



DYNAMICS OF SMALL-SCALE FOREIGN AID IN NEPAL'S BORDERLANDS

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Vijay Kant Karna
Executive Chairperson
Centre for Social Inclusion and Federalism

PREFACE

Foreign aid and investment play a pivotal role in financing the development of capital-deficit countries like Nepal. It's a truism to state that foreign aid and assistance often come with the interests of the donors, which may or may not align with the recipient nation's overall interests. Nepal has consistently received foreign assistance to ensure basic services to its citizens and to realize its broader agenda of prosperity. While large scale aid and investment from various bilateral and multilateral donors have undergone scrutiny, there has been relatively little attention given to the impact of small-scale aid at the local level in Nepal. To address this gap, this study delves into the dynamics of small-scale aid provided by our neighboring nations in the bordering regions, which are inherently more exposed to the influence of neighboring countries.

Both India and China have been providing small-scale local aid to Nepal. China's small-scale local aid has been predominantly concentrated in the fifteen districts of Nepal bordering the Tibet Autonomous Region of China, whereas India's aid is dispersed across all regions. This assistance has played a crucial role in addressing gaps in education, health, sanitation, and other similar areas. However, it's important to recognize that small-scale local aid and investment, just like large-scale foreign aid and investments, reflect the interests of the donors. This research report presents a political-economic analysis of the impact of Indian and Chinese small-scale aid in the northern and southern bordering districts of Nepal, with a focus on the motivations of the respective donors and security considerations.

This research report analyzes the dynamics of small-scale aid from India and China in all northern districts bordering China and southern districts bordering India. The research was conducted through field studies in three northern districts bordering the Tibet Autonomous Region of China (Sindhupalchowk, Rasuwa, and Mustang) and two districts bordering India (Parsa and Rupandehi) to understand the public perception of small-scale aid. Primary data and information collected from these districts were subsequently studied, evaluated, and analyzed. Secondary data and information were obtained from various governmental databases, records, previous research studies, and media reports. Researchers engaged in extensive interviews with experts and stakeholders in Kathmandu and at the field study sites, including politicians, bureaucrats, experts, journalists, academicians, local political representatives, border officials, customs and immigration officers, and community members. Household surveys were also conducted in the selected districts to gauge public perceptions of small-scale local aid from India and China. Additionally, several focus group discussions and consultative meetings with stakeholders were held to assess the impact of such aid at the local level.

We believe that the findings of this study will be instrumental in understanding the political-economic dynamics of small-scale foreign aid at the northern and southern borderland of Nepal and its implications for national security.

ACRONYMS

AMIS	Aid Management Information System
APF	Armed Police Forces
BOP	Border Out Post
CCO	Chief Customs Officer
CCP	Chinese Communist Party
CFRD	China Foundation for Rural Development
CIDCA	China International Development Cooperation Agency
CLPIU	Central Level Project Implementation Unit
DCC	District Coordination Committee
DoI	Department of Industry
DPR	Detailed Project Report
FDI	Foreign Direct Investment
GDI	Global Development Initiative
GoN	Government of Nepal
HICDP	High Impact Community Development Projects
ICD	Inland Clearance Depot
ICP	Integrated Check Post
IDCMP	International Development Cooperation Mobilization Policy
IDCP	International Development Cooperation Policy
MoFA	Ministry of Foreign Affairs
MoFAGA	Ministry of Federal Affairs and General Administration
MoU	Memorandum of Understanding
NAIDLIP	Northern Area Infrastructure Development and Livelihood Improvement Project
NDRF	National Disaster Response Force
NITDB	Nepal Intermodal Transport Development Board
NIWFS	Nepal-India Women Friendship Society
NPR	Nepali Rupees
PLA	People's Liberation Army
PM	Prime Minister
PRC	People's Republic of China
SDP	Small Development Projects
TAR	Tibet Autonomous Region
TIA	Tribhuvan International Airport
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
USD	United State Dollar
USSR	Union of Soviet Socialist Republics
VDC	Village Development Committees

CONTENTS

Executive Summary	V
Introduction	1
Dynamics of India's Small-scale Aid in Nepal	5
Dynamics of China's Small-scale Aid in Nepal	19
Comparative Analysis of Indian and Chinese Small-scale Aid Dynamics	35
Conclusion	43
Annex A	46
Annex B	50
Annex C	51
Annex D	55
Annex E	58
Annex F	61
Annex G	63
Annex H	64
Annex I	66
Annex J	67
Annex K	68

EXECUTIVE SUMMARY

As a recipient nation, Nepal has been receiving foreign aid starting from the 1950s for various purposes. Of all donors, our neighboring nations, India and China have been allocating substantial aid and assistance on diverse arenas. These two countries have also been allocating small-scale local aid targeting at the community level. This report has analyzed the overall aspects of the Indian and Chinese small-scale aid in the northern and southern bordering districts of Nepal with a focus on security aspects.

India has been allocating small-scale aid since long back - starting from the year 2003, all such aid and assistance are under the scheme of Small Development Projects (SDP), also referred to as the High Impact Community Development Projects (HICDP). There are clearly defined procedures for allocation of aid and assistance under this framework, also with a budgetary limit for a single project and the total amount that could be allocated annually under the scheme.

China too has been allocating such small-scale aid for quite a while but such aid and projects are almost entirely confined within the northern districts bordering Tibet Autonomous Region (TAR) of China. Unlike India's SDP, there is no umbrella scheme under which such aid and projects are allocated.

The small-scale aid from both India and China well have been instrumental in ensuring basic services like education, health, sanitation, local-level transport, among others. Those aid and assistance have also been effective across regions in times of disasters and humanitarian crises.

The small-scale aid, like any other aid and assistance, comes with the interest of the donor. By nature, the scope of small-scale is constricted as it entails aid mostly in sectors like education, health, sanitation, agriculture and the likes which have little to no direct risk over national security in the conventional sense of the term. However, this research reveals that both Indian and Chinese small-scale aid do have some security implications.

As the small-scale aid is targeted to the local level whose beneficiaries are the communities residing in the region, one main interest of the donor lies in influencing such communities to further advance their interest.

In the northern bordering districts, China has channelized small-scale aid to influence the Tibetan Buddhist community and the borderland residents. The goal of the small-scale aid in northern region, apart from providing relief and helping in development aspiration, lies in influencing the borderland communities over there, making a stronger presence, keeping a close tab over developments in the region, ensuring the presence of Chinese officials in areas which China sees as sensitive, reducing the influence of the Dalai Lama and with all these measures, minimizing the odds of potential Tibetan independence related movement.

China's small-scale aid is unregulated. Each of China's local projects have their own unique nature but more often than not, China undertakes its local projects in a turnkey model – meaning China is involved in procurement, contracting and construction of the projects on its own. In undertaking the projects, Chinese professionals, engineers, management team and laborers are employed. All these have broadened the space and scope for China to push its security interest. Even more problematic from the national security point of view is that there is a flow of informal Chinese aid and assistance in the north. All bordering districts to China have also been getting aid and assistance from the adjacent counties of the Tibet Autonomous Region, upon request, which is contentious when seen from legal and constitutional grounds.

India has also allocated small-scale aid and assistance in the northern districts bordering Tibet Autonomous Region of China. India has had security interest in the region ever since the People's Republic of China's annexation of Tibet. The episodic border skirmishes along India-China borderland, increasing geopolitical rivalry between the two, weak border management and weak border security of Nepal are perceived by India as a potential security threat. Through aid, projects and development cooperation, India aims to increase its engagement with the community, political leadership and other various stakeholders over there - and in doing so, check China's increasing influence. The presence of the Tibetan Buddhist community in the region also has added to India's interest - as it hosts the largest population of Tibetans-in-exile and has been supporting them in various ways.

In the southern region, India's engagement in development cooperation, aid and assistance has remained dominant ever since the 1950s. The southern region is naturally under the security radar of India as people can travel across with no visa regime, and the region shares deep cultural, linguistic and religious ties. Although in the last few years, India's small-scale aid focus has been the north, historically the southern districts bordering India have received quite a lot local-level aid and assistance from India, apart from large-scale infrastructural aid and investment. Through development activities and cooperation, India has maintained engagement with the local stakeholders, politicians and bureaucrats. Given that the Indian small-scale aid is largely regulated compared to Chinese aid, informal flow of aid in the region isn't observed. However, our KIs revealed that there has been a tendency among politicians from the southern bordering districts to lobby for aid with the Indian embassy which mostly is to ensure better electoral results for themselves, and maintain cordial relations with India. The political influence of small-scale aid isn't unique to India's aid in the south; similar impacts were observed with China's small-scale aid in the northern bordering districts as well. In the South itself, China is found to have been focusing on Buddhist religious sites, particularly, the Lumbini area with both formal and informal aid and assistance. However, China's small-scale aid in the southern districts bordering India is negligible.

The perception of the local community has been highly favorable towards small-scale aid and assistance, irrespective of the donors. There has been a crucial role of such aid and assistance in reducing the gap of education, health, sanitation and other facilities. However, since such aid and assistance carry interest of the donors which don't converge with Nepal's national interests, there is a need to further regulate small-scale aid.

INTRODUCTION

1.1 Background

Nepal has been receiving aid and assistance in various forms from numerous multilateral and bilateral donors,¹ and has relied on foreign aid to support its infrastructure, service sector and overall capacity building. Up until 1950, the autocratic Rana rulers hadn't opened the country to foreign aid and investment.² Since then, foreign aid has been crucial in Nepal's quest for development, social reforms, capacity building of different sectors, and institutionalization of democracy among others.

All foreign aid, loans or assistance have some form of donor interest or obligation on the recipient.³ The ability of a donor to extract concessions from aid also depends on the recipients. Some recipients can be highly susceptible to the donors' preferred interests while others may not.⁴ If a recipient can exercise leverage over donors, such a recipient could resist donor pressure or keep donors' interests in check. In other words, recipients which have high leverage with a donor can curb or resist donors' interests and motivations.

However, recipients with less leverage are found to be more susceptible towards donors' interests, whether strategic or otherwise.⁵ Nepal, with its political instability, weak state capacity, and weak economy, has been categorized by some scholars as an aid recipient which is vulnerable to donors' strategic or other interests.⁶ While this does not mean that foreign aid in Nepal has resulted in consequential security implications that have compromised Nepal's strategic interests, the dynamics of foreign aid and Nepal's security and strategic aspects, specifically in the border areas, is an important area of study.

For instance, Galen Murton in his paper "Making Mountain Places into State Places" has explored how China's aid, assistance and cooperation in Nepal's northern border region has led to "new form[s] of governance" that has enabled Nepal to ensure its state presence in areas where state presence had historically been negligible – albeit with a hint that such impact could have security implications.⁷ If a donor has been investing in arenas pertaining state presence, the donor is likely to have high influence over the region – and could even have undue impacts over the security of such bordering areas.

1 Mulmi, Amish Raj, et al. "China's Emergence in Nepal's Infrastructure: Status, Issues and Challenges." Center for Social Inclusion and Federalism (CESIF), 2023.

2 Ibid.

3 Alesina, Alberto, and David Dollar. "Who Gives Foreign Aid to Whom and Why?" *Journal of Economic Growth*, vol. 5, no. 1, 2000, pp. 33–63, <https://doi.org/10.1023/a:1009874203400>. Accessed 23 Aug. 2023.

4 Tan, Bann Seng. "International Aid and Democracy Promotion." Routledge Publication, 2020, <https://doi.org/10.4324/9781003050438>.

5 Ibid.

6 Ibid.

7 Murton, Galen. "Making Mountain Places into State Spaces: Infrastructure, Consumption, and Territorial Practice in a Himalayan Borderland." *Annals of the American Association of Geographers*, vol. 107, no. 2, Oct. 2016, pp. 536–45, <https://doi.org/10.1080/24694452.2016.1232616>. Accessed 23 Aug. 2023.

Likewise, Indian aid in the southern region of Nepal in critical infrastructure and state apparatus are likely to have similar impacts. Indian aid in the southern bordering region of Nepal could be attached with its own security interests while in the northern part of Nepal could be motivated by its interest to check increasing Chinese influence. Scholars have also argued that China's aid practices in the northern bordering region of Nepal which predominantly has people of Tibetan ethnicity are intended to influence the community and curb the influence of the Dalai Lama and Tibetan independence-related movements.⁸

While the large-scale bilateral and multi-lateral aid and assistance in Nepal have come under scrutiny, the impact of small-scale aid targeted to create direct community impact in areas like education, health, sanitation, culture or small-scale infrastructure have not been adequately studied. An assessment of the dynamics of small-scale aid in border districts – particularly those offered by the two neighboring countries – gives an insight into patterns of aid allocation, aid preferences, and whether such aid has any other objectives. An analysis of small-scale aid will also reveal donor patterns in its interactions with local communities, and whether such aid is employed to influence border management or border security among other goals.

This report aims to fill this gap in the study of small-scale aid by foreign actors, particularly India and China, in the districts bordering India and China in the south and south respectively.

1.2 Policies Guiding Aid Practices in Nepal

Over the years, Nepal's foreign policy has evolved significantly, reflecting changing national interests, security concerns, and economic development goals. The Foreign Policy, 2002 had focused on ways to make aid effective by means of prioritizing grants, concessional loans and technical assistance, and envisions to foster development cooperation by encouraging donors to assist Nepal in its development goals. The updated Foreign Policy of Nepal, 2020 also envisions to secure concessional loans and grants from various international funds as a part of its economic diplomacy to enhance economic development and prosperity of the nation.

The International Development Cooperation Policy (IDCP) of 2014 replaced the 2002 policy with a focus on strengthening bilateral relations with donor nations based on equality and mutual benefits. Emphasis was placed on regional connectivity through infrastructure development, fostering partnerships for economic growth, and promoting economic diplomacy for national prosperity. This shift aligned with Nepal's aim to graduate from a 'Least Developed Country' to a 'Developing Country' by 2022, signaling a reduced reliance on foreign aid. The IDCP was then revised in 2019 to align with Nepal's federal governance structure, enhance transparency, and reflect its plans in the budget. However, IDCP 2019 hasn't lived up to the spirit of federalism as the local and provincial governments aren't equipped with authority to engage effectively with bilateral or multilateral partners in ensuring foreign aid, assistance and cooperation.

⁸ Todi, Natasha. "China's Buddhism Policy in Nepal." *China's Engagement in Nepal*. Editors Khanal, Ajaya Bhadra and Karna, Vijay Kant, Centre for Social Inclusion and Federalism (CESIF), 2022. Accessed 23 Aug. 2023.

The Foreign Investment and Technology Transfer Act of 2019 has aimed at maximizing foreign investment in Nepal by creating conducive financial environment and incentive structure for bilateral, multilateral and private investors. The act also prioritizes the transfer of technology to promote domestic industry and economy. However, specific sectors remain restricted for foreign investment to safeguard national interests and security. These restrictions are imposed on industries like arms manufacturing, nuclear energy, and sensitive areas of primary agro-production.

Nepal's National Security Policy, 2016 underscores the importance of uninterrupted international trade routes to address the challenges such as trade embargoes, lack of port facilities, and transit route hindrances. The policy emphasizes securing transportation rights for landlocked countries and ensuring the unobstructed flow of goods.

1.3 Objectives of the Study

This report aims to investigate the political economic dynamics of small-scale aid and its impact on Nepal's security interests. This report is centered on the political economic investigation of small scale aid support provided by China and India in Nepal's northern and southern bordering districts. The specific objectives of this study are as follows:

- To understand the trends and patterns of India's and China's small-scale aid in Nepal, particularly on southern and northern bordering districts.
- To explore the mechanisms and working modalities of small-scale aid inflow and its adherence to the regulatory provisions of Nepal.
- To investigate the interests and motivations of India and China for small-scale aid assistance in the bordering districts.
- To analyze the political economic implications of India's and China's small-scale aid in the bordering regions including the potential security implications for Nepal.

1.4 Rationale of the Study

While there have been some studies over the years pertaining the impact of bilateral and multilateral foreign aid in diverse arenas, the impact of small-scale aid in bordering districts hasn't received much attention and are often overlooked in national security discourse. This study aims to fill this gap.

Districts along the borders of a nation carry greater security implications not just for the nation but also to its neighbor, which makes such districts geopolitically sensitive. Similarly, a third country too could have great interest in such regions. As donors rely on aid and assistance as effective ways to subtly push their interests, the dynamics of aid in border districts could provide valuable insight into patterns of engagement, aid allocation, motivations and donor interests in the region. The term security in borderland region in this paper encompasses all aspects which have direct or indirect implications on security dynamics over there – strategic motive behind the aid, influence of aid on local community, stakeholders, journalists, bureaucrats, security officials, politicians, religious leaders, impacts on border security and management, electoral impact of aid among others.

1.5 Research Methodology

The study used a mix of qualitative and quantitative research methods, including desk research, primary data collection through field visits, key informant interviews, and household surveys. Research team referred to various academic and grey literature including journal articles, books, official government publications, and media reports from local and national newspapers

The northern districts bordering China covered in this study are Sankhuwasabha, Solukhumbu, Dolakha, Kavrepalanchowk, Sindhupalchowk, Rasuwa, Dhading, Gorkha, Manang, Mustang, Dolpa, Mugu, Humla, Bajhang and Taplejung.

Similarly, the southern districts bordering India included in this study are Jhapa, Morang, Sunsari, Saptari, Siraha, Dhanusha, Mahottari, Sarlahi, Rautahat, Bara, Parsa, Chitwan, Nawalpur, Parasi, Rupandehi, Kapilbastu, Dang, Banke, Bardia, Kailali and Kanchanpur.

Field-based observations were conducted in five border districts, namely Mustang, Sindhupalchok, Rasuwa, Parsa, and Rupandehi. The research team engaged with various stakeholders in the field districts including the border residents, border officials, local government officials, political leaders, members of civil society, local business community and relevant stakeholders to gather information regarding the status of formal (and informal) inflow of small-scale aid in the districts.

Projects and sectors that received Chinese aid, roughly over the last decade, were identified first, followed by an analysis on donor interest and preferences and aid inflow channels. The analysis of China also looked into the Tibet factor, and if China is targeting sectors and regions to influence the Tibetan ethnic community and/or Buddhist community living in the regions.

Likewise, projects and sectors that received Indian funding starting from the fiscal year 2018-19, particularly through its Small Development Projects, were identified. The working modality and priorities of the programme was thoroughly studied, and based on these, overall dynamics, interests, patterns and impact of Indian aid as well as India's interests in sustaining such aid practices were analyzed. A comparative regional analysis was undertaken to see if the two donors show any preferences and security implications (if any) to Nepal.

While all districts in the northern and the southern bordering region have received small-scale aid, the districts selected for field based study have seen higher engagements. Over the years, China has notably increased its involvement in Mustang and Sindhupalchok due to their strategic importance due to sensitive border points such as Korala in Mustang and Tatopani in Sindhupalchok. Meanwhile, Parsa district shares a border with Raxaul on the Indian side, which serves as an important trade and transit point for Nepal-India commerce. Parsa also receives significant Indian aid assistance compared to other southern areas. Rupandehi, on the other hand, is home to Gautam Buddha's birthplace Lumbini, which has received substantial foreign aid from various nations over time.

