

Absorption Capacity for Foreign Assistance in Nepal

(A case study of US Assisted development projects)

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1 INTRODUCTION

A. The purpose of this research article is to make an attempt to deal with:

- a. identification of an acceptable definition of "absorptive capacity";
- b. identification of the problems associated with the measurement of absorptive capacity;
- c. identification of those criteria which determine the existence of absorptive capacity within a developing nation and give some broad indication as to the excess or shortage of that capacity; and finally,
- d. a listing, under the three broad sectors of economic development interest to USAID/Nepal, of events and situations which indicate expansion of Nepal's absorptive capacity during the past decade, The USAID program supports HMG/N economic development objectives through focus on:

- Health and Family Planning
- Natural Resources Management
- Rural Area Development

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2. Of necessity the listing referred to in l-d above is an exercise weighted in subjectivity. While verification and factual examples have been sought for statements cited therein, the listing of perceived improvements in Nepal's absorptive capacity have not been omitted merely because their foundation is observer opinion. Furthermore, this is a limited exercise. There is a biased intention to accentuate the positive. Consideration of the negative aspects of the local situation will be deferred to another, time and analysis.
3. Examination of the criteria listed below, in conjunction with the positive examples herein, leads to the conclusion that unutilized excess absorptive capacity does exist in Nepal. It is further concluded that Nepal's capacity to absorb foreign development-oriented assistance has improved over time. There is no attempt to measure that level of capacity, the degree of improvement over time, or the possible negative factors impinging thereon.

B. DEFINITION

1. The accepted definition of "absorptive capacity", in the context of national economic development, is "the amount of technical and capital assistance that a particular nation can effectively utilize during a given period of time." Too often though, this definition has been flagrantly abbreviated through (1) omission of the "effectiveness" consideration and (2) measurement of assistance solely in monetary terms. Violation of the definition is frequent, even by agencies with extensive development experience, as evidenced by following:
 - a. The U.S. House of Representatives' Congressional Investigative Staff of the Appropriations Committee, in its 1979 foreign aid budget hearings report, critically cited AID for attempts "to demonstrate growth in absorptive capacity by committing an increased amount of grants or loans each year." However, the committee report did not offer an alternative measuring stick or other criteria to clarify its definition of absorptive capacity.
 - b. The World Bank "hedged" its conclusions in brief comments regarding Nepal's absorptive capacity, perhaps in acknowledgement of definitional shortcomings. Referring to an increased flow of foreign aid to Nepal over the recent past, from a variety of bilateral multilateral donors, a World Bank report concluded that such increased aid disbursements "would suggest that absorptive capacity has improved".

(See IBRD Report No. 2692-NEP of December 4, 1979, p. 61.) The conclusion was rightfully hedged. The claim of improvement may be challenged, not because of the existence of data to the contrary, but because of internal inconsistency. The statement and its context:

- (1) omit consideration of the "effectiveness" criteria; and,
- (2) imply that the total foreign aid inflow, from a wide variety of sources distributed with annual variations over a fluctuation sectoral mix, has previously been equivalent and tied to the level of maximum absorptive capacity. Thus, an increase in the disbursement of the former is concurrent with and represents an increase in the latter.

There are no known data or studies which validate or even investigate such a claim.

2. Perhaps one of the most damaging aspects of this limited view of absorptive capacity—i. e., the expenditure of funds only—is the adoption of such by responsible officials within the developing countries. Thus a former Secretary in the Ministry of Finance, HMG/Nepal, during the Nepal Aid Group Meeting of January 1980, was led to claim that "as far as the question of disbursement is concerned,.....Nepal has been able to sustain a high rate of growth in development spending.....(which)..... indicates, the growing absorptive capacity in the economy." (IBRD Report NEP 80-2, March 5, 1980, Annex V, p. 10).
3. In its 1974 study of the Nepal economy, "The Challenge for Nepal", the Asian Regional Team For Employment Promotion, International Labour Organization (ARTEP/ILO) demonstrated that because foreign aid-financed investment is concentrated on promotion of national productive capacity, it therefor constitutes a segment of and provides a partial view of the nation's total investment in its domestic productive capacity. Consideration of the broad context of total investment and the requirements therefore as representative of the conditions applicable to one of its parts—the foreign aid resources flow into investment—does not introduce new factors to alter the definition of absorptive capacity presented above. Requirements remain for consideration of effectiveness and the form in which the aid is delivered.
4. We will therefore use the definition of absorptive capacity as originally stated in B. 1. above.

