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**Working Paper**

## The role and changing paradigm of India's assistance to Nepal: Case of the education sector

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# **Working Paper 377**

## **The Role and Changing Paradigm of India's Assistance to Nepal: Case of the Education Sector**

**Tanu M. Goyal**

**June 2019**



**INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS**

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## Abstract

India is seen as a key developmental partner to Nepal with the latter being one of the first recipients of development aid from India. Development aid from India to Nepal has not only been associated with creation of infrastructure in the country but also with human capital development and ensuring long-term sustainability. Technical assistance and vocation training for skill development have been the focal points of India's development cooperation programme. Development aid has thus been a cornerstone of India-Nepal relation. However, in the recent past, due to the political, administrative and constitutional changes in Nepal, the relation between the two countries has evolved, which has also affected India's development partnership programme with Nepal. In July 2018, the Government of Nepal made changes to the design of India's development partnership programme, which has an impact on India's small development project (SDP) scheme, through which a majority of India's assistance in social sector was facilitated since the year 2003.

This paper examines the impact of India's development assistance on the education sector in Nepal and the effectiveness of the SDP scheme in enabling the same. Findings are based on an analysis of secondary information and a primary survey conducted in Nepal using ethnographic principles of research. Two broad categories of inputs were collected – disaggregated data on the quantum of assistance under the SDP scheme and qualitative inputs in terms of perception, experiences and anecdotes on India's development assistance in the education sector. Data was analysed using statistical tools and presented using QGIS. Findings of the study are used to make recommendations on how the design of India's development assistance to Nepal can be renewed.

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# **The Role and Changing Paradigm of India's Assistance to Nepal: Case of the Education Sector**

Tanu M. Goyal<sup>1</sup>

## **1. Introduction**

A country's diplomatic relations with its immediate neighbors are delicate - where national boundaries carefully drawn while affinity and inter-dependence are nervously acknowledged. India's relations with its neighbors is no different in this respect, rather, they are nebulous owing to the colonial past and history behind the borders. After independence, India has carefully designed its diplomatic relations with its neighbors, tailoring them with a mix of antiquity, present circumstances and a vision for the future.

Among its other neighbors, India's relation with Nepal is defined as one of 'friendship'<sup>2</sup>. Development assistance has been an important component in defining and shaping the relationship. India has historically been an aid receiver; however, since independence, India has been a prominent aid donor to its neighboring countries, Nepal being one of the earliest recipients of India's aid.

India sees itself as a development partner, not donor.<sup>3</sup> Development finance from India can be traced back to South-South Cooperation discussions, which stress on the principles of equality, solidarity, and mutual development and complementarity. Aid from India emphasizes on the mutual benefits of cooperation, focusing on promoting trade, investment, and other commercial activities. Moreover, conditions on governance, economic policy and institutional reforms are not attached with the contribution. The economic assistance provided by India to other countries including Nepal is described as development co-operation/partnership, not as foreign aid.<sup>4</sup>

Bilateral assistance has been offered by India to its South-Asian counterparts via two channels; the first has been in the form of direct support and the second in the form of technical assistance and training initiatives. Development of human capital in the aid receiving country has been a key goal India's development assistance. Over the years, India has provided development assistance for the development of education sector in Nepal. Thus, India's development partnership with Nepal goes beyond the tangibles - towards realising longer-term development goals of the country. During 2003-2018, a majority of the funds for

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<sup>1</sup> Correspondance: Tanu M. Goyal, Consultant, ICRIER. Email: [tgoyal@icrier.res.in](mailto:tgoyal@icrier.res.in). Views expressed are personal. This paper is a revised version of the report titled, "India's Development Assistance to Nepal: Case of the Education Sector", prepared by the author in collaboration with Oxfam India. The report is accessible at [http://icrier.org/pdf/India\\_Nepal\\_Development\\_Assistance.pdf](http://icrier.org/pdf/India_Nepal_Development_Assistance.pdf) (accessed on 30 May 2019). The author is grateful to Sanjay Pulipaka and Constantino Xavier for their comments and suggestions on the paper. The author would like to thank Prarthana Bahl for her assistance in updating the information and compiling the paper. The author would also like to acknowledge the efforts of Saon Ray and Radhicka Kapoor in coordinating the Working Paper publication process.

<sup>2</sup> Making reference to the 'Indo-Nepal Treaty of Peace and Friendship' signed in the year 1950.

<sup>3</sup> Mwase and Yang (2012)

<sup>4</sup> Saran (2014).

infrastructure development in the education sector were disbursed under the small development projects (SDP) scheme of the Indian government. However, due to the recent political developments in both India and Nepal, the relation between the two countries is evolving, which has also affecting India's development partnership with Nepal. In July 2018, Government of Nepal made a critical alteration to the SDP scheme. As per the new mechanism, the Indian government has to route its grant through the central government. This abrogates the design of the SDP scheme, which enabled engagement at the grassroots level.

Given this background, this paper examines the role of India's development assistance in improving the education sector in Nepal. Based on a primary survey, this paper discusses the design and geographical reach of the SDP scheme and the experiences of different stakeholders with the scheme. Given that the scheme is now altered, the paper makes recommendations on India's future engagement with Nepal with respect to the development assistance in the education sector.

The rest of the paper is organized as follows. The next section discusses existing literature on impact of development assistance. It primarily discusses in brief the cases where foreign aid has been successful in delivering its objective and those where it has failed. It gives a few takeaways for making the recommendations under this paper.

Section three discusses India's development assistance to Nepal in the education sector, primarily using the data and information in public domain. It provides data and information on India's development assistance to Nepal in general and in education sector in particular. It also discusses some indicators of success – mainly Nepal's rankings and ratios related to education sector over the years, published by third parties such as the UN.

Section 4 introduces the primary survey and Section 5 discusses the trends. Primary data was collected during the survey from the Indian Embassy. Using QGIS, the section illustrates the spread of India's development assistance in the education sector across the various districts in Nepal.

Section 6 discusses the experiences. The survey highlighted the experience of the different stakeholder with the SDP scheme and other schemes of the Indian government, mostly pointing out to the hits and misses.

Section 7, which is the final section presents the key conclusion and recommendation for the future engagement with respect to India's development assistance to Nepal in the education sector.

## **2. Literature Review**

Impact of aid or development assistance has been explored by various studies for different countries. While some studies have lauded the effectiveness of foreign aid, others have raised concerns.

For a long time, development aid focused on economic development and poverty alleviation. However, in 1990, the United Nations (UN) brought in the social dimension of development through the Human Development Report, published annually (Amsterdam University Press, 2010). It is believed that targeting aid on more specific goals rather than the prime goal of development can help in creating better opportunities for the country as a whole. These particular goals include providing better access to health, education, eliminating poverty and improving infrastructure etc. (Easterly, 2007). According to the World Bank (2002), aid can be effective if it helps the developing world to overcome its challenges both with respect to its people (in terms of human capacity building) and infrastructure (both physical and technical). It is widely acknowledged that education and human capital development are key drivers of economic growth.<sup>5</sup> Moreover, education aid can be used as a policy instrument to achieve the Sustainable Development Goal of ensuring inclusive and quality education for all and promote lifelong learning (Yogo, 2017).

