

Foreign Aid And Social Structure in Nepal: Notes on Intra-State Relationships

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Introduction

The story of foreign aid in Nepal is the story of a trickle turning into a torrent—an image that is more than literal in Nepal. The grant of Rs. 22,000 in the fiscal year 1951-52 from the United States Government under the Point Four Assistance Programme was to be the modest beginning of a multi-million rupee enterprise on which the paraphernalia of Nepal's "development" would be contingent. The cumulative aid inflow into Nepal in the 30 year period between 1951—52 and 1979-80 has been a staggering Rs. 7734.4 million. In these last three decades five development plans have marched on, each more ambitious than the other, but with one common characteristic: The foreign aid component have invariably determined the content of the ambitions reflected in each plan. The on-going Sixth Five Year Plan is no exception.

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The last three decades of foreign aid in Nepal shows three distinctive features even on the surface. First, the sheer magnitude of foreign aid in Nepal has more than tripled in each decade. Second, there has been a substantial change in the composition of foreign aid. Third, over the last 30 years foreign aid has increasingly penetrated a wide range of economic and social sectors of the country. Inevitably then it has had a substantial impact on Nepali society. The objective of the present paper is to analyse the relationship between foreign aid and social structure.

The general framework under which this paper is based is as follows: Foreign aid is not a unilateral phenomenon.

Foreign aid (including the amount and the allocation pattern and trend) is as much a result of the internal—be it political, economic or social—“imperative” of the recipient country, as reflected in its form of government, as it is of the external “interest”—be it political or economic, or local, regional or global, of the donors. Societies which are politically and economically diversified and relatively egalitarian and have framed a developmental structure of their own—may, under adequate native balancing mechanism, utilize foreign aid effectively while at the same time maintaining a certain degree of political neutrality. In the context of a country like Nepal, however, “development” through foreign aid essentially becomes a metaphor for the maintenance and strengthening of the traditional native power structure. Definite social classes in such recipient countries play a decisive role in determining, in collusion with the donors, both the content and the channel of foreign aid inflow. The upper social classes of such countries derive the major benefits from foreign aided development. Foreign aid, therefore, enhances the position of the upper social classes who benefit from the maintenance of the existing system of political and economic power. The need to legitimise such a power gives foreign aided development “the halo of a ‘people-oriented development’” while at the same time increasing the dependence of the lower classes. This facade, in turn, sets up a major contradiction within the native social structure.

For the purpose of the present exposition we have tried to visualise Nepal's class structure as being made up of two classes, the upperclass and the underclass. The upperclass is a generic category which subsumes four major subclasses, the aristocracy, the land-owning nobility, the urban administrative, technical and business elite and the national and local level politicians. The underclass consists of petty traders, wage labourers, tenants, the mass of marginal and sub-marginal farmers and the landless of rural Nepal. The following discussion, then, will attempt to analyse the relationship between foreign aid and class structure vis-a-vis the three major aspects of a social structure—the production and distribution system, the power structure and the ideological framework.

Production and Distribution

Foreign aid in Nepal has gone in three major directions : Infrastructural development (including power), health / education and, recently, rural development. The first has contributed in making the national physical space more articulated, but at the same time the productive apparatus of the country has become subjected, in a much more comprehensive manner, to external, predominantly Indian, markets. Infrastructural expansion through foreign aid has been a particularly interesting example of the physical articulation of political points and counter-points for both the donor and the recipient countries. Foreign aided projects in health and education—the “soft” sectors—have had some beneficial effects but the gains have dissipated for want of an efficient local management structure. As a result these sectors have gained an increasingly centralised and dependent character. Rural development, and the search, so long delayed, for the fulfillment of “basic needs” of the Nepali poor, under the “integrated” approach has broadened the spatial focus of development but at the same time a transformation of the rural agricultural economy, while made contingent on massive foreign assistance, is nowhere in sight. Perhaps the lack of any positively reinforcing changes in the system of production and distribution, after all these years of planned development can be traced to the neglect suffered by the rural economy at the hands of foreign aided-development in Nepal. In the lack of an introduction of positively reinforcing

elements in the rural social structure, e. g., access to or participation in resource use, the notion of an "integrated rural development" may only be an euphemism for the integration of the interests of the rural land-based upperclasses with those of the urban counterparts.

