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## ROLE OF NON-GOVERNMENT ORGANIZATIONS IN IRRIGATION DEVELOPMENT AND MANAGEMENT IN THE CONTEXT OF REVAMPING THE ADB/N STRUCTURE

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### Executive Summary

Nepal being an agrarian country, the growth of the economy is largely dependent on the performance of the agricultural sector. This performance has been sluggish in relation to the growth in the population. The stagnation in the agricultural performance is partially attributed to the state of dependency on the rainfed agriculture. Irrigation is, therefore, one avenue which can create revolutionary effects on the performance of the agricultural sector. It is in this context that the ADB/N was involved in the field of irrigation development through its lending programs. In the process, ADB/N, besides extending credit to irrigation development activities, also intervened in the dissemination of irrigation technology. It also started intervening in the construction and development of surface irrigation systems.

Government and Donors also started channelizing irrigation subsidies through the bank because its network could be used as a good vehicle for service delivery. But due to ADB/N's inadequate technical competency and its ability to cope with the increasing demand for irrigation, the role of NGOs was realized and INGOs like CARE, IDE and organizations like SNV were invited to extend a major technical role in its irrigation program.

In spite of many constraints and its unwillingness to formulate a long term policy and strategies within its organization, ADB/N was carrying out small scale irrigation activities. During this, the bank was becoming more technocratic and moving away from its primary banking culture. Also operations on subsidy programs attributed to a reduction in profits. Although not much attention was being paid to these fundamental issues for many years, only recently a policy of a major revamp in ADB/N's organizational structure and functions was adopted. Accordingly, the bank has already taken steps for continued structural and functional changes to re-orient itself as a primary banking institution.

In a nutshell, it can be said in conclusion that a) His Majesty's Government's present policy of 1) relying more on privatization, 2) liberal approach and facilitation of NGOs involvement in development activities, and 3) turning over of irrigation systems and b) ADB/N's present action policy, attitude and current activities opens a broad scope for the active involvement of NGOs in Irrigation Development and Management in the country.

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## **Historical Background**

Nepal being an agrarian country, the growth of the economy is largely dependent on the performance of the agricultural sector. This performance has been sluggish in relation to the growth in the population. The stagnation in the agricultural performance can partially be attributed to the state of dependency on the rainfed agriculture. Irrigation is, therefore, one avenue which can make revolutionary effects on the performance of the agricultural sector. It is in this context, that the Agricultural Development Bank (ADB/N) had emphasized the development of irrigation in its lending programs.

The irrigation development history of ADB/N goes back to 1968 when it started lending money for pumpsets. In its history, the bank has achieved successes and failures and had reached a stage when its name became included in the Irrigation Bureaucracy.

## **Performance of ADB/N**

In Nepal, there are two agencies-the Department of Irrigation (DOI) and the ADB/N which are involved in irrigation development. ADB/N has been dealing with small scale irrigation systems. The bank has been playing a major role in releasing credit and subsidy installments to the farmers besides providing technical guidance within its crucial limitations. This approach has contributed in the irrigation field of nearly 120,000 hectares of land.

## **NGOs Involvement in ADB/N Irrigation Program**

NGOs differ from one another in relation to their scope, objectives, structure, scale and level of operation. The INGOs/NGOs could be an effective media for irrigation development if they can mobilize local NGOs/water users and move in accordance with the themes of NGOs work. The themes of NGO action are viewed as:

- a) being good at reaching the poor,
- b) using participatory processes of project implementation,
- c) being innovative and experimental, and
- d) carrying out their project at low cost

The performance observations of INGOs like CARE International which has been working in Nepal shows that to a great extent they have been able to achieve the above in their work.

Due to inadequate technical competency and inability to cope with the increasing demand for irrigation, the bank had to welcome some INGOs like CARE, IDE and organizations like SNV for its irrigation development activities. These organizations have been playing major technical role either solely for irrigation or as a part of their rural development interventions.

The experiences have shown that NGO interventions have always been fruitful in irrigation development programs. An inherent feature of NGO interventions is the continuous involvement of

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beneficiaries to create a sense of ownership of the system by farmers which ultimately reduces the farmers dependency on outside assistance. His Majesty's Government has also been encouraging such programs as it relieves the Government from a heavy burden of operation and maintenance cost.