Taking the case of education sector *per se*, Tilak (1998) points out that the impact of aid depends on the share of aid in the total educational budget of a country. Examining the case of Africa, the paper found that aid had enabled expansion of the work and education system in Africa, where aid constituted a very high proportion of the total educational budget in the country. The paper further argues that specific and selective aid is considered better than general aid. Yogo (2017) concludes that in Sub-Saharan Africa, aid in the education sector significantly increased the primary school completion rate. Asongu and Tchamyou (2015) also find that aid variables have positive effects on primary school enrolment and lifelong learning while the impact on secondary and tertiary school enrolments has not been significant in Africa.

Experience of the impact of foreign aid in Pakistan, reveals that despite huge flow of resources, educational outcomes have been poor in the country since a very small portion of foreign aid given to education sector is utilised effectively and efficiently (Anwar and Aman, 2010). This is primarily because the money in the central pool is not always utilized for its core purpose. Quoting another report that paper pointed out that United States gave around USD11 billion to Pakistan during 2002 to 2008, out of which about USD8 billion were used for military expenditures while only USD100 million were allocated for education, a major amount of which would have been wasted because of corruption.

This has also been the case in Afghanistan. It is believed that both donors and Afghan officials have gravely erred in their strategy for distributing developmental aid, specifically in their approach to supporting sustainable security. Nearly 80 percent of foreign aid has been allocated to the five most conflict-ridden provinces and there are more conflicts.<sup>6</sup> Corruption has been responsible for failure of aid delivering its objectives in Malawi also. Khomba and Trew (2019) points out that corruption to an extent of USD30 million by bureaucrats and politicians caused failure of the foreign aid in Malawi.

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<sup>5</sup> See <https://www.un.org/press/en/2011/dsgsm540.doc.htm> (accessed on 28 May 2019)

<sup>6</sup> See <https://thediomat.com/2016/10/the-failure-of-foreign-aid-in-afghanistan/> (accessed on 29 May 2019)

Studies have also highlighted that local and political governance plays an important role in aid effectiveness (Michaelowa and Weber, 2007). The authors highlight that along with financial resources, there is also a need for readjustments in the structural parameters of the education system to reach any of the international goals for education. Importance of the involvement of beneficiaries is recognized in the distribution of aid. For aid to be successful, there should be coherence between the donors' plans of actions and what the country aspires to achieve as objectives because the two may be conditioned by different drivers. This often happens in rural development projects where programs are drafted in high offices with less or no real research to determine what is really needed by beneficiaries as they are not involved in policy elaboration.<sup>7</sup> The World Bank (2002) points out that better design and delivery of aid, along with support from government in the form of good policies, has caused rapid improvements in the education sector across various countries. The effectiveness of development assistance is determined by the role and local policies in recipient countries. Assistance is most effective when recipient countries are the primary drivers of their own reforms and institutional development.

India has built a strong aid mechanism, providing assistance to Nepal in meeting its own development goals. Capacity building and skill development has been the focal point of India's development co-operation programmes (Saran, 2014). India's assistance ranges from large infrastructural projects to small grassroots level community projects in the areas of health, water resources, education, rural and community development. However, with the recent alteration in the design of India's development partnership programme, there is a need to examine the past engagement to make suggestions for the future.

### **3. India's Development Assistance to Nepal in the Education Sector**

Providing technical and education assistance has been a key feature of India's development cooperation since the very start of the programme. In 1949, India initiated development cooperation with its neighbouring countries by establishing cultural fellowships for them (Chaturvedi, 2012) and extending educational scholarships on a needs basis, among other development assistance.

Since the 1950s, India has actively participated in the development of South and Southeast Asian nations. This is evident from India's involvement in the Colombo Plan for Cooperative and Economic Social Development in Asia and Pacific, established in 1951.<sup>8</sup>

In 1954, Nepal became the first country to receive Indian development assistance governed by an institutional framework as the first Indian Aid Mission (IAM) was launched in Kathmandu to support development projects in Nepal.<sup>9</sup> India's association with the higher

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<sup>7</sup> See <https://www.brookings.edu/testimonies/foreign-assistance-reform-successes-failures-and-next-steps/> (accessed on 29 May 2019)

<sup>8</sup> The Colombo Plan was jointly established by Australia, Canada, India, Pakistan, New Zealand, Sri Lanka and the United Kingdom for the development of its member countries (Nepal became a part of the Colombo Plan in 1952).

<sup>9</sup> IAM was later renamed the Indian Cooperation Mission (ICM) in 1966, which was later recast into the Economic Cooperation Wing (ECW) of the Embassy of India, Nepal.



education sector in Nepal dates back to 1960 when assistance was provided to the first national university in Nepal – Tribhuvan University at Kathmandu. Apart from Tribhuvan University, the Indian government extended funds for the development of the Trichandra College and Tribhuvan Adarsha Vidyalaya in Kathmandu. Under other facilities for education, as a part of the community and *panchayat* development programmes, about 320 schools and library were developed during a twenty-year period from 1952 to 1972.

According to the Development Cooperation Report 2019, India ranked fifth amongst the top five bilateral development partners of Nepal for the financial year 2017-18, with USD56.7 million in official development assistance (ODA) disbursements.<sup>10</sup> According to the Ministry of External Affairs (MEA's) demand for grant, the total budgeted amount under aid for Nepal for the year 2018-19 is INR6500million (USD93.35million), registering an increase of 73 per cent over the previous year.<sup>11</sup> Until November 2018, over 559 large, intermediate and small-scale projects at an estimated cost of NPR76 billion (USD683.3 million) have been implemented across Nepal with Indian assistance since 1951. India has also gifted 692 ambulances and 136 school buses to various institutions and health posts across Nepal's 77 districts.<sup>12</sup>

Sectoral distribution of India's development assistance to Nepal in the year 2017-18 is given in Table 1. A large share of India's development assistance to Nepal is directed towards its social sectors including health, education, drinking water and local development, among others. The share of education sector in total assistance from India is about 12 per cent.

**Table 1: Sectoral distribution of India's development assistance to Nepal in the year 2017-18**

Sector	Share (in percentage)
Drinking Water	12
Education	12
Energy	24
Health	12
Livelihood	3.9
Local Development	12.1
Road Transportation	24

Source: Extracted and compiled by author from [https://mof.gov.np/uploads/document/file/full\\_dcr\\_1718\\_20190116085612.pdf](https://mof.gov.np/uploads/document/file/full_dcr_1718_20190116085612.pdf) (accessed on 28 May 2019), page 32-24, Table 8.