C- PROBLEMS IN MEASUREMENT

1. Although the concept of absorptive capacity has been defined, and there are no apparent obstacles to application of that definition in the Nepal context, the past use thereof for analytical purposes appears to have been neglected. Other than brief reference by the World Bank, the ARTEP/ILO, and miscellaneous occasional references to the term, there appear to be no studies of the topic and no in-depth analysis specifically relevant to Nepal. Based on known information there have been no attempts to quantify absorptive capacity in Nepal. The problems involved in doing so are numerous. A few of them are referred to below.
2. From the supply side, absorbable assistance depends to a great extent on the form in which it is delivered. For example:
 - a. The absorption of capital assistance is influenced by:
 - (1) the currency in which it is offered and whether it be grant or loan funds;
 - (2) whether or not it is "tied" to donor country commodities or free for unrestricted worldwide utilization; and,
 - (3) the extent of sectoral distribution and other limitations imposed by the donor country; etc.
 - b. The absorption of technical assistance is influenced by, but is not limited to, the following:
 - (1) the variability between fields of expertise supplied—an advisor in family planning is clearly different from one in financial management and they are not effectively substitutable for each other;
 - (2) the quality of individual technical experts—does each advisor come conversant in the local language, equipped to transfer technology at the appropriate level, and able to work independently, or must he/she rely continuously on a counterpart; and,
 - (3) the personality traits of individual experts influence their absorption into, and impact on the capacity of the recipient country; etc.

Quantitative measurement of the variables listed above would require an elaborate and extremely refined data collection and processing system, consuming reasonably available to most developing countries.

3. From the demand side or recipient country point of view, the availability of sufficient and reliable data presents significant problems to numerical measurement of absorptive capacity. Several difficult-to-control variables are involved: (1) the multiplicity of donors with their individually pre-selected development program priorities and resultant constant fluctuation in the mix of total foreign assistance inflow, (2) delays in the availability of relevant and reliable data, and (3) the necessary processing time, etc. It would be nearly impossible to avoid an extensive lag between the time of actual inflow of foreign assistance and the subsequent analysis of that flow to determine its relative size and effectiveness vis-a-vis Nepal's absorptive capacity level for that particular mix of technical and capital assistance components. Depending on the extent of that lag, the relevancy of the conclusion may be invalidated by the time it becomes available because of constant fluctuation in the mix of foreign assistance inflow and of the nation's constantly reacting absorptive capacity.

4. The measurement of a nation's absorptive capacity for foreign donor assistance is difficult, at the very best. The attachment of questionable numbers to subjective opinions regarding the individual existence criteria to be considered below (see D. 2) will not enhance their value or their acceptance. Furthermore, the process of quantification would leave us with a complex weighting problem to determine the share and the priority ranking for each individual criteria. That quantification will not be attempted herein. On another occasion, after the topic of absorptive capacity has been considered broadly, and there exists an extensive bank of reliable relevant data concerning Nepal, the attempt at quantification of those existence criteria and the measurement of absorptive capacity may be a productive exercise. That later measurement exercise would also introduce other relevant unexplored issues: Where does the absorptive capacity exist, i. e., in which sectors of the economy and for what spatial distribution? Do the "strings" attached to donor aid unnecessarily, excessively, or not at all limit the absorptive capacity of Nepal? To what extent do changes to the capacities of individual sectors vary over time? These, and other topics, need to be addressed eventually. For the present we will retreat one step to solid ground, specify our reasons for accepting the existence in Nepal of a

domestic capacity to absorb foreign aid, and indicate where that capacity has improved over time.