DYNAMICS OF INDIA'S SMALL-SCALE AID IN NEPAL

2.1 Overview of India's Small Development Projects

Since 2003, the Government of India, through the Indian Embassy in Nepal, has been providing aid to local bodies up to an amount not exceeding NRP 5 crores for an individual project.⁹ The total amount under this Small Development Project scheme which can be allocated within a year is NRP 48 crores.¹⁰ Till June 2023, India has provided assistance to more than 535 such projects inside Nepal under the categories of education, health and sanitation, small infrastructure projects like building construction for health and education centers, and culture.¹¹ These small-scale grants, which is also referred to as the High Impact Community Development Projects (HICDP), is provided particularly to community-based/public organizations. While in the past some private institutions/organizations have also received the fund under this scheme, the new provision in place only allows community-based organization to be considered.

Architecture of India's Small Development Projects

According to the cabinet decision of 30th September, 2020, to receive aid under the Indian Embassy's Small Development project, organizations are first required to submit a proposal to the respective local body, either municipality or rural municipality. The respective local body then submits the proposal to the Ministry of Federal Affairs and General Administration (MoFAGA), along with a Detailed Project Report (DPR) with a commitment to finance 20% of the total expenses on its own.¹² Prior to Nepal's transition to federalism, the District Development Committee (DDC) served the same purpose as the rural municipality/municipality and then respective ministries – like Education Ministry, Health Ministry received the application and then forwarded it to the Ministry of Finance (MoF). If the project is infrastructure construction, the proposal has to ensure availability of land for the same, and if the project is a road, bridge or building construction, a report of soil investigation of the land where the project is to be constructed is also to be submitted.¹³

Applications which meet aforementioned criteria are forwarded by the MoFAGA to the Ministry of Finance (MoF) which then coordinates with the Indian Embassy. The Indian government then chooses the projects. After the project approval, the two governments carry out a financial agreement and sign a Memorandum of Understanding (MoU). On the basis of this, the MoFAGA and the respective local body undergo Project Implementation Agreement. The local body calls for a bid to construct the projects. The Indian Government then provides the fund to the Ministry of Finance (MoF), and through the *Sanghiya Sanchit Kosh*, the fund is dispersed to

9 According to the documents obtained from Ministry of Foreign Affairs and General Administration (MoFAGA).

10 Ibid.

11 Ibid.

12 Ibid.

13 Ibid.

the local body or District Coordination Committee (DCC) as “*sasarta anudan*”¹⁴ – meaning that only upon producing the bills of expenses, the amount gets reimbursed. The yearly progress report of the project is then submitted by the local body to the MoFAGA. The Ministry of Foreign Affairs (MoFA) is also updated about collaboration between the Indian and Nepali government but the ministry doesn't get directly involved in the application process or thereafter.

Discretionary Authority of the Indian Government in Project Approval

While the community organizations seeking for aid are required to submit the proposal to the local body, the respective local body submits the application to the MoFAGA, and the eligible applications are then forwarded to the Ministry of Finance (MoF), it is the Government of India that filters and chooses the projects to fund. The discretionary authority exercised by the Indian government to choose projects as a donor can be said to be utilising India's leverage and influence over such SDPs, wherein the preference of some projects over others may reveal India's strategic and other interests in the SDP mechanism. Sitting officials of the MoFAGA and the Ministry of Finance (MoF) revealed that while there is some filtering of projects from the Nepali side, almost all, barring a few, applications that meet the requirements are sent ahead to the Indian Embassy; thus, Indian Embassy exerts its discretion on the final selection of the projects to be funded under SDP scheme.

Regulatory Measures in Place

The discretionary authority in SDPs could allow India to advance its interests by channeling aid in sectors and areas of its preference. However, arenas of aid allocation are clearly stated in the SDP agreement. According to Nepal's cabinet decision of 30th September, 2020, the sectors in which the aid could be allocated are: i) construction of buildings for public schools, early childhood development center, and library and vehicles for the same, ii) hospitals, health posts, yoga centers, blood bank centers, and birthing centers, iii) waste management; and iv) infrastructure for agriculture; that is irrigation, storage, and agriculture production promotion center. Projects used to be selected under similar themes even before this cabinet decision.

SDP projects can broadly be categorized under these themes of education, health, sanitation, and agriculture. These areas could be said to have little or no security or strategic implications in the conventional sense of the term, if the allocated amount is rightly utilized with no financial irregularities. Similarly, the allocated aid isn't directly utilized by India but is disbursed through the ministries of Nepal, while the projects are undertaken by local governments in collaboration with the respective organizations. If the aid allocated were to be utilized by donors themselves, an argument could be made that the aid can be utilized for other purposes.

The three regulatory provisions in place – i) confined themes under which the aid can be allocated, ii) restrictive amount of aid for a single project and iii) total amount of aid that can be allocated by the Indian Government annually, in the case of India's Small Development Projects, narrow the scope for India to channelize aid in manners which could have strategic or security implications. The Small Development Project is targeted to create an impact at the community level, and the restrictive measures under this scheme have narrowed the scope of aid in creating significant security and strategic impacts.

14 Ibid.

Small Grants as a Tool to Bolster Public Perception

The Small Development Project is aimed at directly impacting at the community level with investment in education, health, sanitation, agriculture and the cultural sector. The arena of aid allocation clearly reflects that the program is aimed at creating direct impact at the community level and the direct beneficiaries of the projects are local residents. The seemingly benign yet strategic outcome expected by the donor – apart from assisting Nepal in its aspiration for development – out of this Small Development Project, is to shape a favorable opinion about the donor country at the grassroots level.

One way to look into the strategic aspect of the small-scale aid would be to analyze if there exists any preference of the donor in allocating aid with geographical preferences. An argument could be made that the donor preference on geographical distribution can reveal whether such aid meets donor interests or not.

For a neighboring country with unparalleled cultural, linguistic, ethnic and religious ties which is a regional power, enjoying a favorable opinion of the general public in neighboring countries is of crucial importance. Nepal has remained under India's sphere of influence for a long time, and India wishes that the status-quo prevails. However unparalleled the relationship between the two is and has been, there have been occasional episodes of misunderstandings between the two, and the general perception of public towards India, particularly in the Hilly and Himalayan region-based communities, hasn't been in the favor of India. India is perceived as a power with a proclivity to influence the course of internal affairs of Nepal, and is often accused of micromanaging the state affairs.¹⁵ There exists a large section of demography which views India as a major hindrance for Nepal's political stability with a view that India goes any length to maintain influence over Nepal. While India's influence over the system can't be altogether denied, such claims more often than not don't have any truths in them. Regardless of the veracity of such claims, that a large chunk of Nepali demography holds such views is in and of itself a cause of concern for India. This is further complicated by the long-standing issues between the two such as border disputes, and disputes over water resources among others.¹⁶

Given that India has been struggling to enjoy the public's favorable opinion, the Small Development Projects like programs are ways to work on the same.

Officials of the MoFAGA and Ministry of Finance confirm that apart from assisting Nepal in its development aspirations, the SDP program attempts to improve public perception towards India, since these development projects are an effective way for the Indian Embassy to engage with diverse stakeholders at the grass-root level. Officials also mentioned that the Indian Ambassador to Nepal or their representative is assigned to inaugurate the projects which provides them with an opportunity to engage with the public.

15 Dixit, Kanak Mani. "New Delhi's New Dealings in Nepal." *Nepali Times*, 7 Nov. 2020, www.nepalitimes.com/here-now/new-delhi-s-new-dealings-in-nepal. Accessed 23 Aug. 2023.

16 Xavier, Constantino. "Interpreting the India-Nepal Border Dispute." *Brookings*, 11 June 2020, www.brookings.edu/articles/interpreting-the-india-nepal-border-dispute/. Accessed 23 Aug. 2023.

Some scholars have argued that while there remains some skepticism regarding discretionary authority exercised by the Indian Embassy regarding project selection, at the grass root level, these projects enjoy quite high favorable public perception - and that by targeting those areas which directly benefit the general public, Indian Embassy has been able to improve its image at the grassroots level.¹⁷

2.2 Geographical Concentration and Motivations of India's Small-Scale Aid

The southern region of Nepal shares close cultural, linguistic and ethnic ties with people from across the border. The border is open for people of both countries to travel across with no visa regime, and therefore the region is crucial to India for its security interests. At the same time, given the cross-border cultural, ethnic, and linguistic ties, it is in this region that India enjoys the most favorable opinion of all in Nepal.

This densely populated southern region of Nepal has a higher number of educational institutions, health institutions, and is the main area of agriculture production – over the past twenty years, the highest number of educational institutions and health institutions were also built in this area.¹⁸ The Terai region bordering India has 53.66 % of the total population while the northern region bordering China has only 6.08%.

Based on these arguments, one could expect a higher concentration of India's SDP grants in the Terai region bordering India. However, our analysis shows that India's SDP grants are relatively more concentrated in the northern districts bordering China than in the southern districts.

The Northern Border: A Priority for India's SDP

Data from the last five years, from the fiscal year 2019/2020 to 2023/2024, reveals that there is a slightly higher concentration of small-scale projects in northern districts compared to the southern districts. India has funded in total 23 projects – 18 education related projects, 2 health related projects, and 3 small infrastructure projects – in 26 districts bordering India. But in the same time period, India has funded 48 projects – 23 educational projects, 18 health and sanitation projects, 2 culture related projects and 5 small-scale infrastructure construction projects – in 15 northern districts bordering the Tibet Autonomous Region of China. Thus, India's SDP is concentrated more in the northern districts bordering China.

Indian Aid in the Northern Region: Field-Based Observations

During our field visits to the northern region, India's aid engagements - particularly in small-scale projects - were abundantly noticeable. For instance, in Mustang, India has allocated substantial funding toward community schools and monastic education.¹⁹ In Mustang, India had provided aid

17 Adhikari, Monalisa. "Politics and Perceptions of Indian Aid to Nepal." *Strategic Analysis*, vol. 38, no. 3, May 2014, pp. 325–40, <https://doi.org/10.1080/09700161.2014.895236>.

18 National Institute for Research and Training (NIRT). "NEPAL EDUCATION SECTOR ANALYSIS." *Global Partnership*, 2017, www.globalpartnership.org/sites/default/files/2019-05-nepal-education-sector-analysis.pdf. Accessed 23 Aug. 2023.

19 As observed during the field study.

in construction of schools and monasteries in areas such as Chhusang, Tsarang, Ghemi, Surkhang, Lo Manthang, Chhonup and Chhoser. Some of the schools India has funded are Kagbeni School, Janahit School, Tukche School and Kobang School. Local stakeholders recalled that then Indian Ambassador Shiv Shankar Mukherjee on 13th October 2006 had inaugurated the Shree Janahit Higher Secondary School in Jomsom built with aid received from the Indian government.

Among the notable projects that exemplify India's engagement in Mustang is the construction of RCC bridges over the Kaligandaki River. The RCC bridge at Jomsom which connects Upper and Lower Mustang regions was inaugurated by Ambassador Shri Manjeev Singh Puri on 5th November, 2017.²⁰ The project had received financial assistance of NPR 40.45 million from the Government of India (GoI) under the SDP Scheme as part of the India-Nepal Economic Cooperation Programme.²¹

Before the construction of the RCC Bridge, the only option for crossing the Kaligandaki River in Jomsom was a suspension bridge that could not accommodate motor transport.²² This limited transportation options for the local population and hindered economic activities. Commuters had to disembark from vehicles and find alternative means to cross the river. Not just the RCC Bridge over the Kaligandaki River in Jomsom, but RCC bridges over the same river starting from Jomsom to Upper Mustang, Lo Manthang are also built with Indian aid and assistance, as observed during our field visit.

Our field observation confirms that improved connectivity brought about by the Jomsom RCC Bridge has positively impacted the local economy. The construction of the RCC Bridges have also significantly improved the quality of life of the residents of Jomsom and the surrounding areas. The bridge has enabled smoother and faster transportation, reduced travel time and improved access to essential services such as healthcare, education, and markets.

Similarly, KIs in Sindhupalchok informed us that India has invested particularly in building schools in the district. India has assisted the construction of the following schools in the district in the past few years - Shree Saraswati Secondary School, Shree Aiselukharka Secondary School, Shree Sipatinghare Sanskrit Secondary School, Shree Chandeshwaree Secondary School, Shree Mahendra Kranti Secondary School, Shree Rama Secondary School, Shree Jana Sahayog Secondary School and Shree Kshema Devi Secondary School. All these schools are benefited with aid provided by India - mostly for the construction of school buildings and construction of libraries.

20 IndiaInNepal. "Ambassador of India Inaugurated RCC Bridge over Kaligandaki River at Jomsom in Mustang District." Twitter Handle of Indian Embassy, 5 Nov. 2017, twitter.com/IndiaInNepal/status/927067724198457344. Accessed 23 Aug. 2023.

21 The Kathmandu Post. "Indian Envoy Puri Inaugurates Bridge in Jomsom." The Kathmandu Post, 6 Nov. 2017, [kathmandupost.com/miscellaneous/2017/11/06/indian-envoy-puri-inaugurates-bridge-in-jomsom](https://www.kathmandupost.com/miscellaneous/2017/11/06/indian-envoy-puri-inaugurates-bridge-in-jomsom). Accessed 23 Aug. 2023.

22 Ibid.

Indian Aid and Assistance in the Northern Region After the 2015 Earthquake

Immediate aftermath of the earthquake, India launched a comprehensive rescue and relief operation worth USD 67 million as Operation Maitri.^{23,24} India deployed teams from National Disaster Response Force (NDRF), Indian Air Force, and Indian Army Medical Corps within a mere six hours of the disaster.²⁵ Dispatching a substantial relief consignment of 571 tons, which included essential supplies like rescue equipment, medical provisions, sustenance, water, shelter, and blankets, India's assistance was quickly administered.²⁶ The Government of India had announced an economic package of USD 1 billion during the International Conference on Nepal's Reconstruction held on 25 June 2015 in Kathmandu.²⁷

India's Cultural Assistance in Northern Bordering Districts

In recent years, India has funded cultural projects in the northern region of Nepal. In 2019, India provided NRP 18.9 million to reconstruct the Chhyoiiphel Kundeling Monastery of Sindhupalchok, the sum also covered for building additional infrastructure such as residences, kitchen, sanitation facilities and a compound wall.²⁸ Likewise, in 2021, India signed an agreement to reconstruct and renovate three cultural sites that were damaged during the 2015 earthquake in Sindhupalchok and Lalitpur. Aid amount allocated for this project was NRP 246 million.²⁹ So far, India has committed a total USD 50 million (NPR 5,800 million) for conservation, restoration and reconstruction of 28 cultural heritage sites in eight districts of Nepal, all of which are mostly in the hilly and the Himalayan region.³⁰ India has been engaged in and provided aid to Buddhist-related heritage monuments, monasteries, and monastic schools in the northern region apart from the post-earthquake reconstruction.

23 Giri, Anil. "Oli Lambasts PM over Planned Buddhist College in Mustang." *The Kathmandu Post*, 5 Mar. 2023, kathmandupost.com/politics/2023/03/05/oli-lambasts-pm-over-planned-buddhist-college-in-mustang. Accessed 23 Aug. 2023.

24 PTI. "PM Modi Offers Prayer at Iconic Muktinath Temple." *The Times of India*, 12 May 2018, timesofindia.indiatimes.com/india/pm-modi-offers-prayer-at-iconic-muktinath-temple/articleshow/64134092.cms. Accessed 23 Aug. 2023.

25 Embassy of India, Kathmandu. "INDIA-NEPAL PARTNERSHIP in POST-EARTHQUAKE RECONSTRUCTION." Embassy of India, Kathmandu, www.indembkathmandu.gov.in/docs/1557839851Final%20-%20Flyer%20Reconstruction.pdf. Accessed 23 Aug. 2023

26 Ibid.

27 Embassy of India, Kathmandu. "About Reconstruction Wing." Embassy of India, Kathmandu, www.indembkathmandu.gov.in/page/about-reconstruction-wing/. Accessed 23 Aug. 2023.

28 ANI. "India Rebuilds Chhyoiiphel Kundeling Monastery in Nepal's Sindhupalchok." ANI, 19 Apr. 2019, www.aninews.in/news/world/asia/india-rebuilds-chhyoiiphel-kundeling-monastery-in-nepals-sindhupalchok20190419171049/. Accessed 23 Aug. 2023.

29 Nigam, Aanchal. "India Funds NRs 246 Million to Rebuild and Restore Three More Cultural Sites in Nepal." *Republic World*, 4 Mar. 2021, www.republicworld.com/india-news/general-news/india-funds-nrs-246-million-to-rebuild-and-restore-three-more-cultural-sites-in-nepal.html. Accessed 23 Aug. 2023.

30 Embassy of India, Kathmandu. "Press Releases: India to Fund NRs 246 Million for Reconstruction of Three More Cultural Heritage Projects in Lalitpur and Sindhupalchowk: Work Awarded." Embassy of India, Kathmandu, 3 Mar. 2021, www.indembkathmandu.gov.in/news_letter_detail/?id=185. Accessed 23 Aug. 2023.

In 2023, India was dragged into a controversy when a news mentioned³¹ India sought permission with the Government of Nepal (GoN) to construct a Buddhist college in Phalek, Mustang with an investment of NPR 700 million, following the request by Rinzin Namgyal Gurung, chairman of Barha Gaun Muktikshetra Rural Municipality. Then, former Prime Minister KP Sharma Oli alleged that the PM Pushpa Kamal Dahal led the current government of “turning Nepal into a playground for foreigners” which would amount to “attack on national sovereignty”.³² However, during our field visit, Mr. Indra Dhara Bista, a former provincial member from Mustang clarified that the proposed Buddhist college doesn't fall under the restricted area as claimed by media reports. Further, questions were also raised about constitutional breach as the constitution bars local bodies or the provincial government from directly asking foreign communities for aid but in this case, chairperson of Barhagaun Muktikshetra Rural Municipality, Mr. Rinjing Namgel Gurung, himself had written to the Indian embassy asking financial assistance for the same.³³ Schedule 5 of the Constitution of Nepal has exclusively reserved the rights and powers related to “foreign grants, aid and loans” and “foreign and diplomatic affairs, international relations and United Nations related matters” as the jurisdiction of the federal government. The final decision over the construction of the Buddhist college is yet to be taken.

In 2007, India had provided NPR 30 million for building a Dharamshala and NPR 6 million for construction of a school in Muktinath.³⁴ In 2018, Indian Prime Minister Narendra Modi visited Muktinath Temple³⁵ wearing a Tibetan Buddhist costume and had interacted with Lama gurus and students in Mustang. A visit by the Indian PM, and interaction with a Buddhist community over there too underscores India's emphasis over promoting Tibetan culture in Nepal's north. It is reported that India's involvement in building and reconstruction with monasteries, monastic schools and Dharamshalas in the northern region has caught the attention of China.³⁶

India is a home to the largest number of Tibetan refugees, and has been actively supporting the protection of Tibetan culture and religion in various ways over the years. Through construction of monastic schools, monasteries and other religious centers, India could be aiming to foster

31 Pandey, Jagadishwor. “मुस्ताङको निर्धित क्षेत्रमा बौद्ध कलेज खोल्न भारत अग्रसर.” Kantipur Daily, 2 Mar. 2023, ekantipur.com/news/2023/03/02/167771900025656397.html. Accessed 23 Aug. 2023.

32 Ibid.

33 Nepal Live today. “A Proposed Buddhist College in a District Bordering China Creates Heated Debate in Nepal's Political Sphere.” Nepal Live Today, 7 Mar. 2023, www.nepallivetoday.com/2023/03/07/a-proposed-buddhist-college-in-a-district-bordering-china-creates-heated-debate-in-nepals-political-sphere/. Accessed 23 Aug. 2023.