Structurally, India's development initiatives in the education sector in Nepal have been in different forms – one, funds in the form of grants and loans for infrastructure development; two, scholarships for students and three, by means of technical collaborations and exchange

<sup>10</sup> See [https://mof.gov.np/uploads/document/file/full\\_dcr\\_1718\\_20190116085612.pdf](https://mof.gov.np/uploads/document/file/full_dcr_1718_20190116085612.pdf) (accessed on 28 May 2019). Refers to Nepal's fiscal year – 16<sup>th</sup> July to 15<sup>th</sup> June

<sup>11</sup> See [http://www.mea.gov.in/Uploads/PublicationDocs/29813\\_DD\\_G\\_2018-19.pdf](http://www.mea.gov.in/Uploads/PublicationDocs/29813_DD_G_2018-19.pdf) (accessed on 28 May 2019). Exchange rate of INR1 = USD0.014 (as on 28 May 2019).

<sup>12</sup> See [https://www.mea.gov.in/Portal/ForeignRelation/India-Nepal\\_bilateral\\_brief\\_02.11.2018.pdf](https://www.mea.gov.in/Portal/ForeignRelation/India-Nepal_bilateral_brief_02.11.2018.pdf) (accessed on 28 May 2019). Nepalese Rupees to USD conversion is made using the exchange rate NPR1 = USD0.0090 (accessed on 28 May 2019)

programmes. Further, the Indian government has also been supporting reconstruction work in the areas affected by the earthquake since the year 2015.

For infrastructure development in Nepal, a majority of the grassroot-level assistance is directed through the Small Development Project (SDP) scheme, which is explained in the next section. The Government of India provides around 3000 scholarships annually to Nepalese students, of which, about 800 scholarships are to study in India the remaining 2200 scholarships are provided for studying in Nepal. These scholarships cover a wide spectrum of subjects including engineering, medicine, agriculture, pharmacology, veterinary sciences, computer application, business administration, music, fine arts etc.<sup>13</sup>

Another way India supports education and skill development is through its technical assistance and vocation training programmes in Nepal. Over one thousand Nepalese candidates have attended the Indian Technical and Education Cooperation (ITEC) programme and many more get scholarships under this programme. The Technical and Vocational Education Training Programme (TVET) is also very popular in Nepal. It is an initiative, which seeks to encourage the unskilled workforce of the country to equip themselves with educational, technical or vocational skills in order to earn a livelihood, thereby strengthening human capital.

India is one of the many countries that are providing development assistance to Nepal in education sector. It is worth mentioning that in the year 2017-18<sup>14</sup>, the total foreign aid directed towards the education sector in Nepal was valued at USD202.2 million, making education sector the second largest recipient of foreign aid after economic reforms. Around 12.5 per cent of the total development assistance to Nepal was directed towards the education sector. Amongst both multilateral and bilateral donors, India is the 13<sup>th</sup> largest donor in the education sector. The largest donor in the education sector is the World Bank group, followed by the European Union, Asian Development Bank, Japan, United States Agency for International Development, Norway, United Kingdom, Denmark and Australia, among others.<sup>15</sup>

Rankings and statistics provided by the United Nations Human Development Index and United Nations Educational, Scientific and Cultural Organization reveal that over the last few years, Nepal's performance in the education sector has improved. This is reflected by an improvement in some of the core education indicators summarized below.

Nepal's Human Development Index (HDI) has improved from 0.463 in 2003 to 0.574 in 2017. In 2003, adult literacy rate (% ages 15 and older) was 48.6, which has increased to 64.7 in 2015. Expected years of schooling and mean years of schooling show similar trends. Expected years of schooling gradually rose from 9.3 years in 2003 to 12.2 years in 2017;

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<sup>13</sup> For details see [http://www.mea.gov.in/Portal/ForeignRelation/India\\_Nepal\\_Relations\\_11\\_04\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/India_Nepal_Relations_11_04_2017.pdf) (accessed on 10 May 2019)

<sup>14</sup> Refers to Nepal's fiscal year – 16<sup>th</sup> July to 15<sup>th</sup> June.

<sup>15</sup> All data and trends in the paragraph are extracted from [https://mof.gov.np/uploads/document/file/full\\_dcr\\_1718\\_20190116085612.pdf](https://mof.gov.np/uploads/document/file/full_dcr_1718_20190116085612.pdf) (accessed on 28 May 2019)

whereas mean years of schooling rose from 2.6 years in 2003 to 4.9 years in 2017. The number of pupils per teacher decreased from 38 in 2000 to 21 during the period 2012-17, which is again a positive development.<sup>16</sup>

In terms of participation, there been a remarkable improvement in enrolment rates. Both male and female enrolment rates have increased. It is worth mentioning that with respect to secondary enrolment, female enrolment has increased far more than the male enrolment (see Table 2).

**Table 2: Gross Enrolment Ratio<sup>17</sup> for Nepal (in percentage)**

Level/Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
PRE-PRIMARY EDUCATION									
<b>Total</b>	65.77	71.62	78.3	82.84	84.2	85.47	85.17	84.06	85.94
<b>Female</b>	63.91	70.31	77.47	81.71	82.77	83.38	83.83	82.86	83.16
<b>Male</b>	67.51	72.85	79.08	83.91	85.58	87.5	86.45	85.21	88.59
SECONDARY EDUCATION									
<b>Total</b>	52.79	58.83	61.24	64.74	65.99	66.88	67.14	69.5	71.21
<b>Female</b>	49	57.35	60.75	65.61	67.49	68.9	69.55	72.07	75.04
<b>Male</b>	56.59	60.3	61.73	63.9	64.53	64.94	64.84	67.05	67.58

Source: Extracted from <http://uis.unesco.org/en/country/np?theme=education-and-literacy> (accessed on 28 May 2019).

Given that India is one of the many countries providing assistance for the development of education sector in Nepal, it is hard to bifurcate that how much of the improvement can be attributed to only to the assistance provided by India. Moreover, there are certain local government and private sector initiatives and programme also, which are often independent of any government assistance. Nonetheless, some impact of the assistance cannot be over-ruled.

To dwell further on the design and other aspects of India's engagement with Nepal, a primary survey was conducted to get anecdotal evidence and qualitative inputs on the trends and experiences with India's development assistance to Nepal in the education sector. The next few sections discuss the survey and its findings.

#### 4. Survey Background

Field survey was conducted in Kathmandu, Nepal in December 2017 and a consultation was organised in Kathmandu in May 2018 with support from Oxfam India. The purpose was to

<sup>16</sup> For details see [http://hdr.undp.org/sites/default/files/2018\\_human\\_development\\_statistical\\_update.pdf](http://hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf) and [http://hdr.undp.org/sites/default/files/reports/266/hdr05\\_complete.pdf](http://hdr.undp.org/sites/default/files/reports/266/hdr05_complete.pdf) and statistics from <http://hdr.undp.org/en/data> accessed on 28 May 2019.

<sup>17</sup> Gross Enrollment Ratio (GER) or Gross Enrollment Index (GEI) is a statistical measure used in the education sector, and formerly by the UN in its Education Index, to determine the number of students enrolled in school at several different grade levels (like elementary, middle school and high school), and use it to show the ratio of the number of students who live in that country to those who qualify for the particular grade level. The GER can be over 100% as it includes students who may be older or younger than the official age group.

examine whether the assistance from India has been successful in improving access and quality of education in Nepal. Questions were also asked on experiences and effectiveness of the SDP scheme being initiated by India.