ED. EXISTENCE CRITERIA

1. In Nepal the lack of baseline data with which to compare subsequent post-investment data complicates, and may invalidate, any attempt to measure the absorptive capacity of the country. There are however, readily available situations acceptable as evidence that some degree of absorptive does exist in Nepal, and therefore allow us to avoid entering the quagmire of trying to measure the level thereof. Without totally bypassing the requirement for consideration of effectiveness, but based on Nepal's improved infrastructure alone, it is safe to assume that the annual foreign aid disbursements of \$42 million (in 1975/76), increasing to an estimated \$100 million (in 1979/80), can be accepted as verification of some capacity to absorb.
2. The opinion that foreign aid absorptive capacity does exist in Nepal may be substantiated when we consider the components of economic development wherein foreign aid is necessary if a country is to sustain an adequate level of investment that will promote growth. One expert (Dr. Benjamin Higgins, MIT, in his book *Economic Development*, Porton Co. New York, 1959, Chapter 26) listed various criteria which may be examined for evidence of the existence of capacity to absorb foreign assistance. These criteria are repeated here as an aid to facilitate understanding of the broad parameters of "capacity". It is evident that they go beyond the narrow view of mere increased expenditure of loan and/or grant funds, and include:
 - a. unutilized capacity in some resource, either natural or man-made, available for combining with additional technical/capital assistance;
 - b. simple and obvious opportunities for improvements in production/processing/consumption techniques;
 - c. well-constructed national/local development plan (s), plus the domestic financial resources to support a large share thereof;
 - d. public and private administrators capable of executing plan projects expeditiously and efficiently;
 - e. a strong and united governmental leadership group enjoying the support of the majority of the population;

- f. a society already undergoing cultural change wherein there exists flexibility toward new ideas and technology;
 - g. a society in which substantial numbers of people have indicated willingness to shift from agricultural to non-agricultural occupations;
 - h. a society in which a substantial segment of the agricultural sector has shown willingness to accept new technology, and possesses (or has access to) the financial capacity to bear the risks involved with implementing development;
 - i. an economy in which movement toward more mechanized agriculture is under way;
 - j. a country in which there exists a high level of literacy and an effective system of general education; and,
 - k. a "technology-minded" and "development-minded" population.
3. Evaluations of these criteria, vis-a-vis conditions in Nepal, may be negative or positive. The determination of a negative situation for most, or even all, of the criteria would not cancel the need for some measure of foreign aid, though answers totally negative would make it difficult to visualize where foreign aid could be efficiently applied. Even so, some if not many of the above criteria can be noted affirmatively for Nepal and imply evidence of additional unused absorptive capacity.
4. However, the claim is increasingly being heard that Nepal is near to or has over-stepped the maximum in its capacity to absorb foreign assistance. Avoiding the problems associated with the measurement issue, there is need for consideration of whether or not that maximum capacity has been attained. Hasty review of the existence criteria proposed above, in conjunction with omission of the "pipeline" or "obligations versus disbursements" issue may initially generate a negative reply. Lengthy experience and/or examination of all the relevant factors may lead the examiner in the contrary direction to a positive reply. The 1974 ARTEP/ILO study focused on employment generation with the topics of national economic growth and required domestic investment obviously considered. One of the conclusions in that study pinpointed the capacity to absorb investment--by implication either from domestic or foreign sources--as constrained at that time. The two identified major constraints to adequate absorptive capacity were (1) "shortages of skilled and technically trained manpower" and (2) "inadequate information for decision-