34 One India. “India Aids Dharmashala, School Construction in Nepal's Muktinath.” One India, 11 Nov. 2007, www.oneindia.com/2007/11/11/india-aids-dharmashala-school-construction-in-nepals-muktinath-1194780727.html. Accessed 23 Aug. 2023.

35 Embassy of India, Kathmandu. “INDIA-NEPAL PARTNERSHIP in POST-EARTHQUAKE RECONSTRUCTION.” Embassy of India, Kathmandu, www.indembkathmandu.gov.in/docs/1557839851Final%20-%20Flyer%20Reconstruction.pdf. Accessed 23 Aug. 2023

36 PTI. “India, Nepal Sign Deal for Building Homes at Famous Monastery.” The Economic Times, 11 Nov. 2014, economictimes.indiatimes.com/news/politics-and-nation/india-nepal-sign-deal-for-building-homes-at-famous-monastery/articleshow/45114238.cms?from=mdr. Accessed 23 Aug. 2023.

further ties between the Buddhist community between two nations while at the same time seeking to curb China's cultural influence, and China's proclivities to influence Buddhism in the northern Nepali region.

India's Strategic Interest in Nepal's Northern Districts

One explanation for India's SDP grant preference in the north is to improve its public perception and presence in this region, where its community-level engagement has been considerably low compared to the southern plains. But another important factor for such geographic preference is that the region borders China, and thus has an impact on India's security interests. Despite the fact that the presence of Indian aid projects traditionally has been far less in the northern region, when seen from the perspective of security for India, the region is as important, if not more, because the region borders Tibetan Autonomous Region (TAR) of China.

India's interest in the northern districts bordering China dates right to the years after its independence. As soon as Tibet was annexed by China in 1950, the three Himalayan states that had close defense and foreign relations ties with British India – Nepal, Bhutan and Sikkim – were perceived by the Indian establishment as vulnerable to Chinese influence. Under British India, the prevailing view was that Tibet was a buffer state in the north from China's threat.³⁷ China's annexation of Tibet removed the buffer state, and thus, India began to fear that the three Himalayan states could invite China's attention and potential annexation because China had previously claimed sovereignty over them.³⁸

The Indian approach then was to sign treaties with these countries that extended the relationship during the rule of the British.³⁹ Some have argued that India had started providing "... valuable technical and economic aid to Nepal with a view to promote stability and economic development as guarantees against subversion"⁴⁰ in response to potent Chinese threats. A number of new roads were constructed in the sub-Himalayan belt to link them effectively with the plains.⁴¹ These were in response to the perceived threat of China alongside the northern border.

In 1959, the Dalai Lama took asylum in India, leading to further tensions between the two countries. In 1962, war broke out between the two as an escalation of the border dispute in India's North-East Frontier Agency east of Bhutan and in Aksai Chin, east of Ladakh. There was a brief border clash in 1967 in Sikkim.⁴² In 1987 and in 2013, potential conflicts over the two differing Lines of Actual Control were de-escalated.⁴³ A conflict involving Bhutanese-

37 Jain, G. L. "India and the Tibetan Revolt." *The Atlantic*, 1 Dec. 1959, www.theatlantic.com/magazine/archive/1959/12/india-and-the-tibetan-revolt/642964/. Accessed 23 Aug. 2023.

38 Ibid.

39 Ibid.

40 Ibid.

41 Ibid.

42 Hakro, H., Ghumro, A. K., & Baloch, J. A. "DIVERGENCE AND CONVERGENCE BETWEEN CHINA INDIA RELATIONS IN POST-COLD WAR ERA". *PalArch's Journal of Archaeology of Egypt / Egyptology*, vol. 18, no. 10, Oct. 2021, pp. 3146-55, <https://archives.palarch.nl/index.php/jae/article/view/10325>. Accessed 23 Aug. 2023.

43 Goldman, Russell. "India-China Border Dispute: A Conflict Explained." *The New York Times*, 17 June 2020, www.nytimes.com/2020/06/17/world/asia/india-china-border-clashes.html. Accessed 23 Aug. 2023.

controlled area on the border between Bhutan and China was successfully de-escalated in 2017 following injuries to both Indian and Chinese troops.⁴⁴ And multiple border skirmishes broke out in June 2020 in Galwan, Ladakh, leading dozens of deaths.⁴⁵

Because of the nature of bilateral ties and the open border with Nepal, as well as its tensions with China, the Nepal-China border region has been of keen interest to India's security and strategic perceptions. Ever since the annexation of Tibet, India had perceived the three countries in the Himalayan belt – Nepal, Bhutan and Sikkim – as buffer states between itself and China. Beginning in June 1952, India had established its military check posts in the northern frontier of Nepal.⁴⁶ A total of 18 posts in the northern frontier were deployed, with around 20 to 40 Indian army personnel equipped with arms manning each of the checkpoints, together with a few Nepali army and civilian officials.⁴⁷ After protests and criticisms demanding the removal of the checkpoints, on 20 April 1969, the check posts were removed and the Indian army personnel were sent back.⁴⁸ However, Indian paramilitary forces stationed at Kalapani in Darchula district, remained as is. The Indian military camp in the disputed Kalapani region continues to remain there till today.⁴⁹

A list of Indian military check-posts deployed on the northern frontier of Nepal from 1952 to 1969 is given below:⁵⁰

Check-Posts	Districts
Tinkar Pass	Darchula
Taklakot	Bajhang
Muchu	Humla
Mugugaon	Mugu
Chharkabhot	Dolpa
Kaisang	Mustang
Thorang	Manang
Larkay Pass	Gorkha
Atharasaya Khola	Gorkha
Somdang	Rasuwa
Rasuwadaghi	Rasuwa
Tatopani (Kodari)	Sindhupalchok
Lamabagar	Dolakha
Namche (Chyalsa)	Solukhumbu

44 Ramachandran, Sudha. "Beijing Asserts a More Aggressive Posture in Its Border Dispute with India." Jamestown, 15 July 2020, jamestown.org/program/beijing-asserts-a-more-aggressive-posture-in-its-border-dispute-with-india/. Accessed 23 Aug. 2023.

45 Goldman, Russell. "India-China Border Dispute: A Conflict Explained." *The New York Times*, 17 June 2020, www.nytimes.com/2020/06/17/world/asia/india-china-border-clashes.html. Accessed 23 Aug. 2023.

46 Cowan, Sam. "The Indian Checkposts, Lipu Lekh, and Kalapani - the Record." *Record Nepal*, 14 Dec. 2014, www.recordnepal.com/indian-checkposts-lipu-lekh-and-kalapani. Accessed 23 Aug. 2023.

47 Ibid.

48 Ibid.

49 Ibid.

50 Ibid.

Chepuwa Pass	Sankhuwasabha
Olangchungola	Taplejung
Thaychammu	Taplejung
Chyangthapu	Panchthar

There exist 28 mountain passes along the border between China and Nepal – of these, Kodari and Keyrung are supposedly open year-round.⁵¹

India's security concerns vis-à-vis Nepal's northern border could also be the result of Nepal's weak border-management and ineffective state institutions in the region. The fear remains that India could be potentially exposed to Chinese aggression through Nepal with which it shares an open border with no visa regime for people to travel across.

Because of these historical factors and contemporary discord with China, India's aid and assistance in the northern region thus also serve India's strategic interests in the region. On similar vein, China's increased engagements in different sectors and regions inside Nepal have also resulted in India paying greater attention to the northern border regions. Thus, India's aid and infrastructure engagement in recent years in Nepal is manifested as a reaction to Chinese investments and aid programmes in the country. Despite India's interest in the north, its presence through development projects, cooperation and aid has been far less compared to the southern region of Nepal. And now through the SDPs, India seems to be increasing its engagement in community-level projects through aid and assistance. Ex-officials and sitting officials of the MoFAGA and Ministry of Finance confirmed the same. They argued that in the first years of the Small Development Programme, the southern region's projects were heavily prioritized but over the years, the northern region has become a region of clear preference.

India's development cooperation and trade with its neighboring countries has been influenced by increased Chinese engagement in South Asia is also evident from the fact that India has introduced a new policy which bars Nepal from selling power to India from hydropower projects constructed with China's aid and/or investment. Further, two hydropower projects which were earlier proposed to be developed by Chinese companies under the Belt and Road Initiative (BRI)– West Seti Hydropower Projects⁵², and Phukot Karnali Hydropower Projects⁵³ – have been awarded to the Indian companies in 2023.⁵⁴

51 Thapaliyal, Sangeeta. "Mutual Security: The Case of India-Nepal." Lancer Publishers, 1998

52 BS Web Team. "Indian to Develop Two Hydropower Plants in Nepal as China Abandons Projects." Business Standard, 21 Aug. 2022, www.business-standard.com/article/current-affairs/indian-to-develop-two-hydropower-plants-in-nepal-earlier-quit-by-china-122082100114_1.html. Accessed 23 Aug. 2023.

53 The Annapurna Express. "India's NHPC Set to Get Third Hydropower Project in Nepal." The Annapurna Express, 23 Feb. 2023, theannapurnaexpress.com/news/indias-nhpc-set-to-get-third-hydropower-project-in-nepal-38742/. Accessed 23 Aug. 2023.

54 Onlinekhabar. "PM Pushpa Kamal Dahal Meets Indian PM Narendra Modi, Signs 7 Agreements." Onlinekhabar.com, 1 June 2023, english.onlinekhabar.com/nepal-pm-meets-narendra-modi.html. Accessed 23 Aug. 2023.

India's Small-Scale Aid in the Southern Bordering Districts

Although in the past few years, the concentration of India's small-scale aid is seen slightly higher in the northern region - historically, the case had been otherwise. As the southern districts border with India, the communities in the region share deep cross-border ties, India's both large-scale and small-scale investments have been historically concentrated in the same region. According to our KIs, in the first few years of the SDPs, projects were primarily targeted in the south. Given the historical people to people and cultural ties, India's assistance in the region is either for development assistance or on humanitarian grounds. Nevertheless, Indian small-scale aid in the south too carries some security and strategic interest.

The open border Nepal shares with India has security and other implications for the latter, and as a consequence, its aid through SDP grants in the region can be seen as an influence building measure. KIs also revealed that Madhes-based politicians have historically lobbied with the Embassy to secure SDP grants in their constituencies to better their electoral prospects. SDP grants by their nature allows India to also engage with diverse range of stakeholders within the Nepali system.

Compared to India's overall engagement in the southern region, and the kind of influence it enjoys over there, the scope of SDPs for India to have any tangible security impact is quite less. This is because India has already allocated quite a lot of aid, help build the major infrastructures and its presence through various projects in the region is already quite high.

2.3 Impact of India's Small-Scale Aid at the Community Level in Both Northern and Southern Bordering Region

Education

In the study districts: Sindhupalchok, Rasuwa, Bhairahawa, Mustang and Parsa, the community schools constructed with Indian funds have enabled easier access to educational institutions. In Sindhupalchok and Rasuwa, the 2015 earthquake had destroyed several school buildings, which have been rebuilt using Indian funds. In Rupandehi and Parsa, schools in rural areas constructed with Indian aid have directly benefited local communities. In Bhairahawa, school buses provided by the Embassy were found to be commuting students. Similarly, in Mustang, a school bus was gifted to the Shree Pal Ewam Namgyal Monastic School in 2022.

The perception of the local community, both in the north and the south, is quite favorable towards India's investment in the education sector. While some direct beneficiaries weren't aware about India's aid, those who knew had high opinions about the same. The local stakeholders too have similar opinions, and they believe there is a need to further increase aid in education sectors. Similar views on the impact of such aid featured in both regions.

Annex D has a list of education-related funds provided by the Government of India in northern districts bordering China and Annex E has a list of education related aid provided by Government of India in southern districts bordering India starting from the fiscal year 2019/2020 to 2023/2024.

Health and Sanitation

India has been providing small-scale assistance in the health sector ranging from construction of hospital buildings, health posts, maternity hospitals, and ambulances. Under the theme of sanitation, India has also been providing assistance for drinking water supply projects, waste management, wastewater and sewage management among others. A disproportionately high number of health and sanitation related India-funded projects starting from the year 2019/2020 to 2023/2024 is found to be in the northern districts bordering China. This could partly be due to reconstruction efforts directed at damaged health infrastructures in the north after the 2015 earthquake.

In the health sector, Indian small-scale aid is found has enabled local communities to have better access to such facilities. Ambulances provided by the Indian government have helped local communities in getting timely health service. Lack of health infrastructure has been a major problem in many rural areas, and the aid provided by India, although not sufficient to fill the gap, is found to be of great value. However, in Rupandehi, some ambulances provided by India were lying unused in the Lumbini Cultural Municipality Office. Upon inquiry, officials stated that those ambulances would soon be handed over to respective health centers.

India has also been providing aid in areas of water supply, waste management and sanitation. These are some impactful investments and have helped in Nepal's efforts to supply clean drinking water. These projects are too few in number to have any overall impact, but they have been quite helpful for the targeted communities.

The perception of the general public and local stakeholders in regard to Indian assistance in the health sector was also found to be favorable across the study districts. In conversations with us, they all reiterated the need for more aid.

Small-Scale Housing, Infrastructure and Relief Materials

India has also been providing small-scale aid for small-scale infrastructures and reconstruction of earthquake damaged infrastructures. In 2018, NPR 2.1 billion was disbursed for the reimbursement of the 1st tranche of housing support to 42,086 beneficiaries in Nuwakot and Gorkha districts as part of India's commitment to Nepal's post-earthquake reconstruction under a USD 100 million grant signed in February 2016. An additional USD 50 million from the USD 750 million Line of Credit was also used for the third tranche of housing grants to 50,000 beneficiaries. In 2019, the EXIM Bank of India, acting on behalf of the Government of India, disbursed NPR 3.10 billion (approximately USD 27.9 million) as the reimbursement for the 3rd tranche of housing reconstruction to the Government of Nepal in Nuwakot and Gorkha Districts. A commitment of USD 50 million from the Line of Credit was dedicated to reconstructing 50,000 private houses in those districts, along with an additional USD 100 million grant. The total reimbursement from India so far has reached NPR 6.96 billion (approximately USD 69.6 million) covering the first and second tranches housing support, and the support

also involves providing Socio-Technical Facilitation to homeowners to ensure compliance with Nepal's earthquake-resilient norms. In 2022, aid was provided for the Solu Corridor Transmission Line Project in Solukhumbu district, highlighting the comprehensive India-Nepal power sector cooperation involving power generation projects, transmission line construction, and power trade.

In 2019, the External Affairs Minister and Foreign Minister of Nepal observed the presentation of a cheque amounting to INR 80.71 crore, which is part of the Government of India's commitment of INR 500 crore for enhancing road infrastructure in the Terai Region of Nepal. And in 2020, the Embassy of India on behalf of the GoI, handed over a consignment of disaster relief material to Ms. Chanda Chaudhary, Member of Parliament and President of the Nepal-India Women Friendship Society (NIWFS). The relief material included tents and plastic sheets for distribution to flood and landslide affected families in five districts of Nepal. In view of the destruction and loss of life caused by floods and landslides the entire consignment will be distributed through NIWFS in coordination with local coordination with local governments in the affected districts. Indian aid in reconstruction after the 2015 earthquake in the northern districts has been crucial in Nepal's efforts to rebuilding damaged infrastructures. Similarly, India's aid for small-scale infrastructures and relief materials has been quite helpful to the local community in need.

Culture

India has provided aid for construction and reconstruction of monasteries, and monastic schools in the northern region as discussed in above sections. India provided NPR 18.9 million for the reconstruction of Choephel Kundeling Monastery of Sindhupalchok in 2019. Apart from reconstruction, the allocated money is also for construction of accommodating infrastructures such as residences facilities and compound walls. Similarly in 2021, India had provided NPR 246 million for reconstruction of three cultural sites in Sindhupalchok and Lalitpur. So far, the Government of India has committed a total USD 50 million (NPR 5,800 million) for conservation, restoration and reconstruction of 28 cultural heritage sites in eight districts of Nepal.

In the northern districts, the Tibetan communities who practice Buddhism are greatly benefited by India's continuous aid and assistance for the construction of monasteries, Buddhist school, renovation of heritages among others. In these specific areas, the locals and stakeholders have quite a high opinion of India's aid and assistance under the theme of culture. In Mustang, specifically, local leaders and stakeholders are of the opinion that India's aid in this sector has made a meaningful difference. Some local political leaders even claimed that Indian aid has been instrumental in promotion of Tibetan heritage and culture at the time when China has been seeking to influence the practice of Tibetan culture and Buddhism over there. Locals also said the construction of Buddhist schools in their localities had helped stem the migration of their youth to Tibetan Buddhism schools in India.

2.4 Other Facets of the Small Development Projects and Irregularities

Our KIs revealed that even though any eligible community-based organizations can apply for the grant, the grants are also employed by the well-connected leaders or bureaucrats who lobby to allocate aid in their respective constituencies. Some earlier studies on local-level Indian aid also confirm that building infrastructures and social projects in constituencies through programs of the Indian Embassy has given some leaders an electoral edge, and in turn has helped the Embassy maintain a close relationship with those leaders.⁵⁵ Likewise, bureaucrats also play a role in lobbying. Aid flow to certain constituencies over others could have direct impact in the electoral outcomes of those constituencies. According to our KIs, such political lobbying is more prevalent in the south than in the north, which however couldn't be verified with any data or information.

Also, such lobbying can result in aid being concentrated in fewer regions, thus resulting in ineffective allocation of such aid. Further, the KIs revealed that there is a lack of enough information about the availability of aid, the procedures of application, and the requirements – this asymmetry of information among local community organizations regarding the Small Development Projects is a problem in the sense that the needy organizations aren't receiving the aid despite their eligibility.

The Small Development Projects are undertaken through the local body or the District Coordination Committee (DCC). The local body or DCC calls for a bid and the contract is granted. Although India doesn't get involved in implementing the projects directly which has reduced the possibility of donors' interference and irregularity in the undertaking of the project, time overrun is a concern regarding SDP projects, as the projects tend not to get completed in time. According to our KIs, owing to administrative sluggishness, most projects' deadlines get renewed.

55 Adhikari, Monalisa. "Politics and Perceptions of Indian Aid to Nepal." *Strategic Analysis*, vol. 38, no. 3, May 2014, pp. 325–40, <https://doi.org/10.1080/09700161.2014.895236>. Accessed 23 Aug. 2020.

DYNAMICS OF CHINA’S SMALL-SCALE AID IN NEPAL

3.1 Overview of China’s Small-Scale Aid

While China’s big infrastructure projects are scattered throughout Nepal⁵⁶; its small-scale aid targeting community level has been largely confined in the northern region, particularly those districts bordering Tibet Autonomous Region (TAR). China’s informal engagement with aid and assistance in bordering districts dates long back⁵⁷ but over the past few years, China has increased its small-scale aid and assistance in the region. One reason for this is China’s expansion of infrastructure on the Tibetan plateau, which has resulted in motorable access to Nepal’s northern districts. Chinese aid is provided mostly to assist bordering districts in their development aspirations or as humanitarian assistance.

China’s aid architecture in Nepal’s northern bordering districts was only formalized in 2014 – prior to which, aid was informal. Even after that, aid have flowed through informal channels and ways. China undertakes the projects on its own, employing its own workers and handover the projects to the respective local body after completion in a turnkey manner.

