have a strong position in the rural water supply and sanitation sector of Nepal. This led the ADB to set the ground for strategy formulation and be a leader in the decision making process.

Since 1985, the ADB had funded four water supply and sanitation programmes in the rural areas of Nepal, and had gained a powerful position in the sector. As the 4th Rural Water Supply and Sanitation Sector Project (1997-2002) came to an end in 2002, the ADB was criticised about its too centralised implementation modality, and a lack of beneficiary involvement. The ADB realised that it could not continue funding the rural water supply and sanitation programmes in this style anymore, without losing its position in the sector. It viewed that it needed to shift the new project towards the composite approach, which was well established among the donors in Nepal. By renaming the project as the Community-Based Water Supply and Sanitation Project (CBWSSP), the ADB efforts in the sector were to focus on community-based management, targeting its assistance to the most needy population segments, increasing stakeholder participation in project
development and implementation, mobilising the NGOs and the private sector, and giving more focus to hygiene education and sanitation (ADB 2002, 3). This project was supposed to become a nationwide model project for the rural water supply and sanitation sector (a national programme for the later establishment of a SWAP); a project which could be jointly funded by all donors and, according to the ADB, based on the best practices of all donors working in the water supply and sanitation sector in Nepal (ADB 2002, 3-4). By following the composite approach, and designing the strategy, and the project, accordingly, the ADB wished to attract other donors to fund the project, and to participate in the strategy formulation, and by this, secure the leadership position in the sector. The ADB's motivation for the design of a national programme may also have been to challenge the position of the World Bank in Nepal.

An ADB-financed consultancy team was hired for the Project Preparation Technical Assistance (PPTA) for the design of the CBWSSP and the formulation of the Rural Water Supply and Sanitation Strategy and Action Plan – a component of the PPTA. The consultancy team was a large one, consisting of 20 consultants, including six international experts245 (ADB 2002, 5). In addition to the ADB-paid consultants, the team included an institutional expert paid by the DFID and a sanitation expert paid by UNICEF, who were half-time members of the PPTA team. In the preparation phase, there had been discussion about possible co-financing of the CBWSSP by the DFID and UNICEF, which gave them an impetus to be part of the design; however, this never materialised (ADB 2002, 10). The PPTA was carried out in 10 months and it was divided in three phases. Phase One, which ran from July to October 2002, focused on mapping the sector and identifying needs. During the Phase Two (November 2002 – January 2003), called 'Design Through Consensus', an extensive consultation process, including ten facilitated thematic workshops, and three major plenaries, were organised by professional facilitators to formulate the sector strategy and action plan, and to find an implementation framework for the ADB loan project (ARD Inc. 2003d, 7-3, 4). In the Phase Three (February – May 2003), the CBWSSP was designed on the basis of the results from the consultations (ADB 2002, 3-4, 11; ADB 2003a, 9). The Rural Water Supply and Sanitation Policy was prepared by the Fund Board after the Strategy and Action Plan had been finalised by the ADB and the MPPW; its formulation was not part of the ADB paid PPTA, but the policy formulation was a co-effort by the MPPW and the Fund Board, to correct some by the Fund Board perceived shortcomings in the ADB prepared strategy. The Finnish government funded a regional consultation in Butwal, where it supported a rural water supply and sanitation project.

A detailed timeline of the strategy formulation and project preparation is depicted in the figure 7.1 below.

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245 The international experts consisted of a team leader, financial economist, gender and participation specialist, consensus-building specialist, water and sanitation engineer and GIS specialist, whereas the local experts included a water supply and sanitation engineer, social development specialist, financial analyst, environment specialist, GIS specialists and professional facilitators.
Figure 7.1 Timeline of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan formulation
The ADB presented two interlinked needs for the strategy formulation. First, it wanted to solve the fragmentation of the sector, and second, it was interested in clarifying the roles, and the responsibilities, together with the institutional roles of the main sectoral agencies in addition to find an agreement on how to operate under the unstable political situation and the Maoist insurgency (ARD Inc. 2003b, 7-1; 9-10). These problems, the ADB wanted to address together with the main donors, the NGOs and the government agencies in the strategy formulation process. The consultations, organised to identify issues to be addressed in the strategy, were designed to bring all stakeholders together, to find a common understanding on the future of the sector (ADB 2002, 2). But, as shown in the next section, the common understanding was supposed to be found within a pre-determined framework, set by the ADB, and its consultants.

Due to its commitment for the composite approach, the ADB wanted to fortify the government’s decentralisation agenda in the project and strategy, in the spirit of the Local Self-Governance Act 1999. It argued that in the strategy and project, local governments should have leading facilitation roles, enabling the implementation of the CBWSSP within the government framework, because of the existing water supply policies (1998), and sanitation policies (1994), had been formulated before the LSGA. The ADB found that it would take too long a time to develop and endorse a new policy; hence, it opted for a strategy formulation, instead of a full policy, and considered this as feasible, within the duration of the Project Preparation Technical Assistance.

Through reading the ADB’s own water policy, called Water for All, it becomes obvious that the RWSS strategy formulation was actually guided by the ADB’s own water policy (formulated in 2001). The policy emphasised ADB’s view on water as a socially vital economic good and reforming its developing member countries’ national water policies and water bureaucracies (ADB 2006b, 8, 13): “ADB will support DMCs in ensuring that water projects are guided by effective national water policies that link water to national development goals and protection of the environment” (ADB 2001, 15). According to the ADB, the national water sector reforms were to include adopting effective national water policies, water laws, and sector coordination arrangements, as well as improving institutional capabilities and information management (ADB 2001, 13-24).

246 The main participants in the strategy formulation were the representatives of the MPPW, the MLD, the DWSS, the Dolidar, the NPC, the ADB, the WB, UNICEF, the WHO, the DFID, USAID, MFA Finland, Plan Nepal, Helvetas, WaterAid Nepal, Care Nepal, Nepal Red Cross, NEWAH and Gurkha Welfare Scheme. In the regional consultation the participants included representatives of local bodies and political parties. Between 35 and 85 people attended the workshops. Altogether more than 160 of the invited representatives of various organisations participated in at least one of the workshops, representing 82 organisations connected with RWSS and health development in Nepal (ARD Inc. 2003d, 7-11). The consultations were on invitation basis. The executive agency for the technical assistance was the MPPW, however, it did not have an active role in the project and strategy preparation, remaining as a participant. Each of the main government agencies provided a counterpart staff to the PPTA team. In the MPPW this was the joint secretary for water supply and sanitation, in the DWSS an engineer, and in the Dolidar a senior divisional engineer. These people officially assisted the consultancy team. In addition, staff from the ADB offices in Kathmandu and Manila headquarters was involved in the strategy formulation and project preparation (ARD Inc. 2003a, i).

247 Interview with a member of the PPTA team on Aug. 1, 2009 and a representative of ADB in Nepal on Aug. 10, 2009.

248 Personal communication with a member of the PPTA team on Feb. 19, 2011.
4). By this, it aimed to evolve the developing countries' approaches, from a short-term project-driven approach, towards the principles of the composite approach: establishment of a long-term programmatic approach, and the development of mechanisms for long-term partnerships with clients, e.g., policy-based lending for long-term umbrella water programmes (ADB 2006b, 35). These reforms should form the basis for new development projects in the sector, and link these to resources, and to be guided by the ADB's country operational strategies and programmes (ADB 2004c, 2). In Nepal, the Rural Water Supply and Sanitation Strategy and Action Plan were formulated in conjunction with the ADB's loan negotiations for the Community-Based Water Supply and Sanitation Project in 2003. An ADB official in Nepal confirmed to me that the Water for All policy obliged the ADB to include the formulation of the Rural Water Supply and Sanitation Strategy and Action Plan, with the project preparation of the CBWSSP, because the ADB found that an official framework for the project was necessary.249

| 1. The Asian Development Bank will help develop comprehensive water policies in the DMCs. |
| 2. Assistance for undertaking water sector assessments will be provided to ensure that policy formulation and sector reforms are well grounded. |
| 3. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimisation of agency functions for planning and implementation. It will also focus on the development of effective cross-sector coordination mechanisms, such as neutral apex body that can oversee the policy formulation and sector reform process. |
| 4. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private sector participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels. |

Table 7.1: ADB's Water Policy Actions: National Policies and Reforms (ADB 2004c, 15. The policy actions are extracted from ADB's water policy)

The second main issue influencing the formulation of the Rural Water Supply and Sanitation Strategy in Nepal, was ADB's view on water as a socially vital economic good. The policy states (2003, 24): “Conservation of water and its sustainable use are increasingly critical factors in managing a scarce resource. Governments and civil society need to see water as an economic good.” The ADB links the view on water as an economic good, with a decentralised service delivery. Water, being a finite resource, needs to be delivered in an efficient manner. The efficiency, according to the ADB, is guaranteed through decentralised water delivery, which includes cost-recovery. The state


In the urban water supply and sanitation sector the ADB has funded the formulation of the Urban Water Supply and Sanitation Policy in 2008-09 in the conjunction of the PPTA for the Second Small Towns project. Here, many interviewees opined that the policy was required by ADB’s headquarters, so that the project could be approved. Interviews with a representative of ADB in Nepal on Aug. 10, 2009, a representative of JICA in Nepal on Aug. 24, 2009, a NGO leader on Aug. 11, 2009.
should not provide water alone, but the water provision system should include private sector companies, the NGOs and water user groups. The ideal role for the state was to act as a facilitator, and not be directly involved in water service delivery (ADB 2001, 21-6; ADB 2006b, 16). In Nepal, many of these issues were central in the stakeholder consultations, and influenced the strategy formulation process.

In this part, I have shown, that the policy formulation process was a donor initiative, and behind the initiative, was the ADB’s necessity to have a domestic policy in place to support the implementation of the CBWSSP. The formulation process was based on the predetermined issues set by the ADB’s water policy, and the composite approach, which portrayed the latest global ‘knowledge’ advocated by the donors. The government agencies were not actively involved in this phase of the process. I next move to describe how the donor-paid consultants pursued this donor-centred modality.

### 7.3 Consultants: Aides of the Donors

The consultancy team hired by the ADB to draft the strategy and the design of the new water supply and sanitation project, continued within the framework set by the ADB. I view the consultants as an aide of the donors in strategy formulation, even though they are officially employed by the government. I reason for this because their payroll comes from the donor, whom they actually view as their employer. In addition, the consultants are dependent on further assignments provided by the aid agency, not by the government, hence, their loyalty is towards the donor (these issues are discussed in Chapter Four). I consider the consultants as being key people leading the development of policy, because they decide on the structure of the consultations, the methods used, who were to be invited and what topics would be in the consultations. They organised the workshops, and together with the ADB, set the agenda.

At the early phase of the strategy preparation, the consultants produced an Issues Assessment, which set the ground for stakeholder consultations that were to assist the consultancy team in strategy and project formulation. The assessment highlighted the focus points of the composite approach (ADB 2002, 4, 11-3), and set the decentralised modality as the preferred service delivery model, which they argued, would work best in the current situation, with the evolving institutional responsibilities of the government sectoral agencies at district level. Further, it was preferred by the donors, including a variety of organisations (government, NGO, private sector), that have demonstrated their capacity and their capability for developing community-based WSS facilities and services (ARD Inc. 2002a, viii).

After the Issues Assessment, the consultants wrote the first draft of the sector strategy, which reflects the issues identified (see table 7.2 below). The focus of the strategy was to move away from the supply driven provision of water supply and sanitation services, and to ensure that these were provided only if there was a demand expressed by the community. The demand was assessed through the interest of the community, to be financially involved in the project implementation, meaning that they were willing to pay for services, co-finance construction costs, and take over O&M costs (ARD Inc. 2002b, 1-
2), corresponding to the ADB’s focus in the Nepalese water supply and sanitation sector: the issue of cost-recovery. The consultants conducted a survey on the willingness and the ability, to pay for water supply and sanitation services, and came to the conclusion that households were able to pay for the services. The consultants write:

“There is a significant potential for increased ability to pay for water when beneficiaries understand that while water is a gift of nature, piped water to their tapstands involves costs that makes it an economic good. They should realize that the most important indicator of sustainability of their water system is proper O&M, which requires timely contributions to an O&M fund.”

ARD Inc. 2002a, 35-8

From the objectives of the draft sector strategy, it already becomes obvious that it follows the lines of the composite approach. In addition, it doubles with the ADB’s Water for All policy in some – essential – parts. Central here were the decentralisation, the involvement of civil society organisations and the private sector, and the need for policy and institutional reform, such as revising and formulating policy, laws and plans, and the issue of cost-recovery (ARD Inc. 2002b, 7-8). Sanitation, a cornerstone of the composite approach, was more visible in the draft than in the previous Nepalese policies. This stems, most likely, from the active role of UNICEF advocating for the importance of sanitation and hygiene.

<table>
<thead>
<tr>
<th>Important Issues as categorised by the Issues Assessment</th>
<th>Principal Objectives in the 1st Draft of the RWSS Strategy</th>
</tr>
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<tbody>
<tr>
<td>WSS coverage</td>
<td>Increase water supply and sanitation coverage</td>
</tr>
<tr>
<td>Health, hygiene and sanitation</td>
<td>Maximise health impact of the improved WSS facilities and services</td>
</tr>
<tr>
<td>Institutional framework</td>
<td>Improve effectiveness of service provision through a more effective institutional framework</td>
</tr>
<tr>
<td>Funding mechanisms</td>
<td>Attain financial viability of water user committees</td>
</tr>
<tr>
<td></td>
<td>Recognise water as a finite resource with an economic value</td>
</tr>
<tr>
<td>Management systems</td>
<td>Decentralise the planning and implementation of WSS</td>
</tr>
<tr>
<td>Technology options</td>
<td>n.a.</td>
</tr>
<tr>
<td>Gender, caste and ethnicity</td>
<td>n.a.</td>
</tr>
<tr>
<td>Impact indicators</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Table 7.2 Similarities in Priorities in the Issues Assessment and the 1st Draft of the Strategy (ARD Inc. 2003d, 7-3; ARD Inc. 2002b)

However, the people would not afford to pay the 4-5 per cent of monthly income used by the ADB as a guideline for expenditure on basic water needs by a household in developing countries (ARD Inc. 2002a, 36-28).
Thus, when the consultations with stakeholders started during Phase Two, there was already a baseline for the discussion ready, and the consensus that was sought for, was articulated on the basis of issues defined in the first draft sector strategy. The consultants tried to present the issue identification, as a more bottom-up process than it was, and their report made it sound as if the first draft had been written after the stakeholder consultations. They write, “these eight issue areas were presented, discussed and agreed to at the 1st plenary. Thus, the thematic areas explored in workshops and ultimately incorporated into the draft RWSS Sector Strategy genuinely arise from and reflect stakeholder consensus” (ARD Inc. 2003b, 11).

The PPTA team combined the formulation of sector strategy, with project preparation during the Phase One workshops. I suspect that this, most likely, affected the participants’ thinking in the Phase Two consultations, and hampered their independent thinking regarding the most fitting strategy in rural water supply and sanitation sector. This also shows that the consultants were not thinking of these two issues as separate processes, but saw them as interlinked. The Phase Two report mentions that the ADB pointed out to the consultants that these were separate processes. The consultants write,

“at the urging of ADB staff it became clear that a major task was to build consensus on a RWSS Sector Strategy prior to focusing on the particulars of the investment project, such as financing mechanisms, projected costs, detailed project implementation plans and the like. Keeping to this objective presented a challenge throughout Phase II, as discussions frequently veered towards how to structure a Bank-financed project as opposed to developing a cohesive structure for the sector as a whole”.