Interpretive approach was used to conduct the primary survey.<sup>18</sup> This is a qualitative approach, which is largely based on unstructured interviews and participant observations. Apart from meeting government officials, academicians and beneficiaries of the grant, visits were made to schools and hostels that have been created with Indian funding to assess the physical quality of infrastructure. Two broad types of information were collected – one related to the amount or quantum of development assistance. District-wise data was made available by the Indian Embassy, quantifying the quantum of work that has been done by the Indian embassy in different provinces and districts of Nepal. In addition, some archives specifying the quantum of assistance in the post-independence period were collected from the Indian Embassy. Second, anecdotes and experiences of respondents were collected in order to assess the impact of India's development assistance.<sup>19</sup>

The consultation involved follow-up and discussion of key findings with key stakeholders, including representative from the Indian Embassy. Survey results are summarized in the next section.

## **5. Survey Results**

This section gives a background and structure of the SDP scheme, through which a large share of the grant for infrastructure development in the education sector is disbursed. It then presents data on district-wise distribution of grant and thereafter is described the experiences of different stakeholders with India's development assistance.

### ***5.1 Design of the Small Development Project (SDP) Scheme***

To facilitate the development of small projects in Nepal, India entered into a Memorandum of Understanding (MoU) with the Government of Nepal for the Small Development Projects (SDP) scheme in 2003. The budget for executing projects under the SDP scheme is extended by the Ministry of External Affairs (MEA) to the Embassy of India in Nepal. The scheme was started with the commitment to provide assistance at the grassroot-level, particularly in the case of social sectors. The modality was that anybody in Nepal who feels that a project is needed can approach the Embassy either directly or the local body. Funds for development of infrastructure were disbursed under this scheme.

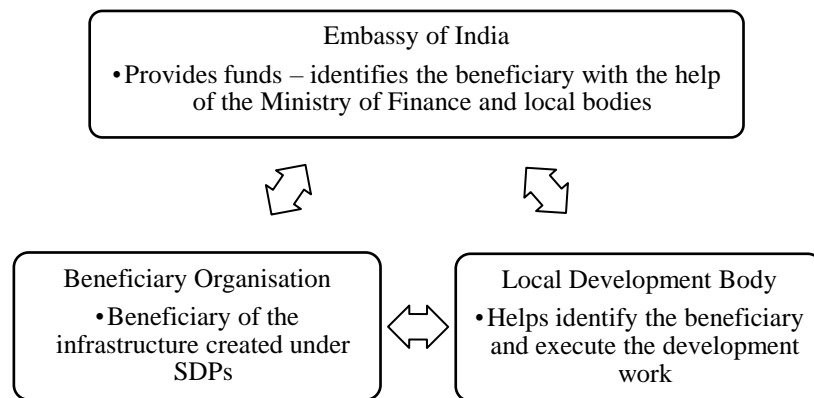
The SDP scheme is one of the major programmes implemented by the Government of India to facilitate Nepal's development. It is a tripartite agreement between the local community, the Indian embassy and the local government authority (see Figure 1).

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<sup>18</sup> A list of survey participants is given in the full report – accessible at [http://icrier.org/pdf/India\\_Nepal\\_Development\\_Assistance.pdf](http://icrier.org/pdf/India_Nepal_Development_Assistance.pdf) accessed on 29 May 2019)

<sup>19</sup> Complete documentation including photographs from the survey and survey frame is given in the report titled, "India's Development Assistance to Nepal: Case of the Education Sector" accessible at: [http://icrier.org/pdf/India\\_Nepal\\_Development\\_Assistance.pdf](http://icrier.org/pdf/India_Nepal_Development_Assistance.pdf) (accessed on November 26, 2018)

**Figure 1: Tripartite Agreement under Small Development Project (SDP) Scheme**



As per the SDP scheme, the applicant has to submit a proposal in the prescribed format, providing information on the location, nature of project, size of land, whether the project under reference is a new one or renovation of existing structure and basic design of the project, condition of that sector in the district, scope of work, budget requirement, maintenance details and impact of the project, among others. The applicants can approach the Embassy directly or through the District Development Committee (DDC, which is now called the District Coordination Centre – DCC). Through the SDP scheme, by working directly with the district level committee, Embassy of India increased its outreach, both in terms of areas and social groups. It was pointed out during the survey that it was believed that this kind of engagement complemented the Government of Nepal's efforts in the education sector during that period. After 2000, projects like Education for All (2001-2015), Teacher Education Project, Secondary Education Support Programme (2003-2008) and Community School Support Programme (CSSP) were some of the major projects undertaken by the Government of Nepal to improve quality of education, and were based on the government's fundamental reform of decentralisation.

Once the applications are submitted, the Embassy evaluates the applications and seeks concurrence from the Ministry of Finance in Nepal, which sometimes consults the Ministry of Education. The project grant is approved based on the feedback received during the interaction. Infrastructure development is the responsibility of the District Coordination Committee. The modality of the SDP scheme is such that anybody in Nepal who feels that a project is needed can directly approach the Embassy for development assistance. Thus, it is a demand driven scheme.

As regards funds for infrastructure development, it was pointed out during the survey that there are no direct cash transfers under the SDP scheme. The Embassy provides funds for the infrastructure on a reimbursable-basis. The progress of the project has to be presented to the Embassy and it accordingly releases the funds to the District Coordination Committee.

Since the inception of the SDP scheme, about NPR2.2 billion (nearly 50 per cent) have been disbursed on projects completed under the education sector, which largely entailed creation of infrastructure.<sup>20</sup> The assistance includes grant for infrastructure development, establishing school buildings, libraries, hostels, providing school buses and technical support, etc. India has also been providing scholarships and undertaking training and exchange programme for Nepalese students as well as faculty.

Around 128 SDPs have been completed in the education sector alone. With more than 60 per cent of the total funds directed towards the education sector, it is the largest recipient of grants under the SDP scheme.<sup>21</sup> A sectoral distribution of India's development assistance to Nepal through the SDP scheme is given in Table 3.

**Table 3: Sector-wise Distribution of India's Development Assistance to Nepal through the SDP Scheme (Completed Projects)**

Sector	Share in Completed SDP Projects
Education	63.60
Health	15.82
Roads & Bridges	6.79
Electrification	3.13
River Training Works	1.76
Drinking Water	1.14
Science & Technology	0.03
Miscellaneous	7.73

*Source: Computed from the data provided by the Embassy during the Primary Survey.*

Apart from this, the Indian Embassy has also contributed by providing facilitating infrastructure for students such as school buses and bicycles for school girls. Thus, in terms of aid under SDP scheme, the education sector is the most prominent.

The MoU for the SDP scheme was renewed in 2006, 2008, 2011 and 2014 and extended up to 5 August 2017. In 2017, the MoU for the SDP scheme was not renewed because of the elections and constitutional changes in Nepal. The country has introduced a federal system of governance and thus the district administration, which had a role in the execution of projects, has ceased to exist. Nonetheless, India continued to extend assistance to Nepal under the scheme.

