Lessons in Economically Sustainable Development: Learning by Examples

Sarita Sapkota

Article at a glance

• In Nepal, foreign aid has remained at the very core of development planning over the last six decades, making a powerful case for both international and local actors to focus on sustainable development and address issues of aid dependency.

• Countries like Nepal do need basic necessities such as food and water, but in order for development initiatives to take root they also need growing economies based on democracy and the rule of law, where citizens have business plans and jobs rather than tents and food parcels.

• Nepal’s youth have been finding their own ways to respond to problems around them by initiating projects, creating businesses, and using social media tools to make their voices heard.

• The path to sustainable development is through making sure that economic growth is stable and that citizens, especially youth, have the opportunity to secure a reliable income.

To comment on this article, visit the CIPE Development Blog: www.cipe.org/blog
Introduction

Being a student of social work and growing up in Nepal, one cannot get away with the word “development” without thinking about it very deeply every once in a while. From reading the newspapers to discussions in classrooms, from casual conversations over a cup of tea to hearing the speech of a politician, “development” does not leave you alone in this part of the world. And the point where it hits you hard is when you step outside the hills surrounding the capital city in Kathmandu Valley and travel to rural Nepal. There, you can see for yourself if the word has transferred any bit of its buzz effect to the lives of the people who work hard to make ends meet, and in whose name so much work is purported to being done every single day. After having travelled around the country and having read about and thought through it, I feel that Nepal, which chairs the 49 country UN group of the Least Developed Countries around the world, really has something to contribute to the discussion of development. Some amazing lessons have emerged in this part of the world in Nepal’s struggle to become a developed nation. This essay will discuss some of the sources and symptoms of development and shed light upon the sustainability of such initiatives. It will also explore ways in which young people can be a part of sustainable initiatives that help better the livelihood of many Nepalese who have been living in the aftermath of a decade long civil war and long years of economic and social deprivation.

Aid at the Core of Development

The journey of planned development began in Nepal with the first five-year plan in 1956. In the past 55 years, Nepal has completed nine five-year plans, two three-year plans, and is now on a three-year interim plan. It is fascinating to see that since the introduction of planned development, foreign aid has remained a constant and at the very core of development planning. “From financing the First Five Year Plan in 1951, foreign aid accounted for half of the capital expenditures in the Tenth Five Year Plan (2002-2007). Almost three-fourths of the capital expenditures in the current Three Year Interim Plan up to 2010 are expected to be borne by external grants and loans.”\(^1\) Hence, the development efforts in Nepal have been intertwined with foreign aid for a long time. “Nepal since 1952, has been receiving foreign aid for the development of agriculture, transportation, electricity, communications, industry, education, and health.”\(^2\) After five long decades of utilizing foreign aid for development, Nepal has been unable to cut down its reliance on aid and grants. In fact, Nepal’s dependence is growing every year. In fiscal year 2007/08, 26.5 percent of total expenditure and 81.1 percent of capital expenditure was expected to be met by foreign aid.\(^3\) It is clear that developing and underdeveloped countries like Nepal follow a development model that is far from sustainable. Unfortunately, there are few examples of countries that turned such development aid into sustainable investments; Nepal is no exception.

The Source and the Symptom

There are a variety of world views regarding the effectiveness of development aid. On one hand, economist Dambisa Moyo, author of the internationally acclaimed book *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*, argues that “official aid is easy money that fosters corruption and distorts economies. It creates a culture of dependency and economic stagnation.”\(^4\) On the other hand, there are those who believe that “foreign aid is necessary to fill a financing or investment gap, and this will in turn lift countries out of a so-called poverty trap.”\(^5\)

In the case of Nepal, neither view is entirely true. Foreign aid has neither made the situation worse nor helped lift Nepal out of the poverty trap. However, over the years Nepal has reduced its poverty, maternal and child mortality rates, increased its literacy rate and made an exemplary case in achieving the Millennium Development Goal. The August 2011 Nepal Living Standards Survey-III revealed that the adult literacy was 36 percent in 1995/96, which increased to 57 percent in 2010/11.\(^6\) Based on the survey, another surprising revelation came into picture stating Nepal was able to achieve an astonishing 18 percent point decline in absolute poverty in the six years between 2003/04 and 2009/10.\(^7\) According to the findings,
only 13 percent of Nepalese remain below the absolute poverty line, measured by 2,200 calorie consumption per day per person and access to essential non-food items. This set of statistics brings about important questions: are these results an indication that aid has actually worked in Nepal? Moreover, could Nepal’s “success” be attributed to the more than 20,000 NGOs and INGOs spread across Nepal?