The impact that the scale and the pattern of allocation of foreign aid has had in the country may be summarised as follows. First, foreign aided projects, notably infrastructural projects, have speeded the process of monetization of the rural economy. At the same time, however, trade relationships have been lopsided. The terms of trade have consistently remained in favour of the subsidised urban sector. Monetization of the rural economy has also contributed to the penetration of the Indian market within Nepal. Monetization has aided in the transfer of capital from rural to urban areas, and the mobilization of capital for rural development has not been conspicuous. The beneficiaries of this process have been precisely those classes which determine the content and channels of foreign aid inflow into Nepal.

Second, foreign aided development has had no significant effect on the mode of production. Partly because foreign aided projects have remained more infrastructure-biased and "soft sector" — biased the mode of production — even in the Terai which has distinct possibilities of commercial agriculture — has undergone little change. Development and its effects have contributed, however, to the fast breakingup of the traditional patron-client relationships. The rural underclass is gradually finding the carpet pulled from under its feet. Pressure of an ever-increasing population coupled with the already insecure man-land relationship has made the situation of the rural underclass more uncertain. Thus it is that the incidence of poverty has progressively increased while development programmes drift on with the intention of eradicating poverty and fulfilling the basic needs of the population.

Agriculture, the mainstay of the Nepali economy, has not benefitted from reinvestment of the profits derived from this sector. Since the land-owning nobility has a major stake in its urban bases, the profits derived from agriculture are reinvested into money-spinning but non-productive sectors. Among the various reasons

responsible for the stagnation of the agricultural sector in Nepal this factor has also made a significant contribution.

Third, the spatial disbursement of foreign aid in the last 30 years indicates that foreign aid projects have been, with the exception of the road construction projects in the hills, mainly concentrated in the central and eastern Terai and Kathmandu Valley. There is a definite urban bias not only in terms of the location of projects but also in terms of the ultimate advantage accruing from the projects. Infrastructural growth, while facilitating the mobility of the population at large, has enhanced the linkages of the rural landowners and eased their entry into the power structure which is location specific (urban-based). The urban bias in foreign aided development has had other consequences as well. It has led to the rise of a distinct sub-economy within Kathmandu—a sub-economy that consistently makes a mockery of the poverty of rural Nepal. This sub-economy, which has helped Kathmandu City graduate into a metropolis, thrives on foreign aid and benefits the aristocracy, the landowning nobility, the administrative, business and technical elites and the panchas in the upper echelons of the political power structure. The rise in real estate profits is an offshoot of this artificially inseminated sub-economy. The manipulators of this sub-economy have remained at the forefront of the suburbanization of Kathmandu, increasingly characterised by a process of residential segregation and by the growth of an aspirant middle class converging from all over Nepal. While there has been a predominant urban bias in foreign aided development, it has, however, not been instrumental in inducing the process of urbanization in Nepal.

The urban bias has helped toward the creation of a "parasite" primate city with no basic productive activities except tourism. It has, however, served the twin functions of the centralization of effective power and of the sustenance of the economic, social and political *status quo*.

Fourth, if the system of production has undergone little change as a result

of foreign aided development, novel changes have been introduced in the system of distribution. These changes are the by-products of the crystallization of the interests of the upper classes which have become more visible and assertive in the process of foreign aided development. While the emphasis on what might be termed "public goods" in foreign aided projects might give the impression that the system of distribution has been more just and equitable, reality indicates otherwise. While a road or a school or a hospital might ease the access to a market, to knowledge or to health for those economically capable, these facilities by themselves do not create conditions for their use. In the lack of access to or participation in resource-use for the majority of the population "public goods" tend to disproportionately favour the economically capable. Consequently, the system of distribution of the gains from foreign aid has made the distribution system more centralized and perhaps even more parochial.

Power

The first and the very obvious political role of foreign aid consists in its overall support of the traditional power structure to the benefit, by definition, of the upperclass. This support has manifested itself in a variety of guises of which the following appear to be the more important. To begin with this support becomes evident in the "disinterestedness" with which the donors have viewed the obvious contradictions in the organization of (mainly agrarian) production in the country. While most of the foreign aid projects envisage an increase in the scale of production and a change in the pattern of production, very few, if any, venture to unknot the problems of rural indebtedness, tenancy, landlessness, and so on. There can be little doubt that this "non-interference" will diminish— or altogether nullify—the potentially beneficial effects of foreign aid. However, and as a corollary, one could as well assume that it is this silence—appearing as collusion—which has bought the donors the immense latitude they enjoy within the corridors of the power structure.