In July 2018, the Government of Nepal changed the existing mechanism by strengthening the role of central government of Nepal stating that the grant from India should be routed through the central government.<sup>22</sup> This alters the existing design and in a way the essence of the SDP

<sup>20</sup> See the India-Nepal Economic Cooperation Report, Embassy of India, Kathmandu accessible at [https://www.indianembassy.org.np/uploaded/economic\\_cooperation/India-Nepal%20Economic%20Cooperation.pdf](https://www.indianembassy.org.np/uploaded/economic_cooperation/India-Nepal%20Economic%20Cooperation.pdf) (accessed on 12 May 2019).

<sup>21</sup> Data was collected in December, 2017.

<sup>22</sup> For details see <https://m.dailyhunt.in/news/india/english/windowtonews-epaper-wintonws/nepal+brings+india+s+small+project+grants+under+regulatory+regime-newsid-92012305> (accessed on 26 November 2018)

scheme, which essentially enabled the Indian Embassy to directly work with the local bodies in Nepal.

## 5.2 Distribution of Development Assistance

Disaggregated data on province and district-wise distribution of India's development assistance was provided by the Indian Embassy.<sup>23</sup>

Province-wise distribution of India's development assistance, taking into account the completed projects by the Indian Embassy is given in Table 4. As regards the distribution of assistance across different provinces, a large part of India's development assistance is concentrated in Province 4, which has 11 districts and a share of 9.07 per cent in total population and 10.31 per cent in child population. This is followed by Province 1. Province 6, which incidentally has the lowest share in both total and child populations in Nepal also has the lowest share in total education assistance.

**Table 4: Province wise distribution of Total Population, Child Population in Nepal and Share in Education Assistance from India**

Province No.	No. of Districts	Share in Total Population	Share in Child Population	Share in Total Education Assistance
Province 1	14	17.12	16.50	20.83
Province 2	8	20.40	20.92	15.40
Province 3	13	20.87	18.75	16.18
Province 4	11	9.07	10.31	22.41
Province 5	12	16.98	17.26	11.54
Province 6	10	5.93	5.74	2.44
Province 7	9	9.63	10.53	11.21
Grand Total	77	100	100	100

*Source: Compiled from the information received from the Embassy of India, Kathmandu, Nepal.*

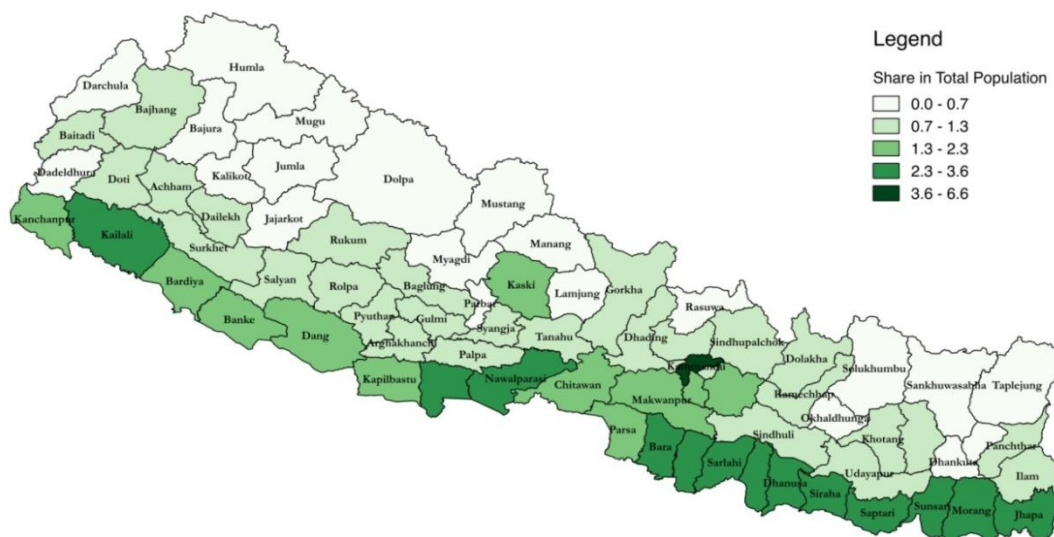
Mapping of the district wise distribution of India's development assistance (taking in account the completed projects of the Indian Embassy) in the education sector was done using QGIS (a platform for geographic information system<sup>24</sup>), and it was compared alongside the maps for total district wise population and total child population in Nepal (Maps 1a-c).

<sup>23</sup> Nepal is divided into 7 provinces, provision for which is made under Schedule 4 of the Constitution adopted in 2015. Each province comprises districts, which are further sub-divided into local units. There are 77 districts in Nepal with 6 metropolitan cities, 11 sub-metropolitan cities, 276 municipalities, and 460 rural municipalities. Such a division is in keeping with the strong demand for and the desirability of federalism as has also been laid out in the Constitution adopted in September 2015.

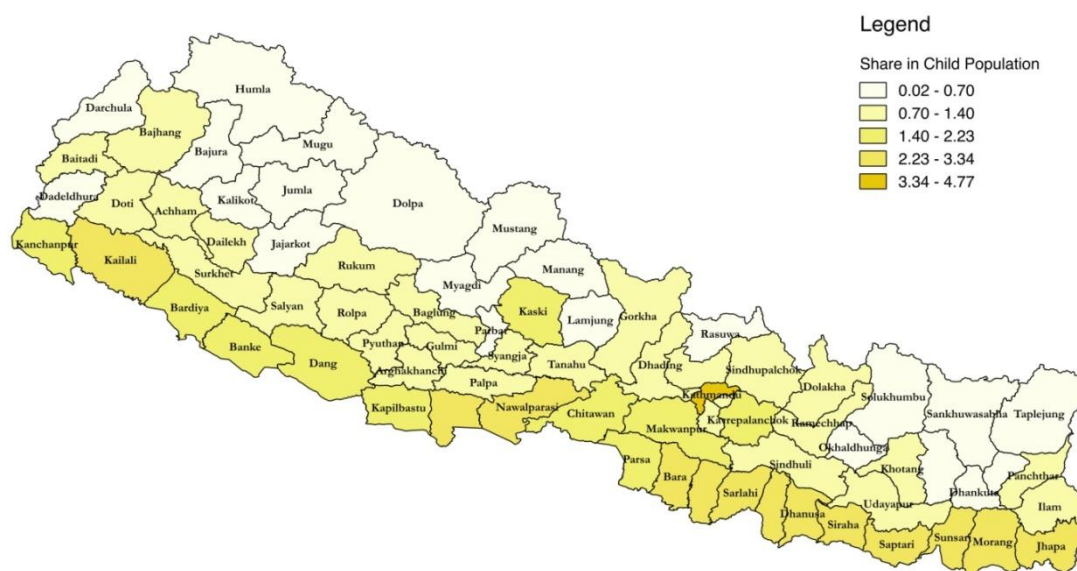
<sup>24</sup> Earlier called Quantum geographic information system.



