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## DALHOUSIE'S HUMAN RESOURCE DEVELOPMENT PROJECT IN NEPAL

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### Introduction

Nepal is among the ten poorest countries in the world [World Bank 1991, Table 1], and indeed, its ranking may have slipped downward over the last decade [Khadka 1991; Seddon 1987]. The literature on development does not fully reveal why some desperately poor countries make so little economic progress, but it does offer clues: a poor physical resource base, a dysfunctional education system, low levels of physical capital per person, and -- perhaps paramount -- cultural attitudes which are hostile to economic progress [Bista 1991]. Many of these handicaps characterize Nepal, and they do not appear to be counter-balanced effectively by internally-generated forces for "dissemination of the attitudes, knowledge, and skills favourable to development." [Myrdal 1966, p. 1621] In this context, one of the challenges facing Nepal is to improve the way its public service functions. [World Bank and UNDP 1991, Suvedi 1983, Panday 1989].

The dependence of Nepal on foreign aid is high [Panday 1989]. Yet significant and increasing amounts of development assistance remain unutilized because of inadequate absorptive capacity [World Bank and UNDP 1991, Poudel 1991]. For example, 51 billion Rupees of new aid were committed over the five fiscal years 1985/86 through 1989/90 but only 24 billion Rupees disbursed<sup>2</sup>. To put these numbers in perspective, total expenditures of His Majesty's Government of Nepal (hereafter, HMG) over the same period amounted to 73 billion Rupees; GDP was estimated to be 345 billion Rupees [HMG, Ministry of

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<sup>1</sup> For close reading and many critical comments, thanks are due to Ian McAllister. I have not always accepted his suggestions and absolve him from all responsibility for the results. All errors of fact or interpretation should be attributed solely to me.

<sup>2</sup> About a third of both commitments and disbursements was grant aid, from both bilateral and multilateral sources. Of the total amount of aid, two thirds came from multilateral sources [HMG, Ministry of Finance 1982, Tables 8.6 and 8.8].

Finance 1992, Tables 1.1 and 8.1].<sup>3</sup> In other words, about a third of the budgeted expenditures of HMG are being met by foreign aid.

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The CIDA-funded project reviewed in this essay (hereafter, the "Project") got under way in 1989. It is intended to make a modest contribution toward training Nepalis to plan and manage economic development at both micro and macro levels. It links Dalhousie University in Canada with Tribhuvan University in Nepal: more specifically, the Department of Economics in the former with the Centre for Economic Development and Administration (CEDA), one of four research institutes at the latter. The Project seeks to assist the development of Nepal's human resources at two levels: on the one hand through upgrading the qualifications of staff members of CEDA; and on the other hand, through offering, on a cooperative basis, training courses in project analysis, development planning and related areas to the public and private sectors in Nepal.<sup>4</sup> A further goal is the enhancement of CEDA's capabilities in applied policy research and consulting. Major Project activities directed toward these goals include (1) mounting the training programmes just mentioned, (2) cooperative development of a comprehensive management planning process for CEDA, (3) enrollment of CEDA staff members in graduate study programmes at Dalhousie and in short-term diploma courses at centres in south and south-east Asia, and (4) delivery of equipment, library and training materials.

CIDA has committed slightly more than \$1 million for the five-year Project through its Institutional Cooperation and Development Services (ICDS) branch. Dalhousie University and CEDA make contributions in kind, mainly in faculty time, partly in other services and materials; Dalhousie receives overheads in respect of its contributions, CEDA receives hardware and actual services from Canada. Of course, there are also intangible benefits to Nepal and to Canada, whose magnitude cannot readily be quantified. Chief among these is doubtless the positive cross-cultural interaction arising from the presence of Canadian Project participants at CEDA and of CEDA staff members as students at Dalhousie. Certainly the latter enrich Dalhousie's international development programmes, providing a perspective which is important and valuable.

The remainder of this essay is organized as follows. First, the conception and the history of the Project are presented in sections two and three. Then the following three sections describe various constraints facing the Project and analyze some of their effects; these

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<sup>3</sup> Because the Rupee lost a third of its value over this five-year period, these data -- many of which originally are U.S. dollars -- are not fully comparable; but the magnitude of dependence is clear.