As studies are yet to answer to these very important questions, another set of statistics from the August 2011 Nepal Living Standards Survey (NLSS) suggest an important perspective in the mean time. The report revealed that 55.8 percent of households received remittances in Nepal, which is a sharp rise from the 31.9 percent reported in NLLS 2003/04. With this in mind, the decline in absolute poverty might be attributed to remittances rather than lofty five-year plans with poverty alleviation programs and foreign aid. Following the ever growing trend of Nepalese going abroad for employment (especially to Gulf Countries), from mid-July to mid-August 2011 alone 45,165 people have left Nepal looking for opportunities. This demonstrates an interesting point of view. While literacy rates, maternal deaths and many other aspects of social development are symptoms in the context of development, issues of economic growth are at the source. When 55.8 percent of Nepalese households started receiving regular money from their families working in construction sites and mines in Qatar, Saudi Arabia and other countries, they were able to buy food, get basic health care and even send their children to school.

At the risk of over-generalization, it can be said that the path to sustainable development is through making sure that economic growth is stable and households have a reliable source of income. According to Nepal’s Central Bureau of Statistics, 85.80 percent of Nepalese live in the rural areas where agriculture is the main means to livelihood. Furthermore, “an estimated 60 percent of households cannot meet their own food needs, especially in mountainous areas, and agricultural production only meets food requirements for three-to-eight months per year.”

In this context, when the majority of the population struggles to find jobs and when agriculture – their main source of livelihood – does not support their families’ food requirements year-round, poverty, low levels of education, lack of access to health care and other “development” problems arise.

Lack of economic opportunities is therefore at the core of unsustainable development initiatives. Nepal’s economic growth measured by GDP was at about 3 percent on average for a decade and the estimated per capita GDP in 2008/2009 was just USD $467. Saving and investments are too low to boost economic activities that create jobs, and Nepal is regarded as a bad place for doing business given the political instability, power cuts as high as 16 hours a day, and stringent labor and licensing laws. World renowned economist Hernando de Soto makes a similar point in his oft-cited book The Mystery of Capital. He argues that the majority of resources in developing countries come from the people, not the governments, who create a thriving black market economy. In order to transition the economy from the informal to the formal sector, the West must focus on giving the poor property rights and rule of law. Rule of law and property rights are mechanisms that promote sustainable growth as they encourage investment and pave the way for prosperity.

In Nepal, youth in urban areas have access to technology, quality education and other facilities, whereas youth in rural areas have limited access, and a significant portion of them migrate to the developed parts of the country or internationally looking for opportunities. Education-wise, Nepal has experienced increased enrollment rates, literacy rates and number of schools and teachers. However, the average rural school is poorly equipped, and students have difficulty obtaining jobs after graduating. While development efforts are directed towards getting the enrollment rates up, the sustainable solution is to make quality education accessible to the poor. Similar is the case with health, agricultural development and other services where efforts are made but sustainability is not one of the outcomes.

Another major hindrance in creating sustainable development is the squandering of enormous financial resources devoted to bureaucratic planning with very little demonstrated results.
Countries like Nepal do need food, water, health, education and other basic services, but what they need in the long term for sustainable development is functioning and growing economies based on democracy and the rule of law, where they have trade and industry rather than tents and food parcels.

Planning for vs. Planning with

On paper, Nepal’s policies for development planning have been thought out very carefully. Suggestions are collected from each Village Development Committee and are then sent to the District Development Committee, then to line Ministries and then from Ministries to the National Planning Commission. However, when decisions are actually made, if a village had identified irrigation as its top priority, they might end up being told that sanitation was their top most need and hence, they will be receiving development assistance for sanitation—irrigation might be a possibility next year. One of the main bottlenecks in this system is that those who plan are miles away from reality. This phenomenon holds true for national planning as well as foreign aid.