**Map 1a: District wise Distribution (in percentage) of Nepal's Total Population<sup>25</sup>**



**Map 1b: District-wise Distribution (in percentage) of Child Population<sup>26</sup> in Nepal**



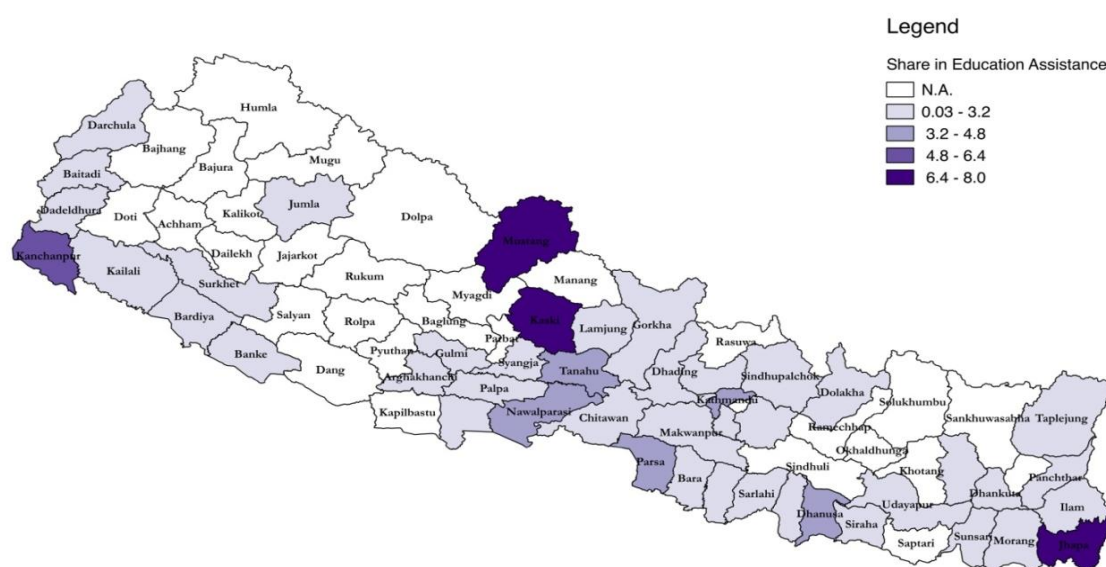
<sup>25</sup> Data on district-wise distribution of Nepal's total population for the census year 2011, compiled from: Central Bureau of Statistics, Government of Nepal. [http://cbs.gov.np/image/data/2017/Population\\_District\\_Level.pdf](http://cbs.gov.np/image/data/2017/Population_District_Level.pdf) (last accessed on 20 February 2018). This has been created using natural breaks in QGIS.

<sup>26</sup> According to Nepal's Children's Act, 1992, "Child" means a minor not having completed the age of sixteen years. Further details: <http://jafbase.fr/docAsie/Nepal/children-act%20%281%29.pdf> (last accessed on 9 May 2018).

Refer Annex 8.5: Distribution of children population (aged 0-14) by Districts, 2011 (p.347) in Ch. 8 - Child Population of Population Monograph of Nepal, Volume II (Social Demography) available at <http://cbs.gov.np/image/data/Population/Population%20Monograph%20of%20Nepal%202014/Population%20Monograph%20V02.pdf> (last accessed on 20 February 2018). This has been created using natural breaks in QGIS.



**Map 1c: District wise Distribution (in percentage) of India's Development Assistance through SDP schemes in the Education Sector**



Demographically, a majority of the total population and child population is concentrated in the Terai region, followed by the hills and flatlands and then the mountains. Kathmandu being the capital city of Nepal also has a high concentration of population. Compared to this, India's development assistance in the education sector is distributed across the three regions without any regional concentration. A majority of the assistance is directed towards the Mustang in the mountain region (8 percent of total assistance in the education sector). A senior secondary school has been funded in the Jomsom area of Mustang. This is followed by Jhapa in Terai region (7.4 percent) and Kaski in the hills and flatlands (6.5 percent). Other districts with a large share in India's assistance in education sector are Kanchanpur (5.3 percent), Kathmandu (4.4 percent), Parsa (4.1 percent), Tanahu (3.5 percent) and Dhanusa (3.4 percent). This also explains the concentration of assistance in Province 4 as Mustang, Kaski and Tanahu are in Province 4.

District-wise data provided by the Indian Embassy reflects that less than one per cent of the funds directed towards the completed projects in the education sector were spent on provision of computers and establishment of libraries. The remaining 99 per cent funds were primarily directed towards establishment of school infrastructure in various districts in Nepal. Hence, India's development assistance has largely focused on providing hard infrastructure such as school buildings and facilitating infrastructure such as buses and bicycles to improve the access.

Thus, India's development assistance is not necessarily based on the demographic distribution of the district. Discussions with the Indian Embassy revealed that India's development assistance in the education sector is need-based or demand-driven. It was pointed out that if one takes into account both the completed and the ongoing projects under

the SDP scheme, the Indian Embassy has initiated projects in the education sector in every district in Nepal. The quantum of assistance to each district may vary.

### ***5.3 Experiences of Stakeholders***

This sub-section summarises the views from the Indian government largely including officials from the Ministry of External Affairs and Embassy of India in Nepal; Nepal Government including officials from Ministry of Finance, Ministry of Education, District Coordination Committee, etc. and the key beneficiaries including developers, faculty and students.

- *Views from Indian Government Officials*

Overall, Indian government officials were satisfied with their engagements in Nepal, especially the SDP scheme. It was pointed out that over the last ten years, India's engagement in Nepal in the education sector has expanded both in terms of capacity and resources. The highlight of the SDP scheme is that it allows the Indian Embassy to engage directly with district-level officials and thus, be involved in the operational process. The grant is released from the government after checking the progress of the project, which is done by making on-sight visits by the officer appointed/contracted by the Embassy. Therefore, it is a result-oriented and performance-based scheme.

The projects that India has taken up in Nepal under the SDP scheme are community-driven projects. India has built large schools, colleges, universities, women's hostels, community centres, etc., which has contributed to both improved access and, to some extent, improved the quality of education for people in remote villages. Further, it was no new projects are approved in a district unless there is evidence of progress in a project in that district.

It was pointed out during the survey that while there are concerns regarding the role of different ministries and departments, the final selection is not solely based on DDC/DCC recommendation. The project proposals including cost estimations, etc. are thoroughly evaluated. The engineering side of the project is examined and has to be consistent with the requirements. There is a local engineer stationed with the EOI to cross-check that all the requirements are met. Transparency is maintained throughout the process – there is a tendering process and e-bidding is done. Moreover, proposals are discussed with the Finance Ministry of Nepal.

Projects are not confined to primary and secondary education but they cover higher and tertiary education as well. India also provides scholarships to students for studying in Nepal as well as in India and it was highlighted during the survey that one of the highest numbers of scholarships given by India goes to Nepal. The scholarships are coordinated by a separate education wing in the Embassy.