The roles played by different organizations/NGOs are:

a) CARE's Role

The specific responsibilities of CARE in the implementation of ADB/N irrigation projects are:

- training of technical staff
- engineering feasibility studies
- socio-economic feasibility studies
- engineering design and estimates
- procurement and logistic support to sub projects
- construction supervision and
- implementation of agro-forestry activities

b) Role of International Development Enterprise (IDE)

In Nepal, IDE introduced manual irrigation pumps nearly 7 years ago, later adding the treadle pump. During the last few years indigenous production of both of these pumps has begun and these pumps have been marketed through a private dealer network and Gobar Gas Company. During the period, IDE has been playing a important role in such fields as

- research and development,
- manufacturing, and
- training and technical assistance

c) SNV's Role

SNV's role have been mainly

- engineering feasibility studies,
- engineering design and estimates,
- construction supervision, and
- logistic support

d) Lessons Learned from NGO's Involvement

- effective farmer mobilization,
- better physical performance,

- better economic productivity,
- more rational social welfare,
- more sustainable irrigation system management, and
- policy implications such as turn over of the systems.

### **Constraints with ADB/N**

The major constraints which the ADB/N has always faced in its history of irrigation activities are:

- a) the lack of technical staff: The technical manpower engaged in irrigation in most of the field offices are far from satisfactory. Apart from the availability of manpower, there is also a problem of competency and quality of available manpower.
- b) the lack of motivation: The technical staff lack the motivation to work for long in ADB/N particularly in irrigation programs.
- c) working conditions: In most of the offices, the physical facilities for technical services either do not exist or are quite poor. There are no drawing boards and equipment available. In a few offices a set of levelling instruments and a theodolite are available but given the workload, these are not sufficient. Similarly, either lack of transportation facilities or its unavailability for irrigation work and lack of budget for repair and maintenance also pose serious problems.
- d) absence of a system maintenance fund
- e) inability to coordinate with other irrigation organizations/offices
- f) delays in communication between the ADB/N Head Office and the sub-projects.
- g) overhead cost: A banking institution going into irrigation programs and reluctantly bearing the overhead cost of the technical staff is not in a position to bear the technical supervision cost of the system. This puts a question mark on the system's quality and performance; (i.e. Balthali irrigation project in Kavre district, constructed under the sole technical guidance of ADB/N).
- h) operation on subsidy: The bank operates irrigation systems with 40-75% subsidy from the Governments which considerably reduces the size of credit investment. This reduces the interest earning capacity of the bank and poses a serious challenge on the profitability of a banking institution.
- i) the lack of long term policy vision: In spite of tremendous potential and demand for irrigation development in the country, ADB/N had never taken pain in devising long term policy for irrigation development within its organization. It always carried over its irrigation programs with "Management by Crisis"; a short sighted theory.

The result was it always had a hard time spending annual subsidy provided by the Government.

Organizations like USAID/CARE/SNV had always making serious efforts in working with ADB/N to cope with the increasing demand for, and to maintain the quality of irrigation system. It has been pleading to improve the structural, technical manpower and logistic bottlenecks within the organization.

In spite of generous financial support from USAID for a) establishing irrigation units, b) improving engineering capability, and c) providing program subsidy, the problems continue to exist.

### **Necessity of HMG/Donors to Use ADB/N in Irrigation Programs in the Past**

In the past, the ADB/N had a service oriented network rather than profit oriented one. Its then widely spread network facilitated the Government/Donors to reach the under privileged rural populace. On one hand Government Donors could use ADB/N's geographically spread network in the past as a vehicle for multiple service delivery and easy channelization of subsidy programs, and on the other hand, ADB/N also had the advantage of a) using interest free capital and b) acquiring training opportunities from the Donors.

With the dawn of democracy, the validity of above compulsion may expire. Quite a few development banks are being established; the government is giving priority to privatization, and activating the NGO movement for development work. Even the irrigation systems are being handed over. Under these circumstances various options, alternatives and choices are available and their effective mobilization could help in boosting irrigation development and management programs in the country.

