

**CONTRIBUTION OF INDIAN AID TO  
ECONOMIC DEVELOPMENT OF NEPAL  
(1990/91 to 2013/14)**

**A Thesis**

**Submitted to**

**The Central Department of Economics**

**Tribhuvan University Kirtipur, Kathmandu, Nepal**

**In Partial Fulfillment of the Requirements for the Degree of**

**Master of Arts**

**In**

**Economics**

**By**

**Ishori Prasad Marasini**

**Regt. No.6-1-40-597-2002**

**Exam Roll No. 280807**

**Central Department of Economics**

**Tribhuvan University, Kirtipur**

**Kathmandu, Nepal**

**February, 2016**

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## RECOMMENDATION LETTER

I hereby recommend that the thesis entitled *Contribution of Indian Aid to Economic Development of Nepal (1990/91 to 2013/14)* prepared by **Ishori Prasad Marasini** has been completed under my supervision and guidance for partial fulfillment of the requirement for the degree of **Master of Arts in Economics**. I hereby, forward it for approval.

---

**(Dr. Yogesh Ranjit)**

Associate Professor  
Central Department of Economics  
Tribhuvan University  
Kirtipur, Kathmandu  
Nepal

Date: 2072 / 11 / 09 / (A.D. 2016 - 2 - 14 )

## APPROVAL LETTER

The thesis entitled *Contribution of Indian Aid to Economic Development of Nepal (1990/91 to 2013/14)* submitted by **Ishori Prasad Marasini** has been accepted as a partial fulfillment of the requirement for the **Degree of Master of Arts in Economics**.

### Thesis Committee

.....  
**Prof. Dr. Ram Prasad Gyanwaly**  
Head of Department

.....  
**Prof. Dr. Kusum Shakya**  
External Examiner

.....  
**Dr. Yogesh Ranjit**  
Associate Professor  
Thesis Supervisor

**Date:** 2072 / 11 / 09 (A. D. 2016 - 2 - 21 )

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Finally, I have to say to alone bear the full responsibility for any errors and discrepancies that might have occurred in this research work.

**Ishori Prasad Marasini**

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## LIST OF ABBREVIATION

|        |   |  |
|--------|---|--|
| ADB    | : | Asian Development Bank                           |
| BPKTHS | : | B.P. Koirala Institute of Health and Science     |
| CBS    | : | Central Bureau of Statistics                     |
| DCs    | : | Developed Countries                              |
| EU     | : | European Union                                   |
| EWB    | : | East West Highway                                |
| FY     | : | Fiscal Year                                      |
| GDP    | : | Gross Domestic Product                           |
| GoI    | : | Government of India                              |
| GoN    | : | Government of Nepal                              |
| IAM    | : | Indian Aid Mission                               |
| IC     | : | Indian Currency                                  |
| IGNOU  | : | Indira Gandhi National Open University           |
| IMF    | : | International Monetary Fund                      |
| LDCs   | : | Least Developed Countries                        |
| OFC    | : | Optical Fiber Cable                              |
| PED    | : | Partnership in Economic Development              |
| PRN    | : | Projected Road Number                            |
| SAARC  | : | South Asian Association for Regional Cooperation |
| UK     | : | United Kingdom                                   |
| UN     | : | United Nation                                    |
| UNDP   | : | United National Development Program              |
| USSR   | : | Union of Soviet Socialist Republic               |
| WB     | : | World Bank                                       |
| WDR    | : | World Development Report                         |
| WHO    | : | World Health Organization                        |

# CHAPTER - I

## INTRODUCTION

### 1.1 Background of the Study

Nepal is one of the least developed countries in the globe where the majority of the people live in abject poverty. The macroeconomic parameters reveal that economic situation is fragile and vulnerable trapped by the past conflict and recession. The cost of economy is high due to land lockedness and suffers from inherent structural constraints. Structure of the economy is still dominated by rural subsistence farming. However, in recent years, service sector has taken a pivotal role in contributing gross domestic product (GDP) (Sharma, 2011). Unfortunately, the size of GDP is small and growth rate is decelerating so that gross national income (GNI) per capita is conspicuously low. The major issue facing Nepalese economy is how to escape from the poverty trap or low level equilibrium trap and accelerate economy towards a great leap forward by attaining sustainable high economic growth rate. For these purpose, foreign aid definitely plays a prime role in developing economics. The term is generally used to refer the nominal value of direct and indirect flow of finance and other resources from governments of rich countries and multilateral institutions,

Generally, foreign aid is defined as the transfer of resources from the advanced countries to the least advanced countries for the purpose of fostering economic growth in recipient countries. The term 'Foreign aid' is defined in the economic dictionary as the administered transfer of resources from advanced countries for purpose of encouraging economic growth in developing countries to those of poor countries. The resources can be transferred in various forms: financial, technical or commodities (Black, 1997).