<sup>4</sup> This second level of training activity, which is directed beyond Tribhuvan University, distinguishes this Project from the typical linkage project.

sections describe the counterpart institution in Nepal, consider some relevant features of ICDS funding and briefly analyze the incentives facing participants in the Project from Canada. The achievements and current (March 1993) status of the Project follow. At the end, there is a brief attempt to distill some lessons from the Project's experience thus far and to examine the auguries for the future. Because the author is directing the Project, subjectivity is inevitable. Caveat lector.

## The Project: Conception and Concept

In 1984-1985, Dalhousie's Department of Economics hosted an IDRC Pearson Fellow from Nepal's Ministry of Finance. Later, the Chief Secretary of HMG asked him to complete a Master of Development Economics degree and write a thesis on Nepal.<sup>5</sup> Shortly after the return of the Pearson Fellow to Nepal in June 1986, the Secretary of the HMG Ministry of Finance requested Dalhousie University to consider helping in the training of civil servants in Nepal. The Project germinated from this request.

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A year later, during a visit to Nepal by a representative of Dalhousie, the then Vice-Chancellor of Tribhuvan University suggested -- and officials in the HMG Ministry of Finance supported -- a linkage of Dalhousie with CEDA. It was thought that this would increase the training and research capacities of Tribhuvan University in applied development policy and programming, while simultaneously providing at least some of the training needed for public servants. Subsequently, a draft proposal for cooperation was submitted to Dalhousie by the Executive Director of CEDA, under a covering letter from the HMG Ministry of Finance. A further exploratory trip to Nepal followed in August 1988 by representatives of Dalhousie. Their first thoughts were that a project at CEDA might be structured along lines similar to Dalhousie's successful experiences in training civil servants in Ghana and Zimbabwe (described elsewhere in this volume).<sup>6</sup> In 1988 dollars, that would have implied CIDA funding of \$2.5 to \$4 million over a five year period.

Due to anticipated problems in securing funding for a project of this size, a much smaller proposal was submitted in October 1988 by the Dalhousie Department of Economics for the maximum possible level of ICDS funding; this was approved in principle three months later and in May 1989, the contract was signed with CIDA for its contribution of

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<sup>5</sup> The subject of the completed thesis was Canadian aid policies and experience in Nepal; with revisions and editing by the Project director and financial support from IDRC, the thesis [Poudel 1991] was recently published in Kathmandu.

<sup>6</sup> When the Ghana and Zimbabwe projects got under way, both were classified as middle-income countries by the World Bank [1980, Table 1]. Nepal, as noted above, is among the poorest countries in the world.

slightly more than \$1 million. Thus, once a formal project proposal was submitted to CIDA, delays in funding and in starting the Project were minimal. However, in the process of shrinking the Project to fit within ICDS funding framework, the intended outputs of the Project were reduced by a considerably smaller ratio than the financial support sought. As a consequence, the Project was overambitious and would have experienced difficulty in fulfilling its quantitative output targets even if the political environment in Nepal had remained stable, as was assumed in the Project proposal, and no other problems had been encountered.

### **The Project: Implementation and Experience**

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In early April, 1989, a month before the Project was to start, India closed its border to trade with Nepal. This rapidly led to major fuel shortages and political uncertainties. One immediate effect of this fuel crisis was that CEDA requested postponement of the initial trip of the Project Director to Nepal. On that trip, which took place a month later than planned, it was learned that a Memorandum of Understanding (MOU) approved by HMG of Nepal was necessary for the Project to have official status and to import equipment free of duty. This news was unexpected since neither CEDA nor contacts in the Nepalese Ministry of Finance nor experienced officials at Dalhousie or CIDA/Ottawa had ever hinted at this eventuality. At the same time, only 75 days after the Project funding agreement had been signed, ICDS cut the budget by 3.4 percent and required a "re-profiling" of expenditures. This essentially entailed a partial postponement of budgeted expenditures -- which was not unwelcome, given the MOU and fuel crises already afflicting the new Project.

It was hoped that approval of a rapidly drafted MOU would be forthcoming within about four months, so that equipment deliveries and short-term scholarships could be implemented in the first fiscal year of the Project. However, the approval process took 16 months. The political events in Nepal, which are described next, were the main causes of this delay, but some responsibility must also be attributed to officials at Dalhousie who were unwilling to accept the experience of another Canadian university with long involvement in Nepal and insisted that MOU provisions, which had recently been approved by that university and by Nepalese authorities for two larger and more complex projects, were inadequate and needed total redrafting at Dalhousie.