ARD Inc. 2003b, 11

As a method for the stakeholder consultations, the PPTA team decided on a participatory workshop approach for building consensus, calling it ‘Design by Consensus’. The consultants viewed this approach, as an alternative to a series of mediated discussion meetings, or by having experts develop a model for comment. It was decided to use consensus building and conflict resolution methods in the consultations because “Several RWSS sector issues in Nepal are quite sensitive, especially in regard to which government institution will control project resources and field level contracting operations. These issues have been exacerbated by the confusion arising from line agency policies and practices conflicting with decentralization strategies” (ARD Inc. 2003d, 7-4). The consultants also decided to structure the consultations in plenaries, for all participants, and thematic workshops, for the issues identified in the Issues Assessment. These workshops were supported by thematic papers, prepared by consultants and participants251 (ARD Inc. 2003d, 7-4, 7-5; ARD Inc. 2003b, 13). According to the consultants the most contentious and complex issues were concentrated around the institutional framework in which the rural WSS services would be delivered (ARD Inc. 2003b, 14; ARD Inc. 2003d, 7-6). The

251 NEWAH prepared a document on gender and poverty, which was taken into account in the strategy. This thematic, obviously, is central in the composite approach, and therefore, does not state anything about the real possibilities for the NGOs to influence the policy process.
stakeholder workshops supported a nearly unanimous view of the donor and consultant-advocated composite approach, regarding decentralisation and community contributions.252

In the workshop, the issue of compulsory cash contributions, raised heated discussions between the participants. The discussions were based on the recommendations of the Committee on Recommending Policy Changes in Community Contribution to Rural Water and Sanitation Projects for Bringing Uniformity, that had convened in 2002, under the leadership of the Fund Board and the MPPW. Some of the NGO representatives felt, that there was a push that all of the parties adopt the Fund Board approach as a consensus approach. I was told that the secretary of the MPPW, who chaired the workshop, said that the workshop should not concentrate on the poor, but on those who could afford to pay for the WSS services, referring to the demand for a cash contribution by the Fund Board.254 The committee suggested that the community contribution should be a minimum of 20 per cent, and that the total community contribution should not be less than 10 per cent, and that a minimum of one per cent of the contribution should be in cash. Subsidies were allowed for disadvantaged groups (Committee on Recommending Policy Changes Changes in Community Contribution to Rural Water and Sanitation Projects for Bringing Uniformity 2002, 7; HMGN/MPPW 2004a, 21). These suggestions were adopted, and included in the final policy document, prepared by the MPPW and the Fund Board, which shows that the MPPW and the Fund Board had no real interest to discuss the approach with the workshop participants or to modify the approach from the Fund Board advocated approach. The suggested approach was also adopted by the CBWSSP and the Fund Board; however, the Fund Board required even a higher cash contribution, namely 2.5 per cent. As a consensus was not found on the issue of community contributions, different practices continue to exist.257

Surprisingly, the consultants wrote that the workshop on policy formulation, planning and budgeting, was the least controversial item within the framework of the institutional workshops. In choosing consensus building, and conflict resolution as the method for the stakeholder consultations, the consultants had anticipated that there would be struggle over line agency roles and responsibilities, particularly related to the control of funds. However, in the workshop, the roles and the responsibilities for national level policy formulation, planning and budgeting, were easily discerned and agreed upon. The

252 Interview with a NGO leader and a workshop participant on Sep. 1, 2010.
253 The committee was established to support the project preparation of the second phase of the Fund Board (3rd draft Jan. 2003, 14), Interview with a representative of the World Bank in Nepal on Sep. 10, 2010.
254 Interview with a NGO leader and a participant in the workshop on Sep. 1, 2010.
255 Interview with representatives of the CBWSSP on Sep. 5, 2010. The Committee also recommended the establishment of a one-year planning phase, which also was written down in the strategy and adopted by the CBWSSP. Interview with a representative of the WB in Nepal on Sep. 10, 2010.
256 Interview with a representative of the Fund Board on Sep. 15, 2010.
257 Not all agreed on the 20 per cent community contribution, by arguing that the ultra poor could not afford it. Some NGOs do not take any community contributions, as they argue to work for the poor, and some only ask for a contribution towards the O&M. Some bilateral projects ask for more than 20 per cent. Interviews with a member of the PPTA team on Aug. 18, 2010; experts in the WSS sector on Sep. 5, 2010 and on Sep. 1, 2010; a high-level official at MPPW on Aug. 17, 2010; two district officials in Syangja district on Aug. 30, 2010. Observation in the RWSSP-WN Steering Committee meeting on Aug. 27, 2010.
consultants write “MPPW, NPC, MLD, MoF, MoWR, and MoHP all have clear roles to play in terms of macro-level planning. The draft RWSS Sector Strategy can be said to accurately reflect a strong consensus that the roles and responsibilities of these agencies are clear and widely supported” (ARD Inc. 2003d, 7-6). This statement excludes the complicated relationship between the DWSS and the Dolidar, which, as shown in Chapter Four, was characterised by a constant struggle over division of work, and related financial resources – a struggle that was also reflected in the relationship between their ministries, the MPPW and the MLD. Thus, the covert statement by the consultants shows, how delicate was the issue of restructuring the institutional set-up in the water supply and sanitation sector. Yet, in a later phase of their report, the consultants reveal that there were some critical issues that were not able to be resolved, and that these related to the problematic relationship between the MPPW and the MLD. They give as reasons, the seniority of some government people participating in the workshop, which might have hindered an open discussion, as well as, the early phase of effective decentralised governance and service delivery in Nepal (ARD Inc. 2003d, 7-11). Regarding the arrangements at a local level, the workshop participants agreed that the DDCs and the VDCs, were the key institutions to the rural water supply and sanitation sector development and service delivery. The only disagreement was regarding how capable the local bodies were (ARD Inc. 2003b, 14). The table below summarises the institutional issues on which an agreement was reached, as well as the issues which were to be solved later.

<table>
<thead>
<tr>
<th>Agreements Reached</th>
<th>Issues to be Solved</th>
</tr>
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<tbody>
<tr>
<td>DDCs – and to a lesser extent VDCs – should become the primary authority responsible for local level planning, budget, and coordination of development efforts in this sector.</td>
<td>The changing nature of line agencies’ roles, especially that of shifting from being an implementer to a “facilitator” such as the DWSS is undergoing.</td>
</tr>
<tr>
<td>Need to support and improve the district development planning process, and that all agencies – whether the DWSS, the Fund Board or the NGOs – operating in a given district should take seriously the site priorities set by the VDC and DDC plans.</td>
<td>The medium and long-term implications of government’s decentralisation policy, especially the need to place the DDC and the VDC at the centre of the process and the sense that the separate nature of the DIDO\textsuperscript{258} did not facilitate this objective.</td>
</tr>
<tr>
<td>Involvement of local populations, including dalits and janajatis\textsuperscript{259}, must be radically improved.</td>
<td>The problematic nature of separating the RWSS service delivery responsibility to greater than (the DWSS) or less than (the Dolidar) 1,000 population.</td>
</tr>
</tbody>
</table>

\textsuperscript{258} The Council of Ministers had revised on 31 January 2003 the organisational structure of the District Infrastructure Development Office (DIDO) of the Dolidar by placing the DIDO (now the DTO) under the DDC, as opposed to its separate status under previous policy. This may help alleviate certain problems with overlapping line agency roles (ARD Inc. 2003d, 7-2).

\textsuperscript{259} Dalits are used as a reference to people of lower caste in Nepal and janajatis refer to people who are of a minority ethnic origin and have their own traditional culture and own language. Both of the groups have been traditionally oppressed in Nepal and have remained poor.
NGOs and CBOs were the best-placed and experienced organisations for assisting local bodies in planning and site selection.

The importance of proactively addressing the need to minimise problems in procurement and contracting, i.e., slow timing, “leakages” (as named by the consultants) and standards.

The effects of the ongoing conflict on the provision of RWSS services.

Table 7.3: Institutional Arrangements: Agreements Reached and Issues to be Solved (ARD Inc. 2003d 7-6, 7-7, 7-8; ARD Inc. 2003b, 14-5, 15-6)

In their reports, the consultants tended to present the process as stakeholder-led and tried to cover their own, and the ADB's leadership in the process, similarly as in the Issues Assessment regarding the Phase One. In the final report the consultants presented the 'Design by Consensus' process as a

“unique opportunity to involve a wide spectrum of stakeholders in a genuine effort to arrive at a consensus regarding both broad sector strategy and specific elements of an investment program. […] The effort was truly “bottom-up” and participatory in all respects. […] stakeholders developed the basic elements of the sector strategy with implications for project design.”

ARD Inc. 2003d, 7-11

Even though there was a wide participation of different kinds of stakeholders, the process was not as bottom-up as presented by the government and the ADB. The consultancy team developed a preliminary design, and wrote the draft sector strategy, before the wider stakeholder consultations; hence, the stakeholders did not develop the basic elements of the sector strategy. In the final report, the consultants admit that the portrayed bottom-up approach had limits, by writing that if the stakeholders' contributions were going against the principles of the composite approach, by being unworkable, or did not adequately address key issues, the PPTA team was able to veto those (ARD Inc. 2003d, 7-11). Therefore, it seems that the politics in this strategy formulation process, was to cover up the influence of the funding agencies, and to avoid being open about their real interests of why the strategy was formulated, but instead, to present the process as something it was not: as a stakeholder-led policy process. The consultants had a significant role in shaping the process, and leading the practice of donor-centred policy making: they conducted the stakeholder consultations along the donor-set agenda, instead of letting the participants truly come up with issues to be included in the discussions; through the consultation process, they made it look as if the participants had decided upon the issues; and in the consultations, they guided the discussions to the ADB pre-determined path.

The donor leadership in the strategy formulation is illuminated, when one examines the different versions of the strategy: since the formulation of the first draft during Phase One, until the submission of the final draft by the consultants, the sector strategy does not demonstrate any major changes. The objectives defined in the first draft, remained the same throughout the drafts, and only two issues were added in the second and the final
drafts (see table 7.4 below). Only the objectives in the final policy – formulated by the MPPW and the Fund Board, not by the ADB-paid consultants – are different from the strategy drafts, whereas the final strategy does not include any objections but focuses on outlining the roles and responsibilities. I suspect that the final strategy had been revised by the MPPW and the Fund Board, to match the policy document that they had formulated out of the final draft strategy.
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</thead>
<tbody>
<tr>
<td>Increase water and sanitation coverage – especially to customers who are in greatest need for improved services.</td>
<td>Increase rural water supply and sanitation coverage, especially to customers who are in greatest need.</td>
<td>Increase rural WSS coverage, especially to customers who are in greatest need.</td>
<td>Increasing RWSS coverage to those communities who are in greatest need.</td>
<td>Provide safe, accessible and adequate water supply with sanitation facilities to all Nepalese people on priority basis targeting the backward people and ethnic groups;</td>
</tr>
<tr>
<td>Maximise health impact of the improved WSS facilities and services – by providing targeted health promotion to effectively encourage sanitation and hygiene behavioural change.</td>
<td>Maximise positive health impacts of the WSS facilities and services by providing targeted health promotion to effectively encourage sanitation and hygiene behavioural change.</td>
<td>Maximise positive health impacts of the WSS facilities and services by providing targeted health promotion to effectively encourage sanitation and hygiene behavioural change.</td>
<td>Maximising positive health impacts of RWSS facilities and services by providing targeted health promotion to effectively encourage sanitation and hygiene behavioural change.</td>
<td>Reduce water borne diseases and its victims in the nation;</td>
</tr>
<tr>
<td>Recognise water as a finite resource with an economic value – recognizing the need to protect and judiciously utilize this critical natural resource through demand management, minimizing waste, and protecting water resources.</td>
<td>Recognise water as a finite resource with an economic value in order to protect and judiciously utilize this critical natural resource through demand management, minimizing waste and protecting water resources.</td>
<td>Recognise water as a finite resource with an economic value in order to protect and judiciously utilize this critical natural resource through demand management, minimizing waste and protecting water resources.</td>
<td>Recognise water as a finite resource with an economic value in order to protect and judiciously utilize this critical natural resource through demand management, minimizing waste and protecting water resources.</td>
<td>Utilise in productive works the time and labour of women, men and children saved from carrying water.</td>
</tr>
<tr>
<td>Decentralize the planning and implementation of WSS provision – in accordance with HMGN’s ongoing decentralization efforts.</td>
<td>Decentralize planning and implementation of water supply and sanitation services in accordance with HMGN’s ongoing decentralization efforts.</td>
<td>Decentralize planning and implementation of WSS services in accordance with HMGN’s ongoing decentralization efforts.</td>
<td>Decentralizing planning and implementation of WSS services in accordance with HMGN’s ongoing decentralization efforts.</td>
<td></td>
</tr>
<tr>
<td>Improve effectiveness of service provision – by developing a more effective institutional framework so that the organizations most qualified to provide each of the required management, technical</td>
<td>Improve effectiveness of water supply and sanitation service provision by developing a more effective institutional framework so that the organizations most qualified to provide each of the required</td>
<td>Improve effectiveness of WSS service provision by developing a more effective institutional framework so that the organizations most qualified to provide each of the required</td>
<td>Improving effectiveness of WSS service provision by developing a more effective institutional framework so that the organizations most qualified to provide each of the required</td>
<td></td>
</tr>
</tbody>
</table>
and other support functions are properly utilized according to their capacity, capability and cost. Required management, technical and other support functions are properly utilized according to their capacity, capability and cost. Management, technical and other support functions are properly utilized according to their capacity, capability and cost.

| Attain financial viability of water user committees – through cost sharing, proper management of community cash and in-kind contributions for construction, appropriate water tariff structures, efficient tariff collection and utilization leading to improved system maintenance and repair, and consequently high quality services to customers. |
| Attain financial viability of Water User and Sanitation Committees through cost sharing, proper management of community cash and in-kind contributions, enabling appropriate water tariff structures, efficient tariff collection and utilization leading to improved system maintenance and repair, and consequently high quality services to customers. |
| Attaining financial viability of Water User and Sanitation Committees through cost sharing, proper management of community cash and in-kind contributions, setting appropriate tariffs, efficient tariff collection and utilization leading to improved system maintenance and repair, and consequently high quality services to customers. |

Integrate critical factors such as gender, caste and ethnic participation, technical options and community-based management into design and implementation activities in order to increase prospects for equity and long-term sustainability.

Integrate critical factors such as poverty, gender, caste and ethnic participation, appropriate and affordable technical options and community-based management into design and implementation activities in order to increase prospects for equity and long-term sustainability.

Integrating critical factors such as poverty, gender, caste and ethnic participation, appropriate and affordable technical options, and community-based management into design and implementation activities to increase prospects for equity and long-term sustainability.

Supporting the poverty reduction strategies of HMG, ADB, World Bank, bilateral donors and NGOs supporting RWSS sectoral development in Nepal.

Table 7.4: Comparison of Evolvement of Objectives in Different Versions of the Draft and Final RWSS Strategy (The differences between the objectives in the different versions are highlighted through italics in the table text)
7.4 Government Manoeuvring for Funds, Alliances and Territory

This section illustrates how the governmental policy making body, in the rural water supply and sanitation sector, the MPPW, has manoeuvred in the finalisation phase of strategy formulation, by seizing several strategies. Through allying with several donors, it has tried to please its various funding agencies, by trying to meet their demands. In the case of the formulation of the Rural Water Supply and Sanitation Strategy, the MPPW first tried to satisfy the ADB, the DFID and UNICEF, by letting them formulate the strategy and action plan, according to their requirements. Once they had finalised their work, it manoeuvred to meet the interest of the Fund Board (and the World Bank), which it felt that it then had not been taken into account in the strategy formulation process; to the extent that it had wished for, and to secure that the World Bank’s funding in the sector, would continue. Thus, the MPPW and the Fund Board, jointly formulated the Rural Water Supply and Sanitation Policy.

After the consultation process, the ADB-paid consultants submitted the finalised sector strategy, and its action plan, simultaneously to the ADB and the MPPW. The Fund Board staff, which had close personal connections with the MPPW, convinced officials at the MPPW, of the need for an additional policy. The official reason for the policy formulation was that it was developed, to substitute the old water supply and sanitation policies, with funding provided by the Fund Board. A member of the ADB consultancy team told that the policy was written, more or less overnight, by the director of the Fund Board, together with officials at the MPPW and the DWSS, meaning that the new priorities had already been decided earlier\(^\text{260}\). As the policy was squeezed out of the draft strategy, which had not been formulated to be revised into a policy, but was to facilitate the implementation of two older policies, the functionality of the policy became problematic. Despite this, the ministry and Fund Board did not want to start a new consultation and formulation process, but decided to formulate the policy by revising the strategy draft. This was considered in order to save investments and time for developing the policy document from scratch.\(^\text{261}\)

An important motive for the MPPW and the Fund Board, to join forces in the policy formulation, was the pressure to move the Fund Board under the Dolidar. The Dolidar had been established after the Fund Board (in 1998), and at this time, the Fund Board had not been moved under the Dolidar, even though the previous policies had outlined that projects that implement schemes with less than 1,000 beneficiaries, should be under the Dolidar, and schemes with more beneficiaries, should be dealt by the DWSS. The schemes implemented by the Fund Board selected the NGOs with less than 1,000 beneficiaries. In order to avoid future pressure to place the Fund Board under the Dolidar – and by this giving more power to the MLD – it was important for the two parties to manoeuvre this

\(^{260}\) Interview with a member of the PPTA team on Aug. 18, 2010; personal communication with a member of the PPTA on Feb. 19, 2011.

\(^{261}\) Personal communication with a member of the PPTA on Feb. 19, 2011.
issue in the policy framework\textsuperscript{262}. The strategy (HMGN/MPPW 2004a7-8), therefore, outlines,

“Rural Water Supply and Sanitation Fund Development Board will serve as a regular organization for facilitating the provision of rural water supply and sanitation services. The Rural Water Supply and Sanitation Fund Development Board will perform the following tasks: (…) Assist HMG in the reform of sectoral policy.”

With this sentence, the MPPW and the Fund Board, made the Fund Board part of the governmental system, and placed it under the MPPW, through allocating it a task in policy formulation. Obviously, this was also a move against the World Bank’s decision to create it as an institution, bypassing the government system, and it must have contributed to the decision by the World Bank to withdraw its aid to the Fund Board in the future. I think that the MPPW dared to do this bold move, because of the ADB’s decision to continue funding the rural water supply and sanitation sector, thus, it knew that there would be future investments, or, very speculatively, I consider that the MPPW knew of the World Bank’s dissatisfaction with the Fund Board, and believed that it would not continue to finance the Fund Board in the future.

The policy focused on the advancing private sector and the NGO’s participation in the implementation and management of the rural water supply and sanitation projects, and thus, it institutionalised the Fund Board’s advocated approach. It does not mention the local bodies being responsible for the planning of the schemes, but tried to shirk this by outlining vaguely that the “Service development and operation system will be adopted through leadership of the local community\textsuperscript{263}, which will identify the necessity of the project, its selection, plan formulation, implementation and management by applying participatory approach” (HMGN/MPPW 2004a, 3). As seen from the table 7.5 below, because the strategy and the policy were prepared by different teams, and funded by different aid agencies. The main principles in the documents changed, so that they did not correspond with each other, highlighting their different approaches to decentralisation, and clarified in the next section.

I suspect that the Fund Board was afraid that the strategy would correspond with the approach chosen by the ADB, and that it would need to revise its implementation modality accordingly. As many of my interviewees explained, the general unwillingness of the Fund Board to make any compromises on its implementation approach, and therefore, hindering some of the sector’s coordination efforts, this seems to me as the likeliest motive for the Fund Board to initiate the policy\textsuperscript{264}. Particularly if one compares the policy with the Fund Board’s approach, there seems to be an overlapping in some essential parts. For the government, going along with the Fund Board’s suggestion to formulate a policy, it was a manoeuvring tactic to keep two of its largest donors in the sector satisfied. The

\textsuperscript{262} This was expressed in interviews with a WSSDO official on Aug. 11, 2010, an official at DWSS on Aug. 17, 2010, and an official at the Dolidar on Aug. 19, 2010.