Although the economic cooperation of India to Nepal has been institutionalized for more about fifty years, the beginning of Indian capital flow initiated from 1936 when the company Act was promulgated. After the mid 1930s, Indian entrepreneurs entered into Nepal to establish basic need industries due to the availability of low cost

raw materials and unskilled manual labors in domestic market. They established jute mill in 1936 in Biratnagar, rice mill in the same year, a cotton mill in 1942 and sugar mill in 1946, which are noteworthy in industrial development of Nepal (Pyakuryal et.al: 2005). After the Sino-India conflict, India increased her assistance to Nepal considerably both in quantity and quality for expediting its economic development. Contemporary His Majesty the King of Nepal inaugurated in Indian aided Patan Industrial Estate in November 1963 (Dharamdasani, 1984).

One of the important sectors of cooperation was irrigation. Therefore it was necessary to emphasize on agricultural sector constructing major as well as minor irrigation projects in the country. The Chatara Canel project, Nepal's biggest irrigation scheme, is a symbol of cooperation between Nepal and India in irrigation field. The project, which consists of 35 mile long canal, 16 distributaries of a total length 185 miles and minor up to 5 cusec capacity, cost Rs. 13.5 crores (IC). The scheme after its completion was expected to annually irrigate 2.12 lakh acres of land in Morang and Sunsari districts (ICM, 1972). After the accomplishment of this project, India has been providing various minor and major irrigation projects for the agricultural development over the country.

In the field of health service in Nepal, the Indian aid has been utilized for the construction of doctor's quarters, nurse's hostel, OPD unit and additional ward for Paropakar maternity home in Kathmandu. Similarly building equipments and furniture have been provided for 25 bed hospitals at Dhangadhi and Rajbiraj, 15 bed hospitals at Taulihawa, Gulmi and Ilam and some health posts and health centers at various other places in Nepal.

In the early years of Indian aid, construction of transportation linkage and telecommunication were given key priority for infrastructural development of Nepal by which economic development would be facilitated. During 1960s, Indian aid began to grasp the complex problem of changing backward economy into modern one. India's cooperation to Nepal in the field of education has begun with the establishment of TU in 1953. In 1980s Indian assistance appears to have shrunk a little. During the people movement, India imposed economic blockade to Nepal, as a result Indian assistance was

postponed for some months. After the restoration of democracy in 1990, economic cooperation is mutual resumed with reformed terms. Indian also supplied aid for airport in Kathmandu and Tribhuvan highway linking the India border to the capital of Nepal. Moreover India has been launching small and medium level projects from 2006 A.D. in Nepal for economic development of local area like V.D.C., municipality and district. These types of projects are playing vital role for the economic development of local areas.

## **1.2 Statement of the Problems**

Foreign aid has been playing a great role for the economic development of Nepal. The main economic problem of underdeveloped countries is the deficiency in capital formation due to low level of saving, which is the result of low productivity and lack of appropriate technological development to exploit available resources in the country. Nepal has been rely on foreign assistance as it lacks of capital and advanced technology too. With its own sources, Nepal cannot move away in the path of development. LDCs like Nepal cannot accumulate sufficient capital mobilizing their limited resources with limited amount of investment. To break the 'vicious circle of poverty' and to provide fuel for self-motivated growth-pace inflow of outer investment is the most. Foreign aid in this respect is a good remedy. But aid in the form of debt may sometimes, entangle LDC to debt-trap which worsens the situation.

There is no doubt that foreign aid today has become a cornerstone of any developing economies like Nepal. Nepal has been receiving it since 1951. Foreign aid has played significant role in course of economic progress in Nepalese economy. However, It has contributed in the development of various sectors of the economy such as health, education, irrigation and physical infrastructures like roads, communication etc. The macroeconomic parameters reveal the situation still quite poor. The space between rich and poor in developing countries is still the serious problem.