making" (p. II-35). Although numerous isolated conditions may exist which demand and can absorb further investment from various sources, the existence of bottlenecks may supposedly prohibit the effective utilization of such. We are forced to return again to the fact that not all of the facts are available. In fact, most or even a sufficient number of them may not be available. To compound the problem, contrary evidence appears to exist. Substantial domestic investment occurred in post-1974 Nepal, and it has occurred at an accelerated rate when compared to the earlier period. Development investment by HMG in the 1974-1979 period increased two and one half times (at current prices) over the previous five year period. Simultaneously the actual foreign aid share of that total public development investment decreased from 48% in the earlier five year period, to less than 44% in the 1974-1979 period. Is that consistent with a lack of absorptive capacity? Was it productive investment? Was it implemented wastefully even though numerous foreign donors participated? Were the ARTEP/ILO identified bottlenecks somehow previously ameliorated? The Organization For Economic Co-operation and Development (OECD), in its Development Assistance Committee (DAC) report for 1979, published several findings concerning the worldwide flow of foreign aid. One finding, without removing the primary responsibility for development from the recipient countries, placed much weight on the donor community through stating that "attentive donors, by well-targeted technical cooperation and selected inputs to relax physical bottlenecks, can do a great deal to increase absorptive capacity" (p.44). Has such an "increase" been taking place in Nepal? The ARTEP/ILO evaluation may have been (may still be) valid, with the OECD/DAC finding being further validated through Nepal's current investment experience.

5. Satisfaction of the above listed existence criteria, however merely serves to identify further unanswered questions. In particular, the "where" questions arise—where sectorally and where physically. Absorptive capacity will be different sector by sector. Irrigation, hydro-electricity and transportation are sectors capable of absorbing a great deal of money and technical assistance. On the other hand, labor intensive agricultural production and family planning have much lower capacities on a per project and per beneficiary basis. It is evident that the development of a country's infrastructure can absorb extensive resources while the productive sectors comparatively do not. The lower absorptive capacities in the latter are due to factors of risk, tradition, entrenched socio-economic values difficult to alter when persuading people to adopt new methods, etc. The Nepal

governments recent shift in budgetary priority from infrastructural development to agriculture and other productive sectors may presage a slow down in the rate of growth of, or a reduction in the actual level of, this country's absorptive capacity. Such an alteration to total national absorptive capacity must also be reflected on a regional basis to the extent that sectoral development varies among regions. This seems apparent if the current distribution of selected national resources can be utilized as representative of varying regional absorptive capacities. For example, Nepal's Central Development Region, with its concentration of improved urban and rural facilities is only one of five such regions nationally, yet it contains an estimated 32 percent of the total population and about one fourth of all arable land. Thus the Central Region attracts or is capable of absorbing a disproportionate share of total national resources, such as 43% of the 1980/81 development budget (HMG Budget Speech, FY 1981, p. 13). Agricultural inputs are also concentrated there: 76% of all chemical fertilizers, 39% of improved seed varieties, 43% of pesticides, etc. (Ministry of food & agriculture, agricultural Statistics of Nepal 1977, Table 17-4). Similarly—in the health sector, 39% of the hospitals, 57% of hospital beds and 25-30% of other medical facilities are placed within the Central Region, (Ministry of Health, Planning Unit, "Health Institutions in Nepal", March 1980, p. 2). Such concentration of facilities, though, may be the result of other factors in addition to absorptive capacity.

E. EVIDENCE OF EXPANDED CAPACITY

1. The quantity flow of foreign assistance to Nepal has increased over the recent past. Our interest is in identification of those factors determining whether or not the capacity to absorb such assistance has also increased. We accept as valid the assumption that an individual country's capacity to absorb foreign aid can be improved and the amount of foreign assistance effectively utilized can be increased over time in real terms (after allowance for inflation). This assumption has been somewhat verified by others. We have already referred to the OECD/DAC findings in this regard (see D. 4. above). Furthermore, it is assumed that during the more than twenty-five years of foreign assistance to Nepal the donors and their aid have promoted some effective economic development. It is also assumed that over that period Nepal's absorptive capacity has improved and that the OECD/DAC conclusion has been operative in Nepal. It is our purpose here to identify and list relevant areas of such.
2. The USAID program currently supports HMG/Nepal's economic development efforts

through investment in three primary areas:

- Health and Family Planning
- Natural Resources Management
- Rural Area Development

Investment in such sectors as education, large irrigation and drainage systems, village forests and primary health schemes generally does not yield quick returns. The impact on the absorptive capacities of these sector may also be gradual. Improvements in absorptive capacity should more rapidly be noticed in those sectors heavily dependent on quickly established physical infrastructure. The USAID program during the past two and a half decades has provided aid to Nepal through almost every sector of the economy. However, following a "general" category, and for convenient reference, this paper has organized examples around the three current areas of interest listed above. While it is desirable to categorize improvements according to the sectors of emphasis for USAID's present programs, it is recognized that these programs and improved absorptive capacities in these three very specific sectors have been possible only because of improvements in many other unrelated and/or complementary sectors.

General

- (1) Expansion of the physical infrastructure shown in these categories has improved communications within Nepal, and between Nepal and the rest of the world.

	<u>1955</u>	<u>1979</u>
Kilometers of Roads	624	4700
Airports	5	42
Post Offices	107	1572
Telephone lines	335	12,170
K. W. of Electricity Generated	3,000	55,000

(HMG/N, National Planning Commission, "Fundamental Principles of Sixth Plan, 1980-85 Revised", p. 1.)

Implementation of varied projects encompassed by the infrastructure represen-

ted here has promoted the development of an increased degree of self-sufficiency in infrastructure planning, design and construction among Nepalese technicians. It has also greatly facilitated opening rural areas, making them available to further development planning efforts requiring notable increases in capital and technical assistance, and levied the requirement for improved efficiency in the utilization of all resources.

- (2) The demand for and ability to productively utilize expanded educational facilities has significantly increased, primarily from a combination of two factors: the noticeable 2.6% per annum growth rate in population and rapid correction of the miniscule (4%) literacy rate reported in 1955. During the last 25 years (a) the adult literacy rate has improved to 19 per cent, (b) primary school enrollment has increased from 1% initially up to 70% in 1979 through introduction of free primary education, (c) thousands of personnel have been administratively and technically trained abroad, and (d) numerous technical and general educational institutions have been established. In the field of agriculture the existing capacity of the Institute of Agriculture and Animal Science is being expanded and upgraded. The Institute of Engineering is establishing a trade school in Dharan and is also expanding and upgrading its Central Campus in Kathmandu. The Institute of Medicine has also started diploma level classes to train medical doctors. Four campuses of the Institute of Medicine are being established at Surkhet, Dhankuta, Pokhara and Birgunj to expand training facilities of middle level health workers. A new campus of the Institute of Forestry is to be established at Pokhara keeping in view the priority that is now assigned to afforestation and resource conservation. Educational supportive institutions such as the Janak Education Materials Organization and the National Vocational Training Center at Sano Thimi also influence domestic educational capacity. In primary education a program is underway to train 2500 teachers annually through a radio communications network. These factors however, only partially satisfy the surface of Nepal's educational requirements. They have simultaneously stimulated an increased demand for further domestic facilities while expanding Nepal's capacity to utilize such.
- (3) The capacity to mobilize domestic financial resources, as counterpart to foreign assistance and/or to provide finance for local development efforts, has grown.

The eight rural commercial bank branches existant in 1955 have been expanded to 231 in 1979 (HMG/N, National Planning Commission, "Fundamental Principles of Sixth Plan, 1980-85, Revised", p. 2) and, the availability of agricultural credit through 14 field offices and 70 staff members of the Cooperative Bank of Nepal has expanded through wider physical coverage provided by 1000 staff members of the Agricultural Development Bank with offices in all 75 districts.