A Case from Mugu

For decades in Nepal’s development history, Mugu district in the far west has stood for everything poor and aid-needy in the country. High in the Himalayas, it is known for its remoteness as the nearest road is a seven day walk. But more than anything, Mugu is known for its perennial problem of food insecurity. Daily, hundreds of sacks of rice and lentils are transported from Kathmandu to Mugu by the World Food Programme (WFP) and Nepal Food Corporation (NFC). While many in the capital city, Kathmandu, receive food assistance in the form of rice, in this region food assistance has led to neglect of locally grown foods such as millet or wheat, contributing to aid-seeking behavior. Local production is no longer sufficient to feed the families. This makes communities dependent on WFP and NFC, and neither organization has been working towards sustainable food security through the improvement of infrastructure for agriculture, health and education.

One of the primary bottlenecks in the effectiveness of development activities is that organizations address the symptoms of the problem, not the root. Those that carry out development activities do not plan with the people, but for the people. While the people in those areas are better judges of their needs and are more informed about the possible solutions, when development is carried out, it is carried out by political decisions or sheer randomness. In addition, there has been no elected local government in Nepal’s 3,915 Village Development Committees and 58 towns since 2002. Without local government, people lack ownership and opportunity to give input, thus leading to futile development efforts.

Moreover, within the corrupt system, the Nepali Foreign Aid and Development work is carried out from Kathmandu, where those who plan cannot identify with the problems and possible solutions in the villages. Adding to the stringencies of the political motives of the donors and the extent to which the supports are “tied,” development efforts thus become uncoordinated and ill planned, creating huge bureaucracies that require a lot of resources to sustain but contribute a negligible amount in terms of development impact.

Sustainable Solutions and Learning from Examples

So far, this essay has identified four main challenges to creating sustainable development in Nepal: 1) not addressing long term issues such as economic growth, rule of law and property rights; 2) Nepal’s focus on getting the numbers up in the development indicators without real improvement on quality and productivity; 3) corruption, bureaucracy and lack of local ownership and governance; 4) an attitude of planning for instead of with people. If we are really looking for young people to take ownership over such issues, we also have to address labor migration. According to the Nepali Times, “labor migration is the new pressure valve, with over 1000 youth leaving the country every day.”13 Forty six percent of Nepali youth are unemployed (2008) and are forced to seek alternatives, namely in the Middle East.14 However, even in this grim scenario, young
people can bring about sustainable development solutions by becoming entrepreneurs or encouraging entrepreneurship while taking charge of policy initiatives and local leadership. A few examples are in the table below.

**What Motivates Youth?**

Young Nepalese are motivated by their dream to make it big. Coming from a small village or even the capital city of Kathmandu, young people who have certain connections with the outer world are competitive. Despite the challenges they face in terms of access to technologies and education, they have been successful in making an impact in and outside Nepal. But the scenario has changed. The young people today in Nepal respond to the same incentives as other humans: money, social prestige, personal and professional aspirations. It could be said that this generation is more focused on these aspirations due to their connectivity with the rest of the world and the constant awareness of where they stand. This connectivity could be channeled to respond to the development problems we face. For example, there is

---

**Examples of Youth Making Effective, Meaningful Impact in Nepal**

| Youth as Entrepreneurs | “After returning to Nepal from the United States in 2010, Vidhan Rana, 26, was disappointed by the time and money he had to spend in finding and fixing a good office space. A year later, he founded Biruwa Ventures, a first-of-its-kind privately-owned business incubator that encourages budding entrepreneurs by mentoring and providing them office space. He outlines common problems like finding appropriate office spaces with 24-hour backup electricity, fast Internet connection, and the huge investment in office property as a major turnoff. Biruwa Ventures, located in Baluwatar, offers seven rentable office spaces at Rs 7,000 per month. ‘It’s more than renting a space: you get to interact with other entrepreneurs and get mentored on a regular basis,’ he says. Internet, photocopying and scanning facilities are provided for free. The space can be rented on a daily basis as well.”