Therefore, the problem is that the Indian aid has not been able to fill the gap completely on the one hand and, on the other hand, Nepal has been facing a problem of under spending at the same time. It may have been happening due to administrative inefficiency, non availability of suitable contractors, delays in the process of projects'

selection and execution, political instability, corruption and so on. It has become necessary to examine. Hence, the research questions of the study are –

- a) What is the trend of Indian aid to Nepal from 1990/91 to 2013/14?
- b) What is the structure and sector wise composition of Indian Aid?
- b) Which are the major areas of Indian aid in economic development of Nepal?

### **1.3 Objectives of the Study**

The general objective of the study is to examine the contribution of Indian aid to economic development of Nepal. However, the specific objectives of the study are:

- a) To analyze the trend of Indian aid to Nepal from 1990/91 to 2013/14.
- b) To explore the structure and composition of Indian aid to Nepal.
- c) To examine the major areas of India aid to economic development of Nepal.

### **1.4 Significance of the Study**

Though many of the developing countries including Nepal are rich in natural resources but they lack capital, technological skill and managerial ability. These developing countries, therefore have not been able to exploit natural resources efficiently, to a large extent, to accelerate their respective economic growth rate as anticipated, while the advanced ones possess sufficient capital and skill. Thus the prime aim of providing aid is to employ the international tools and resources for the achievement of maximum economic advancement. The developed countries regard foreign aid program as a tool that helps the underdeveloped economy to be on the road of self-sustaining growth.

Nepal, one of the least development countries in the world, is characterized by low income and high consumption economy. But Nepal is rich in natural resources, due to deficiency of appropriate technology, skilled manpower, financial resources and inadequate infrastructure development the resources are not fully exploited. Nepal's economy is moving with very low pace of development. To accelerate the pace of economic development, there is desperate need of efficient use of internal resources. For the use of internal resources there is a need of technology, foreign capital and skilled man-power which the country does not have in required quantum. Revenue collected

each year cannot even bear half of annual development expenditure. As a consequences to mobilize the internal potentials, to fulfill other development needs, and to increase investment Nepal has been increasingly relying on foreign assistance. Nepal has been a continuously receiving foreign aid during the past five decades and India has been one of the major donors. India is one of the major countries, which have to help Nepal to accelerate the pace of economic development in Nepal. India has assisted in every field of Nepalese economy and massive economic aid from India to Nepal has helped to promote Nepal's economic development.

The study of the Indian aid gives clear idea about the objective of aid being provided by advanced countries to the less advanced countries. For the economic progress of the third world, the developed countries have been playing a catalytic role for years. Nepal also has been receiving Indian assistance for about six decades. Hence, the study aims to analyze the trend, composition and areas of Indian aid to economic development of Nepal. Therefore, the study is being helpful and beneficiated for national planners, policy makers, government, researchers, teachers, students and others. Moreover, Nepal is very close to India by geographically and culturally so that Nepal need Indian aid not only for her benefit but also the benefit of India as Nepal is rich in natural resources and India is the world third large economy country.

### **1.5 Limitations of the Study**

However, the impact of foreign aid in developing economic covers a wide range. The present study is being limited to study of trend, composition and areas of Indian aid to economic development of Nepal. Hence, the limitations of the study are as follows:

- a) In this study, assistance made available by Indian private investors are not be dealt.
- b) The study is not including the Indian aid on defense activities of the nation as this type of assistance has no or minimal effects (negligible) on the economic development.
- c) It covers the sample period of Indian aid to Nepal only for 24 years from the fiscal years of 1990/91 to 2013/14.
- d) It excludes the other development such as human development, social development etc.

## **1.6 Organization of the Study**

This study is divided into seven chapters. Chapter one is the introduction that contains background of the study, statement of the problems, objectives of the study, significant of the study, limitations and organization of the study. Chapter two consists of review of literature which is divided into international context and Nepalese context. Chapter three is for research methodology that consists of research design, nature and sources of data, sample period covered, tools and technique of data collection, data organization, management and processing, and tools and technique of data analysis, Chapter four is history of Indian aid. Chapter five is data presentation and analysis which consists trends of Indian aid, structure of Indian aid by scale of projects and sector wise composition of Indian aid. Chapter six contains of major areas of Indian aid. Finally, the last chapter consists of major findings and on the basis of which conclusion and recommendations are made.