- (4) From initial attempts to form a strategy/policy/macro-level planning body in 1952, to today, the Nepal government has experimented with a variety of endeavors, trying to evolve a planning mechanism relevant to local conditions. Experience has shown that the mere transplantation of an organization or a system from other countries should be avoided. As a result, the National Planning Commission (NPC) and its predecessor agencies have gone from one extreme to another--from an early Planning Commission equal in power to the Council of Ministers, to a latter model which was purely an advisory body. This evolutionary process of developing the present National Planning Commission has resulted in 3 convictions:

- (a) the necessity of creating a technically adequate and capable body;
- (b) the need for cooperation among technical ministries and with the executive departments of government if planning is to result in implementation; and,
- (c) the fluctuating needs of planning require flexibility in the planning body and continual refurbishing of the planning instruments, i. e., its capabilities and technical skills. (see Economic Affairs Report, HMG, Min. of Econ. Planning Vol. VI, No. 1, Feb. 1968, pp 21-22)

This development of the national planning system has been time-consuming, yet beneficial, capacity-expanding and instructive, for the increasing number of government personnel involved during the development of six five year national plans, a fifteen year health plan, a twenty year forestry plan, etc. The present National Planning Commission is organized along sectoral lines, to facilitate development planning and project implementation. In addition, coordination has improved among the NPC, the Ministry of Finance and the line ministries.

The government of Nepal is further examining whether or not its project implementation rules and regulations (particularly in the areas of financial accounting and decentralization of responsibility) should be streamlined to facilitate greater expansion of its absorptive capacity.

- (5) In another vital area, the HMG/N has begun to decentralize decision-making authority over planning, allocation and disbursement of development funds to regional, district and local authorities as a method of relieving pressure on overburdened central structures. Such decentralization is particularly being effected in regards to agriculture and rural area development. Local government units have provided the central government with specific project recommendations to be reflected in the Sixth Five Year Plan (1980-1985). Eventually, local authorities are to have increased responsibility for mobilization of public resources, principally through labor contributions. Decentralization should prove to be a significant HMG/N advancement with noticeable impact on Nepal's absorptive capacity. Institutional and human skills shortages have already been identified as bottlenecks to such improvement. Advancements in these two vital needs will not quickly be effected. Nevertheless, the long-run learning of planning and implementation skills through actual responsibility for such, should materially improve Nepal's capacity to identify areas of need and effectively utilize foreign donor assistance.

b. Health and Family Planning

- (1) The potentially most fertile area of the country, the Terai, was largely unoccupied and unproductive due to year around high levels of malaria prior to 1959. At that time there were an estimated two million cases of malaria per year with possibly 10,000 to 20,000 deaths. During the period from 1959 to 1972 foreign aid provided most of the costs of imported commodities and the local costs of malaria eradication program, including technical assistance and the training of local personnel. The program was phased to cover the entire country, and by 1972 the number of malaria cases dropped to only 2300. Malaria in the Terai has been controlled and the area is steadily increasing its agricultural productivity and its capacity to absorb Nepal's rapidly expanding population.

- (2) Nepal's Third Five Year Development Plan (1965-1970) initiated efforts in the family planning area with a modest program which required 80% of the program budget from foreign donors. Current foreign donor input requirements into similar projects, which are larger in expenditure terms and in national coverage, have now been reduced to less than 35% of total program budget costs.
- (3) The increased awareness among couples, of the family planning programs available in Nepal has stimulated a modest increased demand for various family planning commodities. In 1969, Nepal's program in family planning and maternal-child health provided services in approximately 30 districts. In 1979 that same capability to contribute to the health of Nepal's citizens had been expanded to operate in 62 districts, covering approximately eighty - five percent of the total population.
- (4) Integrated rural health services were introduced in 1972 when capacity to do so was sufficient to include only 2 districts out of 75 in Nepal. Building on the experience and health organizations developed in Nepal during the past this integrated approach to health services is now well enough developed to facilitate expansion to cover 48 districts. The services provide for malaria and tuberculosis treatment and control, leprosy and immunization programs, and child health care, with the complementary commodities and services required.