There are statistics about large numbers of Nepali youth leaving the country, but there are only stories of those who returned and engaged in initiatives like Vidhan Rana’s. Young today have better access to technology, which encourages more innovation and creates jobs. Hence, one of the means to find sustainable development solutions is to engage in entrepreneurship. |
| Youth as Volunteers, Campaigners, and Protesters (non-violent) | There is a very successful campaign active in Kathmandu which is known as Gari Khana Deu, which translates to Let me Earn my Living. It advocates for three fundamentals: rule of law, security of life and property and freedom to choose and run enterprises. The campaign has been running for the past three years through youth volunteers who believe that the three fundamentals will create a livable Nepal. The campaign has successfully caught the attention of leaders. |
| Youth Involvement in the Political Process | The National Youth Policy of Nepal was only recently introduced in 2010, and is a great success story in itself as it was brought about after non-partisan youth came together and discussed the need for a sound youth policy. This has helped young people feel they are part of mainstream development agendas. |
a tremendous gap between development projects that are approved at the central level and what actually happens in districts. The line ministries and the local departments are not well coordinated. Similarly, there is a dearth of studies on the opportunity cost of development initiatives in Nepal. These results need to be disseminated to the public so that issues of aid and development can move beyond mere accusations. Young people could be called upon to find innovative solutions to these specific problems. Once incentives fall in place, ownership comes naturally.

It is time for Nepal to step out of classic approaches to development problems and create a system that allows for innovation and fresh ideas. Young people have proven that they are indeed capable. For example, “Ashok Regmi, a young Nepali innovator has worked with members of the Nepalese Parliament in addressing youth issues of Nepal and was one of the founders of the first FM radio channel in Nepal, where he directed programs on economic and social issues.”18 In another instance, “Karthik Naralasetty, 22, India, created www.socialblood.org, a social media platform to help address the blood shortage crisis by connecting blood donors and recipients of the same blood type through Facebook.”19 Young people can help fill gaps in the system by using technology and new media.

In conclusion, Nepal’s youth have been finding their own ways to respond to problems around them by initiating projects, creating businesses and jobs, lobbying for pressing issues, using social media and volunteering. What is needed now is to make these “few” examples a broad based reality, particularly in places facing significant development issues.

Notes

16. For further information, see the campaign’s website: www.livablenepal.org
Sarita Sapkota is a graduate student of political science at Tribhuvan University in Nepal. Having received an undergraduate degree in social work, she started exploring public policy as a medium to deal with the most pressing issues in her country. After the completion of her degree she began working at Samriddhi, The Prosperity Foundation, a think tank based in Kathmandu on political and economic issues. Sarita is currently a Research Officer at Samriddhi, The Prosperity Foundation, a part time radio presenter at a local radio station, and was also involved in running a youth based organization in Nepal. She aspires to play an active role in Nepal’s policy discourse.

The views expressed by the author are her own and do not necessarily represent the views of the Center for International Private Enterprise (CIPE). CIPE grants permission to reprint, translate, and/or publish original articles from its Economic Reform Feature Service provided that (1) proper attribution is given to the original author and to CIPE and (2) CIPE is notified where the article is placed and a copy is provided to CIPE’s Washington office.

The Economic Reform Feature Service is CIPE’s online and electronic article distribution service. It provides in-depth articles designed for a network of policymakers, business leaders, civic reformers, scholars, and others interested in the issues relating to economic reform and its connection to democratic development. Articles are e-mailed and posted online twice a month. If you would like to subscribe free of charge, please join the CIPE network by entering your e-mail at www.cipe.org. CIPE welcomes articles submitted by readers. Most articles run between 3-7 pages (1,000-3,000 words). All submissions relevant to CIPE’s mission will be considered based on merit.

The Center for International Private Enterprise (CIPE) strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy and an affiliate of the U.S. Chamber of Commerce. Since 1983, CIPE has worked with business leaders, policymakers, and journalists to build the civic institutions vital to a democratic society. CIPE’s key program areas include anti-corruption, advocacy, business associations, corporate governance, access to information, the informal sector and property rights, and women and youth.