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The partial Indian trade and transit blockade began to relax after eight months and subsequently came to a negotiated end. Loss of foreign exchange revenues, higher import costs and severe fuel shortages were the consequences of this exercise in Indian diplomacy; the result for Nepal was increased fiscal stringency, limiting funds which might have been available to support the Nepalese local inputs into training

activities. As the trade "crisis" wound down, political demonstrations in the Kathmandu Valley multiplied. These emanated primarily from the University, centering on the Kirtipur campus where CEDA is located. Professionals in CEDA were arrested, albeit for brief periods; telephone lines were cut; armed confrontations occurred. In early April 1990, after many demonstrators had been shot in front of the palace gates, the King gave way and a new interim government took power. Unrest continued, and a rigid curfew was imposed. Two training initiatives which had been scheduled for May-June 1990 had to be postponed.<sup>7</sup>

These revolutionary events had both direct and indirect effects on the Project. First, a further drop in international tourism exacerbated the government's (and CEDA's) fiscal problems; moreover, donor agencies cut back discretionary spending and new initiatives. Second, some supporters of the Project lost their jobs. For example, the newly-appointed Vice-Chancellor of Tribhuvan University was forced to resign as were the other senior University officials, including CEDA's Executive Director. The new Executive Director carried on with a training programme planned for August 1990, but initially was understandably cautious regarding new Project initiatives. Third, the new "revolutionary context" meant a further review of government decisions on the MOU and cancellations or delays in financing programme initiatives of CEDA. A specific and rather ironic casualty of the revolutionary fervour was the Project's link to the Ministry of Finance: new officials in that Ministry insisted that the text of the MOU had to be purged of all references to the Ministry of Finance.<sup>8</sup> Finally, the atmosphere in this period was uncondusive to organizing and presenting training programmes. Political changes, shifting expectations, strikes, demonstrations and interminable political meetings preoccupied the time and energy of Nepalis at the University.

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The first post-revolutionary government in Nepal inherited massive fiscal problems and had a mandate only to draft a new constitution and prepare elections. Hence it was reluctant to spend money and make decisions. A year later, in May 1991, although plagued by factional infighting, the Nepal Congress Party won a narrow election victory; hence, the political instability of the previous 16 months continued in attenuated form.

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<sup>7</sup> The Project Director, accompanied by his spouse, was in Nepal at this juncture, attempting to push ahead as best as possible with the Project.

<sup>8</sup> This may have reflected the reserved attitude of the new Minister of Finance, Devendra Panday [1989], toward foreign aid.

## **Constraints Facing the Project: A Sketch of the Counterpart Organization**

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With financing from the Ford Foundation, CEDA was set up as an independent institution in 1969. The Ford Foundation withdrew from all activities in Nepal in the mid-1970's and CEDA was absorbed into Tribhuvan University in 1976. In this period, CEDA was the only institution in Nepal providing training and conducting quasi-independent economic and social analyses; it attracted external support and was a magnet for bright, well-educated and energetic Nepalis. However, at the beginning of its second decade, CEDA started to lose a significant number of key professionals from its complement of about 40. Some moved into high-level government jobs; others transferred to the Nepal Administrative Staff College, which was set up in 1982 as the major training institution for the civil service; others became private consultants; and some retired or left for study abroad.<sup>9</sup>

Having lost much of its training mandate outside Tribhuvan University, CEDA's training activities have been limited and ad hoc over the last decade. Training partners, other than Dalhousie, have included Bradford University (England), the Ford Foundation, the Konrad Adenauer Foundation (Germany) the Rehovot Development Study Centre (Israel) and Winrock International.<sup>10</sup> CEDA concentrated increasingly on research. While some of its research has been funded through the University, most has been commissioned by various Nepalese ministries (supported by foreign aid) or directly contracted by one of the various donor agencies in Nepal.<sup>11</sup>

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The foregoing description is based on the 1988 Project proposal to CIDA. What was not adequately appreciated at that time, despite considerable exploratory effort by the Dalhousie initiators of the Project, was the incentive and budget structure within CEDA. In this regard, the key points are that external contract revenues vastly outweigh CEDA's normal budget allotment through the University and that these external revenues -- although highly unstable -- appear essential for its viability as an organization. Salaries paid at CEDA have to correspond to those for similar ranks in the University. At

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<sup>9</sup> Of its current professional complement of about 40, a third are studying abroad, seconded to other organizations, or on leave. This is a changing third of course; probably half the staff is away from CEDA during some portion of any given year.