c. Rural Area Development

- (1) In the agricultural sector of rural Nepal foreign assistance has been stimulative in the introduction of improved cereal varieties, particularly wheat. Nepalese farmers have learned new fertilizer and irrigation technologies which have helped increase total food production. Farmers have also learned how to generate additional income through poultry projects which have become a popular and lucrative industry among the non-farming populace as well. Concurrently there has been increased demand for complementary goods--animal feeds, fertilizers, irrigation facilities, processing and marketing facilities, etc. Excess demand is a vital forerunner of absorptive capacity.
- (2) HMG/N capacity to support the agricultural sector has expanded during the last decade in important aspects:

- (a) The Agricultural Projects Services Center (APROSC) was established to develop domestic capability in and more responsibility for, the formulation and writing of development projects' feasibility studies and plans;
- (b) Technical staff members in the Ministry of Food and Agriculture have increased from 1700, centered mainly in Kathmandu with a budget of 53 million rupees a decade ago, to approximately 3500 distributed throughout the entire country today, with a budget of 315 million rupees;
- (c) Ministry of Food and Agricultural technical staff and extension agents are now absorbing training in sophisticated categories such as Horticulture-Plant Breeding, versus an earlier ability to cope only with the general and basic agriculture subjects; and
- (d) The capability and capacity to perform adaptive agricultural research have been significantly enlarged from almost nothing a decade ago, to the present day program of cropping systems trials on 500 farms, farmer seed variety trials on 200 farms, and trail experiments with pre-packaged complete mini-kits on 10,000 farms spread over 75 percent of Nepal's districts.

This increased HMG/N capacity to support the constantly growing needs within the agricultural sector greatly enlarges its demand for resources, domestic and foreign, capital and technical.

d. Natural Resources Management

- (1) Foreign Assistance and domestic investment specifically directed to resource management activities/projects are relatively new phenomena in Nepal. In contrast to a decade earlier, development planners and Nepalese farmers alike now realize that careful management of the country's land, water and forests is crucial to improvement of the agriculture based economy. The conservation, development and efficient utilization of natural resources is a basic principle of the Sixth Five Year Plan as evidence of the country's expanded capacity to comprehend and work with this vital, challenge. Resource management projects, several of which are supported by HMG alone, now underway or in the planning stages include:

- (a) Resource Conservation and Utilization Project (HMG-USAID), Mustang, Myagdi in Dhaulagiri Zone and Gorkha in Gandaki Zone.
 - (b) Tinau Watershed Project (HMG-SATA), West Central Hills, Lumbini Zone.
 - (c) Phewatal Watershed Project (HMG-FAO), Kaski in Gandaki Zone.
 - (d) Agriculture Resources Inventory (HMG-USAID), for all of Nepal.
 - (e) Community Forest Project (HMG-IBRD),
 - (f) Sivapuri Watershed Project (HMG), Nuwakot in Bagmati Zone.
 - (g) Sagarnath Forestry project (HMG)
 - (g) Bagmati Watershed Project (HMG), Bagmati Zone.
- (2) HMG/N capacity to support the Natural Resource Management Sector has expanded during the last decade.
- (a) The Department of Soil Conservation and Watershed Management has been formed.
 - (b) Ministry of Forest personnel with degrees in resource management and related subjects have increased by 50%.
 - (c) Courses related to the field of conservation are now offered at Tribhuvan-University.
 - (d) HMG budgetary resources assigned to the Ministry of Forests have increased 30% in the last decade.
 - (e) National awareness of resource conservation needs is evidenced by the increasing number of nurseries being established and the inclusion of a resource conservation element in almost every integrated development project underway.
- (3) The OECD/DAC review of absorptive capacity referred to above came to another conclusion which must yet be tested in Nepal in a future measurement exercise. "There is every prospect that, if absorptive capacity is subject to improvement, it can stay a step or two ahead of (the) volume," (ibid. p. 44) of international foreign assistance donations. Does validity of that conclusion on the macro-comprehensive level imply it is so at the micro-unit level for Nepal?