\textsuperscript{263} My Italics.

\textsuperscript{264} Interviews with a representative of the DFID in Nepal on Sep. 10, 2010; NGO leader on Sep. 1, 2010; an expert in the WSS sector on Aug. 18, 2010, who said “the culture of Fund Board is quite distasteful for most aid agencies”.

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formulation of the policy was a win-win situation for both the Fund Board and the government: the Fund Board legitimised its approach in the rural water supply and sanitation sector, and the MPPW kept an important ally happy, and avoided a potential conflict over a policy matter. Furthermore, by approving the ADB-formulated strategy, and not revising it, the ADB also got what it had aimed for, and therefore, it could not be too upset of the sudden existence of a new policy. Through this alliance-building, the MPPW abstained to openly challenge any of its donors, and let them carry out those tasks that they found important (e.g. lead the strategy and policy formulation). Through this strategy, the MPPW was able to sustain a good relationship with all of the parties, and to gain from the process, that is, that both the ADB and the World Bank got a preferential framework to continue funding the development efforts in Nepal.

Another powerful manoeuvring tactic for the governmental actors was the strategy of non-implementation (Rose, Fisher 1970; Scott 1985; Grindle 1989, 1999; Seppälä 2002), as expressed by several of my interviewees. It referred to the tendency by bureaucrats (or as in Scott’s analysis the peasants) to avoid implementing those issues, which went against their personal, family, or class interests, and to find their way out of the unwanted donor influence. For the DWSS, the demand for moving towards decentralisation and facilitation, was an issue that it was not following, thus, ignoring the policy principle. Similarly, for the MPPW, the divergent implementation approaches regarding a decentralisation by the ADB and the World Bank, had led it to resort to the strategy of non-implementation. The strategy could also be labelled as a ‘strategy of ignoring’, maybe better characterising the situation in Nepal. This strategy links with the strategy of foot-dragging (Scott 1985), which in this case, refers to government officials finding excuses for a delayed implementation. In Nepal, the reasons typically relate to the difficult circumstances in the country, such as security, and the political situation, or to a lack of interest in the districts to implement, capacity problems, and corruption at various stages, as well as changing the priorities and staffing in the cabinet and ministry, which had not enabled a peaceful environment in the transition to democracy. These were presented as issues that were widely outside of the government’s ability to change, thus, an accelerated implementation was barely possible.

At the local level, officials had used the strategy of non-implementation, because of two issues. First, the frequent change of policies at central level (originating from the

265 Scott (1990, 3) has identified a strategy that is similar to this. He calls it deference and consent, referring with it to “Subordinates offer a performance of deference and consent while attempting to discern, to read, the real intentions and mood of the potentially threatening powerholder.”


269 Interview with an officer of the RWSSP-WN programme in Syanga District on Aug. 20, 2010.

270 Interview with a NGO leader on Aug. 7, 2009

271 Observation of discussion in the District Coordination Meeting, Aug. 28, 2010.

272 Interviews with a high-level official at MoE on Jul. 31, 2009; a high-level official at the WECS on Jul. 2, 2009 and a NGO leader on Sep. 1, 2010
changing aid trends at global level) had made it difficult for the district and the village level officials, to follow policies as these were normally sent to the districts, without providing any practical guidelines or training, and hence, some of the district level officials, and the line agency staff, either did not understand the new principles of the policy, or were not able to change the implementation modality at the local level, as fast as demanded by the central level. In addition, many of the people working at district or village level were not even aware of all the policies that had been formulated, and hence, were not able to follow them. Secondly, the district offices were confronted with multiple pressures that they needed to deal with. The communities had their interests to service, the local political leaders wanted to serve those communities that voted for them, or where they themselves came from, and the central government had its own power interests and wishes, that certain policies and practices were followed. In order to cope with the constant priority changes at central level, as well as the multiple demands placed by the officials, the strategy of the district level officials, was to follow those policies that made their work easier and ignored the latest guidelines provided by the ministry; this was in case this went against their work practices at the local level, or by the interest of the officials in the districts.

273 Observation through interviews with two district officials in Syangga district on Aug. 30, 2010. Neither of them understood my question about the various policies or their implementation. They were also not aware of all policies formulated at the central level.


The Nepal Human Development Report 2001 (UNDP 2002, 58) provides an example of central government interests, affecting the work at the local level. It describes that the NPC set district budget ceilings, that often fall far below the minimum needs of the district, and that even within the total budget ceiling, sectoral ceilings are prescribed so haphazardly that the DDC cannot set its district budgetary priorities. Massive changes in district budgetary allocations and programmes occur in the line ministries and the NPC, and sometimes the NPC even changes district priorities, by allocating a higher amount of the budget to non-priority programmes, and substantially reducing the budget for priority programmes (information based on a UNDP interview with the chairman of the Kavre DDC and president of District Development Council of Nepal).

275 Observation through interviews with two district officials in Syangja district on Aug. 30, 2010. They expressed that of their opinion, the DDC is free to do decide upon its own policy, it only has to contribute towards to RWSS goals by which they meant the coverage numbers.
<table>
<thead>
<tr>
<th>Strategy approach</th>
<th>Policy approach</th>
<th>Fund Board approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning:</strong> Local bodies will be focused while planning, deciding and implementing projects. DDCs will be the prime agency for the local planning of new projects related to WSS with the inputs and active participation of VDCs.</td>
<td><strong>Planning:</strong> Service development and operation system will be adopted through leadership of the local community, which will identify the necessity of the project, its selection, plan formulation, implementation and management by applying participatory approach.</td>
<td><strong>Planning:</strong> The Support Organizations (NGOs, private sector) select schemes in collaboration with communities, and in consultation with concerned VDCs and DDCs, for FB appraisal. The schemes are reviewed against FB's eligibility criteria.</td>
</tr>
<tr>
<td><strong>Implementation:</strong> DWSS will prepare and implement a plan to gradually phase out direct implementation in RWSS schemes, and will hand over ownership and responsibility for O&amp;M of all schemes to local bodies (DDCs/VDCs/Municipalities and/or WUSCs).</td>
<td><strong>Implementation:</strong> Capacity of the local bodies, user committees and NGOs will be enhanced to work as per the decentralised approach that will help minimise the government’s direct involvement in the implementation of water supply and sanitation projects. Capacity of the community will be enhanced for empowerment and management of the water supply system.</td>
<td><strong>Implementation:</strong> Implementation is carried out by the communities, represented by WSUCs, and supervised and assisted by the SOs and Supporting Agencies (SAs). Before the construction the SOs implement community development activities, including preparation of community, registration of WSS users' groups and formation of WUSCs, community decisions on technical and service level options, and design of the schemes.</td>
</tr>
<tr>
<td><strong>Technical arrangements:</strong> A consumer-oriented catalogue with RWSS technical options will be prepared. This catalogue will include affordable, appropriate and environmental friendly technologies.</td>
<td><strong>Technical arrangements:</strong> Development of Infrastructure and entrepreneurship will be enhanced in order to produce equipment, machinery and construction materials related to WSS at local level.</td>
<td><strong>Technical arrangements:</strong> No special reference made to technical arrangements.</td>
</tr>
<tr>
<td><strong>Institutional arrangements:</strong> WUSCs will be organised for the implementation of all RWSS systems. VDCs will play the lead role in involving WUSCs in the construction of RWSS facilities, including assisting the communities to mobilise their contributions in cash and kind.</td>
<td><strong>Institutional arrangements:</strong> Consumers' groups and community organisations will be made responsible to provide WSS services effectively by designating proper work to the local bodies as per decentralisation policy.</td>
<td><strong>Institutional arrangements:</strong> Communities will form inclusive WSS users' groups that can plan, implement, and operate drinking water and sanitation infrastructure that deliver sustainable health, hygiene and productivity benefits to rural households.</td>
</tr>
</tbody>
</table>

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**Institutional arrangements:** DDCs will be responsible for implementation, coordination and monitoring of RWSS plans.

**Institutional arrangements:** Central level government and local bodies will regulate, monitor and facilitate the implementation of the projects.

**Institutional arrangements:** FB approach will be mainstreamed in the government system.

**Institutional arrangements:** The Strategy does not specifically mention NGOs and private sector organisations as providers of WSS services (or anything else).

**Institutional arrangements:** Service delivery mechanism of WSS by users’ committees, CBOs, NGOs and private sector organisations in partnership with each other will be established.

**Institutional arrangements:** Government has established the FB to gradually transfer the WSS service delivery responsibility to the private sector. With this objective, the FB is designed to operate in partnership with SOs and communities, and obtain the services of national SAs to provide it technical, institutional, and operational assistances in scheme implementation.

**Gender issues:** Gender equity and service development will be insisted in planning, decision making, training, access and management or RWSS facilities/services.

**Gender issues:** Participation of gender, caste and disadvantaged ethnic groups will be made essential to all decision making processes regarding WSS services.

**Gender issues:** One main objective of FB is to enhance the role of women in all aspects of the project.

**Financial aspects:** Capacity and capability of the local government body, NGOs and the community will be developed so that they could themselves source financing and manage the projects independently.

**Financial aspects:** Delivery of WSS facility will depend on effective demand. The type and level of service will be according to the 'capacity as well as willingness to pay' by consumers, for which they will have to contribute to capital investment for such facility.

**Financial aspects:** The FB provides two types of financing – one for the construction of WS schemes and for other complementary activities, and the other for SO staff and overheads.

**Sanitation:** Sanitation has an own part in the strategy and is discussed there in detail.

**Sanitation:** Health education and sanitation activities will be conducted together with WSS programme.

**Sanitation:** One main objective of FB is to integrate hygiene and sanitation education with technically, environmentally and operationally sustainable water supply.

<p>| Table 7.5: Comparison of the Strategy, Policy and Fund Board Approaches in Selected (Main) Issues (the similarities and differences between the strategy, policy and the Fund Board approaches are highlighted through italics in the table texts). |
|---|---|---|
| Institutional arrangements: | Institutional arrangements: | Institutional arrangements: |
| DDCs will be responsible for implementation, coordination and monitoring of RWSS plans. | Central level government and local bodies will regulate, monitor and facilitate the implementation of the projects. | FB approach will be mainstreamed in the government system. |
| The Strategy does not specifically mention NGOs and private sector organisations as providers of WSS services (or anything else). | Service delivery mechanism of WSS by users’ committees, CBOs, NGOs and private sector organisations in partnership with each other will be established. | Government has established the FB to gradually transfer the WSS service delivery responsibility to the private sector. With this objective, the FB is designed to operate in partnership with SOs and communities, and obtain the services of national SAs to provide it technical, institutional, and operational assistances in scheme implementation. |
| Gender issues: Gender equity and service development will be insisted in planning, decision making, training, access and management or RWSS facilities/services. | Participation of gender, caste and disadvantaged ethnic groups will be made essential to all decision making processes regarding WSS services. | One main objective of FB is to enhance the role of women in all aspects of the project. |
| Financial aspects: Capacity and capability of the local government body, NGOs and the community will be developed so that they could themselves source financing and manage the projects independently. | Delivery of WSS facility will depend on effective demand. The type and level of service will be according to the 'capacity as well as willingness to pay' by consumers, for which they will have to contribute to capital investment for such facility. | The FB provides two types of financing – one for the construction of WS schemes and for other complementary activities, and the other for SO staff and overheads. |
| Sanitation: Sanitation has an own part in the strategy and is discussed there in detail. | Health education and sanitation activities will be conducted together with WSS programme. | One main objective of FB is to integrate hygiene and sanitation education with technically, environmentally and operationally sustainable water supply. |</p>
<table>
<thead>
<tr>
<th>Institution</th>
<th>Role / Function</th>
<th>Stated Interests</th>
<th>Unstated Interests</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Largest funding agency in RWSS sector / Funding the Strategy formulation</td>
<td>1. Strategy and the CBWSSP should support each other, 2. Strategy to harmonise the approaches in the RWSS sector, 3. decentralisation of RWSS.</td>
<td>1. A matching policy framework to support the operations in the country, 2. Guarantee leadership position in the sector through establishment of a SWAP.</td>
<td>Strategy and the CBWSSP follow the main principles of ADB in the RWSS service delivery.</td>
</tr>
<tr>
<td>UNICEF</td>
<td>Dominant funding agency in sanitation sector / Funding the Strategy formulation</td>
<td>Ensure that sanitation, hygiene and health are adequately taken into account in the Sector Strategy.</td>
<td>Inclusion of UNICEF approaches to sanitation and hygiene in the Strategy.</td>
<td>Sanitation has a more prominent position in RWSS than before; HIF and BSF are the main approaches to sanitation in the Strategy.</td>
</tr>
<tr>
<td>DFID</td>
<td>Funding agency in RWSS sector, leading coordination efforts in the sector / Funding the Strategy formulation</td>
<td>1. Resolve institutional conflicts through a coordinated effort, 2. promote common understanding of the sectoral issues, 3. inclusion of an M&amp;E system in the Strategy.</td>
<td>Ability to influence the policy process through involvement in the strategy formulation, particularly with regard to institutional issues.</td>
<td>Institutional issues were widely discussed in the consultation process, however, they remained unresolved; inclusion of M&amp;E.</td>
</tr>
<tr>
<td>MPPW</td>
<td>Lead ministry in RWSS policy formulation / Participant in the consultations</td>
<td>Develop a RWSS strategy along the legal framework of Nepal together with other stakeholders.</td>
<td>1. Secure CBWSSP and other funding, 2. Balance between conflicting demands of the donors, 3. ensure that not all powers at the central level are allocated to the districts and villages.</td>
<td>Watering down of certain decentralisation modalities in the final phase.</td>
</tr>
<tr>
<td>DWSS</td>
<td>Lead government department in RWSS service delivery / Participant in the consultations</td>
<td>Develop a RWSS strategy along the legal framework of Nepal together with other stakeholders.</td>
<td>1. Hold on to its powers and presence both at central and local level, 2. resist the institutional change from an</td>
<td>Keeping its presence at the district level, unresolved institutional situation with Doldur and DTO.</td>
</tr>
<tr>
<td>Actor</td>
<td>Role and Consultations</td>
<td>Objectives</td>
<td>Influence</td>
<td></td>
</tr>
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<tr>
<td>MLD</td>
<td>Lead ministry at the local level development efforts /Participant in the consultations</td>
<td>Coordinate with other ministries and departments in order to develop a RWSS strategy for Nepal.</td>
<td>Become the lead ministry at the local level development, including RWSS.</td>
<td>Securing decentralisation as the main approach, however, not appointed as the lead ministry.</td>
</tr>
<tr>
<td>Dolidar</td>
<td>Government department for RWSS / Participant in the consultations</td>
<td>Coordinate with other ministries and departments in order to develop a RWSS strategy for Nepal.</td>
<td>Become the lead department for RWSS.</td>
<td>No significant influence over the Strategy.</td>
</tr>
<tr>
<td>Consultants</td>
<td>Responsible for formulating the Sector Strategy and the CBWSSP /Leading the Strategy formulation</td>
<td>1. Promote decentralisation approach along the latest global understanding, 2. have a consensus-based consultation.</td>
<td>Support ADB's, MPPW's and DWSS' interests in the strategy formulation in order to guarantee further consultancies for themselves.</td>
<td>Successful promotion of decentralisation and other principles of consensus approach.</td>
</tr>
<tr>
<td>NGOs</td>
<td>Civil society force / Participants in consultations</td>
<td>Decentralisation, community-based RWSS projects, inclusion of subsidies for poor and disadvantaged groups, emphasis on gender issues.</td>
<td>Through their participation assess the possibilities to ally with other NGOs and donors and to influence the development direction in the country.</td>
<td>Inclusion of subsidies for the poor and disadvantaged groups, focus on community-based RWSS development.</td>
</tr>
<tr>
<td>Other donors</td>
<td>Funding agencies in RWSS sector /Participants in the consultations</td>
<td>Find a common approach to RWSS in Nepal, particularly regarding decentralisation and to coordinate the sector efforts.</td>
<td>Through their participation assess the possibilities to ally with other donors and to influence the development direction in the country.</td>
<td>Successful promotion of decentralisation and other principles of consensus approach.</td>
</tr>
<tr>
<td>MoE, MoHP, MoF and NPC</td>
<td>Governmental stakeholders in RWSS /Participants in the consultations</td>
<td>Little visible interest shown towards the Sector Strategy and its principles.</td>
<td>n.a.</td>
<td>No significant influence over the Strategy.</td>
</tr>
</tbody>
</table>

Table 7.6: Policy Actors' Interests and Influence in the Strategy Formulation Process

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7.5 The Politics Around the Project Design

The policy actors had differing views and interests, on how the Community-Based Water Supply and Sanitation Project should be designed, particularly with regard to its institutional arrangements to decentralisation. The consultants, who prepared the project, advocated for decentralisation along the Local Self-Governance Act 1999, which emphasised the roles of the DDCs and the VDCs. The ADB officially supported this view, because it was the official government policy, but in practice, it gave its support to the MPPW and the DWSS, which were not that open to the consultant’s suggestions, because of their fear of losing power at a local level. This politicking helps to understand the institutional arrangements of the CBWSSP, and shows that it was not an apolitical, technical exercise, but that it was guided by the interests of the actors involved in its design, that were rife with political motives. The analysis also includes an assessment how the CBWSSP was designed to correspond the strategy, which was the aim of the project design, as stated in the Final Draft Report (ARD Inc. 2003a).