## CHAPTER - II

### REVIEW OF LITERATURE

The economic assistance of India in Nepal began to flow from October 1951 when two Nepalese officials took six months training in statistics in India. The main goal behind the Indian aid is to act as a supplement of the efforts of Government of Nepal to increase the standard of living as well as to develop the national economy. Indian aid is based on humanitarian grounds and sometimes on political motives as well. India has offered help to Nepal in almost all economic sectors like agriculture, industry, infrastructure development, education, health etc. One of the main grounds of Indian assistances is that '**poverty anywhere is a threat to prosperity everywhere**'. It provides aids in the form of technical, manpower, financial and commodity terms. Indian aid has been taken for the completion of many projects for development purpose. The aid also helps to enhance mutual relationship and to seek solution for the common problems of both countries.

Friedman (1958) believed that foreign aid effectively promotes economic development in three basis propositions: first that the key to economic development is the availability of capital, second that under developed countries are poor to provide the capital for themselves, third that the centralized and comprehensive economic planning and control by government is as essential requisite for economic development.

Rosentein-Rodan (1957) stated that the indivisibilities as a basis of the Big Push theory to remove the original intarsia of a less developed country deserve consideration, one of those individualities speaks. In view of saving gap, he adds foreign aid assumes much importance as a means to break the 'Vicious circle of Poverty' and to accelerate the pace of growth.

Lebenstein (1957) considered that foreign aid is essential for the critical minimum efforts "in terms of investment that would increase the level of income creation environment and to neutralize the income depression one.

Sharma (2000) explained the need of foreign aid management. Sharma emphasized on the effective utilization and mobilization of aid. Further, Sharma has suggested that Nepal should be able not only to utilize foreign resources but also should be able to mobilize it in productive sector and effective utilization of foreign aid is the most challenging task of our development efforts of the nation.

Rizal (2001) wrote that Nepal's economy is characterized by various structural constraints leading to low per capita income. The growth of Nepali revenue is diminutive and the rate of public and private savings is low too. Investment - GDP ratio has been declining for the last ten years. Thus, the mobilization of adequate domestic resources to carry out infrastructure, economical and social development programs, remain as a major challenge to Nepal. But at the same time, the national efforts to mobilize saving and to create a favorable climate for the attraction of investment are praise worthy.

Khatiwada (2004) described that the magnitude of foreign aid how it went back to the donor country partly and misused partly domestically more than its utilization. Khatiwada is of the opinion; "it has received about Rs. 4 billion in aid over the last 50 years or so. The money was spent on development on physical infrastructure mainly transportation, telecommunication, irrigation, electricity and drinking water on social infrastructure particularly in education and health and an agriculture and industry. Part of the aid also went back in the form of payment to expensive expatriate consultants, procurement of foreign goods and services as prescribed by the donor; some assistance evaporates out to corruption and leakage."

Lama (1985) said that the impact of India aid to Nepal has not been as effective as expected mainly because of the lack of foresight in both the countries. Lama argued that political factor is the root cause of smooth and proper implementation of Indian aided projects. Had the absorptive capacity of Nepal been higher and advanced the impact of Indian aid could have been more. Finally, Lama said due to the lack in proper planning and presence of leakages of aid in Nepal, have made the Indo-Nepalese co-operation more complex.

To sum up, foreign aid comprises of the foreign resources either capital and/or technical help provided to less developed countries either by comparatively advanced

countries or by multilateral agencies or by foreign private organizations especially in the form of grants or loans. It mainly includes the inflow of economic and technical assistance for relief from poverty war and natural disasters and for the long-term development of the poorer countries in order to support their population at higher material standard of living. Foreign aid is meant for economic and social development of less developed countries.

In the context, several publications have been reviewed like books; booklets research reports, seminar report, journals, and research articles. The part review of literature is divided into two parts like as international context and Nepalese context.