Indian government officials also pointed out that work is being done on vocational and technical education and training. For instance, the Council for Technical Education and

Vocational Training in Nepal does a lot of work. The Manmohan Memorial Polytechnic, which was established in 2009 in Biratnagar, is one of the best institutes in Nepal; another work-in-progress is the Nepal Bharat Maitri Polytechnic at Hetauda. In the initial phases of these institutes, some hand-holding was done by India. Manmohan Memorial Polytechnic in Biratnagar provided technical education in three engineering streams and vocational training for 500 students in 2009 and the Polytechnic at Hetauda provides mid-level technical courses in four engineering fields.<sup>27</sup> It was pointed out during the survey that a number of students who have graduated from Manmohan Memorial Polytechnic in Biratnagar have been absorbed in job markets in India as well as Nepal. Apart from these, colleges and universities enter into exchange agreements.

As regards primary and secondary education, so far, the Indian government assistance is largely limited to provision of supporting infrastructure such as school buildings, computer labs, etc. The government does not interfere with the curriculum and medium (language) of teaching as there are local preferences. However, in future in case there are request related to courses material or curriculum for primary and secondary levels, the Indian government is open to discussing the possibilities of assistance.

- *Views from Government Officials from Nepal*

The survey participants asserted that neither India nor China is seen as donors but as development partners. There are other countries such as Norway, Finland, Australia, Denmark and donors such as the World Bank, the Asian Development Bank, Global Partnership of Education (GPE) and European Union that are funding the School Sector Development Plan 2016-2023 (SSDP) – where a targeted programme is being initiated for development of schools. India is not a part of this and the nature of assistance is different. While other donors give funds in bulk directly to the Ministry of Finance, the Indian government directly funds infrastructure development.

It was further pointed out that under the SDP scheme, the role of the finance ministry is coordination and providing concurrence to the Embassy of India. For some projects, the Ministry of Finance would take concurrence from the relevant line ministry (in this case, Ministry of Education) before giving its consent to the Indian Embassy. It was however mentioned that there are constitutional changes in Nepal and the country is coming towards a federal structure. As a result, District Development Committees have now been replaced by 753<sup>28</sup> municipalities – spanning across metropolitan, sub-metropolitan, municipality and rural municipality. As a result, the participants advised that the support has to be routed through the federal government.

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<sup>27</sup> The Rising Nepal, 2070 & Ministry of Finance, Government of Nepal, 2012

<sup>28</sup> With the transition of Nepal from a monarchy to a democracy, the country has been divided into 7 provinces, 6 metropolitan cities, 11 sub-metropolitan cities, 276 municipalities and 460 rural municipalities (Gaupalika; these have been setup to replace what was earlier known as village development councils). These amount to a total of 753 municipalities.

It was further highlighted that once a project receives approval from the Indian Embassy, the role of the District Education Office is to provide a recommendation letter and permission for construction to take place. The District Education Office is not involved in the decision-making process. Moreover, the Ministry of Education is also not directly involved in deciding, which projects have to be funded. However, while giving its consent, the Ministry of Finance sometimes takes concurrence from the Ministry of Education.

However, a majority of the officials from the central government ministries had pointed out that while they are consulted while a project proposal is being evaluated, yet key ministries do not have any account of the total value or amount of development assistance coming from India under the SDP scheme as grant is made on a reimbursement basis. Once the project is approved for grant, there is no role of Ministry of Finance and only the local bodies and the Embassy of India are involved in the execution. The funds are directed to the developers and thus, central ministries such as the Ministry of Finance are not aware of the quantum of assistance. There is no documentation of the same either, apart from press release. Often times the line ministries such as Ministry of Education receives request for assistance, which cannot be directly be approved or recommended by the Ministry. These ministries should be able to directly recommend projects to the Indian Embassy. Moreover, the central ministry is of the view that the grant amount should be added to the central pool.

After the earthquake that hit Nepal in 2015, the National Reconstruction Agency (NRA) was set up to undertake reconstruction work. It was reported that although India had disbursed some money for reconstruction, there was no demarcation as to how much money actually went into reconstructing damaged school buildings. There has been limited progress on projects financed through aid and one of the factors responsible was the inefficiency with which District Profile Reports (DPRs) were prepared. There were three universities that were to be built via the grant coming through LoC; however, there has been no progress on any as yet.

Despite certain negatives, government officials from Nepal did acknowledge that the country had benefitted from India's development assistance and India's assistance has been instrumental in establishing schools in the areas, which previously did not have concrete school buildings. Further, schools that were demolished after the earthquake have also been reconstructed with the support from the Indian government. Thus, access to education has improved. The efforts of the Indian embassy have ensured there is at least one school in every district.

- *Views from the Beneficiaries: Developers, Faculty and Users of Infrastructure*

It was pointed out during the survey of schools established with Indian assistance that the teaching and learning environment is good, and students are learning in better conditions. Earlier, students had to walk several miles in remote areas to reach their schools. This is not the case now. In addition, there are buses for transportation and in some districts Indian Embassy has provided bicycles for girls. It was also pointed out that there has been an

improvement in the enrolment of girls in primary schools, which is also verifiable from the UN data.

After the earthquake, a lot of funds have been given for the reconstruction of school infrastructure that had been destroyed. Thus, the priorities for some schools have changed over the past few years. It was pointed out by the principal of one of the schools that it is due to India's assistance that the school has managed to resume classes. The Government of India has not only supported the reconstruction of a new building but also assisted in setting up make-shift classrooms to ensure that schools resume with regular classes.

In terms of the quality of education, there were a few observations. Many schools are gradually shifting towards smart classes and others digitised means of imparting education. In some schools, computer training centres are being funded, while in others, overall facilities such as smart classes with projectors and other facilities are being set up. However, this constitutes a very small proportion of the total assistance from India in the education sector as a majority of the assistance is still provided for setting-up basic infrastructure for schools in areas where the community does not have access to schools. During the field visit, it was noticed that one school had cameras installed in the classrooms to be able to keep a check on both teachers and students.

It was also highlighted during the survey that the curriculum and the medium of education, are left to the schools to choose. According to the Constitution of Nepal (2015), every Nepali community living in Nepal shall have the right to acquire education in its mother tongue up to the secondary level. It was pointed out during the survey that the Indian government does not interfere with the medium of education and the curriculum chosen by the schools. It was also mentioned that a large number of schools prefer to teach in Nepali language as for getting government jobs in Nepal it is mandatory to have completed secondary education in the local (Nepali) language.

In case of higher education, the intervention has been different and thus, there is some impact on the quality of education. As mentioned earlier, there are academic collaborations and exchange programmes for teachers and faculty. These collaborations are largely at the level of the university and the initiatives are also taken at the university level. It was pointed out by the faculty of some of the premier institutes in Nepal that they have completed their higher education and PhDs in India as scholarship students. This forms a key part of the indirect support. Anecdotal discussion with a few students who participated in the discussion revealed that one of the key features of scholarships given by Indian government is that they are not based on social or economic criteria rather they are merit-based.