Architecture of China’s Small-Scale Aid

China undertakes small-scale aid projects in the fifteen districts that border the Tibet Autonomous Region (TAR) of China: Taplejung, Solukhumbu, Sankhuwasabha, Dolakha, Sindhupalchok, Rasuwa, Dhading, Gorkha, Manang, Mustang, Bajhang, Dolpa, Mugu, Humla and Darchula. In the past, the Chinese government had provided each of these districts NPR 3 million (USD 42,500) for the development of their Village Development Committees (VDCs), the local administrative body.⁵⁸

In 2014, a deal was signed between Nepal and China in which China had agreed to provide 10 million Yuan (USD 1.63 million) annually from 2014 to 2018.⁵⁹ The primary goal of the aid was to help Nepal develop its northern districts bordering the Tibetan Autonomous Region. That aid was spent in health, education and road sectors to improve the livelihood of the residents in those districts.⁶⁰

56 Mulmi, Amish Raj, et al. “China’s Emergence in Nepal’s Infrastructure: Status, Issues and Challenges.” Center for Social Inclusion and Federalism (CESIF), 2023.

57 As informed by the KIs during the field study.

58 Human Rights Watch. “Under China’s Shadow | Mistreatment of Tibetans in Nepal.” Human Rights Watch, Apr. 2014, www.hrw.org/report/2014/04/01/under-chinas-shadow/mistreatment-tibetans-nepal. Accessed 23 Aug. 2023.

59 Giri, Anil. “Chinese Development Agency to Aid 15 Northern Nepali Districts.” The Kathmandu Post, 30 Mar. 2019, kathmandupost.com/national/2019/03/30/chinese-development-agency-to-aid-15-northern-nepali-districts#:~:text=The%20Nepal%20government%20has%20permitted. Accessed 23 Aug. 2023.

60 Ibid.

In 2018, during the then Prime Minister KP Sharma Oli's visit to China, the China International Development Cooperation Agency (CIDCA) - China's first centralized foreign aid agency under the State Council and directly reporting to the foreign ministry - signed a cooperation agreement with the Nepal's Ministry of Finance to provide development assistance.⁶¹ And in 2019, China signed an agreement during CIDCA vice-chairman Mr. Deng Boqing visit to Nepal to provide assistance to 15 northern districts of Nepal which border with the Tibetan Autonomous Region (TAR) of China.⁶² However, those projects have been in limbo ever since, and no further progress has been made so far.

In 2018, the government framed a policy to tighten the noose around non-governmental organizations, but in the same year, thirty Chinese NGOs entered Nepal focusing on social sectors. The Social Welfare Council Nepal and China NGO network for International Exchanges, an umbrella body of Chinese NGOs, had signed a memorandum of understanding to enable Chinese NGOs to work in Nepal. Those NGOs have been working on the sectors of livelihood, healthcare, education, skill-based training, community development and disaster management. This was one of its kind developments in which a large number of NGOs entered into the social sectors of Nepal which has remained domains of the West and countries like Japan and India.⁶³ According to KIs, these thirty NGOs, while working in diverse sectors and regions throughout the nation, also primarily focus on the northern region, particularly the bordering districts with TAR of China. However, during our field visit in the northern districts of Sindhupalchok and Mustang, no KIs could provide us any information on the Chinese NGOs working in the study districts.

On April 29 2019, Nepal and China signed the Northern Area Infrastructure Development and Livelihood Improvement Project (NAIDLIP) during the visit of the then President Bidya Devi Bhandari to China. China had pledged to provide funds for implementing the project which was estimated to be RMB 20 million. This project too is focused on the 15 districts bordering Tibetan Autonomous Region of China, with the stated goal being to "improve quality of life of the people residing in Nepal-China economic corridor belt".⁶⁴ The areas in which projects under this program are to be carried out are health, education, road, sanitation, and solar energy. The programme is agreed upon to be implemented based on the concept of turnkey projects which means that China, the donor, would commission all the activities starting from feasibility survey, preparation of Detailed Project Report (DPR), procurement management and construction.

61 CIDCA. "China Signs Cooperation Agreement with Nepal." China International Development Cooperation Agency, 29 June 2018, en.cidca.gov.cn/2018-06/29/c_267182.htm. Accessed 23 Aug. 2023.

62 Giri, Anil. "Chinese development agency to aid 15 northern Nepali districts." *The Kathmandu Post*, 30 Mar. 2019, kathmandupost.com/national/2019/03/30/chinese-development-agency-to-aid-15-northern-nepali-districts. Accessed 23 Aug. 2023.

63 Sapkota, Rewati. "30 Chinese NGOs All Set to Work in Nepal." *The Himalayan Times*, 31 July 2018, thehimalayantimes.com/nepal/30-chinese-ngos-all-set-to-work-in-nepal. Accessed 23 Aug. 2023.

64 Ministry of Urban Development- Department of Local Infrastructure. "Department of Local Infrastructure (DoLI)." Ministry of Urban Development- Department of Local Infrastructure, doli.gov.np/doligov/recently-completed-programs/northern-area-infrastructure-development-and-livelihood-improvement-project/. Accessed 23 Aug. 2023.

However, the responsibility of all pre-construction works like land acquisition, site-access and site-clearance to DPR finalization is to be carried out by the local body in which the project under this program is to be carried out.⁶⁵ However, there has been no substantial progress on the NAIDLIP after the signing of the agreement and few proceedings thereafter, according to the information provided to us by the incumbent officials at the Ministry of Federal Affairs and General Administration.

In October 2022, China government provided 14 excavators to 14 municipalities of 14 different districts bordering China: Phaktanlung Rural Municipality of Taplejung; Sabhapokhari Rural Municipality of Sankhuwasabha, Bigu Rural Municipality of Dolakha, Jugal Rural Municipality of Sindhupalchok, Gosaikunda Rural Municipality of Rasuwa, Rubi Valley Rural Municipality of Dhading, Chumnuhari Rural Municipality of Gorkha, Narpabhumi Rural Municipality of Manang, Lo Manthang Rural Municipality of Mustang, Talkot Rural Municipality of Bajhang, Se Phoksundo Rural Municipality of Dolpa, Mugum Karmaroad Rural Municipality of Mugu, Namka Rural Municipality of Humla and Marma Rural Municipality of Darchula are municipalities of northern bordering districts which received 1 excavators each from China. Further, the Tibetan government has extended support in the forms of food supplies and other essentials worth over 200 million Yuan to the 15 districts in the past five years.⁶⁶

Coordination Between Northern Bordering Districts and Adjacent Counties of the Tibet Autonomous Region

According to our KIs, local bodies of all 15 bordering districts coordinate with the adjacent county of the Tibet Autonomous region to receive aid, assistance and relief materials as per need. In all three northern districts of our field study, the KIs and local stakeholders over there confirmed that they have been receiving aid and assistance in coordination between the District Coordination Committee or the local bodies and the adjacent counties.

In Mustang, for example, Chinese have provided assistance to the people of Lo Manthang. The KIs claimed that not just through the requests by governmental bodies but China has also been providing aid in this manner even when well-connected leaders or stakeholders ask for either aid or assistance with the Zhongba County. They said “the influential ones make a phone call to Chinese officials in the Zhongba county requesting aid and assistance on behalf of the municipality, and in response, Chinese officials provide necessary support and aid.” Likewise, in Rasuwa, our consultative interviews confirmed that there are instances of District Coordination Committee holding meetings with the officials of the Xilong County of TAR to ask for aid and assistance, and the district then receives sought for aid or assistance. According to informants, such practice had increased during the times of the 2015 earthquake and Covid-19 pandemic. Similarly, Sindhupalchok district has been receiving aid, assistance and relief materials from the Nyalam County of the Tibet Autonomous Region. The nature of the collaboration, and nature

65 Ibid.

66 Giri, Anil. “Chinese Development Agency to Aid 15 Northern Nepali Districts.” The Kathmandu Post, 30 Mar. 2019, kathmandupost.com/national/2019/03/30/chinese-development-agency-to-aid-15-northern-nepali-districts#:~:text=The%20Nepal%20government%20has%20permitted. Accessed 23 Aug. 2023.

of assistance is similar to the case of Mustang and Rasuwa. This is true for all districts bordering TAR of China, which according to our KIs, is a long practice of seeking assistance with the adjacent county which has continued till the date. Nepal doesn't have the state capacity to supply all essential materials in the bordering region including food materials or the humanitarian assistance during the crises and this gap is filled by Chinese side. Even during the Covid-19 pandemic, according to informants, Chinese side left food materials at the border points which were then picked up by Nepali side.

3.2 Geographical Concentrations and Motivations of China's Small-Scale Aid

China has been providing large-scale development assistance and making investments in the bordering districts of the north. This is further reflective of the strategic importance of Nepal's northern bordering region for China. China was the major investor in Nepal's northern districts during FY 2075/76, with a total investment of NPR 1462.08 million, of which NPR 1047.08 million was in Sindhupalchok – which was directed towards crushed stone and pulverized stone manufacturing companies and a construction company. Similarly, NPR 100 million was invested in Humla in carrying out a feasibility study of gold, copper, and lead minerals, and NPR 315 million in Dhading to construct a steel company and vegetables and fruits farming.⁶⁷

Later, in FY 2076/77 China invested NPR 57.73 million in Sindhupalchok in a concrete water reducer and concrete accelerator industry. While Nepal recorded a steep decline in FDI's received in FY 2077/78 (mainly due to the Covid-19 pandemic)⁶⁸, the northern district of Dhading had recorded Chinese investment of NPR 70 million for construction works.

According to the data of the Department of Industry (DoI) on foreign direct investments (FDI) received by Nepal's northern border districts from China between FY 2074/75 to FY 2077/78; in FY 2074/2075, Chinese had a total of a NPR 38,071 million investments, out of which NPR 34,541 million was in Rasuwa, NPR 10 million in Sankhuwasabha, NPR 2000 million in Solukhumbu, and Nrs. 1520 million in Manang. In Rasuwa, the investments were directed in two hydroelectric power plants of 102 MW and 78 MW capacity. Similarly, the investment in Manang was for the construction of a hydroelectric power plant with a capacity of 100 MW. Likewise, investment in Dhading was directed towards the brick industry and vegetable farming.⁶⁹

67 Ghimire, Shraddha. "Cross Border Relations and China's Engagement with Nepal Along Nepal's Northern Border." Foreign Engagement in Nepal and Nepal-China Cross Border Relations. Editors Karna, Vijay Kanta and Gelal, Arpan, Centre for Social Inclusion and Federalism (CESIF), 2022.

68 South Asia Monitor. "Nepal: Foreign Direct Investment Drops by 14 Percent in FY 20-21." South Asia Monitor, 21 July 2021, www.southasiamonitor.org/nepal/nepal-foreign-direct-investment-drops-14-percent-fy-20-21?gclid=CjwKCAiAhreNBhAYEiwAFGGKPFVv76l3CvjtiCctOtUOoddMV9AMD0bz9zaVb2_Ds7u204JBPZ_zQxoCVVwQAvD_BwE. Accessed 23 Aug. 2023.

69 Ghimire, Shraddha. "Cross Border Relations and China's Engagement with Nepal Along Nepal's Northern Border." Foreign Engagement in Nepal and Nepal-China Cross Border Relations. Editors Karna, Vijay Kanta and Gelal, Arpan, Centre for Social Inclusion and Federalism (CESIF), 2022. Accessed 23 Aug. 2023.

China has constructed the dry port in Sindhupalchok with other dry ports planned to be constructed at Yari-Pulam, Kodari-Zangmu (Khasa), Kimathanka-Dingri, Olangchungola-Riwa, and Mustang-Lingzi.⁷⁰ The construction of dry port is underway in Rasuwa-Jilong border.

China's Formal Small-Scale Aid and Assistance in the Selected Northern Bordering Districts

Sindhupalchok, Mustang and Rasuwa - the three northern bordering districts covered for the field visit for this study - have received various Chinese aid and assistance in areas of education, health, small-scale infrastructure, post-2015 earthquake reconstruction, and relief packages over the last few years.

In Sindhupalchok district, the re-construction of the Chautara hospital in Chautara is being constructed under the China Aid for the Shared Future Project. The overall management responsibility has been entrusted to China Chiyuan Engineering Corporation by the Agency for International Economic Cooperation under the Ministry of Commerce of China. Hebei Building Group is carrying out the construction of the building based on the Chiyuan Corporation's design.⁷¹ The hospital building will cost a total of 61 million RMB for completion, according to Mr. Liu Bo, a spokesman for Chiyuan Corporation. The construction began on September 9, 2022 and is slated to be completed by March 9, 2024.

This new Chautara Hospital building will accommodate 39 beds. China has also committed to provide all necessary materials to the hospital. Once the construction is completed, the Chinese government is further expected to support the hospital by providing medical equipment, furniture, and virtual machines such as ECG, X-rays, and automatic blood analyzers.⁷²

According to KIs, Chinese aid towards the hospital is anticipated to have significant socioeconomic impact on the area. A modern, well-equipped hospital is expected to enhance the local community's access to better healthcare. In addition, the project will generate jobs throughout the building period and the hospital's following operations.

China's Aid for the Shared Future has also constructed three schools in Sindhupalchok - Sunkoshi Higher Secondary School in Budhepa Rural Municipality, Ratna Rajya Secondary School in Jugal Municipality and Shree UgraChandi Secondary School in Bhote Koshi Rural Municipality. The re-construction cost of the latter was around NPR 500 million and was inaugurated by the Chinese Ambassador. This school, as of now, accommodates 158 students from grades 1 to 10.⁷³

70 Human Rights Watch. "Under China's Shadow | Mistreatment of Tibetans in Nepal." Human Rights Watch, Apr. 2014, www.hrw.org/report/2014/04/01/under-chinas-shadow/mistreatment-tibetans-nepal. Accessed 23 Aug. 2023.

71 The Rising Nepal. "Chautara Hospital's Construction Progress at 65%." GorakhaPatra, 22 June 2023, risingnepaldaily.com/news/28441#:~:text=The%20hospital%20is%20being%20constructed. Accessed 23 Aug. 2023.

72 The Rising Nepal. "Chautara Hospital's Construction Progress at 65%." GorakhaPatra, 22 June 2023, risingnepaldaily.com/news/28441#:~:text=The%20hospital%20is%20being%20constructed. Accessed 23 Aug. 2023.

73 Information obtained through the field visit.

Similarly, Ratna Rajya Secondary School in Chanaute, Jugal Rural Municipality-5, is another school reconstructed with China's aid.⁷⁴ Six buildings have been constructed with an investment of more than a million Nepali rupees. As of now, 425 children of Jugal Rural Municipality are studying in the school. Principal Tika Dutt Poudel informed that after the construction of a dormitory with 84 rooms, students no longer rented rooms outside. This has particularly assisted Dalit students, who faced issues while renting rooms. The school also has a facility of a library with 50 computers and a science laboratory.

China completed the construction of Tatopani Dry Port in 2019 under a grant. The Tatopani Inland Clearance Depot (ICD) project also included upgradation of a 112-meter-long bridge over the Bhotekoshi River marking the border between the two countries and construction of a 6.5 km road track.

The Beijing Real Estate Group Company carried out the construction of the dry port at an estimated cost of RMB 8.62 crore (about USD 13.8 million).⁷⁵ Although the expected completion date for the port was initially February 26, 2016, the project faced various challenges and delays before being handed over to the Nepal Intermodal Transport Development Board (NITDB) on June 28, 2019.⁷⁶ The NITDB, established by the Government of Nepal in 1997 AD, has been entrusted with ensuring the efficient and cost-effective management of the ICD to facilitate Nepal's foreign trade.

On September 14, 2022, the NITDB agreed with Tans Nepal JV (Trans Silk Terminal), Biratnagar, to operate the Tatopani Dry Port for a period of five years.⁷⁷ As per the contract, the company is obligated to pay NPR 117 million over five years. This partnership is expected to enhance the port's operational efficiency, promote trade facilitation, and contribute to the overall socioeconomic development of the region. The Tatopani customs point holds great importance as one of the major border points between Nepal and China. It facilitates seamless imports and exports, offering the shortest distance compared to other operational borders. The construction of the port has improved trade connectivity and boosted economic growth, according to KIs.

China has also been constructing a dry port in Rasuwa under a grant mechanism. The construction had begun in May 2019 and the initial completion target was May 2022.⁷⁸ However, the construction got delayed due to Covid-19 pandemic-related disruptions. After three and a half years, the Rasuwagadhi dry port is only 35% complete.⁷⁹ Situated about 2.5 km from the Nepal-China

74 CIDCA. "China-Aided Ratna Secondary School Project in Nepal Opens New School Building." CIDCA, 10 Feb. 2023, en.cidca.gov.cn/2023-02/10/c_857960.htm. Accessed 23 Aug. 2023.

75 Xinhua. "Dry Port Construction to Begin at Nepal-China Border: Report - Global Times." Global Times, 12 Dec. 2012, www.globaltimes.cn/content/749723.shtml. Accessed 23 Aug. 2023.

76 Khabarhub. "Private Sector Company to Operate Tatopani Dry Port for Five Years." Khabarhub, 16 Sept. 2022, english.khabarhub.com/2022/16/272992/. Accessed 23 Aug. 2023.

77 Ibid.

78 Ibid.

79 Prasain, Krishana. "Construction of New Dry Ports Slows Down." The Kathmandu Post, 23 Nov. 2022, kathmandupost.com/money/2022/11/23/construction-of-new-dry-ports-slows-down. Accessed 25 Aug. 2023.

border⁸⁰ across 165 ropanis of land, the port is envisioned to provide facilities for 350 container trucks, a warehouse, parking, a customs building, and a quarantine facility.⁸¹ The project is expected to cost China a substantial sum of 124 million RMB (equivalent to NPR 2.2 billion).⁸²

In Mustang, as part of a bilateral agreement with China, a 70-KW solar panel was installed in Lo-Manthang in 2014, which played a crucial role in providing electricity to the settlement.⁸³ Unfortunately, the solar panel has fallen into disuse after it required repairs. One reason locals reported for disregard towards the solar plant is the arrival of the National Electricity Grid into upper Mustang. However, due to the extreme climate, power outages are frequent.

China's Informal Aid in the Northern Border Region

The inflow of Chinese informal aid and assistance in the northern bordering region isn't a new phenomenon. By informal aid, this report refers to all forms of aid, and assistance flowing through channels other than the standard one in which all foreign aid and assistance are required to first be approved by the federal government. People and stakeholders residing in the northern bordering districts reveal that they have been receiving informal aid and assistance since long back in times of need.

KIs in Sindhupalchok mentioned that China's informal relief assistance after the 2015 earthquake was extensive in the region. Roads and homes in Nyalam, Jilong and other counties in the Tibet Autonomous Region were damaged by the earthquake and were repaired by the Transportation Corps of the Chinese People's Armed Police. The same team repaired the Araniko Highway, which connects China and Nepal and then transported oil, food, medicine, and other relief materials to Nepal.⁸⁴

Likewise, during the Covid-19 pandemic, our informants said communities living near the border, border officials, and security officials had received food materials, masks, and sanitizers from China. During our field visit, we saw Chinese masks, sanitizers and pulse oximeters at the Nepal Custom Office at Tatopani, Sindhupalchok, that had been sent by China during the pandemic. Security officials confirmed they had received relief materials from China during the pandemic.

80 The Kathmandu Post. "Chinese Firm Signs Contract to Build Dry Port in Timure." The Kathmandu Post, 13 May 2019, kathmandupost.com/money/2019/05/13/chinese-firm-signs-contract-to-build-dry-port-in-timure. Accessed 25 Aug. 2023.