The objective of the CBWSSP is to reduce poverty, improve community health and welfare, and to strengthen the capacity for participating communities and local governments, through the active participation of the community, as well as of all of the stakeholders, in the planning, implementation, operation and maintenance. Furthermore, it emphasises a decentralised service delivery, as a mechanism for the efficient delivery of water supply and sanitation in rural areas (ARD Inc. 2003a, i, 6-8). These objectives correspond with the objectives outlined by the consultants, in the final draft of the sector strategy, showing a linkage between their formulations. There are also similarities to other government policy documents, such as the Tenth Plan, the LSGA and the National Water Supply Sector Policy (1998). The compatibility of government policies is important for the ADB, which lending policy requires, that all of the ADB-funded projects are in line with the government's own policies (ADB 2003a, 1). Thus, there was an obvious interest, for both the ADB and the government, to make the strategy and project, correspond with each other so that the project passed the screening of the ADB board.

7.5.1 The ADB and the DWSS Manoeuvring Against the MLD and the Dolidar

The long-term quarrel between the MPPW and the DWSS and the MLD and the Dolidar, also shaped the project design, and the old alliances played an important role in how the project was to be administered. The implementation modality of the CBWSSP was designed to support the government's decentralisation agenda and policies (ARD Inc. 2003a, 6-8), yet, a closer examination of its modality, shows that in practice, there seemed to be a vested interest of strengthening the position of the MPPW and the DWSS vis-à-vis to the Dolidar. This was also understood and partly followed by the consultants. This interest derives from a long-term relationship, that exists between the ADB and the
DWSS. As they have been partners in water sector development, since the early 1980s, their relationship is well tested, having had its ups and downs. This has led to mutually understood interests, based on a satisfying division of loans and grants in ADB aid to Nepal. Hence, it is in the ADB's interest, to give support to the interest of the DWSS, to retain its power at a district level, and to find ways of how this, and the government's decentralisation agenda, could be combined in the project they jointly manage.

This manoeuvring by the ADB and the MPPW is illuminated in the discussions regarding which ministry should be responsible for the project. According to decentralisation thinking, the MLD should be in charge of the project, being responsible for local level development, including the small water supply and sanitation schemes. In the strategy formulation, the stakeholders had suggested to place the project under both the MPPW and the MLD, envisaging a slightly greater role for the MLD and the Dolidar (ARD Inc. 2002a, 95). I believe that due to the competition between the MPPW and the MLD, the ADB took the side of the MPPW, and opined that a power-sharing between the MPPW and the MLD would not work out. In the end, the MPPW became the responsible ministry, and it delegated authority to administer the Central Project Planning and Monitoring Unit to the DWSS.

Due to the project's focus on decentralisation, and community mobilisation, the consultants suggested the establishment of two units, to be responsible for project planning and management at the district level. A unit for planning, the District Planning and Monitoring Unit (DPMU) was to be established, in each of the project implementing districts, and was to be placed under the DDC. This unit was to plan, and to coordinate, the activities and management of the Service Organisations (SO) and Service Agencies (SA), which provided assistance to participating communities (ARD Inc. 2003a, iv. 10). The second unit, as outlined in the LSGA, and recommended by the consultants, was a Water Supply and Sanitation Section, which was also to be under the DDC. The consultants demanded that, the hand-over of central government's sectoral tasks to these agencies and ministries, would withdraw line agency staff from the district (ARD Inc. 2003a, vi, 11; UNDP 2002, 75-7). They opined that these two units form the core element of the decentralised provision of the RWSS services, and recommended that the DPMU would first form the basis for a WSS section, and by this, allow the section to be strengthened, until it had the required capacity, and capability, to take over the supervision of the water supply and sanitation schemes. The DDC formally has a unit, the District Technical Office (DTO), responsible for water supply and sanitation, but it does not have the capacity or capability to provide the support required by the project.

Even though the consultants supported a decentralisation through the DDC to the extent possible, in the district-level institutional arrangements, they did not fully follow

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277 This analysis bases on an interview with Dr Sudhindra Sharma, who led a study team analysing the ADB-funded WSS project in Nepal, on Aug. 12, 2010. See also WaterAid Nepal 2005b, 12.
278 Sharma (interview on Aug. 12, 2010) opines that the ADB has understood that the interest of the government is to get loans over grants, because loans leave more space for manoeuvring for the government, than do grants.
279 For this also speaks of the inclusion of the NGOs, and the private sector, into the service delivery mechanism, which was considered to be the most practical approach, during the unstable political situation in the country. In addition, it corresponded to the approach of the ADB.
the principles of decentralisation. The consultants planned to staff the DPMUs with seconded officials from the DWSS until a Local Government Service Act has been promulgated, allowing direct hiring by local bodies 280 (ARD Inc. 2003a, 11). As it was not clear when this would take place, the arrangement practically meant that the seconded DWSS staff led the project at a district level. Therefore, this practice, only devolved the DWSS’ power from the central level to the districts, particularly, as the project documentation does not mention that the DPMUs would have included staff from the DTOs. It also does not support the learning of facilitation skills by the DWSS, as under this arrangement, the DPMU staff practically implement the project. I assume that the consultants’ original design, emphasising the role of the DDC as a coordinating body at the district level, did not get full support from the MPPW and the ADB. The DPMUs were changed to Water and Sanitation Support Teams (WSSTs), after the consultants had finished their work. The WSSTs were no longer based under the DDCs, but were designed as independent bodies, which assisted the DDCs and the communities, in project implementation. Regarding staffing, the DDC was provided with a possibility to second its staff to the WSST, however, if this was not possible, then the staff came from the MPPW, and external consultants would be hired to assist the team leader (WSSDO chief) 281 (ADB 2003b, v, 11-12).

7.5.2 The ADB and the WB’s Concurrence over Sector Leadership

Another interest of the ADB, for the strategy and project formulation, was to secure its position as sector leader. It therefore designed the CBWSSP as a model project for the sector, hoping that the other donors would join in funding the CBWSSP 282. The ADB’s attempt to challenge the Fund Board’s position, as the national programme, in the rural water supply and sanitation sector, raised action within the Fund Board. Albeit there were many similarities between the projects, such as providing a greater role to the NGOs, and the private sector organisations in project implementation, following cost-recovery, and cost-sharing principles, and a phase-wide implementation mechanism 283, the projects followed a dissimilar approach regarding their decentralisation modality. The CBWSSP was designed to operate closer to the DDCs, and have project offices at the district level, to guide implementation, whereas the Fund Board is centrally run, and in its

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280 In Nepal, the personnel management of local governments is centrally managed. This means that the MLD centrally appoints civil servants as Secretaries of the VDCs, municipalities and DDCs. They are vertically accountable to the ministry in all respects, but are expected to perform according to the instructions of the respective (elected) local government chiefs (UNDP 2002, 75-6). Practically, this arrangement helps to keep the administration centralised.

281 Interview with representatives of the CBWSSP on Sep. 5, 2010. They mention that the ADB funds flow to the DDCs, which then divert the money to the WSSTs.

282 As the consultants write, “All significant sector funding should support a single sector policy, strategy and expenditure program, under HMG/N leadership, adopting common sectoral development approaches, and progressing towards relying on government procedures to disburse and account for all funds. This modality is the SWAp.” (ARD Inc. 2002a, 40).

283 This consists of a planning phase, a development phase, an implementation phase and a post-construction phase.
decentralisation speaking, means working through the water user groups and the civil society. The consultants viewed that the CBWSSP should not ignore cooperation with local bodies, like in the design of the Fund Board, but made it compulsory, that all rural water supply and sanitation activities were included in the district plans (ARD Inc. 2003a, 11). Here, however, the consultants were not clear whether this meant that the DDC first identifies the schemes, and allocates some of them to the CBWSSP, or that the CBWSSP identifies its own schemes, and then suggests these to be included in the district plan. The second option naturally does not support the aims of decentralisation. This ambiguity is reflected in the sector strategy as well, which states, “Only schemes selected through a participatory DDC/VDC planning process will be implemented. Essential but not selected schemes will also be implemented in consultation with the local bodies.” (HMGN/MPPW 2004a, 4-5).

Officially, both the ADB and the Fund Board spoke of attempts to harmonise their approaches through the formulation of sector strategy, and not of competing over sector leadership. The ADB consultants even suggested that the eventual harmonisation could lead to a common project management office of the CBWSSP and the Fund Board. Through this arrangement, the World Bank and the ADB would have supported a common approach, managed by a single sectoral agency at the central level (ARD Inc. 2003b, 36; ARD Inc. 2003a, 10). The harmonisation assertion becomes inconsistent though, when viewed in the light of ADB’s problem analysis in the Nepalese rural water supply and sanitation sector, in which it presents fragmentation of the sector, and the fact that there are so many actors and approaches, as major problems (ADB 2002, 2-3). In this situation, after all, the ADB opted for the design of a new project instead of joining the World Bank to support the Fund Board and making efforts to convince other donors to do the same. Therefore, the project politics do not seem to limit only on the design of a single project, but there seems to be politics that affect the design of water supply and sanitation projects in Nepal.

One can also doubt whether the attempt by the ADB, to harmonise the sector through Sector Strategy formulation, and the CBWSSP project preparation, was sincere. A more sincere approach towards this, was shown by the consultants, who tried to include the MLD in the CBWSSP management, harmonise differences between the Fund Board and the CBWSSP implementation modalities, and follow the LSGA. For me, it seems that the ADB did not want to jeopardise its alliance with the DWSS, thus, it needed to leave out the MLD’s involvement in the project, and focus on supporting the demands of the DWSS for its presence at a district level.

7.6 The Conflicts and Inconsistencies Related to Institutional Issues

In this section, I discuss those institutional issues that were raised in the consultations, and included in the final draft strategy, and the inconsistencies and conflicts between the practices and strategy suggestions. Most of the issues deal with the arrangements for
decentralising water supply and sanitation services. The main demand by participants was
to decentralise rural water supply and sanitation, to the local bodies, and to have only one
agency at the local level to assist the DDCs and the VDCs with the scheme’s
implementation. There were conflicts related to the strong and statutory position of the
DWSS, as well as to the role of civil society in the implementation of water supply and
sanitation schemes. In addition, the duplication of work between the MPPW/DWSS and
the MLD/Dolidar were debated. The consultants, and many of the stakeholders, were
for decentralisation, whereas the DWSS objected it, regardless of the LSGA obligation.
Next, I turn to analyse the new, envisaged role for the DWSS, as advocated by the
composite approach and consultants, namely to reform it to a facilitator in the water
supply and sanitation sector. After this, I analyse the problematical relationship between
the MPPW and the MLD (the DWSS and the Dolidar) and lastly, I focus on issues related
to decentralisation through the local bodies (the DDCs and the VDCs), civil society and
the private sector.

7.6.1 The DWSS as a Facilitator

Attempts to abolish the strong centralisation of water supply and sanitation provision in
Nepal, existent since the start of the water supply provision by the Ranas, have been
unsuccessful, notwithstanding the various policies and guidelines, emphasising
decentralisation, and changing the role and responsibilities of the central level
governmental agencies towards facilitation. A real change in the work style of the DWSS
has not taken place. The new facilitating role envisaged for it, included policy formulation
together with the MPPW, coordination efforts, provision of training, preparation of
manuals and guidelines, creation of a database, assistance to the DDCs in preparation of
district profiles, and to the donors in project preparation and research activities. The only
task directly relating to engineering is to “Design, implement and monitor the schemes
implemented in urban and semi-urban areas on the basis of cost-recovery principle”
(HMGN/MPPW 2004a, 6-7) This implies that the DWSS needs to gradually withdraw
from the rural water supply and sanitation sector. But inconsistently, the strategy also
outlines that “The role of DWSS will be as a facilitator for rural water supply and
sanitation services.” (HMGN/MPPW 2004a, 6). The action plan confirms it: “The main
role of Department of Water Supply and Sewerage is to provide technical support in the
rural water supply and sanitation sector.” (HMGN/MPPW 2004b, 4).

As a solution to the inconsistency in the DWSS responsibilities, the consultants
suggested that the DWSS prepares and implements a plan to phase out direct
implementation in the rural water supply and sanitation schemes, and hands over
ownership and responsibility for O&M for all of the schemes to local bodies and/or the
WUSCs. The timeframe, for the DWSS for phasing out from the rural water supply and

284 The PPTA team concluded that the issue of work division between the DWSS and the Dolidar, as well as
the decentralisation of funds, could not be resolved through consensus-building method, and recommended
that these two issues are to be taken up in other forums, perhaps between the ADB and the government,
because they require major shifts in current policy and higher level deliberations (ARD Inc. 2003d, 7-4).
sanitation sector should align with the National Framework Document for Decentralised Governance and Capacity Building, which is five years. In the final document, this formulation has been changed, so that the DWSS will cease to provide technical assistance through its Divisional Offices for the implementation of rural water supply and sanitation programmes, once the DDC becomes capable and sets up its own sectoral section. No timeframe is given for this (HMGN/MPPW 2004a, 6; ARD Inc. 2003g, 8). The DWSS had been ordered to form 25 Divisional Offices, instead of having an office in every district. The DWSS has manoeuvred against this, by establishing Divisional Offices, or Water Supply and Sanitation Subdivision Offices, in all districts of Nepal, hence, having effectively, a presence in all districts. The DWSS justifies this move through the lack of capacity in the VDCs to take over some of the tasks, and hence, the presence of the WSSDOs in the districts is needed, to compensate this shortcoming.

I find several reasons for the unwillingness of the DWSS to transform from an implementing agency, to a facilitator, and thereby, to withdraw, or even diminish its presence in the districts. First, the DWSS is a hydrocracy; most of its employees are engineers, which in Nepal is a highly respected profession. Hence, the change towards facilitation would require a large-scale re-schooling of its staff, in an area, in which the staff does not take pride. Second, due to the competition between the DWSS and the Dolidar (and their line ministries), on who is the provider of water supply and sanitation services in the rural areas; the withdrawal of the WSSDOs from the districts would weaken the position of the MPPW, by making the MLD the most powerful ministry for water supply and sanitation in the rural areas, because of its presence in all districts through the DTOs and the DDCs. Alike, it is not in the interest of the MPPW to push for a transformed role for the DWSS, because this would reduce its own power in comparison to the MLD. Third, closing offices at the district level would mean that the DWSS needs to scale-down on its staff, which makes it an organisation with less visibility and power, as well as having a smaller budget. Fourth, if the DWSS had no own projects to implement, its possibilities for procurement at the local level would decrease, which frankly means less chances for kick-backs for officials. This is a hard hit on those officials who have supplemented their small salaries with extra income through corruption. Fifth, many of the larger, technically complex projects, that were supposed to remain as the responsibility of the DWSS, are actually administered and implemented by the Kathmandu Valley Water Supply Management Board and Kathmandu Upatayka Khaneepani Limited (KUKL). If the DWSS had withdrawn from the rural areas, it might have ended it up with no projects anymore, particularly in the field of engineering.

I find that it was a short-sightedness from the aid agencies to try and reform the DWSS, into an organisation that it did not have the capacities to become. An organisation with an engineering-based identity, drawing on its pride of knowing how to plan, and implement complex technical projects, was not the right kind of organisation to be easily

285 Interview with a WSSDO official in Lalitpur on Aug. 19 2010. Due to the long distances to the VDCs, it would take even longer for the WSSDO staff to reach the VDCs when requiring assistance, in the case that offices would not be located in each district. In addition, he mentions that the VDCs tend to put all their money into roads and irrigation, hence, more of a presence from the WSSDO is required at the local level, to secure that some investment is made in water supply and sanitation as well.
transformed into a facilitator, or as an awareness-raiser, as the consultants had suggested. It is understandable that there was resistance towards this kind of a change. Due to the decentralisation agenda, the donors supported this reduced role for the DWSS in the actual implementation of projects. Particularly, the World Bank supported this, because the World Bank viewed the DWSS as an obsolete and ineffective governmental institution (World Bank 1993, 21).

The standing of the ADB towards the new role of the DWSS was complicated. The ADB’s Water for All policy, and the principles of the composite approach, obliged it to advocate a facilitatory role for the DWSS. However, at the same time, it had a special relationship with the DWSS, which it did not want to risk. Thus, the ADB tried to play its cards so that the relationship would not suffer, despite the double pressure it was facing. On the one side, global pressure to reform the hydrocracies, by decentralising them, and the making of the facilitatory agencies, and on the other side, its interest to back up the DWSS, in its wish to have a presence in the districts. The ADB also felt that the DWSS had been largely excluded from any active dialogue with the other sectoral stakeholders, nor had it much of a role on the many externally assisted projects (ADB 2002, 2). This is because the Fund Board worked outside of the DWSS sphere, and Finland had its project administration under the Dolidar. The ADB, being the only big donor under the DWSS, was afraid that the DWSS might lose its power, and consequently, weaken the ADB’s role in the rural water supply and sanitation sector. Thus, I think, the RWSS Strategy envisaged a facilitatory role for the DWSS, but due to the double pressure on the ADB, the strategy remained vague about the timeframe in which the DWSS needed to assume the facilitatory role. The result of the multiple manoeuvring, is a strategy, which does not provide any real guidance.

7.6.2 Inconsistencies in the Roles of the MPPW and the MLD

The aim of the consultations had been to discuss the work division between the MPPW and the MLD (the DWSS and the Dolidar), and to find a solution to the overlapping of responsibility between them, yet a sustainable solution was not found. The problematical relationship of the MPPW and the MLD, was solved in the strategy of appointing the MPPW, together with the DWSS, as a sector lead agency (sidelining MLD and Dolidar). However, inconsistently in the Action Plan, the MPPW is obliged to “Work in co-ordination with MLD for determining the respective roles of MPPW and MLD with a view to initiating suitable working procedures in the light of the lessons learnt in the past” (HMGN/MPPW 2004b, 14-5). Obviously, the consultants and the participants of the consultations were not able to come up with a plan that would have suited both the MPPW and the MLD. This formulation left the problem unresolved.