<sup>10</sup> Former partners also include the International Institute for Labour and Cooperative Development (Israel), INTAN (Malaysia), Asian Development Bank (Philippines), and the MARGA Institute (Sri Lanka), among others.

<sup>11</sup> Government expenditures in Nepal are more than twice the level of revenues; the shortfall is mostly covered by borrowing from abroad and by foreign grant assistance. [HMG, Ministry of Finance 1992, Table 8.1]

about US \$100 per month for a senior professor, these are grossly insufficient for a Nepalese middle-class standard of living.<sup>12</sup> Predictably, Tribhuvan University has difficulty retaining good staff; some of the most promising scholars resign from the University or become invisible, i.e., remain on the payroll, but devote most of their time to more remunerative outside interests. CEDA has sought to combat this problem by supplementing regular salaries out of revenues received from external contract research.<sup>13</sup> In recent years, such supplements may have comprised more than three quarters of the total remuneration of those professional and senior administrative staff directly involved in externally-funded research.<sup>14</sup> Nevertheless, CEDA continues to experience difficulties retaining staff, while some other units in the University have been envious and sought to undermine its position.

CEDA has actively sought out and has been awarded research contracts; however, securing such contracts in Nepal is highly competitive. In Kathmandu, there are increasing numbers of small consulting firms or consortia with competent staff (some of whom are on leave or employed "full time" at CEDA), who deliver well-presented reports on time, have low overheads and are flexible and opportunistic. Private consultants lack security of tenure, but rewards for effort exceed those CEDA can provide through salary supplements. To keep its best professional people, CEDA must actively seek out external research funding as well as count on some institutional loyalty. Major administrative effort is required to explore future funding possibilities, to negotiate arrangements, to meet contract commitments in a timely fashion. Inevitably, there are uncertainties and disappointments. Great instability in the flow of external funding has been accompanied by fluctuations in the availability of specific skills internally.

CEDA's comparative advantage in offering training courses derives from its strong research base. No other Nepalese organization has anywhere near the research experience or intensity of CEDA. However, in pursuing a more active and organized training role, CEDA faces three difficulties. First, its training mandate may overlap with other organizations. The Nepal Administrative Staff College has focused primarily on senior civil servants, but has been expanding its activities. Its mandate is limited to the public sector and its orientation is administrative. Special purpose training centres also exist, such as the Agricultural Projects Services Center, and the Local Development

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<sup>12</sup> Low university and civil service salaries are not unique to Nepal. In even more extreme form, they now characterise CIS and some other Eastern European countries, creating strong incentives for corrupt behaviour.

<sup>13</sup> CEDA has also instituted rules which seek to enforce attendance during normal working hours.

<sup>14</sup> Indeed, in extreme cases, such supplements have exceeded twenty times the normal base salary.

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Training Centre. However, since a training vacuum seems to exist in the area of policy analysis, an obvious high-level training niche may be open for CEDA. Second, CEDA's location and facilities put it at a competitive disadvantage. CEDA's building is a pleasant structure with two seminar rooms and a lecture hall, in addition to a library and offices. But it is located on the main University campus at Kirtipur, far from the center of Kathmandu. The area lacks suitable accommodations, and even a reliable water supply. Furthermore, access and communications are frequently disrupted by student demonstrations, which seem to have become endemic since the Nepalese Revolution. Third, there is the key question of financial support. It is not feasible in Nepal to charge trainees; indeed, some donor organizations (such as the Asian Development Bank) that put on training programs in Nepal pay trainees per diems which are a multiple of their regular salaries! A key question for CEDA is whether the ministries or donor agencies can and will allocate funds to support the specific training initiatives that CEDA is able to offer on a sustained rather than ad hoc basis. Securing timely funding decisions is a major constraint on preparing and presenting training programmes. Finally, there is the issue of motivation of individual members of the CEDA professional staff. The opportunity cost of participating in a training programme is often foregone external consulting fees or internal research honoraria. If a significant investment in preparation is necessary or there is a potential that the training programme may not attract a sponsor (other than Dalhousie) or may not yield an adequate honorarium despite attracting a sponsor, then accepting an assignment as a trainer is unattractive. Equally unattractive is cooperation with a Canadian counterpart to develop training modules for future courses for which a sponsor may not emerge.