81 Prasain, Krishana. "Construction of Rasuwa Dry Port on Hold since Virus Outbreak." The Kathmandu Post, 19 Mar. 2021, kathmandupost.com/money/2021/03/19/construction-of-rasuwa-dry-port-on-hold-since-virus-outbreak. Accessed 25 Aug. 2023.

82 Prasain, Krishana. "Construction of New Dry Ports Slows Down." The Kathmandu Post, 23 Nov. 2022, kathmandupost.com/money/2022/11/23/construction-of-new-dry-ports-slows-down. Accessed 25 Aug. 2023.

83 Rastriya Samachar Samiti. "70-KW Solar Project Handed over to Nepali Side; Electricity Service to 221 Households." The Himalayan Times, 14 Sept. 2015, thehimalayantimes.com/nepal/70-kw-solar-project-handed-over-to-nepali-side-electricity-service-to-221-households. Accessed 25 Aug. 2023.

84 Yanqi, Hou. "How China Helped during the Earthquake and Afterward." My Republica, 25 Apr. 2020, myrepublica.nagariknetwork.com/news/how-china-helped-during-the-earthquake-and-afterward/. Accessed 25 Aug. 2023.

In Mustang too, according to local KIs, China had sent relief material to Lo Manthang and Lhoghekar Damodarkunda Rural Municipality of Upper Mustang during the pandemic. However, Ved Prasad Aryal, the Chief District Officer of Mustang, said on record that he was unaware of any relief materials' arrival, especially since such aid had been sent without coordination or consent of local and district officials.⁸⁵ Some even claimed that the relief material was rejected as they feared possible transmission of Covid-19 virus.⁸⁶ In most of the northern bordering districts, when the border was shut, our KIs informed that China had dropped the essential materials off at the border and Nepali side picked the materials. KIs also informed us about a Police Inspector being transferred from the BOP office for accepting such informal aid during the closure of the border in the pandemic. However other KIs, specifically government officials at the local level, deny that there has been an inflow of informal aid or assistance.

The Tibet Factor and China's Aid Allocation in the Northern Bordering Districts

As with India's small-scale aid, China's small-scale aid in the northern bordering districts is found to be aimed at building influence and perception among local populations. When seen from the perspective of donor interest, China's interest in Nepal's northern districts is mostly driven by the Tibet factor. Tibet shares cultural, historical, and ethnic ties with Nepal's northern districts, and China perceives this as a sensitive area in terms of its sovereignty and security. Another reason for such sensitivity is also historical. During the Cold war, due to Nepal's lack of state capacity, the Himalayan borderlands became the site for the Tibetan armed guerrilla movement, with Mustang as their base. Although the movement was subdued militarily by Nepal in 1974, Nepal continues to impose restrictions on foreigners travelling to some of these regions despite opening them up for tourism in the 1990s.

A Geopolitically Sensitive Area

The Chushi Gangdrug Tibetan guerrilla movement, which was formed in 1956 with an explicit goal to resist and overthrow Chinese rule, shifted to Mustang, Nepal with the support of the CIA after the escape of the Dalai Lama in 1959.⁸⁷ A large number of Tibetans also fled the country, and resided in India, Nepal, and Bhutan. As of now, there are as many as around 1,50,000 Tibetan refugees in India, while there are almost 20,000 refugees in Nepal⁸⁸ – making it the second biggest home for Tibetans in exile after India. Thousands of Tibetans escaped via northern Nepal starting from the 1950s itself, including the Karmapa (Ogyen Trinley Dorje) in 1999.

85 Khabarhub. "Mustang's Local Governments Reject China's Relief Offer." Khabarhub, 20 May 2020, english.khabarhub.com/2020/20/97322/. Accessed 25 Aug. 2023.

86 Ibid.

87 McGranahan, Carole. "The CIA and the Chushi Gangdrug Resistance, 1956–1974." Project MUSE, www.colorado.edu/anthropology/sites/default/files/attached-files/mcgranahantibetscoldwar.pdf. Accessed 25 Aug. 2023.

88 Swanson, David. "Tibetan Refugees in Nepal Crying out for Documentation - Nepal." Relief Web, 4 June 2013, reliefweb.int/report/nepal/tibetan-refugees-nepal-crying-out-documentation. Accessed 25 Aug. 2023.

Nepal's northern region thus has been geopolitically sensitive since the 1950s. China continues to be wary of any Tibetan activism in the region, as well as the activities of other regional and global powers who are active in the region. The US's CIA involvement in the Khampa rebellion is a case in point. Further India - which has had an ongoing border dispute with China that led to the 1962 war and sporadic skirmishes including in 2020⁸⁹ – has had interest in the northern region of Nepal making Nepal's northern borderland geopolitically sensitive.

Security: China's Major Concern

Once the People's Republic of China was formed on October 1, 1949, one of the major goals of the Chinese Communist Party (CCP) was to establish control over Tibet. While at first, CCP was for peaceful negotiation with Tibet, Tibet wasn't ready to be ruled by the communist regime in Beijing. Then, the People's Liberation Army (PLA) of the People's Republic of China attacked Tibet in 1950. The Tibetan government was unable to receive help from the government of India, UK, and the USA despite pledging for the same, and the Tibetan government signed the 17-point agreement for the peaceful liberation of Tibet on May 23, 1951 in Beijing.

The 17-point agreement was the first agreement in Tibetan history that explicitly stated Chinese sovereignty over Tibet.⁹⁰ Even though this agreement included the preservation of Tibetan Buddhism and status of the Dalai Lama, other clauses explicitly abrogated Tibet's sovereignty and made it a part of China.⁹¹ However, this agreement only applied to what is known as the U-Tsang region of Tibet, areas that were historically governed by the Dalai Lama's government. Tibetans living in Kham and Amdo areas were included within Chinese provinces, and when the CCP began to introduce its land reform practices in these regions, Kham province saw the beginnings of a rebellion against the PRC, resulting in PRC's military action in the region and a large-scale movement of refugees towards Lhasa.⁹² Deteriorating relations between the Tibetan government and the PRC eventually resulted in the escape of the Dalai Lama to India in March 1959. Starting from 1959, Tibetan started protesting against the communist regime in Beijing - and ensuring total control over the Tibetan Autonomous Region became a major priority for the communist regime. Not just in dealing with countries bordering TAR but even with the rest of the world, in its bilateral dealings, China has prioritized its territorial integrity as its major interest above all else.

89 Hoffmann, Steven A. "India and the China Crisis." University Of California Press, 2018.

90 Department of Information and International Relations, Central Tibetan Administration. "FACTS about the 17-POINT "Agreement" between Tibet and China." DIIR PUBLICATIONS, 22 May 2022, tibet.net/wp-content/uploads/2014/10/FACTS-ABOUT-17-POINT-AGREEMENT.pdf. Accessed 25 Aug. 2023.

91 Ibid.

92 McGranahan, Carole. The CIA and the Chushi Gangdrug Resistance, 1956–1974. Project MUSE, www.colorado.edu/anthropology/sites/default/files/attached-files/mcgranahantibetscoldwar.pdf. Accessed 11 Sept. 2023.

Concerns on Reverence to Dalai Lama in the Northern Bordering Districts

Tibetan community's reverence for the Dalai Lama has been a recurrent source of tension in Nepal-China relations. China regards the Dalai Lama as a separatist. However, multiple KIs from Lo Manthang revealed that the Dalai Lama is simply seen as a religious figure rather than as a political figure. Similar accounts were also noted in Rasuwa and Tatopani. Almost all homes in Lo Manthang, Rasuwa or Tatopani have a picture of the Dalai Lama. Nonetheless, although KIs thought that the anti-China movement is not an issue that the Chinese need to worry about, China continues to regard Nepal's northern bordering districts as sensitive to its security interests.

The Tibetan community in Nepal over the years have been involved in protests in several forms. Although the Free Tibet movement has been largely suppressed by Nepal in the 21st century, a few sporadic incidents near the border were noted by our KIs in Sindhupalchok. In the wake of the 2008 Tibetan uprising, the Chinese government significantly tightened its control in Tibetan areas of China, which in turn also impacted the free-Tibet protests in Kathmandu. China asked the Nepal government to suppress Tibetan activism within Kathmandu, which had become the centre of global attention when Tibetans in exile began protesting the Beijing Olympics in 2008.

The 2008 Tibetan uprising was a pivotal point. Hundreds of Tibetan monks gathered in Lhasa to protest Chinese autocracy in March, marking the 49th anniversary of Tibetan uprising against the same. Within weeks, protests escalated; rights groups remarked that more than 140 people died, while the Chinese figure puts it at 22.⁹³ Simultaneously, on March 10, 2008, some 700 to 1,000 Tibetans living in Kathmandu gathered at Boudhanath Stupa to mark Tibetan National Uprising Day. Around 8,350 Tibetans were arrested in Nepal during the protest for the same by the Nepali police.⁹⁴

For several months during and after the 2008 protests in Tibet, Kathmandu became a focal point of pro-Tibetan political activity, with almost daily street demonstrations, gatherings, and political events. Under intense diplomatic pressure from China—some of it overt and public—the Nepali government curtailed Tibetan demonstrations, with the police often clashing with demonstrators or rounding up Tibetans they suspected of planning public action. A month before the Chinese premier Wen Jiabao visited Nepal in 2011, a man named Bhutuk attempted to set himself on fire in front of the Baudhanath Stupa in Kathmandu.⁹⁵ This act echoed the dozens of self-immolations that had taken place in Tibet in protest of Chinese policies.

The Tibetan community in Nepal consists of approximately 20,000 people, comprising both relatives and descendants of the first wave of refugees who arrived after the Dalai Lama's escape to India in 1959. Over the years, periodic flows of new refugees and migrants from Tibet or returning from India have contributed to the community's growth.

93 CNN Wire Staff. "Timeline of Tibetan Protests in China." CNN, 31 Jan. 2012, edition.cnn.com/2012/01/31/world/asia/tibet-protests-timeline/index.html. Accessed 25 Aug. 2023.

94 Human Rights Watch. "Appeasing China: Restricting the Rights of Tibetans in Nepal." Human Rights Watch, www.hrw.org/reports/2008/tibetnepal0708/tibetnepal0708.htm. Accessed 28 Aug. 2023.

95 International Campaign for Tibet. "Tibetan Monk Dies after Self-Immolation in Kathmandu, Nepal." International Campaign for Tibet, 7 Aug. 2013, savetibet.org/tibetan-monk-dies-after-self-immolation-in-kathmandu-nepal/. Accessed 23 Aug. 2023.

While between 1959 to 1989, Nepal government officially recognized and registered Tibetans crossing the border, in 1989, owing to improved diplomatic ties with China, the King halted the settlement of Tibetan refugees within Nepal's borders. Despite that, Nepal maintained an informal and unwritten 'Gentlemen's Agreement' with the United Nations High Commissioner for Refugees (UNHCR), according to which, Nepal shall continue to allow 'safe passage' for refugees from Tibet to India.

China's Hardball Approach in Dealing with Free Tibet Related Movements

China doesn't tolerate any Tibetan independence related activities inside or outside its soil. Immediately after the 2008 protests, the Chinese government had submitted a draft of comprehensive security agreement to Kathmandu and in August 2011, the agreement was signed during the visit of China's then domestic security chief, Zhou Yongkang. The agreement ensured strict provisions against any activity that could potentially harm China's security and had provisions for border-security, interagency cooperation, smuggling, trafficking, and "illegal border crossings" control. Also, various other agreements are put in place over the years, which also covers "intelligence sharing", "curbing illegal immigration (in essence, Tibetans seeking refuge across borders)", deployment of additional Nepali Armed Police Forces (APF) at the border.⁹⁶

China has approached aggressively in even minor cases which showcase support for the Dalai Lama, or activities pertaining to Free Tibet. For instance, after the 2015 earthquake, the Chinese rescue team operating in the northern region reportedly found pictures, manuscripts, teaching and prophecy of the Dalai Lama inside houses of border residents, particularly along Tatopani-Khasa border point.⁹⁷ After the earthquake, the Tatopani-Khasa border was closed unilaterally by China citing damages and dangers posed by the earthquake as the main reason behind the move. However, according to our KIs, the presence of manuscripts, pictures and teachings of the Dalai Lama in the region had alarmed China, and closing of the border was partly in response to the potential Free Tibet related movements in the region. President Xi, during his visit to Nepal in October 2019, remarked that "China would crush bodies and shatter bones of those who would try to create division within China".⁹⁸ That President Xi chose Nepal of all countries to make such a fierce statement is telling in itself. In the 14th meeting of Nepal-China Bilateral Consultative Mechanism, the Chinese side had expressed strong reservations about the US Under Secretary of State Uzra Zeya's visits to two Tibetan camps in Nepal in 2022.⁹⁹

96 Human Rights Watch. "UNDER CHINA'S SHADOW Mistreatment of Tibetans in Nepal." Human Rights Watch, 2014, www.hrw.org/sites/default/files/reports/nepal0314_ForUpload_2.pdf. Accessed 23 Aug. 2023.

97 As informed by KIs in Sindhupalchowk

98 Reuters. "China's Xi Warns Attempts to Divide China Will End in 'Shattered Bones.'" CNBC, 14 Oct. 2019, www.cnbc.com/2019/10/14/chinas-xi-warns-attempts-to-divide-china-will-end-in-shattered-bones.html. Accessed 25 Aug. 2023.

99 Tibetan Review. "Nepal Reassures China on 'One China' Policy When Pressed on US under Secretary's Visit to Tibetan Camps." Tibetan Review, 26 May 2022, www.tibetanreview.net/nepal-reassures-china-on-one-china-policy-when-pressed-on-us-under-secretarys-visit-to-tibetan-camps/. Accessed 25 Aug. 2023.

China's Aid and Assistance in the Northern Bordering Districts: An Anodyne to the Potential Pro-Tibet Activities, and Subsequent Security Threats

China's active engagements in the northern region of Nepal - through cooperation in development projects and allocation of aid, apart from the lens of development assistance and humanitarian grounds – must also be seen through the lens of the Tibet factor. The security of Tibet remains the foremost priority of China, and even in allocating aid and assistance in Nepal, China has sought to ensure the same.

If the Tibetan population in the northern bordering districts were to support the Free Tibet movement, that could pose a security threat to Beijing, especially considering the porous nature of the Himalayan border. Allocating aid and assistance and undertaking projects in the region enables China to engage with the local community, stakeholders, bureaucrats, religious leaders, and security officials. The logic is simple - if the border communities are supported via development activities, aid, relief materials and other goods through formal or informal means, they could be influenced for good and the odds that the community could turn hostile against China is reduced. By supporting and engaging with Buddhist community and religious leaders, China also aims to curb the influence of the Dalai Lama to its strategic advantage. By targeting projects and aids in the sensitive areas, China has also sought to keep a close watch on the activities of Nepal or third countries in the region.

Further, more often than not, China undertakes its local projects on a turnkey model, meaning procurement, management and construction of the projects are carried out by China itself. As a result, China is able to employ its professionals, management team and laborers in the project implementation. This further broadens the scope for China to push its security-related interests.

The flow of informal aid in the northern bordering districts also potentially enables China to use it as it wishes. Aid could be indirectly or directly used to gather information, influence officials, security personnels, political leadership among others, according to our KIs. The aid could also be potentially used for spying and espionage according to KIs, but the prevalence of the same couldn't be verified.

Galen Murton, Austin Lord and Robert Beazley who studied the impact of China's aid in Rasuwa, in the article, "A Handshake Across Himalayas" argue that China's aid in the northern Nepali frontier capitalizes on Nepal's development ambitions to also target and ensure security in Tibetan region bordering Nepal and that is reflective of Beijing's anxieties regarding exiled Tibetan population.¹⁰⁰

100 Murton, Galen, et al. "A Handshake across the Himalayas: Chinese Investment, Hydropower Development, and State Formation in Nepal." *Eurasian Geography and Economics*, vol. 57, no. 3, May 2016, pp. 403–32, <https://doi.org/10.1080/15387216.2016.1236349>. Accessed 23 Aug. 2023.

China's Local-Level Aid in the Southern Bordering Region

While a majority of China's community-targeted aid is concentrated in the northern bordering districts, China has also been providing small-scale aid in southern districts bordering India. In December 17, 2022, the China Foundation For Rural Development (CFRD) Nepal had signed an agreement with the United Nations Development Programme (UNDP) marking the first ever collaboration between the UNDP and a Chinese organization in Nepal to implement a new project supporting schools and communities in remote areas for pandemic prevention and green recovery.¹⁰¹ This program is to be implemented in the Madhesh province starting 2023. This is also one among the two projects under Global Development Initiative (GDI) of China - a new Chinese initiative launched in 2022.¹⁰² The other GDI project in Nepal is the Nepal Smiling Children Project by CFRD which aims to provide food for 3600 children for poor communities in Kathmandu.

According to our KIs, China and Chinese NGOs have collaborated with other international organizations like Save the Children to carry out child development programs in Nepal, with some projects in southern districts. China has also been providing aid and assistance to hospitals like B.P. Koirala Memorial Cancer Hospital in Chitwan, B.P. Koirala Institute of Health Sciences, Dharan among others with medical equipment, medical training, financial assistance among others. China's aid in the southern region is mostly assistance to Nepal's education and health sector.

But in Rupandehi specifically, China is found to have been investing in monasteries, schools, and Buddhist temples among others. In other areas of the southern region, China has been providing aid and assistance in Buddhist religious sites, according to our KIs. China has also sought to allocate large-scale aid and infrastructure targeting Lumbini, which is near the India-Nepal border. In 2010, a quasi-governmental Chinese foundation, namely The Asia Pacific Exchange and Cooperation Foundation, had planned to invest USD 3 billion to transform Lumbini into a major Buddhist religious site¹⁰³. The plan however didn't materialize.

3.3 Impact and Perception of China's Small-Scale Aid

The impact of China's local-level aid and assistance have been largely positive on economic and humanitarian grounds. The local community, particularly on the northern bordering districts of Nepal has benefited a lot from China's aid in the sector of education, and health. However, what marks China's aid different is that China carries out its projects, even local-level projects, with its own contractors, and employs Chinese people in the construction process. In the case of Chautara

101 The Kathmandu Post. "UNDP Partners with Chinese NGO for the First Time in Nepal." The Kathmandu Post, 17 Dec. 2022, kathmandupost.com/national/2022/12/17/undp-partners-with-chinese-ngo-for-the-first-time-in-nepal#:~:text=This%20NGO. Accessed 25 Aug. 2023.

102 Giri, Anil. "Two Nepal Projects Selected under China's GDI." The Kathmandu Post, 23 Sept. 2022, kathmandupost.com/national/2022/09/23/two-nepal-projects-selected-under-china-s-gdi. Accessed 23 Aug. 2023.

103 Krishnan, Anantha, and Prashant Jha. "Chinese Foundation Plans \$3 Billion Project in Nepal." The Hindu, 16 July 2011, www.thehindu.com/news/international/chinese-foundation-plans-3-billion-project-in-nepal/article2233492.ece. Accessed 25 Aug. 2023.

Hospital which is being built in Chautara, Sindhupalchok, Chinese contractors and citizens are carrying out the construction project with very few Nepali workers involved. The beneficiaries of such projects are aware that the services that they have been using have been constructed by China in entirety. When seen from the perspective of the donor, this is an advantage as one of the interests attached with China's small-scale aid is influencing the local communities.