The strategy and action plan place central level responsibility on the MPPW, and local level responsibility on the DDCs, assisted by the NGOs, the private sector and the

286 The consultants had planned awareness raising campaigns also as a responsibility of the DWSS; however, this has been left out of the final strategy (HGMN/MPPW 2004a, 6-7; ARD Inc. 2003g, 8).
WUSCs. Strangely, despite of the fact that the DDCs are administered by the MLD, the local level arrangement outlined in the strategy, one might think, should demand a larger role for the MLD than to just “assist in the overall development works of the districts and villages by providing technical skills in line with the process of decentralization” (HMGN/MPPW 2004b, 4-5). This definition does not provide it with any role in sector development. Likewise, the Dolidar is not allocated any role in sector development; actually, it is not even referred to in the action plan, even though it is one of the funding agencies of the rural water supply and sanitation services. This was not suggested by the consultants, who actually saw a role for the MLD. The Phase One report (ARD Inc. 2002a, 57-8) mentions that the MLD, as the principal ministry responsible for supporting and strengthening local government through the LSGA, “is likely to have an increasingly important role in coordinating the provision of WSS services, providing technical support and training to local government agencies, and assisting communities in organizing operation, maintenance, and repair.” Therefore, it seems to me that considering the close relationship between the ADB and the MPPW/DWSS, their interest has been to secure a powerful position for the MPPW and the DWSS in the sector, which consequently means, a lesser role for the MLD and the Dolidar. Hence, I believe, that they did not agree with the consultants’ view, and did not include it in the final version of the strategy or project document.

Another inconsistency in the strategy is that the MPPW has been made responsible for the formulation of the rural water supply and sanitation policy, monitoring, and coordinating the sector, and at the same time, its line agency is encouraged to gradually withdraw its presence from the districts. Whereas the MLD has not been given any particular role in policy formulation, even though it is the ministry responsible for rural water supply and sanitation activities in the rural areas, through its supervision of the DDCs. By this arrangement, a ministry that should not have a department, involved in the local level work, is made responsible for policy making in the sector, and the ministry that actually is responsible for local level work has been sidelined. The role of the DDCs in the provision of water supply and sanitation in the rural areas, is even planned to be strengthened by the LSGA. The strategy, which suggests of the establishment of a WSS section, directly under the DDC, as the core agency, at a local level for water supply and sanitation provision (HMGN/MPPW 2004a, 6). The section has no institutional links to the MPPW. The Strategy also clearly states that the “DWSS will not provide technical assistance through its Divisional offices for implementation of rural water supply and sanitation programmes once the DDC becomes capable and sets up its own sectoral section” (HMGN/MPPW 2004a, 6). This means that the ministry responsible for policy making, does not have an institutionalised feedback mechanism, from a local level, as a basis for its policy making. To overcome this weakness, the strategy suggests an expanded role for the Fund Board. It is supposed to assist the MPPW in policy making, because of its long-term experience from field level work (HMGN/MPPW 2004a, 7). Thus, the Fund Board has been envisaged as the learning organisation for the MPPW, in the formulation of policies for the rural water supply and sanitation sector. Yet, the Fund Board is guided by the World Bank (and its interests), and therefore, its learning is based on the guidelines given by the World Bank, not the MPPW. Furthermore, the Fund Board’s existence is
dependent on the World Bank's willingness and interest to continue funding it, unless it is made a permanent body of the government system.

The institutional arrangement, at the local level, is also left undefined in the strategy. It does not clearly state what should be the future role of the DTOs and the WSSDOs. Instead, it argues on the line of the LSGA, and supports a central role for the DDCs, which includes the establishment of a WSS section under the DDC287. The action plan (HMGN/MPPW 2004b, 14) states that the MPPW and the MLD should together remove the present duplication in the functions of DTOs and WSSDOs while implementing rural water supply and sanitation services at the community level288. This is, however, unlikely to happen, as the MPPW and MLD were not able to agree on how to solve the duplication between the ministries, both having their interests to stay represented at the local level. The fact that the strategy was not able to solve the issue, makes it unsustainable and counter-productive, as in practice it requires both agencies to maintain a scheme management infrastructure at the district level. Thus, it seems that the consultants were not able to find a solution to the problem, and have tried to overcome it by recommending the establishment of a WSS section under the DDC, within the next five years. Until now, the division of the work between the DTO and the WSSDO has been made through an arbitrary demarcation of covering communities, over or under a 1,000 population. This demarcation is confirmed in the action plan, even though the consultants and the participants recommended its abolition, because it has turned out to be inefficient, as neither of the organisations adheres to it289 (ARD Inc. 2003a, 19).

287 This is presented as the truly decentralised WSS delivery mechanism, because once the DDC is allowed to hire its own staff, the line agencies could withdraw from the districts. The WSSDO and the DTO are naturally against this plan.

288 The second draft (ARD Inc. 2003e, 2) writes that there is an urgent need to resolve inefficiencies arising from policies that necessitate both the DWSS and the Dolidar to maintain multiple administrative and technical infrastructure in all districts. Particularly important this is because of the scarce resources and competing demands for their uses at the rural areas.

289 Local level officials mentioned in the interviews (interview with two officials in Syangja district on Aug. 30, 2010), that there was often political pressure, by the ministry and local level politicians on the DTO to implement a scheme in an area, which had a population of more than 1,000, and thus, went beyond their jurisdiction. Due to the pressure from higher levels, the DTO could not really say no, thus it implemented the scheme; even though it knew that it should not do it. They also added that the same situation applies to the WSSDOs, which also implemented projects in areas with less than a 1,000 population.
7.6.3 The DDCs, the NGOs and the Private Sector

The consultants considered the DDC as the key body at the local level for planning, coordination and implementation, and tried to direct the strategy formulation along these principles. However, the distinct interest by the DWSS and its partner aid agency, the ADB, did not support this line, and they instead pressed for a larger role for civil society and the private sector. Hence, the strategy does not correspond with the LSGA, and the thinking on how decentralisation should be promoted through local bodies.

A discrepancy between the strategy and the LSGA is whether the DDC, or the VDC, should be responsible for rural water supply and sanitation activities. The LSGA recommended that local level development actions were directed by the VDCs, whereas in the Final Sector Strategy, the responsibility for the implementation had been allocated

290 The VDC is responsible for preparation of drinking water projects for the supply of drinking water required within the village development area and to implement and operate the same, and to arrange or cause to be arranged for their maintenance; as well as to construct, maintain and repair or cause to be constructed, maintained and repaired wells, deep water, ponds, taps etc. within the village development area (HMGN/Ministry for Law and Justice 1999, 10). The DDC is responsible for the formulation and implementation and to cause to be implemented, such drinking water plans as are to benefit the people in more than one village development area in rural areas of the district development area (HMGN/Ministry for Law and Justice 1999, 60).
to the DDCs\textsuperscript{291}, even though it claims to follow the LSGA: “DDCs will be responsible for implementation, coordination and monitoring of the rural water supply and sanitation plans in their respective districts by means of periodic planning and provision of technical assistance.” (HMGN/MPPW 2004a, 5). The consultants in the earlier versions of the strategy followed the argumentation of the LSGA and devoted the DDC with coordination, whereas implementation of rural water supply and sanitation schemes was allocated to VDCs in collaboration with WUSCs (ARD Inc. 2003e, 5-6; ARD Inc. 2003g, 8). The reason for allocating more responsibilities to DDCs relates to the view of the consultants and workshop participants that VDCs do not yet have the required capacity to do this. Alike, it was noted that DDCs do not have the capacity to fully take over the local level planning and implementation, but after strengthening of the structures in the DDCs, there should be certain readiness to develop capacities and take over more responsibilities. The consultants opined that the government was still in a transition phase, with its decentralisation strategy, thus, some modifications needed to be made according to the situation in the country. Their point was that the rural water supply and sanitation implementation roles and responsibilities should rapidly be accelerated towards a fully decentralised system, as intended by the LSGA and the National Framework Document (ARD Inc. 2003e and 2003f, 5). The fact that the strategy did not clearly formulate what is actually meant by decentralisation, but presents local bodies, civil society, the private sector and the user groups, on the same line, became one of its main weaknesses.

To compensate for the weak capacity of the local bodies, the consultants suggested that the NGOs, the CBOs and the private sector organisations, would assist local bodies, or to even partly take over their responsibilities, by the provision of rural water supply and sanitation services throughout Nepal (ARD Inc. 2003c, A12; ARD Inc. 2003f, 3). Similarly, the Fund Board initiated a policy that set the local bodies on the same line with user committees and the NGOs, to work according to the decentralised approach, which should help minimise the government's direct involvement in implementation of the water supply and sanitation projects (HMGN/MPPW 2004a, 4). The consultants argued that the NGOs could provide effective community-based support for the social mobilisation, and other community capacity, and that capability strengthening needed. Similarly, private engineering firms could supplement governmental agency capacity, to provide technical support for the water supply’s scheme design, the construction and O&M, especially in areas where agency staff might not be able to work (ARD Inc. 2003f, 4). In addition, due to the security problem at the local level, the local governments were targets by the Maoists; in this situation, the NGOs and the private sector firms, appeared to be the only organisations to be able to operate effectively in the conflict areas (ARD Inc. 2002a, 291 The first draft already makes the same mistake by stating that the DDCs’ capacity needs to be built to enable them to successfully carry out their mandated roles in WSS development, as outlined in the LSGA (ARD Inc. 2002b, 7). However, the LSGA mandated role of DDCs in WSS development is coordination and not implementation. A couple of paragraphs later the draft states (ARD Inc. 2002b, 7), that the WSS services and facilities should be decentralised to the DDC level as suggested by the ongoing efforts of the government, meaning that the DDC should be the central agency for WSS services and not the VDC, as outlined by the LSGA.
The LSGA, on the other hand, stated that these bodies should coordinate the work of the NGOs and the CBOs, and could contract out work to private sector companies. But, it did not see an independent role for the NGOs, the CBOs and the private sector in the decentralised governance (HMGN/MPPW 2004a, 5-6). The fact that the NGOs and the private sector were separately mentioned as decentralised implementation mechanisms, could be seen as an influence by the ADB and the World Bank in the finalisation of the documents, because they relied on the civil society and the private sector in the project implementation. Other donors also used the assistance provided by civil society and the private sector, though, they did not bypass the local bodies to the same extent as the multilaterals. The governmental agencies, on the other hand, typically opposed the NGOs, as these were considered to compete with them over donor funding. Yet, the government could pick up those NGOs that could be seen to be loyal to it, due to the political affiliation, and due to cooperation, only with them.

In sum, under this situation, it was easier for the DWSS to resist the demand to backtrack from the districts, and to justify its presence there, through the confusing institutional arrangements that currently exist in Nepal. Nor was the strategy and action plan, formulated by the ADB – together with the wide consultation process – able to bring any relevant change into the institutional setting in the sector. Despite the attempts by consultants to find a solution to these agonising issues, the politicking by the donors and the governmental agencies, watered down any attempts to solve them. In this policy game, the consultants obviously had their own personal and professional interests that they needed to consider, and to choose which side they were backing. The donors were reluctant to openly interfere in political issues in the recipient countries, most likely a reason for their aloofness to solve the division of work between the DWSS and the Dolidar. In the case of the formulation of the Rural Water Supply and Sanitation Strategy and Action Plan, the consultants did not need to choose between the ADB and the MPPW, as both actors had combined interests, but rather, they needed to compromise on the global ideals on how decentralisation should best be carried out, and leave a possibility to the ADB and the MPPW to agree on vague formulations, which in the end, provide little regulation, but rather left all doors open.

292 The consultants nonetheless note, that there are negative aspects related to the NGOs. Their interviewees reported to them that not all NGO staff is sufficiently qualified, and that implementation of water supply and sanitation schemes has occasionally been poorly managed. Some respondents also felt, that some NGOs are profit-oriented, have excessive overheads, and do not coordinate their activities well at district level. Significantly, national NGOs often have a political affiliation (ARD Inc. 2002a, 25).
7.7 Conclusions

7.7.1 Donor-Centred Policy Process

The Rural Water Supply and Sanitation Policy, Strategy and Action Plan formulations are donor-centred (Mollinga 2007). Mollinga proposes this category complement the previously state-centred and society-centred policy processes, which implicitly assume the existence of sovereign states, within which these processes occur (see Grindle, Thomas 1989; 1991). Mollinga writes that the society-centres approaches, are better suited for democratic regimes, with some level of organised and regularised public contestation and the shaping of public policy. In many developing countries (and in their water sectors) policy making, and the implementation processes, are highly ‘state-centred’. However, in some developing countries, the international development (financing) agencies have a strong role in national water policy making, which puts national sovereignty into question, posing a demand for a new kind of category. Mollinga, along with Jenkins (2002), views that the sovereignty of developing countries can be undermined, or otherwise become weak or eroded, through the increased involvement by the donors in the policy formulation, that has been particularly salient in the form of their structural adjustment policies and good governance policies. For me, the central role of the donors, in the policy process, does not put national sovereignty in question, even though the policies are formulated along the donors’ own priorities and under their leadership. Therefore, I do not think that the category of a donor-centred policy process refers evidently to the weakness of the recipient country in the policy process. As I have shown in this chapter, the governmental agencies can use donors, and by this, letting the donors guide policy formulation. This ensures that their interests are reflected in the policy, and getting what is for them more important than their own leadership in policy formulation, namely, securing development funds, that were conditionalised on the policy formulation. Therefore, I refer with the donor-centred policy process, to the donors’ central role in policy formulation. Similarly, even though I define the policy process as being donor-centred, I argue that the policy process was not donor-dictated or donor-dominated. Thus, albeit there are conditionalities attached to the projects, there is no direct dictation by the aid agencies at policy level, speaking against a definition as a donor-dictated policy process, but the influence comes through their own priorities, which the government voluntarily agrees upon (in principle)²⁹³.

I also suggest that the donors should be included in the definition of policy elites. Grindle and Thomas (1991, 19), who build their arguments on the state-centred theories about policy choice, define policy elites as “those formally charged with making authoritative decisions in government”, yet, recognising that “policy elites are key actors in determining policy initiatives and choices” (Grindle, Thomas 1989, 223), excluding the

²⁹³All periodic development plans of Nepal echo global aid trends. They are formulated to please the donors' demands and to match with their plans (see chapter five for an detailed analysis; cf. Sharma 2001). In this way, it is easier for the donors to get projects approved, and they can argue that the projects are in line with the government’s own plans; therefore, the government gets the projects it wants/needs.
donor representatives and their consultants in their definition. In the donor-centred policy process, the definition of policy elite obviously needs to include donors and consultants, who, as shown here, are the central actors in the policy process. In Nepal, they performed tasks of policy elite, as explained by Grindle and Thomas (1989, 221),

“policy elites often initiate reforms by placing issues on the agenda of government decision making. In doing so, they may shape the debate over such issues and use technical expertise to influence discussions within and outside government. Moreover, policy elites often shape reform strategies by influencing the timing and content of proposals so they are made more politically or bureaucratically acceptable.”

My case illustrates that these tasks were taken over by the donor, not by the government. The policy process was initiated by the ADB, donors set the agenda, and donors and their consultants led the process. They used their technical ‘knowledge’ of development, in the form of the composite approach, to influence other actors that are presented as this in the global consensus. The donor leadership in the formulation was highlighted by the absence of governmental representatives, who only had a minimal role, limited to that of a participant, in the consultation process. Yet, as mentioned above, the donor-centred policy process does not mean that the governmental agencies were powerless in this process. In the finalisation of the policy and strategy, these agencies took a more active role, sidelined the ADB and its consultants, and allied itself with another of Nepal’s main donors in the sector, the World Bank (through the Fund Board). They did this to free themselves of certain policy principles that were conflicting, particularly for the main donors, the ADB and the World Bank, and to guarantee that government’s relationship, with any of its donors, is not jeopardised by the strategy and policy.

As shown in this chapter, policy formulation and the implementation in the Nepalese rural water supply and sanitation sector, is awash with the politics of policy making and related power play. In the case of Nepal, one is not able to pit governmental agencies and aid agencies against each other, as they have certain common interests, but rather, the power play takes place between their alliances over territory and funds. As shown here, the Nepalese governmental agencies have secured their own interests through manoeuvring, and allying strategically with those donors, that best match their interests. Hence, in the end, the government has got what it wanted: the projects and money, but due to the decisive role of the donors, the governmental agencies do not emerge as the champion out of the policy game.

From the behaviour of the governmental agencies, I draw the conclusion that for them, the policy papers do not have a very important role, and that what is stated in the documents is rarely significant. As such, they are not seeking a policy change, or an interest in having an ownership of the policy content. Therefore, they allow the donors to decide what is written in the document and lead the process. Rather, it seems that what the governmental actors are primarily concerned with, is the result after the policy formulation. For them, it is more important to retain their power bases, and guarantee that the aid flows, including development projects being implemented, and new ones are in the pipeline, having the right kind of framework to facilitate their approval. Because of the
multiple donors in the country, the governmental agencies juggle between them, and try to find ways of pleasing all of them. These manoeuvring tactics are called strategies, and they are next explained in detail.