### **Constraints facing the Project: ICDS Funding**

*ICDS projects are relatively small.*

Under the ICDS programme, Canadian universities may receive CIDA funding of up to \$200,000 per year over a five-year period to carry out an overseas development project. Thus, compared to projects funded through other CIDA programmes, ICDS projects are relatively small. Moreover, since every project must provide for administration, reporting and project direction, the relatively small ICDS undertakings are characterized by significant economies of scale. In addition, the relatively small size of such projects effectively rules out a permanent Canadian presence in the LDC and the advantages associated therewith, because this option for project delivery would absorb at least two thirds of the funds available for substantive project activities.

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The advantages of the ICDS programme are that decisions on funding can be rapid and that some aspects of project execution are relatively free from direct supervision by CIDA staff. Inflexibility in project delivery and reductions in the quality of benefits provided are the major disadvantages of the ICDS programme. These arise from the following



restrictions on project delivery (none of which apply to bilateral CIDA-funded projects):

- CIDA money cannot be used for honoraria to staff from the LDC institution,
- use of professionals from third countries is excluded, thus preventing the use of experts from other LDC's,
- overheads accrue only for Project participants currently employed at the Canadian university; retirees or staff members from other universities do not count,
- Canadian university employees, whether or not from the host institution, are supposed to be motivated by good will alone and accept the hazards<sup>15</sup> and frustrations of Project participation without monetary incentive,<sup>16</sup>
- use of Canadian consultants is discouraged; and consulting fees at market rates cannot be paid, and
- no funds can be budgeted for entertainment, even though this may be essential for normal social interaction in the cultural milieu where the project takes place.

### **Constraints facing the Project: Incentives for Canadian Project Participants**

Ideally, Dalhousie should be providing experienced specialists to the Project, who, in addition to their subject-area expertise, either know Nepal already or can devote the time needed for adequate preparation. Dalhousie has a large cadre of professionals who specialize in development. However, as a relatively small university, it lacks some departments, such as agricultural economics, rural development, forestry and geography.<sup>17</sup> Restrictions on the Project's ability to recruit outside Dalhousie reduce flexibility in implementation and make it difficult to attract the most skilled and experienced Canadians for some specialized assignments. A particular difficulty is that teaching staff in Canada are most readily available during the summer months when heat, monsoon

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<sup>15</sup> From the viewpoint of personal safety, Nepal is an extraordinarily safe country. But Canadian Project participants thus far have experienced gastro-intestinal problems of varying degrees of severity. Without plumbing this issue in depth, at least three instances of amoebic infestation are known to have occurred, and one of giardia lamblia.

<sup>16</sup> Colleagues may simultaneously be receiving generous honoraria under other CIDA-funded projects.

<sup>17</sup> Similarly, its Department of Economics is modest in size and cannot offer specialization in all fields.

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rains and the national budget process in Nepal create problems in scheduling activities there. Luckily, Nepal is an attractive and safe country, with very friendly people. With some recruiting effort, the Project has been able to attract for short assignments a number of high quality Canadians and has benefited greatly from their dedication. But these participants are confronted with significant opportunity costs, since the Project offers no monetary advantages and uncertain career benefits. As a consequence, there is an understandable tendency by Canadian participants to limit the amount of time contributed.

## **Achievements and Current Status of the Project**

Despite the problems outlined in the previous sections, which have thus far caused the Project to spend about 20 percent less than budgeted, the Project can point to solid accomplishments thus far, even though these fall short of its more ambitious aspirations. Seven joint training programmes, covering about 20 weeks in total, had been presented at CEDA by March 1993. Roughly 170 trainees have participated. In most cases, one or more sponsors in addition to Dalhousie supported the endeavour, so CEDA has succeeded in securing some external funding for these training activities. No formal efforts have been undertaken to determine the amount learned by trainees or to "follow-up" these trainees in their careers. However, responses to the questionnaires which have been administered in every training programme to date have been highly favourable.