Some locals express suspicions based on hearsay that the laborers are Chinese prisoners. Locals had some concerns regarding their safety. An ex-secretary of the Government of Nepal, under condition of anonymity, said that there had been a few cases in the past where China had employed prisoners as laborers for the construction. However, Liu Bo, the head of the Chautara hospital project, rejected such claims.

Sindhupalchok residents however said the presence of Chinese laborers, engineers and project officials had resulted in increased prevalence of alcoholism. During our field visit, we found Chinese brands of liquor, cigarettes and other materials used by the Chinese which aren't available for purchase in Nepali markets.

Nonetheless, locals hold a favorable view of Chinese aid, and the benefits are tangible. Such projects have helped local communities to have better access to education, health and other facilities. The local political representatives from the northern bordering regions, more often than not, too have a favorable opinion towards China's aid and investment. All political representatives from Sindhupalchok, both in the federal parliament and provincial parliament, were of the opinion that China's aid has been crucial in the district, and that no significant security risk was posed by those aids and projects.

In Mustang, however, some political representatives had mixed opinions towards China's role, and they feared that China could be employing aid and assistance as a strategic move to its own advantage. Overall, the opinion of the political representatives of the northern bordering region has been in favor of China's engagement both at the local-level and with large-scale aid and assistance.

3.4 Other Facets of China's Small-Scale Aid

China's small-scale aid and projects carry a few features that mark its irregularities. The first is the flow of informal aid, as discussed above. Informal flow of aid in geopolitically sensitive regions can have security challenges. Such aid and assistance can be directed towards influencing particular communities, stakeholders, politicians, border and security officials, to influence electoral outcomes and/or to spy, to collect sensitive information among others.

As Chinese local grant projects are usually of turnkey nature with little local involvement, a question may arise if the funds are being utilized for other purposes than the grant project itself. Some KIs have claimed that the projects are effective ways for China to channelize funds to other areas than the stated purposes. By carrying out projects themselves, such small-scale aid allows China more scope to advance their interests, especially when compared to India's local-level projects which are implemented by Nepal's local bodies.

Challenges with Respect to Informal Chinese Aid

The practice of local bodies directly asking bilateral partners for aid is against regulatory provisions of Nepal. The Ministry of Foreign Affairs (MoFA) has detailed the protocol to receive foreign aid and monetary support under the International Development Cooperation Mobilization Policy (IDCMP). According to protocols as stipulated in IDCMP under “Aid Mobilization Modalities”, numbered - 3.2.6 states that it is the Government of Nepal which states that foreign assistance received “will be distributed through the mechanisms at the Federal, Provincial and Local levels taking into consideration their immediate needs and capacities.”¹⁰⁴ Further, the Schedule 5 of the Constitution of Nepal has exclusively reserved the rights and powers related to “foreign grants, aid and loans” and “foreign and diplomatic affairs, international relations and United Nations related matters” as the jurisdiction of the federal government.

Chinese informal aid is granted mostly on humanitarian grounds, but any assistance and aid without the approval from Nepal’s Home Ministry - regardless of the coordination between local bodies across the border - is contentious when seen through national security lens. The local bodies can’t seek assistance from China or China’s Tibet Autonomous Region without prior approval from Nepal’s Home Ministry but this protocol isn’t followed in many instances—according to senior officials at the Ministry of Federal Affairs (MoFAGA) and General Administration. Some former and incumbent senior officials at the Ministry of Finance (MoF) claimed that the total amount of aid, assistance and relief materials provided in this manner is notified by China to Nepal annually but even then, the coordination seems contentious when seen purely from legal regulatory grounds. In that regard, both the local bodies of Nepal and the adjacent counties of China are found complicit in this.

However, without following due protocols, donations, relief materials and aid to northern districts by China has been allowed to continue. Consultative interviews with Chief Customs Officer (CCO) at Tatopani had also revealed that any small-scale aid (sent by China) has to follow the above protocols, wherein the aid is first sent to the federal Ministry of Finance (MoF) for tax exemption. Henceforth, the Ministry of Home sends aid to provinces, districts and areas as per the needs. A senior official at the Ministry of Federal Affairs and General Administration (MoFAGA) denied that there has been a practice of receiving aid from China in the north without prior approval of the federal government and reiterated that such practice is against the provisions of law and constitution.

Lack of Transparency in Chinese Assistance in Northern Districts

There is also a lack of transparency regarding Chinese small-scale aid and projects, as data on such aid and assistance is difficult to access compared to other donors. There are clear regulatory provisions in place to make the inflow of aid transparent but such provisions are overlooked in the case of Chinese aid in the bordering districts. For instance, the government has introduced AMIS (Aid Management Information System) in 2019 to keep record of all aids

104 Ministry of Finance. “International Development Cooperation Policy, 2019.” Ministry of Finance, 2019, www.mof.gov.np/uploads/document/file/print_copy_IDCMP-2019_Eng-fullpage_20191107071739.pdf. Accessed 23 Aug. 2023.

and development assistance, and their utilization. However, AMIS isn't updated and only has partial data of aid inflow and disbursement of China's aid; and has no information on any of China's small-scale aid and projects. Senior officials in the Ministry of Finance (MoF) said that the Ministry itself doesn't have all the data as the ministry doesn't track aid under off-budget and off-treasury grants. The Ministry of Federal Affairs and General Administration (MoFAGA) which looks after small-scale aid too claimed that they don't have data on China's small-scale aid and assistance, and didn't provide data on China's small-scale aid and assistance in the north despite filing a Right to Information application.

COMPARATIVE ANALYSIS OF INDIAN AND CHINESE SMALL-SCALE AID DYNAMICS

While both India and China have been providing aid and assistance in similar areas across the northern and southern bordering districts, the working modalities, security interests, impacts generated and challenges posed are quite diverse. Further, the perception of the local communities, stakeholders, and political leaders towards small-scale aid, donors and its impact also vary. A comparative analysis of these dynamics of Indian and Chinese aid is essential to analyze the nature and impacts of the small-scale aid dynamics in the bordering districts of Nepal. This section delves into the comparative analysis of the dynamics of Indian and Chinese small-scale aid, mostly from the security perspective.

China's Small-Scale Aid Largely Confined Within Northern Districts Unlike India Which Isn't Confined in a Single Region

China's small-scale aid, projects and assistance have been limited to the northern districts of Nepal bordering the Tibet Autonomous Region. Before Nepal's transition to federalism, China had provided fifteen bordering districts with NPR 3 million (USD 42,500) for capacity building, and development of their Village Development Committees (VDCs), the lowest level administrative body of the government.¹⁰⁵ From 2014 to 2018, China provided 10 million RMB (USD 1.63 million) to 15 northern districts.¹⁰⁶ Between 2014 to 2019, the Tibetan government had also provided food material and other essentials worth over 200 million RMB to the 15 districts.¹⁰⁷ In 2022, China Foundation for Rural Development (CFRD) announced a local level project to be carried out in the Madhes region of Nepal.¹⁰⁸ Despite this initiative, it is clear that China's local level aid and projects are largely confined to the districts bordering TAR. The concentration of Chinese small-scale aid in such districts is reflective of China's priority and motivations. China's fear and suspicions remains that Tibetan independence related activities could emanate from the region. And in order to check this, China has attempted to court the community, political leadership, bureaucracy and security officials over there.

105 Human Rights Watch. "Under China's Shadow | Mistreatment of Tibetans in Nepal." Human Rights Watch, Apr. 2014, www.hrw.org/report/2014/04/01/under-chinas-shadow/mistreatment-tibetans-nepal. Accessed 25 Aug. 2023.

106 Giri, Anil. "Chinese Development Agency to Aid 15 Northern Nepali Districts." The Kathmandu Post, 30 Mar. 2019, kathmandupost.com/national/2019/03/30/chinese-development-agency-to-aid-15-northern-nepali-districts#:~:text=The%20Nepal%20government%20has%20permitted. Accessed 25 Aug. 2023.

107 Ibid.

108 Nepal Live Today. "China Foundation for Rural Development Provides Support for Pandemic Prevention and Green Recovery under Global Development and South-South Cooperation Fund." Nepal Live Today, 17 Dec. 2022, www.nepallivetoday.com/2022/12/17/china-foundation-for-rural-development-provides-support-for-pandemic-prevention-and-green-recovery-under-global-development-and-south-south-cooperation-fund/. Accessed 25 Aug. 2023.

In the recent years, India's SDP grants and other small-scale aid aren't confined to the southern Terai region bordering India. Of late, India has allocated more small-scale aid and projects in the north bordering China although its presence, through aid, assistance and collaboration, in the Terai has been historically high. This infers that India's aid programme in Nepal cuts across geography, and that despite the belief regarding India's interest in the southern plain, it is also keen on mountain regions of Nepal bordering TAR and has prioritized northern bordering districts in its SDP.

Regulated India's Small-Scale Aid and Projects, China's Not Quite So

Unlike China, India doesn't launch ad-hoc schemes for small-scale aid and projects. Rather, India's small-scale aid is channeled through its 'Small Development Projects' programme. The agreement between the two governments for SDPs has clear protocols for the grant. The amount of aid for a project under the SDP grant and the annual amount of aid under SDP is already predetermined at NPR 5 crores for a single project and maximum annual ceiling of NPR 48 crores for all projects. Even the themes under which SDP grants can be allocated are pre-determined. Similarly, only community organizations are eligible to receive the aid, and either the District Coordination Committee or local bodies implement the projects. All these provisions have made India's small-scale aid largely regulated. While some small-scale aid is received outside of the SDP scheme, they are undertaken in a similar fashion, according to the KIs.

The case is quite different with China's small-scale aid. Unlike the SDP, there isn't any one scheme for allocating China's small-scale aid in Nepal. China has announced quite a few projects over the years, and there is no clear guideline for implementing such projects. China undertakes projects on its own, more often than not on a turnkey model, but different Chinese agencies or organizations are involved in undertaking those projects. Further, there are no clearly defined themes for aid allocation, no financial ceiling for a single project, and no financial ceiling of the total sum that could be allocated annually. The unregulated nature of China's small-scale aid provides China more flexibility to push its interests by allocating more aid and assistance in areas of its preference.

China's Tendency to Override State Mechanisms and Regulatory Procedures

China has been providing aid and assistance in the northern bordering districts upon requests by the local bodies despite clear provisions that no forms of foreign aid, assistance or materials can be received without following the due procedures and the approval of the Home Ministry of Nepal as discussed in the previous section. Schedule 5 of the Constitution of Nepal has exclusively reserved the rights and powers related to "foreign grants, aid and loans" and "foreign and diplomatic affairs, international relations and United Nations related matters" as the jurisdiction of the federal government.¹⁰⁹

109 Constitution of Nepal. "The Constitution of Nepal." Government of Nepal, 2015, lawcommission.gov.np/en/wp-content/uploads/2021/01/Constitution-of-Nepal.pdf. Accessed 23 Aug. 2023.

Our consultative interviews with experts confirmed that while bordering districts asking for assistance from the adjacent county of the TAR is commonplace, such practices are contentious when seen from constitutional and legal grounds. Chinese informal aid has been seen to be a preferable means of Chinese assistance practices in the northern bordering districts. Chinese aid's proclivity to override state mechanisms, procedures and reliance on informal aid enables China to allocate aid and assistance without transparency and bypassing regulatory mechanisms.

On the other hand, India does not have any informal aid or assistance programmes in Nepal. India is also found to have been following the established procedures in place and its aid practices do not show a proclivity to override state mechanisms, at least in the allocation of small-scale aid and projects under SDP.

Discretionary Authority of the Donor: Common Aspect Among Indian and Chinese Small-Scale Aid

Donors – i.e., India and China – both hold the discretionary authority in case of small-scale aid in the bordering districts. In case of India's SDP grants, the proposal is first submitted to the local body, which then forwards it to the Ministry of Federal Affairs and General Administration, which is subsequently forwarded to the Ministry of Finance. In all these steps, there is some filtering of the projects - but little from the Nepali side. The choice and selection of projects lies primarily with the Indian Embassy after receiving the applications from the Ministry of Finance. KIs said there is some filtering of projects by Nepal even after that at times, but this is a rare occurrence.

In the case of China, China lobbies the political and bureaucratic leadership at the centre to provide aid and assistance to the regions bordering TAR as indicated by the KIs. China-proposed initiatives and aid targeted at the local level is then brought into agreement. At times, political leaders, bureaucrats and government too lobby China to provide small-scale aid and assistance, especially in times of need like natural disaster and pandemic. However, according to our KIs, most of the aid and assistance in the northern belt are proposed by China itself.

In both instances, donors have authority to choose the projects and regions of their preference.

Political and Electoral Implications of the Indian and Chinese Small-Scale Aid

In the case of India's SDP grants, according to our KIs, influential political leaders, especially those who have good relationships with the Indian Embassy, often lobby for projects in their constituencies. This allows the politicians to take credit over the developmental tasks while allowing the Indian Embassy to maintain relationships with regional and sub-national political actors. Lobbying for aid in one's constituency has been a common practice which reflects the political impact attached with India's SDP grants. KIs mentioned that such lobbying is practiced more by leaders from the Terai as compared to the northern regions, and that even some senior bureaucrats lobby for SDP grants to be allocated towards their preferred projects.

The case is quite similar with China's aid. Political leaders from northern districts, mostly those representing communist parties according to our KIs, often lobby for aid, assistance and grants. They do so not just through the federal government and in bilateral dealings with China's representatives

but also with the adjacent TAR county. This, according to KIs, has enabled China to maintain a close relationship with regional and sub-national political leaders, especially from the northern districts. The informal aid could also be used for political influence according to our KIs.

Electoral and political influence through aid and assistance could have diverse implications. The impact of any foreign nation on electoral and political aspects of a host nation is in and of itself a serious issue that could potentially have major implications.

Perceptions Towards Indian and Chinese Small-Scale Aid

Since small-scale aid carries an inherent, albeit unstated, objective of improving ties and building influence with local communities, the question arises of how such aid practices are perceived by the locals. Fostering engagement with diverse stakeholders, engaging with regional and subnational political and bureaucratic leadership, and public diplomacy are also inherent interests attached with such targeted aid and assistance.

During the course of this study, we interviewed a diverse set of stakeholders – local communities, office holders of local governments, political leaders, journalists, and government officials – to understand their perception towards foreign small-scale aid in the five districts selected for this field study in the northern and southern borders.

Perception of direct beneficiary communities towards Indian and Chinese small-scale aid

In all districts, beneficiaries who were aware of the funding in community-targeted projects were overwhelmingly in favor of such foreign aid. Only a few expressed skepticism about foreign aid in projects related to education, health, sanitation, water supply and said that reliance on foreign aid in such small-scale projects was avoidable. In an ideal scenario, they said, Nepal should undertake such projects on its own with internal resources.

However, an overwhelming majority of direct beneficiaries believed that local foreign aid in these sectors has helped the community in accessing basic services, which otherwise, would have been difficult. They believe such aid and assistance also helps the national economy grow, and has a positive impact. That insisted for more aid and assistance from bilateral and multilateral donors to enhance the access to basic services. This held true for beneficiaries of both Indian and Chinese aid. No significant difference in opinion on aid based on donors was found. This is indicative that such targeted and small-scale aid improves the public perception towards donors. This was true in both northern and the southern bordering districts.

Perception of the local government officials and bureaucrats towards Indian and Chinese small-scale aid

The opinion of the local government officials and bureaucrats saw slight variations in response than direct beneficiary communities. They had mixed opinions towards small-scale aid. While they didn't deny that small-scale aid targeted at the community level had direct positive impact in the community, their view regarding the necessity of such aid was differing. Some were of the belief that the government should invest in these sectors on its own while others stressed on the need of foreign aid given the scarcity of internal resource constraints. But even those who were against foreign small-scale aid thought such aid posed no security implications for Nepal.

The case, however, was different with respect to large-scale aid and projects, i.e., aid in large infrastructure projects, security sectors, border managements, hydropower and other mega projects. A majority of local leaders and stakeholders viewed such aid as problematic when seen from a national security point of view and believed such aid and projects carried ulterior interests of donors. This was true for both the northern and the southern bordering districts.

Perception of political leaders from bordering districts towards small-scale aid from India and China

Within the political leadership, the opinion varied with districts, regions and the political inclination of leaders. In Sindhupalchok district, all political representatives we consulted had positive opinions regarding small-scale aid or foreign aid in general. This was true for representatives at the local, provincial and federal level. All political representatives, who belonged mostly to the two communist parties, the CPN (Maoist Center) or the CPN-UML had quite favorable views towards China's aid and assistance in the district. They spoke the same voice, and reiterated that Chinese aid not only had helped the reconstruction efforts of the district and during the time of Covid-19 pandemic on humanitarian grounds but was also indispensable for the development of the district. It must be noted some of these leaders are reported to have had close ties with China and the CCP. While they had a positive opinion of Indian aid in their district, they believed that owing to geographical proximity, trade and cross-border ties, China had an important role in the district.

The case in Mustang was slightly different. While most political representatives believed local foreign aid had been crucial for the district, they had differing opinions based on donors. Some believed that Indian aid in the district was crucial, hinting at increasing Chinese influence. Some were neutral towards both India and China, while the rest viewed Chinese aid more favorably. China's suspicion regarding the followers of the Dalai Lama was a recurrent theme, and almost all argued that amongst the Nepali Tibetan community, Dalai Lama was regarded as a religious leader, not a political one, and that China's combative approach towards the Dalai Lama and Tibetan Buddhism had posed difficulties in the entire northern border. Quite a few leaders and stakeholders in Mustang emphasized that Indian aid in the district had been crucial in many regards, from both humanitarian and cultural point of view.

In the southern bordering districts, where India's small-scale aid is prominent and China has a negligible presence, political leaders had a varied opinion. In Rupandehi and Parsa, it was believed that Indian small-scale aid had helped communities have better access to basic necessities, and that such aid posed no security implications for Nepal. On the necessity of aid, only a few believed that foreign aid was best avoided. Of China's aid and assistance, they had a skeptical view, mostly in relation to increasing Chinese aid and investment targeting Buddhism and Buddhist religious places in the region. In Rupandehi, the birthplace of Gautam Buddha, quite a lot of local politicians and stakeholders argued that China had been providing informal aid to increase its influence in Lumbini, and amongst Buddhist communities over there.

Security Aspect Of India's and China's Small-Scale Aid in the Bordering Region **Nepal's weaker state presence and capacity in the borderland region**

Small-scale aid has been crucial in bridging gaps in the sectors of education, health, small-scale projects and so, but at the same time high prevalence of small-scale aid in the bordering region shows a weak presence of state in those areas. By definition, the borderland region is sensitive as it has a greater risk of influence and interference from neighboring states. Both India and China, which are regional powers, have had better border security, border management, border apparatuses as compared to Nepal. In the northern frontier, Nepal's state presence is even weaker compared to the south, and it is this region which, of late, is subjected to greater geopolitical influence, and higher allocation of aid. China which borders Nepal's northern frontier has solely focused in this region while India has also been prioritizing allocation of small-scale aid and projects over there.

In the south, state's presence and capacity is better compared to the north but even in this case there is huge asymmetry in state capacity of the neighboring India in the bordering region and that of Nepal. The weaker state presence and capacities over there has further enabled the donors to push their interest as Nepal can't check irregularities of the donors in such regions. The Tibetan Buddhist community has to rely on aid from China as the government can't immediately send relief materials, or needed goods and services in times of need, particularly in the time of crises in the remote northern districts.