7.7.2 The Strategies of the Governmental Actors in the Policy Game

The strategies of the government, relate to donors’ strategies, or are responses to those. In the first strategy, the government remains vague about its own priorities, and by this, is able to accommodate the demands of the various donors, and manoeuvre between these demands for its own benefit. However, this strategy leads to the government deciding upon issues, on an ad hoc basis, and not having any long-term planning. Part of this strategy, is to let donors be in charge, and count on it that in the later phase of policy making, there will be a chance for the governmental agencies to manoeuvre out of the unwanted influence. Likewise, the donors tend to be unclear about what their real interest is, hiding behind the composite approach, and their own multiple policy objectives. This is highlighted in the context of the Rural Water Supply and Sanitation Strategy formulation as well: it was not part of any planning process; instead, the strategy formulation was initiated because of a donor’s interest to legitimise its own policy in Nepal. The strategy of the governmental agencies continues, by allowing the donor to lead the formulation process, and to remain outside of any active engagement in it. Instead, the governmental agencies consider that their possibilities for influencing the policy process come in a later phase, during its finalisation and implementation. Whitfield (2009b) in the study on African governments argues similarly by writing that

“Aid is a vital resource with which these governments seek to deliver goods and services or other promises they have made. Thus they are unwilling to take stronger policy positions or to chart a development strategy outside of the purview of donors, as they are afraid of risking reductions in aid that could undermine their political support and/or cost them next election. The fragile domestic support of governments, combined with their dependence on aid to shore up their political legitimacy, therefore provides strong incentives for governments to remain in a subordinate position to donors.”

The second strategy, also identified by Grindle and Thomas (1991), is that the governments normally know, what the really important issues are for the donors, among their vague list of priorities, and which issues the governmental agencies are able to escape from, meaning which are secondary to the donor. By this, the governmental actors know already, in the phase of negotiation of a loan or a grant, which of the donors’ principles to agree upon, to be able to secure the future development projects. They are, therefore, well aware in which framework they can operate. The third strategy, which relates to the perceived passivity of the government in policy formulation, is to wait and see. This stems from the donor tendency to change their priorities on a frequent basis. Therefore, the government can easily let the donor dominate in the policy formulation and agree – in principle – on the donor-suggested principles, as the government knows that
once the policy paper is ready, the priorities of the donors have already changed, and a
new policy needs to be formulated (cf. Whitfield ed. 2009b). In case the policy principles
do not change, the governmental agencies can still resort to the fourth and fifth strategies:
the non-implementation and foot-dragging. By these, they can postpone the
implementation of the unwanted policy principles. Donors are rarely monitoring policy
implementation294, therefore, these strategies do not risk the government’s relationship to
its donors, but through them, it is able to guarantee that their interests, such as securing
funds for the country’s development, and for the ministry’s budget, boosting the standing
of the ministry, and providing opportunities for bureaucratic rent-seeking (see e.g. Grindle
1989, 225), are not overrun by the policy. Additionally, both the donors and the
governmental actors have strategically allied with each other.

294 The aid agencies rarely follow up with policy implementation, after their funding for the policy (or
related project) has seized. During the funding period, there are all kinds of benchmark studies, etc., carried
out, to see where the policy implementation is going. Yet, the government has the means to resist policy
monitoring. In the case of the RWSS Policy, Strategy and Action Plan, the ADB showed little interest
towards monitoring its implementation, as the CBWSSP did not succeed as a national programme (SWAP to
be monitored). The monitoring that had been demanded by the DFID; however, the DFID also failed in its
efforts to monitor the policy implementation due to government’s resistance. Interviews with an ex-DFID
8. Summary and Conclusions

This study is about the politics between the governmental institutions of an aid recipient country and its donors in the rural water supply and sanitation sector. On one side of the relationship, is aid-dependent, neopatrimonial Nepal, which has had a rough start to democracy and is still waiting for democracy to be consolidated. On the other side, are the donors, operating in Nepal with large funds to disburse, and their requirements, set by their headquarters. Thus, there is an inherent asymmetry in the aid relationship. In this thesis, I have explored how this relationship functions, and more specifically, I have aimed to understand how policy is negotiated in this interface. An integral part of the analysis, was to understand what role the interests of these parties play in the aid relationship, how these shape their priority-setting, and guide the positions they take in policy negotiations. The study finds that the donor-Nepal power imbalance presented in earlier research, is not that straightforward, but that the parties have power over each other. This is shown through the strategies that the Nepalese governmental agencies and the donors have adopted in policy negotiations. The negotiation takes place through manoeuvring and the interests and incentives of policy actors shape the policy process. Thus, this study highlights the political aspect in the aid relationship, focusing particularly on the role of politics in policy formulation, and illuminates, thus, the theoretical perspective of the 'politics of policy'.

The main conclusions in this chapter are:

- The aid relationship between Nepal and its donors is characterised by a state of permanent negotiation, in which the actors regularly come together to discuss the development work, including policy making.
- Nepal is not only aid-dependent, but also donor-dependent; simultaneously, the donors are dependent on the aid-dependent countries, which forms a mutual dependence between donors and recipient countries.
- Aid is more political than generally presented: it has a built-in need to legitimise itself over and over again, thus, having its own political interests, conflicting with the non-political donor jargon.
- The donor involvement in policy making changes policy dynamics: the donors’ aim in policy making is not to change policy, but to legitimise aid, and aid principles in the aid recipient country. Furthermore, under this situation, many of the policy network theories cannot be applied, as these typically assume that policy actors come together to change policy, according to a perceived need for this, which is not the case in Nepal’s rural water supply and sanitation donor-led policy processes.
8.1 Summary of Findings: The Politics of Policy

The objective of the present study was to investigate national level policy dynamics in the rural water supply and sanitation sector in Nepal, the interaction between the governmental agencies and the donors active in the sector, and to analyse the role of these actors in the policy making process of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan. Furthermore, it aimed to provide empirical evidence and conceptual arguments, to demonstrate political dimensions embedded in policy strategies and the 'politics of policy'. It began by defining Nepal, as a neopatrimonial country, where governance is composed of a modern legal-rational bureaucracy, which, however, is beset with a history of patronage and clientelism. It then analysed how the aid system operates and contextualised aid in Nepal. It argued that aid in Nepal is a game, guided by the interests and incentives of the players, in which all actors try to manoeuvre their interests into the aid arrangements, with the aim of not needing to compromise too much. Their interests are not identical, even though the donor-advocated ideas of partnership and joint policy processes often imply this. After this, the study proceeded to analyse the nature of water supply and sanitation governance in Nepal, outlining that it is characterised by the hydraulic path dependency of the DWSS. Its unwillingness for reforms and institutional changes, has led to a competition over resources, prevalence and prestige, with the other sectoral agency, the Dolidar, and to its inability to accommodate itself into the changing demands in the sector. From here, the thesis continued to present how the global thinking on aid, through the donors’ interest to institutionalise the composite approach, has influenced policy making in Nepal, and argues that this again, has influenced the water supply and sanitation sector, by showing that the push for creating a national programme, under global pressure for sector-wide approaches, has shaped the dynamics in the sector, and led to various attempts to coordinate it. These attempts to establish sector-wide approaches are depicted as legitimacy alliances that seek to legitimise their own priorities in Nepal through influencing policy making. Last, through the case study of the policy making process of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan, it presented how global policy ideas guided the policy thinking, how the pressure for sector-wide approaches linked the policy with project formulation, and in the end, outlined the policy formulation process as a donor-centred policy process. The chapter highlighted, how the hypothetically donor-dominated Nepal, actually has power against the powerful aid agencies, and has identified strategies that the Nepalese governmental agencies have applied, in manoeuvring in the policy making process, such as building alliances, postponing the process, or policy implementation, allowing donors to lead policy formulation, in order to secure future funding for development projects, and accommodating donors’ demands, by being vague about their own priorities. Central in this negotiation process, was the policy actors’ interests, strategies, access to resources, and positions in the sector, all relating to power struggles in different ways.

The analysis in this thesis has focused on how the actors have interacted in policy making. It has presented that the continuous and permanent negotiation, exercised by the donors, has enabled them to take part in the national policy making, in aid recipient countries, and has led to an increased role of donors in policy making. The study shows
that the Rural Water Supply and Sanitation Policy, Strategy and Action Plan making process was donor-centred. This does not, however, automatically imply that the policy process was donor-dictated. The centrality of the donors, in the formulation process, is actually one of the strategies used by the Nepalese governmental agencies, to guarantee that the donors get a policy paper, corresponding to their demands for legitimising their planned projects (and related funds) in Nepal, and by this, contributing to the goal of the government to secure development funds for the country. The donor representatives need to justify their intervention in Nepal, to their own headquarters, and one mechanism for this, is a national policy, stating the priorities in the country, normally calling by them ‘national priorities’. It is important for the donors that these priorities are in line with global thinking on aid, or their development-related priorities. This is illuminated in the donors’ and government agencies’ pursuit of ‘getting the policy right’. This overruns the urgency to solve institutional fuzziness in the sector – particularly the duplication of work between the DWSS and the Dolidar. This means that policy making – even though generally considered as anti-political – has actually got very political motives. These motives are rarely openly spoken of, but highlighted in this thesis, and discussed in detail in the next section.

8.2 Aid Relationship: Permanent Negotiation

The aid relationship discussed in this thesis refers to the international donors in Nepal, mostly consisting of bilateral and multilateral aid agencies, and to those Nepalese governmental agencies, that are in charge of the governance of water supply and sanitation. These actors come together to plan, implement, monitor and fund development work in Nepal, of which policy making has lately become an increasingly important component. I have shown that development efforts, and particularly policy making in Nepal, is donor-centred. Nonetheless, the Nepalese agencies are not passive recipients, despite of being characterised as aid-dependent. The donor-centredness refers to the donors’ practice of being constantly involved in policy making, by considering themselves as major ‘stakeholders’, taking an active role in consultations, injecting their own views of what is ‘realistic’ and what is ‘best practice’, on a process advertised as allowing local actors to develop their own solutions (Fraser, Whitfield 2009, 84).

The donor’s interest to inject best practices, has not been limited only to the making of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan, but has been a pattern of continuous and permanent negotiation (Whitfield ed. 2009b) over policies, programmes, and projects between the donors and the government of Nepal and its agencies discernible. This has its roots in the principles of the Paris Declaration, which demands that donors build partnerships, with the aid recipients, to harmonise and align their practices with the recipient government’s practices and national policy priorities – all requiring coordination and cooperation. The demand for an increased interaction, has led to the design of new aid instruments, through which these tasks can be taken care of. Examples of these, are country consultations, sector-wide approaches, Poverty Strategy
Papers, and various working groups, that aim for finding a common basis, on how to administer the sector, such as the Sector Efficiency Improvement Unit and Sectoral Stakeholder Group. Yet, even though there are good intentions to improve the quality of aid, and make the interaction between the donors and governmental agencies like a partnership, the donors have not been able to overcome their need to influence domestic policy making in recipient countries, because of their internal incentives. Furthermore, their priorities seem to change, or at least they are augmented in short periods, making it difficult for the recipients to define their priorities. The changing of priorities, can also be seen as strategy by the donors, to keep the recipient governments within the process of permanent negotiation, and having the possibility of influencing domestic policy making. If there is no time for the government to think of its own priorities, then the injection of donor ideas into the government policy becomes easier. Thus, there is a double push for institutional entanglement from the side of the donors: the open motive to improve aid according to the Paris Declaration, and the hidden interest, to direct domestic policy making towards their own principles and on how to deliver aid effectively.

As seen from the dynamics between the donors and governmental agencies in the rural water supply and sanitation sector, the governmental agencies do not accommodate themselves reluctantly to all donors’ demands, but resort to manoeuvring strategies, to avoid unwanted influence. Particularly, aid-dependent countries have needed to rely on these kinds of strategies (Fraser, Whitfield 2009, 97), as they do not want to risk the receipt of aid, by openly challenging the donors. I consider that despite the donor intention of increasing government ownership on aid and policies, the practice of permanent negotiation can actually have an opposite impact: in an already aid-dependent country, such as Nepal, it can lead to further dependence on the donors’ advice, and assistance at institutional level, through relying on the consultants in drawing the priorities, doing the planning and implementing the programmes and projects.

8.3 Aid Dependence and Donor Dependence

According to basic aid statistics, Nepal can be characterised as aid-dependent. It has for a long-time had large flows of aid; its development budget is, to a large extent (currently app. 60 per cent), financed through aid money, and until recently, most of the aid has come in the form of grants, which however, are slowly being replaced by loans. The financial dependence on aid, has been followed by a reliance on donors, technically and administratively, weakening the ability of the Nepalese governmental agencies to govern the water resources. In the context of the rural water supply and sanitation policy making, the consultants took the lead in the strategy formulation process, whereas the governmental agencies, subsumed to the role of a participant, having little vision or interest, to think how to plan water supply and sanitation in the country. Instead, the government put its efforts in pleasing the donors, by focusing on those topics that were important for the donors.
This attitude is possible, because the government officials know that the donors are exactly dependent on the aid recipients. Thus, I argue that the Nepalese governmental actors, are actually willingly aid-dependent, and use this as a strategy, to get more aid, which is required, e.g., for political survival. The aid dependence of Nepal has been moving from a fiscal or economic domain, to the political: no Nepalese government now feels that it can survive, without the increased levels of aid to support its political survival (Panday 2000, 3). Thus, aid provides not just a financial wherewithal, but a political legitimacy for the government. Senior political leaders, lobby with the donors, not with their governmental or political colleagues, so that projects that are of interest to them, or their constituencies, can materialise. Therefore, by portraying itself as an aid-dependent country, the Nepalese government can use it as a strategy. By reverting to strategies of allowing the donors to lead, decide and let them do the work, the government gives up on its main tasks, and opts for a ‘weak governance capacity’. The typical donor reaction to the observed weak governance capacity, has been to involve itself even more in the governance of the recipient countries, leading to control, institutional entanglement, and to permanent state of negotiation. The motive of the Nepalese government, to allow donors to entangle in the institutional issues, is that by this, it aims to guarantee that the ‘good’ relationship with the donor continues, aid money is disbursed and more aid commitments can be secured. I find that, in this kind of situation, where the aid recipient country is willingly dependent on donors to ‘do the job’, one should rather speak of donor dependence, than aid dependence. The government of the country is dependent on aid as a financial resource, but this is different from the dependence on the donors’ technical advice and the related work.

On the one side of the dependence, is the recipient government, as explained above, but from the other side, the dependency on aid, also benefits the donor, because of its pressure to disburse money, get new projects and stay in the business. The dependency is especially useful for bilateral donors, that have a small amount of countries that they can fund, and therefore, are under pressure to disburse the funds in these countries.

The dependency on the technical advice provided by donors, helps the government in the administrative tasks of planning, monitoring and implementation, as it can trust that the donor provides consultants to help in these tasks. Through this donor-dependency, the donor is able to influence institutional development within the recipient country, into the direction that is most beneficial for its purposes, such as choosing the ‘right’ goals in policy making processes, and the ‘right’ implementation modalities, matching the approaches of the donor. Thus, countries which officially change their policies, are good countries for the donors, as these can be presented as reformers, even though, in the end, at a practical level, there is no change. This is also confirmed by the partnership concept, which refers to the need of both parties for each other. The mutual dependence is illuminated in the way that the governmental agencies and donors play the game of manoeuvring in policy making, and ally themselves, in the search for leadership in the sector. Therefore, the actors have power over each other, and there are shifts in the balance of power, as the dependency is working in both directions, and is not set in any predefined or unchangeable model. Thus, the power relationship is asymmetric. The donors have the money, which they can withdraw from the recipient country or decide not
to grant any. The recipient, on the other hand, cannot do this: it needs to opt for the money or opt out. Nevertheless, the recipient country has own power as well – this is the point highlighted in this thesis – through manoeuvring and resorting to the strategies, the recipient country can ‘fight back’ in the power game. Theoretically, the recipient countries can also decide to decline the aid provided by the donors, yet, I think that Nepal as aid and donor dependent country would not do this. Empirically, in the African context, the mutual dependence has been presented by Harrison (2001, 661), who importantly points out that mutual dependencies can be severely unequal, for which, they should not be mixed up with partnerships and donor discourse, or on recipient governments being in the ‘driving seat’. Even though there is a mutual dependence between the donors and the Nepalese governmental agencies, the development activities in Nepal, have to a large extent been donor-centred, as in the case of the formulation of the Rural Water Supply and Sanitation Policy, Strategy and Action Plan. However, the power by the donors has not been unidirectional, but through the game of manoeuvring, the governmental agencies have been able to have power over the donor-drive in the policy making.

This study has shown that Nepal is commonly characterised as an aid dependent country, aid dependence here referring to large flows of financial aid into the country, and the country’s budget being dependent on these financial means. The study has also argued that through institutional entanglement, the donors have entered into governance, rendering it, also, to be donor dependent, by taking over many of the tasks normally within the jurisdiction of the state. Thus, there is a mutual dependence between the donors and Nepal: the latter in the need of money and the second in the need to disburse it, combined with their interests to gain and give technical advice. My emphasis here is on two points: first, aid and donor dependence does not automatically make a country donor-dominated. As presented in this thesis, the donors do not sit on the driver’s seat and the Nepalese bureaucrats only comfortably leaning back on the backseat, but there is a way to influence the driving from the backseat and even possibilities to stop the car, if considered necessary; and second, there is a mutual dependence between the donors and Nepal referring to the mutual needs of the parties in the aid game, yet it does not mean, that their relationship would based on equality, but that the aid relationship is inherently asymmetric.

8.4 Aid: More Political than Presented

My study on the dynamics of the rural water supply and sanitation sector in Nepal shows that sectoral development is driven by politics, played by the sectoral actors, in which donors have a leading role. Yet, the donors often seek political legitimation for their development interventions, by constructing themselves as being outside of politics, and relying on ‘mobilising metaphors’, such as participation, good governance, ownership, accountability and partnership, in order to ensure and justify their support and resources (Bebbington 2005; Ferguson 1994; Mosse 2004; cited in Büscher 2010, 29). This seeking for legitimisation by the donors, for their agendas and priorities as one of the main
motives of aid, is often overlooked in aid literature, and particularly, in aid conferences. These tend to focus on discussing the effectiveness of aid, partnerships between donors and other stakeholders, and the sustainability of development efforts; however, the need of aid, to legitimise itself over and over again, in order to stay within the business, has rarely been addressed. This – for me – relates to the apolitical character of aid that is being advocated, within the aid circles, and manifested in which manner, the aid jargon is formulated.