The power of the purse has also helped the power structure by contributing to the legitimization of the political system. The political dimension of the numerous development projects becomes evident here. As long as districts and panchayats genuinely vie against one another for a share of the development budget one can remain relatively well assured of the stability of the electoral politics and the political system. The recently promulgated fiscal decentralization scheme also appears to be geared to this end.

Still another contribution of foreign aid to the power structure has been the immense expansion and diversification of central and local state bodies. It is ironic that for the first time in peace-time Nepal—and barring the penetration of land rent and labour exaction machinery—foreign aid has enabled the upperclass to extend its reach and make itself felt in the very far flung and heterogeneous villages and hamlets in the country. Foreign aid has caught Kathmandu by the ears—however lavishly and partonizingly—and taken it on a guided tour of the countryside. Foreign aid has also enabled the power structure to divert native resources from productive activities to policing (witness the proliferation of administrative, political security and superseding policy-making bodies) and other activities. Foreign aid has helped toward the creation of a truly nationwide and unitary power network.

The second political role of foreign aid has consisted in the increase of political dependence of the underclass. The loan—that foreign aid has provided to the upperclass has made a demand of systematic political subservience from the underclass searching for a shelter. This is manifested in a more frequent and a more extensive interaction of the villager, from the position of a subordinate, with the central and local state bodies for local development programmes. It has come in the form of a closer supervision of acts of political heresy by means of the police, the chief district officer, the zonal commissioner and the like. It has come in the form of the wide operating space the underclass is forced to allow the urban technical, administrative and business elite for the “development of the country”. It has come in

the form of a massive increase in the scale of state-sponsored and state-controlled national programmes which allow little opportunity for the little voice to be heard.

The third political role of foreign aid has consisted in a substantial contribution to the Westernization of the upperclass. Foreign aid, in particular, has played the predominant role in the rise of the urban administrative, technical and business "middle class". This "immediate" and visible beneficiary of foreign aid—who also reaps major benefits from the liberal, welfare state-pattern of governmental expenditure, e. g., that spent on education, health and other mass programmes—as the major carrier of the donor's cultural-technological complex is characteristically qualified to serve as the support staff for the donors and as sometime *bikas-wizards* and sometime fellow conspirators for the rest of the upperclass natives. Without an independent economic and political base this group—unlike the other upperclass groups—largely subsists on foreign aid and continually urges for a generous and "technically efficient" use of foreign aid. The donors pay this group well if they happen to be employed by the donor agencies. For the majority of the members of this group—who do not work directly for these agencies—the donors lobby for higher income and status—in the form of higher salaries, allowances, wages, international training jaunts and the like.

The fourth major role of foreign aid consists in its contribution to the crisis of institutionalization of development programmes in the country. The widespread assumption that development projects will be administered locally beyond the specified project period has remained an unfulfilled expectation for most of the foreign aid development projects. Neither the government nor the native organization of society is equipped to take over the responsibility of regular administration of the large and quaint development projects. It is obvious, of course, that development projects will remain as projects (for a specified period of time) or wither away unless the burden is shouldered by the large mass of the native, the underclass. In a way, however, the burden is really on the upperclass. The longrun perspective on the institutionalization of national development programmes necessarily depends upon the

extent of distribution of power between the two classes of natives, each foreign to the other.

The fifth major political role of foreign aid—closely connected with the one above—relates to the notion of people's participation. It is enlightening to note that the high-pitched exhortation for "people's participation" has had a historical correspondence with the involvement of large sums of foreign aid in the country. This correspondence between the infusion of large doses of foreign aid and the call for "people's participation" has two interrelated implications, the first of which is that the upperclass either did not care for people's participation or did not have the design or means to ensure it prior to the increase in the scale of foreign aid in the 1970's. The second, in turn, is that "people's participation" became a catchword of the political-administrative domain subsequent to the entry of foreign aid projects in rural, underclass areas. In any case, while only a genuine participation of the underclass can ensure a national programme of induced social change, the long-standing historical contradictions involved in people's participation in the country make it unlikely that foreign aid programmes will be able to contribute to their resolution. It is further likely that these contradictions will effectively hinder some of the honest attempts at the institutionalization of development programmes in the country.

Ideology

Foreign aid has provided impetus to the crystallization of certain ideological dimensions within the Nepali sociocultural structure—those of the upperclass in particular. A belief in the possibility and desirability of rather rapidly induced social change, an overwhelming faith in the western cultural-technological complex and a growing sense of national frailty may be identified as the major foreign aid-crystallized ideological dimensions.