## **2.1 International Context**

Dharamdasan (1984) believed that foreign aid has played an important and decisive role in economic development of Nepal, which constitutes over fifty percentage of total outlay, envisaged under the development plans. According to the writer, foreign aid has gone in three major directions i.e. infrastructure development, health and education. The writer defined three major engines of growth in Nepal-foreign aid, tourism and smuggling, out of which first is definitely major sources of financial inflow without which it would be difficult for nation like Nepal to sustain its economic growth and development efforts. Due to low saving and lack of viable taxations system and inability to generate intended resources, it is not possible for Nepal to discard foreign assistance.

Dharamdasan further attempted to analyze the nature, dimensions and implication of Nepal's dependence on foreign aid to sustain her development process. The central theme of the study is that within the prevailing structural constraints to Nepalese society the process of development has itself contributed to the growth of external dependence. i further argued that because of limited resources and economic backwardness, foreign aid was considered as important sources to fill up resources gap 'needed to accelerate the process of economic planning in Nepal. Moreover, aid has also played an important role to formulation and execution of different plans in Nepal, Foreign aid occupies a prominent place in policies, plan and programmed of development of Nepal.

Higgins (1968) viewed on economic development problems, principles and policies and said that aid is given for moral obligation to help the poor, the threat to national security entrained in the widening gap allies and the possibilities of expanding world traders have all been cited as reasons for helping the underdevelopment countries with their development programmers. The writer further wrote about the role of capital assistance in economic development, in the complex process of interacting economic, social and political forces which brings economic development, what contribution can capital assistance make? It is quite clear that capital assistance cannot be to do job alone. At the same time, the availability or absence of foreign aid of the right kinds and in right amount might make the difference between success and failure of country's own efforts to launch a process of sustained economic growth.

Mihly (1965) stated that foreign aid and politics in Nepal gives descriptive facts about foreign affairs and political conditions of Nepal. According to Mihly Nepal has attracted unusual attention from aid donors. Nepal received aid from so many sources from initial until today USA, India, USSR, Irseal, Japan, UN and its agencies and the ford foundation. Mihly also conclude that in Nepal there are tribes and groups of people, diversity of religious and language that are barrier to national unity and national affects to advance economic growth. Hence the aid giving countries has to face various difficulties. Mihly further argued that India and Chinese aid conflict in purpose 'India gave a greater urgency to implement the economic aid programmed after the political change of Nepal. To exclude Chinese influence from Nepal.

Mihly further showed the impact of minor aid programs provided by the different donor countries, according to the writer, in minor aid programmer, few of them are successful to fulfill their indicative aim but in aggregate, they created serious problems in Nepal. In addition, Mihly has shown the impact of two types of foreign aid in Nepal: short term and long term impacts. In short term impact, aid project did not improve political consciousness as hoped by donors. In long term impact, aid did not only fail to give a significant boost of Nepal's economy but also it may even have made growth more difficult to achieve.

Meir (2002) described that ‘On the positive side of the factor of experience and the knowledge that has come with it. To analyze who has followed aid activity over an extended period, it is evident that the equality of aid operations has slowly continued to improve. Donor agencies have learned a great deal about the development process. They are doing better policy analysis. There is more emphasis on incentives and finding simpler and more flexible aid procedures. A development advisory committee report concluded that findings of project evaluation show that about 33 percent of aids on capital project are highly successful, 33percent can be judged satisfactorily and 33 percent are disappointing. Of these, last 10 percent of the totals have to be regarded as a total loss’.

Arellano et. el (2005) examined the effect of aid and its validity on consumption, investment and structure of production in the content of an inter-temporal tow sector general equilibrium model. A permanent flow of aid finances mainly in consumption a result consistent with the historical failure of aid inflows to translate in to sustained growth. Shocks to aid are reflected mainly in investment fluctuation as a result of consumption smoothing. Aid shocks result in substantial welfare losses, suggesting that aid variability should be taken in to account in designing aid architecture. These results are consistent with the evidence from cross-country regressions of manufacture exports. Finally, they suggested that aid variability has potentially large welfare effects, which should be taken in to account in designing aid architecture. These effects of aid variability attenuate but do not eliminate the welfare benefits of receiving aid. The benefits against productivity shocks could be very substantial.