In aid jargon, these concepts have been formulated without a political connotation, in a depoliticised manner. In practice, however, as Harris (2002; cited in Büscher 2010, 29), points out, this often makes it more difficult for them, to effectively mediate the complex political dynamics that they encounter in their work. These views, have been elaborated by ethnographic research, and by having a critical view on development (such as Lewis, Mosse 2006; Mosse 2004; 2005; Quarles van Ufford et al. 2003; Ferguson 1994; Li 2007). Ferguson (1994) and Jenkins (2001a) present the anti-political dimension of aid as technocratic one. The development institutions are mandated, not to mingle in politics, but to stimulate ‘technical’ development. Hence, they portray their development work as being non-political. Nepal is a case of the technocratisation of aid: the donors and other actors are not seeking political solutions to the problems, within the development, or political support, of their decisions. Instead, these are approached through ‘social engineering’; the developmental problems, as issues, that can be solved through technical solutions. The social engineering approaches, tend to think of institutions as ‘things’, and refer to linear models for changing societies and organisations, rather than as relationships and processes (Mollinga, Meinzen-Dick, Merrey 2007, 704). Therefore, the decision making has been moved to the officials in ministries, and their departments, or to donors and their consultants. The political actors in Nepal, the democratically elected members of parliament, have been replaced by the populist participation discourses, which advocate for inclusion of civil society into policy making. Civil society organisations are portrayed as the representatives of the citizens of Nepal. The technocratisation runs through policy making, as well as programmes and projects, which are designed to implement these policies, as highlighted in this thesis. Thus, as defined by Büscher (2010, 34), anti-politics aim to do away the social, deliberative process, with which actors make decisions, that determine social or public outcomes, and to ‘predetermine’ decisions, and/or social and public outcomes. This kind of view on anti-politics, resonates with the technocratisation of aid, seen as a strategy by the donors, to reinforce the composite approach; in particular, its neoliberal principles, that are important for the economies of the donor countries (Ferguson 1994; Büscher 2010). By technocraticising the aid, the donors are able to seek technical solutions to the problems of development, through applying neoliberal principles, that they believe are correct to solve the problems, instead of promoting political change in the aid recipient countries, and allowing the recipient governments to make these decisions by themselves (Bebbington 2005, 940; Büscher 2010, 33).

The depoliticisation of aid by the donors denotes also to the depowering of aid, politics being “any activity concerned with the acquisition of power” and marking “those relationships involving authority or power” (The New Collins Concise English Dictionary 1982 cited in Mollinga 2008a, 8). In the donors’ attempt to present development as a
technical and administrative task, they actually denude the concept of development from power. Ferguson (1990) calls the depoliticisation as the side effects of aid. He considers that depoliticisation, is rather an unintended consequence of that done with a purpose. Power for donors is political, and they are not interested in dealing with complicated political issues, or having an in-depth understanding of the political life in the country, thus, instead, it is easier for the donors, to present technical blueprint solutions to development, than to truly understand the political and social realities in each developing country. The question of power has, however, been pushed more onto the aid agenda after the Paris Declaration, which has several politics and power-related components; for instance ownership, accountability and partnership.

I have shown that the aid industry has depoliticised aid, and made it to be based on nice-sounding and sanitised nirvana concepts, endowed with an almost unimpeachable moral authority (Cornwall, Brock 2005; Molle 2008, 132). However, through a closer examination on how aid works, it is evident that all of the actors involved in aid have political motives, and that the concepts deployed to legitimise aid activities have actually political dimensions. Below, I highlight how this becomes evident in the thesis, and how central concepts of accountability, ownership and partnership, and how problematic the depoliticised use of concepts is, in the context of Nepal.

8.4.1 Accountability and Ownership

Accountability, as a depoliticised concept, commonly refers to a responsibility (Wenar 2006), instead of to political accountability, in which politicians are considered accountable to their constituencies, and which can hold the politicians accountable. According to the logic of the depoliticised view on accountability, officials in the ministries, and the donors involved in policy formulation and implementation, are made responsible for delivering aid, and for the drawing of policies for national development. Problematic in this definition, is that these officials cannot be held accountable for the failure of delivering services, and even if the donors present themselves as defenders of the rights of the poor, as agencies of Western governments, or as multilateral institutions, they cannot be held accountable by the poor. Their accountability lies towards their governments, and to those that donated the money – not to the beneficiaries of their work. In political accountability, on the other hand, the political actors would be involved in policy making, and thus, could be held accountable for their decisions by the people who had voted for them. However, because of donor involvement in policy making, these actors have been excluded from it, and policy making has been made a technocratic exercise, dealt with by officials in the ministries, or donors taking care of it by themselves: depowering the political actors and corresponding to Lukes’ (1974) view on power, in which some social forces, are prevented from being able to express their own views to challenge the status quo (Hyden 2008, 265). The donor dependence of Nepal has even exacerbated the situation: an accountability of the government to its citizens has been reduced, by the dependence on donors to carry out the tasks it should do.
The donors’ interest in keeping the political actors sidelined in policy making, has been legitimised, by including civil society in the policy making, as a voice of the people. By presenting the civil society organisations as representatives of the country, the donors undermine the democratic structure of the country. These organisations are not elected, and are often driven by the interests of certain groups – not of all of the citizens of Nepal. Generally, depoliticisation within aid is justified, either by the unconsolidated democracy in Nepal, or the tendency of Nepalese politicians, to first provide benefits to their clientele and patronage networks, and the primacy to secure their own political survival, over delivering services equally to all. Under these circumstances, the donors feel that civil society organisations, have a better grasp on the needs of the people in the villages, than the politicians who actually represent these people, as highlighted in their approach to decentralisation (compare, i.e., with the set-up of the Fund Board and the CBWSSP).

Donor domination in policy making, and their tendency to push forward their views on how development should be achieved, and excluding the politically accountable people from the decision making, contradicts the concept of ownership. Ownership, as control over the process, means that the government takes the lead in policy making and aid activities, implicitly assuming, that the donors will then trust the recipient governments with this, relinquishing ownership to the government, and withdrawing themselves from the aid planning and management in the recipient countries. But, as shown above, and evidenced by Whitfield (2009b), the donors often lack this trust.

Ownership by the Nepalese government is disturbed by two interrelated issues. First, the tendency by politicians to take care of their own needs first, has led to a weaknesses in long-term planning. Politicians have little time and incentive, to think about what is best for the country, as their clientelistic interests, or short-term goals to secure their political survival, stand in their way. This has led to the second issue, namely, increasing donor involvement and domination in Nepalese policy making, as the donors do not trust the politicians and bureaucrats, to be capable of ‘doing the job’. As shown in this thesis, and outlined in the section above, the donors have their preferred agendas and motives to influence policy making in an aid recipient country. As long as the donors have their own agendas that they push forward; this will not leave space, or encourage the recipient countries, to think for themselves, and define their own national priorities, and have their own political struggles, for seeing what is important for them. This creates additional obstacles for citizens in holding their governments accountable (Whitfield, Fraser 2009,13-4). I suggest that these kinds of customs of donor influence and reliance, by the recipient government, on the donors knowing what is best, and doing the actual work, sit tight, and thus, this cannot be changed overnight.

Furthermore, while the donors have been demanding for ownership from the recipient governments, they have done little to advance their side of the Paris Declaration – the harmonisation and alignment of their aid policies and practices. Albeit, there have been various, however unsuccessful, attempts for establishing a sector-wide approach to the rural water supply and sanitation sector, there has only been limited progress in the donor alignment of the recipient countries’ development administration, and strategies, as well as in the harmonisation of policies. A likely reason for this relates to my argument of depoliticisation: the donors have viewed this as a technical exercise, and did not consider
that there might be any political interests involved; also, on the donors’ side. Even though the developmentalist thinking, characterises the work of the donors, driving them to rethink their strategies for improving development work, I suggest that within this framework, the donors’ embedded political motives, influence their work, and at the same time, limit their interest for reforming the aid system. To be able to guarantee that these interests are taken into account, in development administration and policy making in the recipient countries, the donors have pushed for the depoliticisation of aid delivery, by searching for solutions that sideline politics in aid related activities.

Under these circumstances, when the lines of accountability are mixed, Nepalese politicians are not promoting the welfare of the citizens equally, and the donors have their own interests that influence decision making in Nepal; the donor demands for country ownership do not seem to be justified, or to make any sense. However, if one depoliticises the concept of ownership as well, referring it to the commitment by the ministries to their policies, however they were arrived at (Whitfield, Fraser 2009, 3, my Italics), then the ownership should be towards donor formulated policies by the officials in the ministries and departments, that assisted the donors and consultants in the policy formulation. Subsequently, ownership is not with the elected members of parliament that were excluded from the policy process. In case ownership is seen as officials’ ownership to policies, which might take place, particularly, if these policies help them to meet their interests in increasing the budget of the ministry/department, and positioning them as more powerful than their competitors, then this kind of ownership is only instrumental, not the political ownership of the policy issues. The instrumental ownership has political characteristics, but this only relates to the political motives behind the ownership, not to the politically accountable people having ownership of the issues. If the interests of the officials are not met, then there most likely is not even an instrumental ownership of the policies, leading to a non-implementation of the policy.

8.4.2 What Partnership?

The idea of policy dialogue within which the donors and the governmental agencies of Nepal formulate policies, presupposes that there is a partnership between these actors; that they come together and as equal partners to make decisions. The donors have a rather naive assumption that there is an (global) agreement about what should be done – expressing itself in the idea of having a ‘power to’ authority, consensus and the pursuit of collective goals (Parsons 1957) – but in practice, it indicates rather a capacity, or ability, not a relationship (Hyden 2008, 263). This kind of definition does not make any reference to a possible conflict of interests and coercion of force. In this partnership, the donors, according to this interpretation, have a legitimate power as global knowledge holders, to use this power. The power in the partnership relationship is close to Foucault’s (1980) understanding of power being latent, in which certain ideas, or belief systems, gain power as they become more widely disseminated to people, and get treated as common knowledge. The donors’ global agendas, are representations of this kind of a hegemonic system of knowledge: it tells the aid recipient governments, what is right and wrong,
normal or deviant (Hyden 2008, 264). However, as shown in this thesis, these hegemonic belief systems can be contested, thus, power is not treated as unidirectional. However, as long as the donors’ self-understanding of themselves, corresponds with the view as global knowledge holders, the equality in the partnership idea is threatened.

The partnership idea aims to undo the unequal relationship between the ‘funder’ and the ‘funded’, by counteracting inequalities of power, and access to information found in the funder-funded relationship (OECD 1996; Riddell 1993; Maxwell, Riddell 1998, 267). However, this inequality is not directly addressed by the donors rather, it seems that by making a reference to the partnership, they practically assume that by this, the inequality has been abolished. But, as long as there is development funding, the inherent inequality will persist between the ‘partners’. One of them will always be the ‘funder’, and the other ‘funded’, having their own incentives, making the relationship political, and having implications to the power questions, between the partners. These incentives, the donors have attempted to downplay, by formulating the partnership in very general terms and depoliticising its definition.

As presented in this study, policies in real life are not made in partnership between the donors and governmental agencies. In my case, the donors were the leaders in the initiation and formulation of the policy, and the governmental agencies manoeuvred in the later phase of the formulation. Due to donor-origin in policy issues, the governmental agencies needed to resort to manoeuvring, in order to secure their interests, and thus, not being able to participate as an equal partner, where they could openly express what its interests were in this policy making. There seemed to be no open discussion, between the donors and the governmental agencies, but they played the game of manoeuvring, contradicting the principles of partnership.

When one inspects the concept of partnership more closely, in the context of Nepalese policy making, it actually reads as a form of conditionality. It expects a commitment from the side of government to certain principles as defined by the donor, based on the principles of the composite approach (resonating with the ‘ownership as commitment’ – definition), and in return, rewards the recipient government, with a promise from the donor agency for development funds. There seems to be little real reciprocity in this practice; rather, it conditionalises aid on a donor-defined reform agenda. There is also an implication to accountability in the conditional partnership. Donors are not answerable to their partners, but the unidirectional partnership, only demands commitment from the recipient government and rewards it with aid. There is no possibility within this practice of partnership, for the recipient government to hold the donor accountable for its commitment. Furthermore, contrary to Jerve (2002, 389), who argues that there is a trade-off, between partnership and ownership, because a strong recipient government ownership means less of a partnership, I find that a true partnership, evidently presupposes government ownership of the policies. If there is supposed to be some sort of equality in the partnership arrangement, then the government needs to be in charge of its own development, including policy making.

The partnership relationship, actually resembles the above-mentioned mutual dependence of donor and recipient government, where the interests of the parties, lead them to cooperate, even if there is no equal relationship possible, as they perceive that
there are possibilities to gain something. Thus, even though the ‘funded’ is seen as being forced to comply, this does not mean that it does not materially benefit from what the ‘funder’ provides. Therefore, the concept of a partnership can also be inspected, without a reference to equality, but to view it, as being based on a long-term interaction with a level of investment (Rusbult, Buunk 1993; cited in Morse, McNamara 2012, 911). This implies that the partners need each other over the longer term, and thereby, in theory, encourage a more open approach to the relationship (Morse, McNamara 2012, 911). Yet, the donors have not openly admitted that the partnership relationship is political, depending upon the interests of the parties to participate and shaping the relationship accordingly, but instead, they adhere to their depoliticised definition. They, also, do not want to confront the fact that power is an important part of the relationship, and admit that the aid agencies have, and use power in this relationship, through their global agenda, that seems to justify aid-related activities in the recipient country, by its hegemonic knowledge.

What to do, then, with the aid? I believe that the aid system needs to admit that politics plays an important role in the decision making: it is not a technocratic issue. As long as there is development finance, there are also people who will have an interest in the money. Aid should focus on finding ways of how to deal with the political motives, that affect the development efforts and aid, and not to waste energy in trying to find ways to ignore it. There should, also, be more focus on trying to understand the political and social realities in the aid recipient countries (Leftwich 2010 analyses the same, through the concept of structure) and how, and why, decisions are made there, which can be different from the modalities in the aid-giving countries. Similar argumentation in the water sector has been made by Mollinga, Meinzen-Dick and Merrey (2007, 706), who write, “Water governance, management and use are embedded in processes and forces from outside the domain; therefore, both the causes and the solutions for water problems lie partly in other domains.” They suggest that water-management problems should be mapped from a ‘problemshed’, rather than a watershed perspective (ibid. quoting Viessman 1998, 5) to avoid the faith of the several well-intentioned and rationalistic reforms, that have failed because of not having fully appraised the context of their implementation (Sampath 1992; Pigram 2001; Shah et al. 2001; Meinzen-Dick 2007; cited in Molle 2008, 149).

In this dissertation, I have shown that Nepal, even though having officially a modern legal-rational bureaucracy, is guided by the traditions of patronage and clientelism. For donors, it would be helpful to better understand these dynamics, and how they function within the bureaucracy (and other organisations). The development administration in the aid-giving countries, and in the multilateral aid institutions, should also be restructured, so that the people in their administration, are not rewarded by the disbursements they make, and that their development work, could be carried out sustainably/long-term, without the pressure to disburse; these are the key issues that give rise to the perverse interests within the aid system. The evaluations of development projects, could start discussing political factors, and how the projects have been able to deal with these; to accumulate an understanding of the political factors in the development work, and to learn from these. Yet, as long as the solutions to the problems in development work are primarily sought in developing countries, and there is little or no discussion on the political and economic...
motives embedded in the development funding, within the Western countries, then there are little possibilities for a change for the better.

8.5 Donors and Policy: Implications for Theory

The logic of policy making follows a different path in an aid recipient country than it does in a Western democracy, or in a developing country with its own ideas and policy generation. Therefore, it seems that the meaning of policy (as a paper, strategy) is different for the donor-dependent country and its policy stakeholders. In Western countries, new policies are made in order to change old perceptions to a problem or regulating an issue. Normally, behind the policy change is a perceived problem that needs to be tackled by changing policy. Examples of these are, for instance, the francophone education policy in Canada (Mawhinney 1993), airline deregulation (Brown, Stewart 1993), water policy in California (Munro 1993), environmental policy in the U.S.A. (Sabatier, Brasher 1993), and land-use in Denmark (Pedersen 2010). In these countries, concerned citizens, together with politicians, bureaucrats, and other experts, form interest groups, who push for a policy change, in order to correct the old, and for them, a flawed policy.

Donor involvement in policy making changes these dynamics. When the donors initiate the policy, there is no domestic mobilisation behind the policy initiative. Hence, there is also no perceived problem in the country that would need to be changed. Rather, the issues that need to be changed, originate from global priorities, such as the market principles in the form of SAPs, or in the privatisation of water. Thus, the problems that want to be addressed, stem from issues observed at the global level, and the solutions to these problems are defined at the global level, not in the particular developing country. This is highlighted at national level policy making in Nepal. The domestic problems identified in Nepalese policies, were problems that could be solved through the solutions presented by the global policy ideas: the components of the composite approach. Thus, the problems to be solved through national policies had an instrumental value for the legitimisation of global policy ideas, which were served as solutions to these problems. The solutions were not the result of domestic action for a perceived problem, as typical in Western democracies.