The failure of the government to ensure its presence with appropriate border apparatuses, state agencies and budget allocation enhances donors' ability to push their agendas through aid and assistance. Had Nepal's state presence and capacity in the borderland region been to the par of our neighbor donors, Nepal could effectively regulate the inflow of aid in such areas.

Inability to regulate small-scale aid and assistance

The inability of Nepal to regulate aid in the borderlands also has to do with the lack of appropriate policies to regulate small-scale aid and the inability of the state to make donors abide by its policies. There is no common framework for the allocation of small-scale aid and assistance at the community level. The lack of such a common framework thus creates arbitrary aid mechanisms that favour the donor than the recipient.

A common aid framework devised around parameters of cost and implementation would allow Nepal to develop a regulatory framework around small-scale aid, not just in the borderlands but also elsewhere. Further, small-scale aid and assistance haven't been tracked properly, even those that have formal agreements in place. Lack of appropriate measures and state presence in the borderlands have allowed the inflow of informal aid and assistance.

Geopolitics of Indian and Chinese small-scale aid allocation

In the past few years, India has focused on the northern districts bordering China with its small-scale aid and projects - the region where its presence in terms of aid, projects and development collaboration traditionally has been far less compared to the southern Nepal. The northern

region of Nepal is important to India from strategic and security point of view as it borders with China, India's regional geopolitical rival with which India has had episodic border skirmishes.

By engaging in the developmental aspects of the north, India has sought to engage with political leaders, stakeholders, and the community over there. Ever since the annexation of Tibet by the People's Republic of China, India has had apprehensions regarding security along the northern frontier of Nepal, and India had even employed troops over there. India's goal also remains to engage with the Tibetan Buddhist community over there which is reflected by the fact that India has been providing aid to monasteries and monastic schools over there.

Likewise, China has been focusing solely on the northern frontier of Nepal to allocate small-scale aid and assistance with a goal to influence the Tibetan community, local stakeholders and politicians. The region has weaker state presence and capacity, and hasn't been able to check the undue influence of donors or the flow of informal aid. Given that in the past, the region was subjected to the presence of security troops of India, Khampa's armed insurgency against the communist regime and episodic pro-Tibet movement, the newfound proclivity of donors to push their interest in this region doesn't portend well for the security of Nepal.

In the south, India has continued allocating small-scale aid and projects with the same goal of engaging with the political leadership, and local stakeholders. According to the KIs, India's aid in general, including small-scale aid, is also directed to influence the electoral outcomes by channeling aid and projects in some constituencies in a manner that could favor some political leaders. A few KIs also claimed that the goal of Indian aid in the south, in the last decade, is also to check increasing engagement of Gulf countries which have significantly increased aid and assistance over the years targeting the Muslim community residing in the region. Even in the southern bordering area, the proclivity of donors to push for their security interest compromises Nepal's security.

Attempts of donors to prioritize or push their interest by any means inside any region of Nepal could be a threat to Nepal's security and sovereignty. When donors allocate aid to influence specific community or region, such community or region gets dragged into further geopolitical tension. India and China competing for dominance in the north, through small-scale aid and assistance, is enough for a region to be sensitive from security point of view. The same is true for the southern region bordering India which has been under the influence of India for long, and now China and Gulf countries too are seeking to extend their influence through various forms of aid and assistance. In both the region, small-scale aid and assistance is found to have had impact over the electoral and political aspects. The local leaders lobby for Indian aid, which is quite common in the southern bordering districts, according to KIs. In the northern region, leaders lobby for China's aid and assistance. And they seek to benefit out of this, taking credit for the aid and projects. The influence of foreign actors in electoral and political landscape, even small in scale can have major security implications. By providing aid and assistance strategically, the donors can help certain political actors, and by doing so – influence the policy making, and politics. This in turn enables them to push their interest.

Multiple security challenges

While security implications of both India's and China's small-scale aid are similar, China's small-scale aid has greater impact. This is because of three major factors - i) Irregulated nature of Chinese small-scale aid and projects, ii) China's proclivity to override procedures in place with emphasis on informal aid and iii) China's sole focus on the northern districts bordering Tibet Autonomous Region (TAR).

As discussed in earlier sections, Chinese small-scale aid and assistance aren't under one scheme like India's SDPs - and China has been providing aid and assistance which are quite different in nature from each other. There is no financial ceiling for one project, and no financial ceiling of the amount of small-scale aid that China could provide annually. This has broadened the scope for China to allocate aid according to preference in areas and amount with more flexibility compared to that of India. Greater flexibility in projects, areas of aid allocation and financial amount in turn means greater aid impact. China has been announcing projects after another focusing solely on those bordering districts of Tibetan Autonomous Region while its presence in terms of small-scale aid and projects in other regions has been negligible. The security of Tibet is of foremost importance to the Beijing regime in its dealing with Nepal, and with the aid, assistance and engagement in the region, China has been working towards the same end. It aims to increase influence among the Tibetan community over there while engaging with the local stakeholders, political and bureaucratic leadership. To that end, China's approach has been yielding some desired results - most of the local political representatives in the northern region that we had interacted with have had positive opinion towards China's role in the region despite its unilateral border closures, tighter restrictions in place, dwindling cross-border trade and cross-border ties in general.

Even more problematic from a national security point of view is China's undertaking the projects on its own in the northern districts with deployment of Chinese engineers, management officials and laborers. First undertaking projects on its own potentially enables China to direct funds allocated for the project on other activities like information gathering, spying, bribing bureaucrats and security officials, distributing money to local leaders and stakeholders, influencing electoral outcomes in the region, smuggling, and trafficking among others. Further, there has been a tendency of China to override procedures in place to provide aid and assistance without approval of the Home Ministry of Nepal. This raises questions behind the necessity to do so. This adds further challenge to Nepal's security as the flow of aid overriding state mechanisms in geopolitically sensitive reason can have adverse consequences. Even for the aid and assistance received through formal channels, Chinese aid, assistance and projects are less transparent compared to other donors. All these provide enough flexibility for China to push its interest in the region which compromises Nepal's national interest. India pushing its interest through small-scale aid and assistance is equally problematic but risks posed by China's small-scale aid and assistance are, thus, higher in comparison.

CONCLUSION

The small-scale aid from both India and China have been instrumental in ensuring basic services like education, health, sanitation, and cultural infrastructures in both southern and northern bordering districts of Nepal. The small-scale aid has also been effective across regions in times of disasters and humanitarian crises. The direct beneficiaries of these aid and assistance are the general public - and the subset of this beneficiary group, the one that is aware about the foreign aid and assistance - is overwhelmingly in favor of such aid and assistance - irrespective of the donor, India or China. This group believes that there is a need to further attract aid and assistance in those arenas, and they blame the political leadership for failing to do so. This is clearly indicative of the fact that small-scale aid and assistance which are targeted at the community level, with a stated goal to assist in recipient's development aspiration is quite efficacious in doing so.

But the small-scale aid, like any aid and assistance, comes with the interest of the donor attached. By nature, the scope of local-aid is constricted as it entails aid mostly in sectors like education, health, sanitation, agriculture and the likes which have little to no direct risk over national security in the conventional sense of the term. The small-scale aid however has some security implications attached - and this study shows that both Indian and Chinese small-scale aid come with their own interest. In comparison between the two, however, China's aid is found to have greater security implications.

As the small-scale aid is targeted to the local level whose beneficiaries are the communities residing in the region, one main interest of the donor lies in influencing such communities to further advance their interest, if any. In the northern bordering districts, China has channelized small-scale aid to influence the Tibetan Buddhist community and the borderland residents so as to reduce the odds of those communities embracing the brand of Buddhism which the communist regime in Beijing sees as a threat. The goal of the small-scale aid in that region, apart from providing relief and helping in development aspiration, lies in influencing the borderland communities over there, making a strong presence in the region, keeping a close tab over developments, ensuring the presence of Chinese officials in areas which China sees as sensitive, reduce the influence of the Dalai Lama and with all these measures, reduce the odds of potential Tibetan independence related movement.

China's small-scale aid is unregulated and in instances bypasses the established procedures - there aren't clearly defined procedures and protocols of China's small-scale aid allocation in Nepal. Each of China's local projects have their own unique nature but more often than not, China undertakes its local projects in a turnkey model - meaning China is involved in procurement, contracting and construction of the project. In undertaking of the projects, Chinese professionals, engineers, management team and laborers are employed. All these have broadened the space and scope for China to push its security interest. Even more problematic from the national security point of view is that there is a flow of informal Chinese aid and

assistance in the north. All bordering districts to China have also been getting aid and assistance from the adjacent counties of the Tibet Autonomous Region, upon request, which is contentious when seen from legal and regulatory point of view.

On one hand, China is increasing aid and assistance in the region whose direct beneficiaries are the borderland residents, and on the other hand, China has been tightly controlling people-to-people ties with stricter border protocols, unilateral border control and restriction in cross-border movements. This seemingly paradoxical approaches are however consistent with China's Tibet interest. Unilateral closure of the border, tightening in border management and regulation, constricting people-to-people movements are restrictive measures in place while large scale infrastructure projects, investment, small-scale aid and projects are constructive measures which serve the same goal of reducing the odds of security threats to Tibet Autonomous Region.

It is not just China that has been working towards its security-related interest in the north but India too has concentrated its small-scale projects in the northern bordering districts. India which has been highly influential in the southern bordering region owing to the physical proximity is now seeking to make its presence felt in the north where China has approached aggressively in cross-border management, and in the developmental landscape of the region. The region is important for India from a security point of view. India has had security interest in the region ever since the People's Republic of China's annexation of Tibet, and India had even employed its security troops in Nepal-China border points. The episodic border skirmishes along India-China borderland, increasing geopolitical rivalry between the two, weak border management and weak border security of Nepal is perceived by India as a potential security threat. Through aid, projects and development cooperation, India aims to increase its engagement with the local community, political leadership and other various stakeholders over there - and in doing so, check China's increasing influence. The presence of the Tibetan Buddhist community in the region also has added to India's interest - as it hosts the largest population of Tibetans-in-exile and has been supporting them in various ways. Thus, for both India and China, the northern bordering region of Nepal is strategically important, and there is a greater flow of small-scale aid in the north over the last few years.

In the southern region, India's engagement in development cooperation, aid and assistance has remained dominant ever since the 1950s. The southern region is naturally under the security radar of India as people can travel across with no visa regime, and the region shares deep cultural, linguistic and religious ties. Although in the last few years, India's small-scale aid focus has been on the north, historically the southern districts bordering India have received quite a lot of small-scale aid and assistance from India apart from large-scale infrastructural aid and investment. India has been able to maintain deep ties with the local communities over there who share common language, culture and religion across the border, and through development activities and cooperation, India has maintained engagement with the local stakeholders, politicians and bureaucrats. Given that the Indian small-scale aid is largely regulated compared to Chinese aid, informal flow of aid in the region isn't observed. However, our KIs revealed that there has been a tendency among politicians from the southern bordering districts to lobby for

aid with the Indian embassy which mostly is to ensure better electoral results for themselves, and maintain cordial relations with India. In the south itself, China is found to have been focusing on Buddhist religious sites, particularly, the Lumbini area with both formal and informal aid and assistance. Further, there is a growing aid - both formal and informal - from gulf countries targeting the Muslim communities residing in the southern region and for the construction of Madrasas which are quite high in number across the region. India's small-scale aid in the South is also aimed at curbing influence of any third countries – be it China, gulf countries or other states.

To sum up, both Chinese and Indian small-scale aid and assistance carry security interest and subsequently security implications for Nepal. Given that small-scale aid is targeted at the community level mostly under the themes of education, health, sanitation and local-level infrastructure - they carry little security risk from conventional sense of the term but nevertheless have security implications attached. The small-scale aid has been employed, by both donors, as a tool to influence the targeted communities and also local stakeholders, politicians, and bureaucrats - which in and of itself is problematic. China's attempt to curb any pro-Tibet related movements in the north by actively engaging through small-scale aid, investment and projects and India's involvement targeting the same community in the northern frontier of Nepal is problematic when seen from Nepal's security point of view.

Any foreign nation seeking to push their security or strategic interest via Nepal could potentially put Nepal in the quagmire of geopolitical rivalry. In comparison, however, China's small-scale aid is more problematic as it is unregulated. China's proclivity to override state mechanisms and procedures in allocating aid and assistance have further added to that. China's small-scale aid dynamics in Nepal is less transparent, and also it undertakes the projects on its own. China's sole focus on one specific geographic region bordering its Tibet Autonomous Region coupled with flow of informal aid, proclivity to override state mechanism, undertaking projects on its own employing its own citizens on various capacities have broadened China's scope of pushing its security interest via local projects. All these increase the possibility of electoral and political influence, influencing local community, influencing religious and cultural aspects, espionage, information gathering, influencing the security and border officials and influencing border mechanisms among others which are problematic when seen from the vantage point of national security.

ANNEX A

A Brief Summary of Major Foreign Aid Projects in Nepal between 1950 to 1990¹

Date	Donor	Project	Remarks
1955	India	Tribhuvan Highway	First extensive road network of Nepal was constructed at an estimated cost of USD1.92 million, which was offered to Nepal as a loan package. India continued to administer and maintain the highway for seven years after its completion.
1958	US-India-Nepal	Establishment of the Regional Transport Organisation	In 1958, the United States (US), India and Nepal jointly formed a Regional Transport Organisation to build almost 901 miles or 1,440 kms of roads within five years. However, only '148 miles of jeep track...paved 24 miles of existing road, graded 193 miles, and laid gravel on 41 miles' was constructed.
1961	China	Lhasa-Kathmandu highway	The 112 kilometer (km) long highway on the traditional trans-Himalayan trade route was constructed at an estimated cost of USD 9.8 million, and was built by Chinese engineers and technicians. The Project was completed in 1967.

¹ From Mulmi, Amish Raj, et al. "China's Emergence in Nepal's Infrastructure: Status, Issues and Challenges." Center for Social Inclusion and Federalism (CESIF), 2023.

Late 1950s and early 1960s	Jointly by USAID, India, USSR, UK, ADB	East-West Highway	Started in the late 1950s, the initial survey of this project was conducted by Soviet engineers in 1959, who eventually built a 109-km section of the highway between Dhalkebar and Pathlaiya. Then, China had offered to finance a 100-mile stretch of the highway in 1964, but the project was eventually given to India and was completed in 2000, with India funding and/or constructing a majority of the sections, while aid programmes from the Union of Soviet Socialist Republics (USSR), the United Kingdom (UK) and the US.
1964	India	Siddhartha Highway	The 180-km-long Highway which connected Pokhara to Bhairahawa, near the Indian border and was built by India starting from 1964, and completed in 1971.
1974	China	Highway connecting Pokhara to Naubise,	A highway connecting Pokhara to Naubise, near Kathmandu was built by China starting from 1965 which was completed in 1974.
1973	China	Ring Road around the Kathmandu valley	China started building a Ring Road around the Kathmandu valley in 1973 at a cost of USD 4.95 million – it was completed in 1977.
1988-1994	China	Bhupi Sherchan Highway	China contributed almost 80 percent of the funds towards the Pokhara-Baglung highway between 1988-1994, now named as Bhupi Sherchan Highway.
1972	China	10 MW Sunkoshi	China built the 10 MW Sunkoshi run-of-the-river plant in 1972 as part of its grant assistance.
1965	USSR	2.4 MW Panauti	The USSR also financed a 2.4 MW project in Panauti in 1965.

1982	Joint: World Bank, Kuwait Fund, OPEC, Japan, GoN	60 MW Kulekhani I	World Bank, The Kuwait Fund, Organization of the Petroleum Exporting Countries (OPEC) Fund, the United Nations Development Programme (UNDP), the Overseas Economic Co-operation Fund (OECF) of Japan and the Government of Nepal (GoN) all financed the 60 MW Kulekhani I reservoir project, the first of its kind in Nepal, which was commissioned in 1982. The project was financed under both loan mechanisms and as grant assistance, with differing repayment terms and period of loans, and total project cost was USD 117.8 million
1986	Japan	32 MW Kulekhani II	The 32 MW Kulekhani II project, a cascade project of Kulekhani I, was commissioned in 1986 and built with Japanese assistance at a cost of NRs. 124 million
1989	Joint: World Bank, Saudi Fund	69 MW Marsyangdi	The 69 MW Marsyangdi project was commissioned in 1989 at a cost of USD 244 million, with funding assistance from the World Bank, the German Kreditanstalt für Wiederaufbau (KfW) Development Bank, the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, the ADB and GoN. Power generation costs for this project were significantly high at USD 3,600 per Kilowatt (KW)
	US	Bhotekosi (45 MW)	US invested in Bhotekosi (45 MW)
	US	Khimti (60 MW)	Norway helped to finance Khimti (60 MW).

1953	India	Kathmandu airport	Construction of the Kathmandu airport began in 1953 at an estimated cost of USD 147,000. India continued to administer and maintain the airport seven years after it was completed.
1952-1963	India	Airports	Between 1952 and 1963, five airfields in Pokhara, Simara, Biratnagar, Bhairahawa, and Janakpur were also built with Indian assistance.
1959	USAID	Aviation Development Project and the Airport Development Project	The USAID programme initiated the Aviation Development Project and the Airport Development Project in 1959
1970s - 1990s	ADB	Upgrading TIA	Between the 1970s and 1990s, ADB financed an expansion and upgradation of Tribhuvan International Airport (TIA) in Kathmandu under a USD 29.25 million loan. The project, which experienced significant delays, was finally completed in 1996, nearly 14 years after its target completion date

ANNEX B

Major Aid and Investment Projects in Nepal in between 1990 to 2008

S.N.	Name of the Project	Donor	Amount	Year	Other Relevant Details
1.	Civil Service Hospital Construction Project	Chinese Government	USD 35 million	2001	The agreement of a USD 35 million was signed in May 2001 along with other six agreements. The hospital built by China Tiesiju Civil Engineering Group Co Ltd handed over to Nepal on 27th October 2008.
2.	Kaligandaki A HEP	JBIC and ADB	USD 360 million	1997	A study of the project which was completed in 1979 however construction began only in 1997 while the project was operational only in 2002. The project is one of its kind showing the delay in the construction works due to various reasons.
3.	Melamchi Drinking Water Project	ADB + JBIC + JICA + NDF + OPEC + GoN	USD 317.3 million	1998	The Melamchi project is often quoted as a classic example of corruption, delays and collusion in Nepal's infrastructure. The project initiated in 1998 was operational only in 2023 but still faces various operational challenges.
4.	Upper Karnali HEP	IFC + ADB + JICA + European Investment Bank	USD 1.1 billion	2008	An MoU signed in 2008 awarded the Upper Karnali HEP to GMR. The project's capacity is to generate 900 MW electricity and is built in BOOT model giving GMR the 25 years of ownership. Bangladesh is keen in buying electricity from this particular project.
5.	BP Highway	Japan	NPR 21.5 billion	1996	A project imagined in 1958 took 37 years for its first development step in 1996. The 1st phase of 160 km highway's construction was initiated in 1996 with the fourth and the final was finally completed in 2015, and handed over to the GoN.

