

The Trust of History: Ownership in the Relationships of Nepal and Vietnam to Their Donors

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Main point: The Trust of History

- Donor and development management is strongly influenced by history
- The histories of bilateral aid relationships are tied to issues of trust
- Many reactions to donors are based on the length of the relationship and subsequent expectations of trust or of betrayal of trust



The Original Comparison

- Donor darlings –
 - 1990s Nepal
 - Vietnam

- The Historical Difference
 - Two different decades
 - Internal setup and politics
 - *Who manages donors or development?*
 - Aid dependence

- Institutional development
 - Vietnam – Own central ministry MPI response to mistrust
 - Nepal – International design for democracy and decentralization inspiring trust



Institutional Development

Vietnam

- Ministry of Planning and Investment (MPI)
 - Set the pace
 - Trial and error
- Historical roots
 - Soviet practice
 - Experience of donor dominance
 - Counter mistrust

Nepali Education Sector

- International design for decentralization
 - BPEP I (1992-1997)
 - Program Implementation Unit (PIU)
 - BPEP II (1999-2004)
 - 75 District Education Offices, School Management Committees, Resource Persons and Centers, School Improvement Plans, and a Department of Education under the Ministry of Education



Donor Management and Management of Ideas Influenced by History

Vietnam

- Soviet sphere of interest
 - Five year plans
 - Coordination office

Nepal

- Royal rule
 - Five year plans
- Democracy
 - Partner expectations

Donor darling status

- Many new donors
- Selection options
- Donor management

Long term commitment

- Experience with donor expertises
- Trust



The Histories of Bilateral Aid Relationships and Issues of Trust

Vietnam

- **Lack of donor and development management**
 - The Soviet Union
 - Mistrust of partners

- **Long term commitment**
 - **Sweden and Japan**
 - Political or economic partners
 - Experience with donor expertises
 - Trust

Nepal

- **Partner entry**
 - 1960s Japan and Norway
 - 1970s Denmark
 - 1980s Finland
 - 1990s Sweden

- **Trust betrayed**
 - New education institutions and basket-funding

- **Long term mistrust of international intentions**
 - Hydropower



Donor Harmonization

- Vietnamese government official:

”[...] harmonization cannot be seen as everybody doing everything, but as having a few donors in each field focusing on what the recipient regards as their diverse comparative advantages.”



Basket Funding

- International community argument
 - Reflect donor harmonization
 - Promote national ownership, management, and accountability
- Local expectations of access and influence
- Disappointments with transparency
 - Who has access to information?
 - International community rather than Nepalese stakeholders



Basket Funding in Nepali Education

- Basic Primary Education Program (BPEP II)
 - Donor disagreement:
 - Norway, Denmark, and Finland in favor of basket funding and Japan opposed
- Trust betrayed
 - Initially, basket funding welcomed as means to increase the local ownership potential – trust partly based on institutional development and rhetoric of decentralization
 - Disappointment in how the lack of transparency in basket funding counterbalanced the increased potential of management of ideas in decentralized institutional structure



The “People” Manages Development

- In 1990, Nepal held general elections. This democratic turn fostered expectations among international partners and a broader Nepalese public of a people’s ownership of ideas. When experiences of donor interventions, democratically elected governments, subsequent Maoist insurgencies, and royal responses did not meet expectations, popular protests became a way for Nepalese people to exercise ownership - in spite of partner preferences.



Hydro Energy Potential

- Expectations of potential riches for Nepalese people
- Historically:
 - Electricity was a luxury item from Rana times
 - Sustained high end user cost
 - ODA hydro power projects were large
 - Private sector involvement
- Plans for ARUN III with estimated cost of US\$1.1 bill.
 - Awareness of smaller more inexpensive alternatives with local jobs and investment opportunities
 - No government interference on behalf of local interests
 - Popular protest
 - Abandoned ARUN III in 1995



Nepal Reacts

- In the case of Nepal, a combination of
 - **1) alternatives (democracy and locally rooted energy supply) offered by the international community and**
 - **2) the discrepancies between the expectations to these alternatives and the disappointments with the concrete implementation (cost, lack of influence, basket-funding)**
- has angered and inspired a segment of the population enough to take charge through popular movements to influence decision making and institution building. (ARUN III and political unrest specifically in 2006)



Who Manages Donors and Development?

■ Vietnam

- strong donor management through central institution, MPI
- Selection of donors based on expertise

■ Nepal

- demonstrators make a stand to influence ideas and goals of development in an attempt to manage donors and development,

- because no one else in Nepal does?





Discussion Inputs

- Trust or mistrust based on historical experiences of bilateral relationships becomes decisive for aid relationships not least when countries become donor darlings, because they can choose between international partners
- Vietnam invested its trust in one government ministry in reaction to past experiences and in Nepal demonstrators reacted – haphazardly - to what they experienced as betrayed trust



Country	Main ODA objectives	Strategy	Sectors of Assistance in Nepal
Denmark	Promote sustainable economic growth, social development based on improved living conditions, respect for the rule of law, good governance	Based on the country specific strategy (time frame of five years) that is negotiated with partners in the country in question and discussed with Danish interest group before being submitted to the Danish Parliament	Education. Natural Resource Management/Environment Energy, Human Rights/Good Governance/ Decentralization and Private sector cooperation, Support through NGOs, Basket funding and donor co-ordination
Norway	Reduction of poverty, stimulation of economic growth, promotion of sustainable development and human resources, human rights and democracy	Selected regions are focused and an emphasis on Norway's aid policies to be integrated with that of the recipient country	Energy/hydropower, Water supply, Education, Basket funding, Ministry to Ministry Co-operation, Support through NGOs, research
Finland	Promotion of global security, reduction of widespread poverty, promotion of human rights and democracy, prevention of global and environmental problems, promotion of economic interaction	Country strategy paper and an emphasis on long term commitments from the partner	Water supply and sanitation, energy, education, forestry, environment, basket funding
Sweden	Contribute to create conditions for the poor to improve their living conditions	Rights-based approach, policy coherence, harmonization	Water supply and energy



Country		Sector Involvement in Nepal
Denmark		Education, Natural resource Management/Environment Energy, Human Rights/Good Governance/ Decentralization and Private sector cooperation, Support through NGOs,
Norway		Energy/hydropower, Water supply, Education, Ministry to Ministry Co-operation, Support through NGOs, research
Finland		Water supply and sanitation, energy, education, forestry, environment.
Japan		Economic infrastructure, agriculture, social sector, and disaster relief and mitigation
Sweden		Water supply and energy



Table 2: Sectoral Distribution of Japan's Grant Aid to Nepal (1969-2002)

Sectors	In %
Economic infrastructure	35
Agriculture	27
Social Sector	20
Disaster Mitigation	4
Disaster Relief Fund	12
Non-Project Grant Assistance	1
Others	1
Total	100

Source: Embassy of Japan in Kathmandu, 2004



Nepal: Chronology of Donor Entry

1960s	Japan and Norway
1970s	Denmark
1980s	Finland
1990s	Sweden