Another issue, elucidated in this thesis is, that often, behind the donor-led policy processes is only an internal demand in the donor office to amend national policies, according to the changing principles at the global level. In Nepal, this is visible in the policy advocacy exercised by UNICEF. The sanitation policies have changed frequently, and the tendency has been to just add new focus points into the policies. Thus, the donor interest, to initiate the formulation of a new policy, lies in its own policy priorities. Behind the national policy formulation, can therefore be a change, or rather an amendment, in global development policy, which the donors wish to see, in place in the aid recipient country’s policies that legitimise their own priorities in that country. This has three implications: one, for how the purpose of policy as a paper is seen; second, for the
accountability in policy making; and third, for various theories on policy networks and policy communities.

Other researchers have already pointed out that in developing countries, where donors are involved in the policy making process, the purpose of policy formulation has other meanings than in Western countries. Mosse (2005) presents that the purpose of policy is to have a paper that can be shown around, but the purpose of the formulation, is not the implementation of the policy in the first place. He analyses that it is enough to have people, who believe that it is implemented, confirming the observation of Quarles van Ufford (2003), of policy as a tool of ‘high managerialism’ in which through the existence of the policy paper, the donors are able to justify their agendas. Mosse writes that this indicates an instrumental understanding of policy making by the donors, believing in rational design and social engineering, which is further specified by Reis (2012, 193), who claims that the correct policy formulation (in the case of Vietnam) is understood to cause and even ‘ensure’ action; if policy is not implemented as intended, it is assigned to management problems, that can be tackled by the ‘mobilising metaphors’ of ‘capacity building’ and ‘training’. These views present how politics has been eliminated from development cooperation and policy making.

The findings by the aforementioned researchers confirm my argument that for donors the most important issue in the involvement in domestic policy making in the aid recipient countries is to have their own priorities legitimised in those countries – not the implementation of policies. Due to the donor-initiation and the donor-centeredness in policy formulation, the policy papers have primarily been formulated to serve donor purposes, that is, to institutionalise their ideas and their priorities about development. These actors need national policies for legitimising the future development projects and programmes in the country. The policies show the donor headquarters that the donor and recipient priorities correspond with each other, thus, the donor intervention in this area is justified in the recipient country: it is assisting the country to reach its priorities. For the donors, this duplicitous behaviour does not seem to be problematic, because in the aid game ‘the end justifies the means’. For the recipient government, a policy formulated under the donor set terms, is a strategy to secure further funding, and with this, be instrumental in attaining its interests of staying in power, through servicing its clientele, its patronage based networks, and its constituencies, with directing projects to these areas, or being able to gain kickbacks, through the administration of developing funds, or providing more prestige to the agency, where the development funds will be allocated to. Therefore, I argue, that the purpose of policy, in the donor-centred policy making, is not to change policy to respond to a perceived problem and provide a solution for it, but to legitimise the global thinking on development in the aid recipient country, and by this, give justification for the donors to continue their development cooperation in the country. This serves their need to disburse of the budget, and their interest in keeping the aid business as an ongoing business. Their own survival is dependent on the continuation of aid. Thus, the creation of new ways of seeing poverty, tackling it and coming up with issues that are related to development, are instrumental in their work: policies are formulated at a global level; these ideas are injected into the policies in the recipient countries, new projects are
justified to be funded, and after this, the circle can continue from the beginning again: returning to new policy ideas.

Second, the accountability in the Western, democratic policy making and donor-centred policy processes in developing countries are different. The accountability of policy actors in Western countries, due to their focus on an outcome, that will affect policy making in the country at stake, and the mobilisation of policy actors or stakeholders in that country, is towards the citizens of the country, even when that accountability often functions imperfectly. In donor-centred policy making, on the other hand, the donors aim to legitimise their own agendas in the country, normally without any independent participant mobilisation, and any perceived problem that should be solved. The requirement for a policy change is external, and normally, the policy formulation takes place within a small number of people consisting of an urban elite. Therefore, the policy actors are not accountable towards the citizens of the country, but towards those that initiated the policy formulation, namely, the donor headquarters in the Western part of the world.

The third implication relates to the theories on policy elites, policy network and policy communities, and their understanding of the importance of policy change (see e.g. Grindle, Thomas 1991; Sabatier, Jenkins-Smith 1993; Haas 1992; Stone 2008; van Waarden 1992; Klijn 1996; Zahariadis 1998; Thatcher 1998; Howlett, Ramesh 1998; Fischer 1993; Hajer 1995). These theories typically assume that the policy actors come together to change policy, according to a perceived need. Thus, there is an issue that conflicts with the current policy, and the different networks, coalitions, or communities, suggest different models on how to solve this problem. This solution is their suggested policy change. These kinds of networks are for instance the issue network (Heclo 1978); epistemic communities (Haas 1992); multiple streams (Kingdon 1995); policy communities and subsystems (Richardson, Jordan 1979); and advocacy coalitions frameworks (Sabatier, Jenkins-Smith 1993). None of these seem to be able to explain the dynamics in the Nepalese policy making process, for reasons relating to a wrong kind of an understanding of the actors, and their relations (the private sector does not play a role in Nepal, neither do parliamentarians); little detail is provided concerning the genesis of policy in terms of ideas and agendas (in Nepal the donor initiation is a crucial aspect of the analysis), and rather a minimal focus is on power and politics between the actors, which is an important component in the Nepalese policy making process. But, as explained above, even more than these reasons, their inapplicability to the Nepalese situation relates to the role of donors, and aid, in the policy process and the consequence of this involvement for the policy dynamics.

The underlying assumption of the policy network theories seems to be that policies are changed by the issue-based advocacy, or interest groups, often comprising of a large amount of people who view that the old policy is flawed. This is true in the Western world, where policy making is outcome-focused, and represents the interests of citizens of the country. There are also policy processes in other developing countries, where these kinds of dynamics are taking place (see e.g. Rap 2006 on Mexico and Suhardiman 2008 on Indonesia).
In donor-led policy processes, the participation is based on consultations, which normally are organised by the donor that is funding the policy formulation, and as in the case of the RWSSP formulation, were based on invitations. Hence, people participating in policy making are typically a small group of people, part of an urban professional elite. Sometimes, there are consultations arranged in the countryside to hear the voice of the people, but this does not have anything to do with citizen activism, or political opposition, as in the case of Western countries. In addition, the consultations in the countryside are mobilised by the donor, who chooses where the consultations are arranged, and who is to be invited. Gould (2005, 141) calls this the ‘politics of consultation’ where ‘the people’ are primarily involved in major policy decisions affecting their everyday lives, not through the ballot or referendum but, if at all, via ad hoc and discretionary modes of donor-sponsored ‘workshopping’ (see also Gould 2005, 11). Because of the different kinds of dynamics in policy formulation, the applicability of the policy network theory is limited in donor-dependent countries. As explained above, the salient role of the donors in the policy process, contradicts the basic assumption of the theories, that policies are initiated within the country, aim to change the policy, and include people who are truly interested in driving a policy change forward. When policy making is a game between the donors and the governmental (bureaucratic) agencies, there is no interest for a real policy change. Instead, the donors wish to legitimise their policy priorities in the country, and the governmental agencies try to manoeuvre to their best, to gain benefits for either the officials, or the agency. Obviously, because of this, there is also limited interest for the implementation of the policy. Implementation of the policy is not important, as it is not formulated with the intention to be implemented. This finding also conflicts with the theorisation of Grindle and Thomas (1991), who in their interactive model of policy process, focus on policy implementation as an important part of the policy process.

I believe that a better point of analysis for policy processes in aid-dependent countries, is by viewing policy networks as interrelated actors, who are connected to each other through the games that they play (Klijn 1996). He defines policy networks as

“stable patterns of social relationships between interdependent actors, which take shape around policy problems or policy programs, and that are being formed, reproduced, and changed by an ecology of games between these actors. In these games, actors try to influence policy processes by strategic behaviour. This network is an interaction system reproduced by concrete practices, [...] called games, which at the same time forms the context of these practices. A network is not a static entity but changes over time as a result of the ongoing series of games. As a result of the ongoing series of games, some actors have an intense relationship with each other and some do not. Some actors have an intermediate position between other actors and a certain division of beliefs exists in networks. The network thus can best be visualized as the cumulative effect of all the connected games that are being played between sets of interrelated actors.”

295 A possible starting point for a policy network analysis in this situation could be the policy subsystems (Howlett, Ramesh 1998), which do not aim a revolutionary change the policy, but carry out gradual incremental changes. This resembles the donors’ suggested changes along the composite approach.
296 The model bases on their case study in Mexico.
This understanding of policy networks at least captures the situation in Nepal. In the water supply and sanitation sector, there are alliances between different actors, which are stable patterns of social relationships, that have taken place around policy programmes, rather than policy problems. As presented earlier, policy making and the aid relationship can be described as a game, due to the manoeuvring taking place on the side of the donors and the governmental agencies. As a consequence of this, some actors have become closer in their interaction through their common interests, such as the ADB and the DWSS, or Finland and the Dolidar, whereas others, have at times, been allied with others, and at other times not. The alliances have found common ground, which was analysed through their belief systems and the story-lines in Chapter Six.

8.6 Why Water is not Governed Properly in Nepal?

In this thesis, I have argued that there is plenty of water in Nepal, and water is viewed to have an economic potential, yet, this abundance of water, has not provided welfare for the inhabitants of Nepal. I presented that the problem lies in the governance of water. This portrays a paradox. If there is so much water in Nepal, having an economic potential, then why has water not been governed properly?

As explained in Chapter One the rural water supply and sanitation sector is not one of the priority water sub-sectors for the government of Nepal. The lack of prioritisation stems from money: the sub-sector has less potentiality economically than the other water sectors, such as hydropower and irrigation. These sectors provide cash flow, or a rise in income through increased agricultural production, whereas the rural water supply and sanitation, does not have a direct impact economically. It is seen, rather as a social service to be provided by the government, and hence, investments in the sector are viewed as a withdrawal from the government budget, rather than providing profits. People require water for living, and therefore, would not live in places where there is no water, thus, as long as people get water, there seems to be no urgency to improve the access to water.

The weak leadership by the government also hinders the governance of water. I have characterised the Nepalese government as neo-patrimonial, with interests related to patronage and clientelism. In addition, the leadership of the country is more concerned with political survival, as well as other organisational interests, than drawing long-term plans for the country’s development. Due to the preference of thinking mostly about the short-term interests and needs, the government is lacking clear vision. This obviously leads to bad planning, which is an essential component of governance. The leadership by the donors has also not been of consequent, but tends to serve other interests, such as having power, or following the guidance provided by their headquarters, rather than the improvement of sector governance.
Some of these reasons relate to the Nepalese tradition of ‘afno manchhe’, meaning one’s own people (Bista 1991; Kamata 1999). It is a horizontal dependency relationship, that joins people from similar ethnic, caste or regional backgrounds. These people can be approached whenever needs for a service arises. As Bista writes,

“People who do not belong to one’s own inner circle are perceived as being non-persons and there is not real concern over what happens to such unrelated individuals. Time and effort is exhausted in taking care of one’s own people so that there is little energy or inclination left to be concerned about non-persons.”

According to this view, this cultural/religious practice can contribute to people not feeling responsible for providing services to the poorer part of the people, particularly when these are not part of the afno manchhe. Typically, the poor people do not belong to the afno manchhe of the bureaucrats, who come from a higher caste background than do the poor, tribal, or ethnic people, in the rural areas. Afno manchhe-thinking relates to fatalism, a part of Hinduism. According to fatalistic thinking, those people who are poorer and socially worse off than others, deserve that position, due to their misdeeds in their previous life. The responsibility to help these people lies in the hands of the supernatural, and is not the personal responsibility of the bureaucrat. Similarly, one is never obliged to anyone else for anything, because everything occurs as it should. No sense of obligation is instilled (see e.g. Bista 1991; Macfarlane 1994; Kamata 1999). The lack of obligation, particularly within the governmental system, leads to an issue that I observed in Nepal, namely, not managing water as a public good. I have argued that the bureaucracies are often driven by self-interest, and not by the welfare of the Nepalese people, which I relate to other common issues, such as management of common resources as a public good. Traditionally, the Nepalese people have considered water as a common resource, but within the past decades, the tradition of managing it as a public good, has weakened. Instead, water has become a source for profit, which has led to competing demands on it, rather than having a joint approach to manage it. This is elucidated in the destiny of the WECS, which was designed to coordinate all activities in the water sector but it has succumbed to the competing interests and demands of the ministries dealing with various aspects of water and in their disinterest for coordination.

Water supply and sanitation is also important for donors. It can be that they fear that Nepalese governmental agencies, particularly the DWSS, return back to the old style of delivering water. For the donors, water supply and sanitation is an important sector to fund, and lately, sanitation has become even a priority sector in Nepal. Their interest for the sector may have contributed to its governance problems. In Nepal, one of the main problems identified in the sector is institutional fuzziness, deriving from the multiple actors in the sector. The donors, having an interest in the sector, have thus, partly contributed to water not being governed properly with their multiple approaches to water supply and sanitation. There have been attempts to streamline these through policies,

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297 This is a form of clientelism. This kind of explanation that refers to cultural factors is not particularly popular in Nepal, and many reject the theses of Bista. I, however, feel that there is some evidence to support Bista’s argumentation, as explained here.
establishment of a national programme, various donor-funded programmes, and ‘workshopping’, both in Kathmandu and in the regions, however, unsuccessfully. Many parties have identified this fragmentation of the sector as problematic for the sector development; however, the sectoral actors are too deeply rooted in their own practices, that they would be able to give up on their own approaches, or at least to adjust them, for finding a solution. All actors have their own interests on why they strive for a certain kind of implementation mechanism, and was it then providing support to the Nepalese partner agency (Finland to Dolidar, ADB to DWSS), the principles of the funding agency (Fund Board to the World Bank), or showing commitment to the funding agency (WaterAid Nepal to DFID, NEWAH to WaterAid Nepal).

The institutional entanglement of the donors and their influence on policy has affected the governance of water resources negatively. Despite donor intentions, to assist the Nepalese government in governance, the donors have ended up weakening it. The government has relied on the strategy of acting like a donor-dependent country. It has relied on the donors’ endless support in taking care of the administrative tasks, of governmental agencies, which has not improved the skills of the officials in doing their tasks but in how to avoid doing the work. This has obvious implications on the ownership by the government, on the policies, the project and the programmes that are funded and administered by the donors.

Therefore, I conclude, that the interests of the various actors in the water supply and sanitation sector, have not met each other, which has led to problems in sectoral governance. The following of their interests has turned into a game between the parties involved in the sectoral governance. As shown in this thesis, in that game, the most important factor is not to provide water supply and sanitation to the citizens of Nepal, but is to keep the aid business as an ongoing process: the show must go on.

8.7 Identified Research Gaps

The research on Nepalese political dynamics in the context of aid is limited. This might be because of the messiness of the political sphere, where the political set up is constantly changing, and subsequently, a (foreign) researcher is having difficulties in getting access to information. However, I still think that this is a field, where more insights in the aid negotiations in Nepal could be gained. It would be important to understand, how the Nepalese political parties are interacting with the donors, what is the power relationship between them, what are the interests that impact the negotiations, and what motivations the political parties have to interact with the donors (outside of the money, of course). Here, the analyses of their strategies, in dealing with the donors, could be an essential part of the research. Similarly, a more social science–focused study on how the economic situation of Nepal affects its capacity to negotiate with the donors would make interesting reading.

The policy dynamics in the urban water supply and sanitation sector could also provide a deeper comprehension on the politics of policy-perspective. The sector seems to be
characterised with similar project politics, as in the rural water supply and sanitation sector – related to the Melamchi Water Supply Project and the Small Towns Water Supply and Sanitation Programme, both funded by the ADB. However, in the urban water supply and sanitation sector, the economic interest of the various parties might shed new light into sectoral development, conditionalities and policy dynamics.

My research could be followed up with research on the journeying of policy ideas, to the level of everyday politics in water resources management, by analysing the role of district and village level players in policy formulation, and assessing how the policy process is continued through policy implementation. My research suggests that policies are not implemented in the rural water supply and sanitation sector in Nepal, or least this seems not to be a priority for the government, or the donors, but this does not imply that policies would not have any meaning at the village level. The donor funded water supply and sanitation projects operate at the grassroots level, and at least some of the policy principles are adopted (in one way or another) in these projects. What is their role in the projects, what are the reasons for their application, and how do these shape the sectoral dynamics, could be possible questions to look at. This could also include the attempts to decentralise the rural water supply and sanitation governance – a focus point of the 2004 policy. On the other hand, this research could also be widened in the other direction, in looking at the journeying of policy ideas, namely a the global level. I think that there is not enough knowledge, on how policy priorities are decided in the global fora, and who are actually those that decide it. It is the ‘knowledge’ of the Western governments, and the international donors, that in central to these issues - what is the role of developing countries’ governments? This research would require access to the international conferences and high-level meetings on aid and development, where these discussions are taking place. Yet, it would provide important information, on the decision making in donor organisations, and the international politics of Western goverments in the context of development.

The Nepalese water sector is actually full of interesting political research topics. I provide here just some ideas. In the early phase of my fieldwork, many people tried to direct me towards studying the hydropower sector. It seemed to provide numberless perspectives on how to design a research, such as the case of Arun III, of which there is plenty of material, but no thorough academic research has been carried out. This could illuminate the dynamics between the Nepalese governmental agencies, the (I)NGOs and the World Bank and other donors. There are also other controversial hydropower projects in Nepal that could be used as case studies for political or social science research. The failure of the IWRM concept in Nepal might also provide new information on the concept – defined in depolitical terms, but being profoundly political itself – the water governance in Nepal and the nature of the hydrocracies: why has it not been successful in Nepal, and what have been the reasons behind its resistance? Furthermore, the dynamics between Nepal and India, in the water sector, and their negotiation tactics, could increase our understanding on how the Nepalese state operates.
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Annex 1

Water Sector Bureaucracy and Administrative Structure