ANNEX C

Major Aid and Investment Projects in Nepal after 2008

S.N.	Name of the Project	Donor	Year	Amount	Other Relevant Details
1.	Pokhara International Airport	China EXIM Bank (Loan)	2014	USD 215.96 million	China CAMC Engineering Co Ltd and Nepal's CAAN signed a USD 215.96 million contract on 22 nd May 2014. An amount worth RMB 1.37 billion concessional loan agreement was signed by China EXIM Bank and GoN. PM Pushpa Kamal Dahal inaugurated the airport on 1 st Jan. 2023.
2.	Chilime-Trishuli 220/132/33 kv substation and transmission line	KfW+ EIB+ EU+ GON		USD 30.9 million (estimated)	Construction of substation in Chilime hub and Trishuli 3B Hub along with a 28 km 220 kV transmission line is contracted to Pinggao Group Co Ltd. from China.
3.	Kathmandu Durbar High School (Bhanu Secondary School) Reconstruction project	Government of China	2017	RMB 55 million	The project designed by China Aviation Planning and Design institute was constructed by Shanghai Construction Engineering Group Co Ltd. The project began on August 3, 2018, with a planned duration of 20 months, and it was successfully completed on January 19, 2020.
4.	Tatopani Frontier Inspection Station Project	Government of China	2009 committed	USD 17.78 million	China's Beijing Real Estate Group Co began the construction on 20 th December 2012, which was later completed on 2019. This project was constructed with the help of Chinese grant of USD 13,637,514 which was signed on 10 th September 2009.

5.	Kathmandu Ring Road Improvement Project (Phase I)	Government of China	2011	USD 35.41 million	In 2011, China agreed to grant \$40 million for the first phase of upgrading and widening the Kathmandu Ring Road. The plan included expanding the 27-kilometer four-lane roads to eight lanes. The project was set to be carried out in three phases, starting with the 10.5 km Kalanki-Koteshwor section and the construction of a new Kalanki Bridge interchange. The 10.5-km Koteshwor-Kalanki road upgradation and expansion project kickstarted in 2013 by Shanghai Construction Group Co Ltd which was later handed over to the Nepali side in 2019.
6.	Modi-Lekhnath Power Transmission Line and Substations Project	Government of India	2023 (inaugurated)	USD 20 million	Among the 75 initiatives that were being inaugurated on 2023 as a part of India at 75 Azadi Ka Amrit Mahotsav," commemorating 75 years of India's independence, three substations were funded by GoI's Line of Credit.
7.	56 Higher Secondary Schools rebuild project	Government of India	2020	NPR 2.95 billion	The Embassy of India and Nepal's Central Level Project Implementation Unit (CLPIU) from the Ministry of Education signed 7 Memorandum of Understandings (MoUs) to rebuild 56 higher secondary schools. These schools will adhere to Nepal's earthquake-resilient reconstruction standards set by the government.

8.	Postal Highway Project	Government of India	2018	NPR 8 billion	Amounts were released to maintain fund liquidity for the ongoing construction of 14 road packages under Postal Highway Project. With this payment, a total of NPR 2.35 billion stands released to the Government of Nepal out of the total grant assistance of NPR 8.00 billion committed by the Government of India for implementing 14 packages under Packages 2-6 of Phase I of the Postal Highway Project.
9.	Motihari-Amalekhgunj petroleum pipeline	Government of India	2014	INR 324 crore	The project, initiated in 2004, began construction after Indian Prime Minister Narendra Modi's 2014 visit. Despite delays from the 2015 earthquake and supply disruptions, construction started in April 2018 and concluded in April 2020. The pipeline was jointly inaugurated by the Prime Ministers of India and Nepal on September 10, 2019.
10.	Integrated Check Post At Jogbani-Biratnagar	Government of India	2023	NPR 2.8 billion	In 2005, Nepal and India signed an accord to build four integrated check posts straddling the border at Biratnagar, Birgunj, Bhairahawa and Nepalgunj. Under the agreement, there will be matching complexes on both sides of the border. Prime Minister, Narendra Modi, jointly inaugurated the second Integrated Check Post (ICP) at Jogbani-Biratnagar on 21 st Jan. 2023 with Prime Minister of Nepal, K.P. Oli. The second Integrated Check Post at Jogbani-Biratnagar was built with Indian assistance to facilitate trade and people's movement across India-Nepal border.

11.	Integrated Check posts at Birgunj- Raxual	Government of India	2018	NPR 5 billion	The Birgunj ICP is equipped with some of the most advanced technologies and is unlike any that the country has. And this will greatly help in supporting and systematizing the bilateral trade. The ICP provides 'one-window service' wherein a plethora of services like immigration, customs, quarantine, and banks as well as security check posts are available at the same place.
	Integrated Check Post at Nepalgunj- Rupaiddiha	Government of India	2023	NPR 2.35 billion	ICP Nepalgunj project is expected to create local employment and boost local economy by way of direct and indirect job creation and also supply of essential raw materials and items from local markets. Overall the facility created under the project is envisaged to promote cross-border trade and economic activities between India and Nepal.
	Integrated Check Post at Bhairahawa- Sunauli	Government of India	2023	INR 1.6 billion	Construction ongoing since 2023 INR 1.61 billion. The infrastructure will help end the problem of traffic congestion that is taking place on the premises of the office of the Bhairahawa Customs. It is also expected to remove the hassle for importers and exporters who are compelled to take their goods either to Kolkata in India or Kathmandu in Nepal for lab testing of the farm products.

ANNEX D

Indian Aid in the Northern Districts Bordering China for Education Projects

S.No.	Name of the Project	Year	District	Amount Disbursed	Other Relevant Details
1	Shree Mahendra Model Higher Secondary School	2019	Darchula District	NPR 30 million	A two storied building comprising 13 class rooms, one meeting hall, separate sanitation facilities for boys and girls on each floor and furniture were built.
2	Administrative & Academic Block of Shree Mahadev Masta Chaturdev Campus	2020	Ratapani (Mugu District)	NPR 35.11 million	The Administrative & Academic Block of Shree Mahadev Masta Chaturdev Campus was built.
3	Rebuilding 56 Higher Secondary Schools in Nepal	2020	Gorkha, and Sindhupalchok	NPR 2.95 billion	7 Memorandum of Understandings (MoUs) were signed for re-building 56 higher secondary schools.
4	Two school buildings	2020	Darchula	NPR 107.01 million	The two school buildings will be built at a total estimated cost of NRs 73.96 million for use by Shree Malikarjun Higher Secondary School (NR 29.64 million) at Dhap in Darchula District.

5	Two school buildings of Shree Moti Mahila Sangh Primary School and Shree Malikarjun Model Secondary School	2021	Darchula	NPR 12.7 million and NPR 23.3 million	
6	Shree Himalaya Secondary School	2021	Gorkha	NPR 43.31 million	
7	Shree Mahadev Higher Secondary School	2021	Humla	NPR 44.13 million	Four school construction projects are under various stages of completion in Humla, and one among those is this school.
8	Upgraded Infrastructure of Shree Pal Ewam Namgyal Monastic School	2022	Mustang		On this occasion, a school bus was gifted to the Shree Pal Ewam Namgyal Monastic School and an ambulance was gifted to the Gharapjhong Rural Municipality.
9	Inauguration of School Building of Shree Sinam Higher Secondary School	2022	Taplejung	NPR 31.00 million	
10	Shree Saraswati Secondary School	2023	Sindhupalchok		
11	Shree Ainselukharka Secondary School	2023	Sindhupalchok		

12	Shree Sipatinghare Sanskrit Secondary School	2023	Sindhupalchok		
13	Shree Chandeshwaree Secondary School	2023	Sindhupalchok		
14	Shree Saraswati Secondary School	2023	Sindhupalchok		
15	Shree Mahendrakranti Secondary School	2023	Sindhupalchok		
16	Shree Rama Secondary School	2023	Sindhupalchok		
17	Shree Jana Sahayog Secondary School	2023	Sindhupalchok		
18	Shree Kshema Devi Secondary School	2023	Sindhupalchok		
19	Shree Amarjyoti Janata Secondary School	2023	Gorkha		
20	Shree Krishnajyoti Secondary School	2023	Gorkha		
21	Shree Suryodaya Secondary School	2023	Gorkha		
22	Shree Gandaki Secondary School	2023	Gorkha		
23	Shree Bhim Secondary School	2023	Dolakha		

ANNEX E

Indian Aid in Southern Bordering Districts of Nepal for Education Projects

S.N	Name of the Project	Year	District	Amount Disbursed	Other Relevant Details
1	Shree Schoolchown Higher Secondary School	2019	Jhapa	NPR 35.70 million	A two story school building comprising 25 class rooms, six administrative rooms, separate toilets for boys and girls on each floor, compound wall and furniture were built.
2	Shree Saraswati Secondary School	2020	Kailali District	NPR 33 million	A two floor school building, including 11 class rooms, library, science labs, administrative room, meeting hall and sanitation facilities were constructed.
3	Science Block for Mahendra Morang Multiple Campus	2020	Biratnagar (Morang District)	NPR 4.43 crore	The newly built two storied Science Block Building has 17 classrooms, laboratories, stores and separate sanitation facilities for boys and girls on each floor and will benefit nearly 7000 undergraduate and doctoral students and faculty members of the Campus.
4	Shree Saptmai Gurukul Sanskrit Vidhyalaya	2020	Ilam District	NPR 31.13 million	The four storied new school building has school and hostel blocks comprising of ten class rooms, nine dormitories for residential students, four study rooms, warden office, one living room, one common hall, three store room and separate sanitation facilities for boys and girls on each floor.

5	India to fund for three new school buildings		Darchula, Dhanusha and Kapilvastu Districts	NPR 107.01 million	.
6	Two New School Buildings in Sarlahi District	2021	Sarlahi	NPR 6.94 million and NPR 15.94 million	
7	new building for Shree Naharpur Secondary School	2021	Rupandehi	NPR 44.17 million	
8	Shree Naharpur Secondary School	2021	Rupandehi	NPR 44.17 million	
9	Shree Laxminiya Janata Secondary School	2020	Dhanusha	NPR 26.24 million	The construction of three floor school building, including 15 class rooms and sanitation facilities.
10	School Building for Shree Secondary School	2022	Kapilvastu	NPR 34.00 million	
11	Two School Buildings of Shivbhari Secondary School and Shree Janaki Higher Secondary School	2022	Kapilvastu	NPR 59.20 million	

12	Multi-purpose hall, boys hostel and teachers' quarters of Nepal Police School	2022	Kailali	NPR 42.26 million	
13	Shree Triveni Barah Secondary School	2022	Chitwan		
14	Shree Ram Naresh Yadav Secondary School	2022	Rupandehi		
15	Shree Faud Singh Janta Secondary School	2022	Sarlahi		
16	Shree Mahendra Secondary School	2022	Sunsari		
17	Purwa Chhetriya Police Boarding High School	2022	Sunsari		
18	Gurukul cum Residential School	2022	Morang		

ANNEX F

Indian Aid in the Northern Districts Bordering China for Health & Sanitation Projects

S.N	Name of the Project	Year	District	Amount Disbursed	Other Relevant Details
1	Drinking Water Supply Project	2022	Solukhumbu	NPR 42.39 million	
2	Waste Water Management Project at Solukhumbu District	2022	Solukhumbu	NPR 41.13 million	The Embassy of India signed the MoU with the Ministry of Federal Affairs and General Administration, Government of Nepal & Khumbu Pasang Lhamu Rural Municipality, Solukhumbu for construction of Khumjung Khunde Waste Water Management Project.
3	Melamchi Ayurveda Aushadhalaya	2023	Sindhupalchok		
4	Pipal Danda Ayurvedic Aushadhalaya	2023	Sindhupalchok		
5	Thakani Ayurveda Aushadhalaya	2023	Sindhupalchok		
6	Banskharka Health Post	2023	Sindhupalchok		
7	Jyamire Health Post	2023	Sindhupalchok		
8	Votang Health Post	2023	Sindhupalchok		
9	Sindhu Kot Health Post	2023	Sindhupalchok		
10	Jyamrung Ayurved Aushadhalaya	2023	Dhading		

11	Khari Health Post	2023	Dhading		
12	Sunaulo Bazar Health Post	2023	Dhading		
13	Dhola Health Post	2023	Dhading		
14	Nalang Health Post	2023	Dhading		
15	Dhuwakot Health Post (ka)	2023	Dhading		
16	Dhuwakot Health Post (kha)	2023	Dhading		
17	Jyamrung Health Post	2023	Dhading		
18	Government of India to fund NRs.70.87 million for school and health post buildings in Darchula District	2022	Darchula and Dhading	NPR 70.87 million	The Embassy of India and the Ministry of Federal Affairs and General Administration, Government of Nepal signed three Memorandum of Understandings (MoUs): first with Duhun Rural Municipality, Darchula, for the construction of Janabikash Secondary School; second with Naugad Rural Municipality, Darchula for construction of Earcoat Health Post Building and third with Galchhi Rural Municipality, Dhading for Maheshfaat Irrigation Project respectively.

ANNEX G

Indian Aid in Southern Bordering Districts of Nepal for Health Projects

SN	Name of the Project	Year	District	Amount Disbursed	Other Relevant Details
1	A maternity Hospital	2019	Siraha	NPR 26.90 million	The new infrastructure constructed has a 25 bedded Maternity Hospital building. The project also included medical equipment like ultrasound, X-ray, blood Bank, emergency, Minor OT, 3 Doctor's rooms, one Nurse's room, store, administration, accounts and toilets on ground floor and ICU, CCU, major OT.
2	Upgraded Fateh Bal Eye Hospital & newly built Rapti Cold Storage Building	2021	Banke and Dang	NPR 89.2 million	Both projects have been completed under 'Nepal-Bharat Development Cooperation' programme as High Impact Community Development Projects.

ANNEX H

Indian Aid in Northern Bordering Districts of Nepal for infrastructure, housing and relief materials

S.N	Name of the Project	Year	District	Amount Disbursed	Other Relevant Details
1	Reimbursement of 1st tranche of housing support to 42, 086 GoI supported beneficiaries	2018	Gorkha and Nuwakot	NPR 2.1 billion	As part of India's commitment towards Nepal's post-earthquake Reconstruction, on 20 February 2016, both the countries signed a Memorandum of Understanding (MoU) for a US\$ 100 million grant to support reconstruction of 50,000 private houses in Nuwakot and Gorkha districts in Nepal. In September 2016, both the countries agreed to utilize an additional amount of US\$ 50 million from the US\$ 750 Line of Credit towards payment of the third tranche of housing grant to 50,000 housing beneficiaries supported by the Government of India.
2	Solu Corridor transmission line Project	2022	Solukhumbu		India-Nepal power sector cooperation encompasses all major domains including development of generation of projects, construction of power transmission lines, and power trade.

3	EXIM Bank of India, on behalf of Government of India, released reimbursement of 3rd tranche of housing reconstruction to Government of Nepal	2019	Gorkha and Nuwakot	NPR 3.10 billion (approx. USD 27.9 million)	USD 50 million from Line of Credit was pledged to support reconstruction of 50,000 private houses in Nuwakot and Gorkha districts in Nepal. In addition, India committed USD 100 million as grant for supporting these houses. So far, India has reimbursed NPR 6.96 billion (approx USD 69.6 million) towards reimbursement of first and second tranches to home owners. The support by Government of India also includes provision of Socio-Technical Facilitation to the home owners to encourage them to rebuild their homes as per the Government of Nepal's earthquake resilient norms.
4	EAM and FM of Nepal witnessed handing over of cheque towards reimbursement to GON for housing reconstruction	2019	Nuwakot and Gorkha Districts	NPR 2.45 billion	no details
5	Embassy of India, on behalf of the GoI, handed over a consignment of disaster relief material to Ms. Chanda Chaudhary, Member of Parliament and President of the Nepal-India Women Friendship Society (NIWFS)	2020	Sindhupalchok, Kailali, Mahottari, Nawalparasi and Sarlahi		The relief material includes tents and plastic sheets for distribution to flood and landslide affected families in five districts of Nepal. In view of the recent destruction and loss of life caused by floods and landslides the entire consignment will be distributed through NIWFS in coordination with local governments in the affected districts.

ANNEX I

Indian Aid in Southern Bordering Districts of Nepal for Infrastructure Projects

S.N	Name of the Project	Year	District	Amount Disbursed	Other Relevant Details
1	EAM and FM of Nepal witnessed the handing over of a cheque	2019	Terai Region	INR 80.71 crore	This fund is a part of GoI's commitment of INR 500 cr towards strengthening road infrastructure in the Terai Region of Nepal
3	Embassy of India, on behalf of the GoI, handed over a consignment of disaster relief material to Ms. Chanda Chaudhary, Member of Parliament and President of the Nepal-India Women Friendship Society (NIWFS)	2020	Kailali, Mahottari, Nawalparasi and Sarlahi		The relief material includes tents and plastic sheets for distribution to flood and landslide affected families in five districts of Nepal. In view of the recent destruction and loss of life caused by floods and landslides the entire consignment will be distributed through NIWFS in coordination with local governments in the affected districts.

ANNEX J

India's cultural and small-scale aid in Northern Bordering districts

S.N	Name of the Project	Year	District	Amount Disbursed	Other Relevant Details
1	Choephel Kundeling Monastery	2019	Sindhupalchok District	NPR 18.9 million	In addition to reconstructing the Monastery, the project also included building additional infrastructure such as residences, kitchen, sanitation facilities and compound wall
2	Cultural Heritage projects	2021	Sindhupalchok and Lalitpur	NPR 246 million	The three cultural sites were damaged during the 2015 earthquake and will be reconstructed at a total cost of NR 246 million under the Government of India reconstruction grant. The Government of India has committed a total US \$ 50 million (NR 5800 million) for conservation, restoration and reconstruction of 28 cultural heritage sites in eight districts of Nepal.

ANNEX K

List of China's small-scale aid and projects in the 15 northern bordering districts in the last decade

S.N.	Name of the Project	Year	Amount	Other Relevant Details
1.	Aid to the local body (VDC)		USD 42,500 for each of 15 bordering districts	China had provided a sum of USD 42,500 for each of 15 districts for the development of Village Development Committee.
2.	Aid in the northern bordering districts	2014-2018	USD 1.63 million	In 2014, a deal was signed between Nepal and China in which China had agreed to provide 10 million Yuan (\$1.63 million) annually from 2014 to 2018. The primary goal of the aid was to help Nepal develop its northern districts bordering the Tibetan Autonomous Region. That aid was spent in health, education and road sectors to improve the livelihood of the residents in those districts
3.	Development Assistance	2018		During the then Prime Minister KP Sharma Oli's visit to China, the China International Development Cooperation Agency (CIDCA) - signed a cooperation agreement with the Ministry of Finance to provide development assistance
4.	Development Assistance in 15 northern districts	2019		China signed an agreement during CIDCA vice-chairman Mr. Deng Boqing visit to Nepal to provide assistance to 15 northern districts of Nepal which border with the Tibetan Autonomous Region (TAR) of China. However, those projects have been in limbo ever since, and no further progress has been made so far.
5.	Northern Area Infrastructure Development and Livelihood Improvement Project	2019	RMB 20 million	During former President Bidhya Devi Bhandari's China visit Nepal and China signed NAIDLIP in order to enhance the quality of life of people living in 15 northern districts bordering with China. This project primarily focused on health, education, roads, sanitation and solar energy. However, those projects have been in limbo ever since, and no further progress has been made so far.
6.	14 Excavators provided as Grant	2022		Municipalities of 14 districts namely Taplejung, Sankhuwasabha, Dolakha, Sindhupalchok, Rasuwa, Dhading, Gorkha, Manang, Mustang, Bajhang, Dolpa, Mugu, Humla, and Darchula received one excavators each.

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