In addition to training activities, Dalhousie has participated in two CEDA-sponsored workshops, and Canadian participants have conducted several seminars or presented lectures. In fact, through careful cost control, Dalhousie has provided about a third more manpower while spending less than the amounts budgeted under its agreement with CIDA. Five CEDA staff members have come to Dalhousie for graduate study and four others have been thus far sponsored for short-term programmes of training in Southeast Asia. Furthermore, CEDA's capability to mount training activities has been upgraded through delivery of four computers and two vehicles.

The major area in which the Project's accomplishments have been meagre is longer-term management planning. Lack of results here has not been for want of effort, however. Indeed, a total of nine planning/liaison trips have been undertaken by Dalhousie or CEDA staff members since the formal inception of the Project. The major stumbling block is that effective, longer-term planning requires assurance of funding and continuity of personnel. These, in turn, depend on political and institutional stability. Such stability has not prevailed in Nepal or at CEDA, nor are prospects bright. CEDA found planning difficult even before the Nepalese Revolution because most of its activities and financial resources depended on outside grants or contracts of an ad hoc nature. The Project exacerbated this situation:

because it in principle cannot support Nepalese human inputs, it either reduces CEDA's flexibility and absorbs some of its very limited discretionary resources or else forces CEDA to try to secure third-party funding in order to carry out its side of joint activities. An exercise in longer-term, management planning requires resource inputs from CEDA, but promises little in the way of assured benefits.

## Concluding Comments

Can any droplets of wisdom be distilled from the Project's experience to date? Throwing caution to the wind, let me tentatively suggest four points. First, the salary and incentive structures which prevail -- particularly those in the LDC institution -- crucially influence the prospects for success of attempts at institution-building, such as those promoted under the ICDS programme. Closely related to this point is a second: emphasis on longer-term planning -- an essential activity in a bureaucratic milieu such as prevails in Canadian universities and governments -- may be misplaced if the partner institution is operating in a politically unstable and competitive environment where entrepreneurial behaviour is essential to flourish and perhaps even to survive. Long-term planning, after all, eats up scarce resources; and in an unstable environment, the most carefully crafted plans may be irrelevant and incapable of implementation. Furthermore, bureaucratic behaviour is quite "natural" in many LDC's; what is in desperately short supply is initiative and pragmatic problem-solving. Surely it is these latter qualities that Canadian development projects such as this should be seeking to promote. Third, it is probably a mistake to draw easy analogies from other HRD projects which enjoyed substantially different levels of funding, operated under very different rules and constraints, and were carried out in other, much wealthier countries. A very poor country, like Nepal, may be more resistant to economic progress than middle income LDC's and thus require more effort to achieve comparable results. Hence, the challenges facing HRD projects may differ fundamentally in different countries. Fourth, political instability is a fact of life in many LDC's and is likely to influence development projects negatively. Some instability should be anticipated in designing projects and the impacts of political disruptions should be given due weight in assessing results.

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Turning to the future, what auguries regarding the Project does the crystal ball dimly reveal? First, it should be noted that some major bilateral projects have evolved from ICDS initiatives. An example is the health sector project operated by Calgary University in Nepal. Since a bilateral project must fit both the country-specific philosophy and funding constraints of CIDA, such an evolution depends only in part on the perceived success of the initial ICDS project. Thus, despite the constraints that the ICDS programme imposes on project delivery, that programme does provide both an opportunity to get a useful project started and to build country-specific expertise, in addition to providing a somewhat stochastic vetting process. It is premature to attempt to judge at this point whether the Project will make the leap into a bilateral Phase II. Certainly the training needs exist in Nepal, and Dalhousie has built up considerable good will at CEDA and at Tribhuvan University. The Project has made a modest beginning toward addressing some of Nepal's public sector training requirements and has now -- after a slow start -- achieved considerable momentum: three training courses and four lectures have been presented in the last year -- almost half of the total over the entire first four Project years. Perhaps Buddha will continue to smile and Project performance will improve even more in the coming twelve months.

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