University faculty pointed out that some of the top universities in Nepal share very good relations with top engineering universities in India, including the Indian Institute of Technology (IIT). The relations have transformed into strong inter-personal relations over the years. Teachers visit to give lectures from time to time and in the initial phase, they helped a lot in developing the curriculum and taking classes. New programmes have been initiated with assistance from India – for instance – the agricultural engineering programme in the

Institute of Engineering in Nepal was started with assistance from IIT Kharagpur. Some students from Nepal visit universities and institutes in India to undertake practical assignments. It was pointed out during the survey that this kind of exchange is extremely beneficial and, in the case of technical and professional education, it is often more helpful than receiving funds from the government.

Students pointed out that while other countries are emerging as attractive options for foreign education, India still continues to be one of the most preferred destinations for higher studies, especially among those who wish to get good quality education closer to Nepal. This was also confirmed by the statistics available from UNESCO, which shows that India is the second most preferred destination, after Australia, for pursuing tertiary education for students from Nepal. In 2016, around 20 per cent of students from Nepal pursuing tertiary education abroad were studying in India.<sup>29</sup> There is a growing trend towards studying engineering in India. North India in general is preferred over South and Central India due to its proximity to Nepal, food and language. Further, it was pointed out that those students who go to India for higher studies through the Indian Embassy have received support in several ways both during the admission process as well as after admission. It was also pointed out during the survey that job prospects, at least within Nepal, are largely better for those who have completed their higher education in India as opposed to those who studied in Nepal. The cultural affinity between the two nations further strengthens the feasibility of students moving across the border.

During one of the meetings, a faculty member pointed out that a student's experience in India depended on the university and the state they choose. Ignorance about the recognition status of universities and the fall out of having studied in an unrecognized University is one of the causes of disillusionment among students. Moreover, it was also pointed out that due to the growing popularity of Indian assistance, many education consultants with dedicated information in educational assistance and programme in India have started practicing in Nepal. Often students are misguided, which may lead to a negative experience.

While there are views against the present structure of grant disbursement, a number of direct beneficiaries of the grant felt that by directly funding institutions and working closely with local bodies, the Indian government is effectively contributing to the education sector as the beneficiaries do not have to go through multiple authorities for clearances and the process is much faster. This is also verifiable from the project progress and the number of completed projects. It was however pointed out that some grant should be made available for maintenance and upgradation of the infrastructure. This is important for long-term sustainability of the impact of India's assistance.

## **6. Conclusion and Policy Recommendations**

India's development assistance to Nepal has been a crucial aspect of India-Nepal relations. The Indian government through its aid mission and later through the Embassy of India has

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<sup>29</sup> Data extracted from UNESCO Stat accessible at <http://data.uis.unesco.org/> (accessed on 24 April 2018).

been actively involved in supporting Nepal social and economic development. Since the inception of the aid programme, human capital development has been a key priority and it continues to be a priority for the Indian government. This is reflected from the high share of education sector in the overall aid disbursed from India to Nepal.

Secondary literature and experience of other countries highlight that the design of aid is crucial in determining the success of aid in a country. In most developing and least developed countries, since institutional and governance mechanisms are not strong, the cases of corruption and mis-utilisation of development aid are high. In such a scenario, it is important to design the aid structure in such a way that aid reaches the beneficiaries rather than being diverted to unintended purposes.

In this regard, the paper found that aid through the SDP scheme of the Indian Embassy was successful in reaching the beneficiaries, as it was a demand driven, performance-based scheme, wherein no cash transfer was involved. Moreover, data also reflects that projects were evenly distributed across the different areas in Nepal. Thus, one of the highlights of India's development assistance has been the design of the grant, which allows direct interactions with the local bodies and flow of funds to the beneficiary organisations and developers. Officials from the Government of Nepal however have concerns with such an arrangement as a) they are not aware of the actual amount of aid being given by India for different purposes, b) line ministries often have their own targets and plans for development of infrastructure in certain districts and areas and therefore they are of the opinion that they should have a more well-defined role in decision-making and c) central ministry was of the view that the grant should be added to the central pool and the ministry should decide on where the grant shall be utilised.

In any case, since July 2018, Nepal Government has put on hold small grants coming from India and has urged the country to sign all financial deals with the Ministry of Finance in Nepal.

From the survey experience and the recent developments in this regard, there are a few recommendations for the Indian government.

**One,** the Indian Government may discuss and rework the design of the SDP scheme to ensure that engagement at the grass-root level continues to happen yet there is a greater involvement of the Ministry of Finance and the Ministry of Education. During the previous engagements under the SDP scheme, the Government of India allocated a stipulated amount every year. The scheme can be re-designed in such a manner that the Embassy of India in consultation with the Ministry of Finance can decide the sectors where the amount will be allocated every year, rather than directly inviting applications. Based on the sectors selected for grant, the Embassy can invite applications and recommendations should be made by both the line ministries and the local bodies. It is recommended that for a few key projects in certain districts, a panel may be constituted for directly taking concurrence or seeking advice on projects from specific ministries and governmental departments. The panel may comprise relevant representatives from the Ministry of Education, District Education Office, Ministry

of Finance, District Coordination Committee and a civil engineer representing the Government of India. This will enable direct interactions with line ministries and it will enable the line ministries also to establish direct contact with the Indian Embassy. Further, the Embassy can discuss the quantum of grant approved and other details with the panel. However, there needs to be a dialogue between the two governments to arrive at a mutually agreeable design for the scheme.

**Two**, there is a need for openly sharing data on the Indian Embassy website. The Indian government is doing a lot of work in Nepal and large volume of grant is channelled into socio-economic projects. The data needs to be made available for the ease of access by the Government of Nepal and other stakeholders. Moreover, progress reports of key projects and other details can also be made available on the Embassy website.

**Three**, there is a need for improved outreach with respect to India's work in Nepal. While some work gets reported in the local media, a large number of projects do not get adequate coverage. Thus, for better outreach, some initiatives have to be taken by the Indian Embassy. Rallies and promotional interactions may be carried out in districts where projects have been undertaken. Lectures and addresses at annual school and university events can be organised in coordination with the district development bodies. The Indian Embassy already publishes a booklet called '*Saransha*', highlighting its activities in Nepal, which is for limited circulation. A monthly, one or two-page brochure bulleting the Embassy's activities in social sectors per se can be prepared and printed by the Indian Embassy for wider circulation, especially amongst students who visit the Indian Embassy for scholarships, etc. Visibility is important as people should know what the Indian government is doing in Nepal. Social media can also be used as an effective medium for spreading information.

**Lastly**, considering the quantum of development work being undertaken by the Indian government in Nepal, the Embassy of India must periodically undertake or commission studies for an impact assessment of the work being done in Nepal and publish these reports on its website. India and Nepal have enjoyed several decades of strong partnership and the role of development assistance in fostering this relation is significant. Thus, efforts must be carried out from both the sides to ensure that the development partnership program continues to fuel socio-economic development of Nepal and strengthens the ties between India and Nepal.



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