The generation of an ideology which admits the passibility and desirability

of rapid change in a stagnant and segregated social setting through the means of massive infrastructural and other investments is a distinct contribution of foreign aid—although the extremely low level of development of the economy cannot but be intimately related to it.

It is to be noted, however, that the acceptance by the upperclasses of the desirability of rapid social change has remained subsidiary to their overall interest in maintaining the traditional framework of production in the country. Regardless of the degree of rapidity, the social change that is deemed desirable is ordered and controlled social change which provides adequate structural and temporal leeway for the upperclass to adjust its interest vis-a-vis the underclass. Foreign aid seems fully agreeable to keeping these interests intact.

Nonetheless, this ideology, exemplified in the familiar promise of a better life for the underclass, promised particularly by the aristocracy and the national—and local-level politicians, has not altogether lost its appeal among a large majority of the underclass, despite the stains of disappointment it now bears. Government-sponsored development projects are received well in local settings, not merely because of the immediate infusion of resources such programmes provide to the locality or because such programmes have a definite coerciveness built into them, but also because of an earnest hope or belief that "the project" might indeed create conditions for long term development of the area. "Bikas" has become everyman's word. Nonetheless, and if evaluation reports of the various completed and half-completed development projects are any guide, the chances are high that the rather rash promise of rapid development may have begun to take its toll in the form of a much-lowered faith in the possibility and desirability of rapid social change. These hopes and promises were based as much on excessive zeal as on a faulty reading of cross-national historical experience by both the donors and the upper-class native; notice the naive optimism reflected in the early United States aid programme and the statement made by king Mahendra that Nepal could achieve in

ten years what other countries had taken one hundred (years). The promise of rapid social change, on the other hand—and as noted in the previous two sections has largely held true for the upperclass.

The inordinate faith in western technology, expertise and culture (including knowledge) is also closely related to foreign aid. The attachment of the upperclass, particularly the aristocracy and the urban administrative technical and business elite, to particular western notions of economic development and the ever-shifting strategies of economic development, education, popular culture and modes of consumption have received much support from foreign aid. Much of the received wisdom, however, appears to ignore the system(s) of production in the country: It does not directly and adequately address itself to the problems of the underclass. While there are promises that the planning of economic development will henceforth be geared to the condition of the underclass (e. g. through the "basic needs" approach, Small Farmers Development Programmes) the generation of a relatively comprehensive native ideology and mode of development does not appear to be in the offing. While the upperclass psyche is mired in frustration—with the economic and political privileges intact nevertheless—the mass of the population is increasingly being alienated from programmes of development whether financed from native sources or foreign aid. The ideological framework behind the programme either remains uncrystallized or is devoid of native systems of practice and thought and the underclass cannot meaningfully relate to it. The apparent commitment of the upperclass to the programme (presumably based on a valid understanding of the ideological framework) contributes to a further mistrust between these two "beneficiary" classes. The importance of the generation of a native ideology, of course, can not be over-emphasized; the generic and ubiquitous question mark raised with respect to the institutionalization of foreign aid development projects is merely an expression of the inability to create a native ideology of economic development.

Finally, the almost self negating reliance on foreign aid—and Nepal's inter-

national recognition as a basket case—has contributed to the generation of an overwhelming sense of national frailty and personal inefficacy. A juxtaposition of the staggering amount of foreign aid already spent and being demanded—and the miniscule and obviously nonendogenously-bred attainments make a very painful reading. This national helplessness coupled with the historical economic and political powerlessness of the underclass combine together to give a feeling of the fragility of a common nationality of the two classes.

Conclusion

The interface between foreign aid and social structure in Nepal presents us with some interesting—although not altogether novel—perspectives on underdevelopment in the world context. While foreign aid may be looked upon as a legitimate means towards national development, a mere flow of grant, loan, technology, expertise and culture from the outside may not, under “incommensurate” structural conditions, help transcend underdevelopment. Foreign aid may, on the other hand, contribute to the appearance of growth within an underdeveloped structure. It is likely that these “growth sectors” will primarily cater to the interests of the traditional power structure. This collusion, or appeasement, of foreign aid in supporting the upperclass in their interests can have a number of important consequences for the recipient society. First, it can seriously distort the national scheme of priorities. Second, it can sharpen the contradiction between the upperclass and the underclass. And third, it can create an imperative for a larger dosage of foreign aid—if only to postpone a resolution to the contradictions.

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