#### **Recent Policy and Attitude of ADB/N**

An observation of ADB/N's present policy and attitude highlights the fact that it is trying to reshape itself as a financially viable banking institution from a sick rural development organization. Its revitalization policy have been towards:

- consolidation and restructuring of the institution,
- stabilization of its financial structure,
- reduction in its operating expenses, and
- cut in non-banking functions like irrigation programs.

Accordingly, the measures have already been devised for

- closure of Zonal offices,
- closure and downgrading of unprofitable branches,
- closure of Technical Division, solely responsible for irrigation activities,
- closure of Technical Units in Zonal Offices which was responsible for implementation of irrigation programs whether on their own or under the joint collaboration with other INGOs, and

- reassignment of its technical staff to focus on normal banking operations.

### **Current Activities of ADB/N**

ADB/N has already made major changes in its organizational structure. It has formally closed the Technical Division in the Head Office. It has also dissolved all the 14 Zonal Offices including Technical Units. It has already started amalgamating and consolidating Small Farmers Development Projects (SFDP). The massive transfer of technical staffs has also been undertaken.

The above changes may be important from the ADB/N's financial viability point of view but, at the same time, it might affect the communication and co-ordination between water users, ADB/N and INGOs which in turn will affect the implementation of small scale irrigation systems and projects whether solely funded by ADB/N or under the joint venture. Besides, dissolving and merger of SFDPs will effect water users' mobilization, group lending, construction and operation and maintenance of irrigation projects.

### **Government Policy on NGOs and Handing Over of Irrigation Systems**

The democratic government has increasingly realized the importance of NGOs, as they could play a vital role in development. The Prime Minister Mr. Girija-Prasad Koirala, in his address to NGOs' National Convention organized by SSNCC, has already stated that the government policy is one of non interference and positive facilitation. It is also evident that the government has accepted the view that the NGOs have more advantages than government organizations in working with, and in reaching, the under privileged with poverty alleviation programs and that NGOs can mobilize additional local resources. Therefore the Government is actively encouraging the promotion of NGOs and liberalizing the administrative procedures for registration of NGOs. Also the Social Welfare Act has been devised for facilitating the work of NGOs. Accordingly, SSNCC has been entrusted to co-ordinate and monitor the activities of NGOs operating in the country.

HMG is giving due consideration in the total shift of the irrigation systems from agency to farmers. Increased irrigated areas demand huge allocation of budget on operation and maintenance of the systems. Due to inadequate Government budget on Operation & Maintenance, farmers are not cooperating in irrigation activities. Therefore Government is giving priority to the reduction of O&M cost and improving the performance of irrigation systems by handing over. Besides the reduction in cost sharing, objectives like leadership development, performance improvement, rational use of resources and proper operation and maintenance could be achieved through handing over whereby NGOs can play a prominent role in association with users' groups.

### **Potential Role of NGOs in Irrigation Development and Management**

HMG's overall policy of relying on the private sector and private initiative for the country's development work and increasing interest in the NGOs programs brings a very broad scope for NGOs' interventions in irrigation development. Similarly revamping the ADB/N's structure and functions to revitalize its financial viability and profitability also provides a open platform for NGOs for their

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active and massive involvement in irrigation development and management work. The NGOs can play an active roles in irrigation development and management through

- mobilization of local resources,
- ensuring effective participation of the beneficiaries,
- organizing and strengthening water users' organizations,
- facilitating the handing over of the irrigation systems,
- training water users and irrigation personnel,
- identification of technology,
- conducting feasibility study,
- construction/renovation of the systems,
- development, transfer and promotion of technology,
- research/action research,
- dissemination of information, and
- integration of services.

### **Recommendations**

NGOs, if they are strengthened, can easily reach resource poor farmers through grass roots organizations and intensify agricultural production by developing and transferring cost effective irrigation technology. They can also play an active role in bringing the under privileged rural poor into the main stream of development through irrigation network.

After a careful examination of the ADB/N's present action policy, attitude and structural reforms towards being a profitable banking organization, I would put forth the following recommendations:

- a) ADB/N should stick to primary banking culture
- b) It should confine itself to credit operations in shallow tubewells and pumpsets.
- c) It should not intervene in surface irrigation systems
- d) It should not operate subsidy programs
- e) ADB/N should refrain from its attitude of creating monopolistic market in the field of multiple service delivery system.

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