Hawkins (1970) has written that foreign aid is only a recent phenomenon originating in the international scene after Second World War. Foreign aid will remain as a permanent part of international economy and will continue to precede development and thinking which will influence the amount and character of foreign aid. The foreign aid and purposes in the modern worlds were new of course and for Americans aid was one of the novel aspects of their involvement in the world as a great power so long as that involvement continues, American aid was likely to continue. The reasons for which aid should be given and in what kind and magnitude aids are indeed the central question. He focused on aid in the form of transactions between rich and poor but independent governments were very restricted about its scope before 1960. The Soviet Union has begun

to lend on a small scale to non-communist developing countries with avowedly political objectives. Other countries were just beginning to be involved in aid for social infrastructure as well as economic development.

## **2.2 Nepalese Context**

Pant (1986) remarked that the external assistance available to the least developed and smaller countries can be discussed under the topic of foreign aid in the form of grants, loans and technical assistance. According to Pant, shortage of capital will be supported by foreign aid at least in the initial stage of development plans in developing countries. Pant further argued that rapid formation of capital for accelerating the growth of LDCs cannot be possible without foreign aid even if domestic resources are mobilized to the optimum level. Pant claimed an international flow of resources that lower the stage of development, greater will be the percentage of imports often loans and grants. Pant further explained that in every country, the general aspects of economic development are dependent on the availability and active participation of the internal factors, but specifically in an underdeveloped country, a substantial help of the external forces are equally necessary. Therefore, in an underdeveloped country like Nepal, in the initial stage of economic development as provided by the inadequacy of domestic resources, much reliance will naturally have to be placed on foreign aid to increase the tempo of developmental activities.

Poudyal (1982) concluded that Foreign aid appears to have played a laudable role in as much as it has inspired successive governments in Nepal to demonstrate their commitment to development. Even if the decision of the people in Nepal for a better living standard was a product of endogenous stimuli, everything else from the objective of development to the strategy, policies and projects were destined to be influenced by foreign aid. Channeling of fund was not significant until the beginning of Nepal's first five-year plan in 1956. Since then, foreign aid from various sources has been meeting a large proportion of the cost of Nepal's development program.

Poudyal further concluded that India has been a pioneer and continues to be the foremost in the field of assistance to Nepal in initiating and accelerating the process of its economic development. The joint achievements of the past should inspire both countries

to further expand and diversity mutually beneficial economic co-operation there by giving new dimensions. Poudyal also wrote that in spite of massive flow of foreign aid there has been no praise worthy improvement in the GDP, standard of living and in the rate of capital formation. There are various reasons behind this ineffectiveness of foreign aid. The problems mentioned like - donors are guided by various motives; experts and advisors are highly paid; donor's misconception about the exact Nepalese condition; large number of foreign laborers is employed in foreign assisted projects.

At last, Poudyal concluded that these problems could be overcome by transferring our experiences, knowledge and skills in the field of manpower development. In these respect, India's help in sharing her experience with Nepal will contribute more in this field i.e. Manpower development.

Pandey (1998) explained that the flow of foreign aid in Nepal's increasing from both bilateral and multilateral sources and the aid that inflow in the country encourages inflation. The contribution of aid to GDP is increasing in Nepal. Pandey found that aid in Nepal is highly correlated with GDP. Pandey remarked that although the impact of aid on Nepalese economy is positive, there is misdirection, mix-utilization and corruption of the aid, which is responsible for the low growth of the country. Pandey has performed calculation for the effect of foreign aid on the growth of Nepal's GDP, and has found that the real growth rate does not seem to be related to the ratio of aid to GDP. Pandey explained it by saying that the inflow of aid has not been significant enough to make an impact on development. Pandey further wrote that the level of GDP is positively related to the inflow of foreign aid. Foreign aid by making more funds available for investment (and positively releasing funds for consumption and other wasteful activities) has raised the economic welfare of the country.

Banskota (1981) has explained that foreign assistance has been a crucial factor in Nepal's overall development and also suggested that in light of the recent declining rate of growth in domestic revenue, it is but natural that donors should be concerned with the country's absorptive capacity, which is greatly limited by shortage of skilled people, construction materials, medical supplies and an increasing responsibility of government of Nepal to maintain projects terminal by donor countries. These factors may combine to have an adverse effect on new development programs. Therefore donor countries may be

called up on to explore possibilities to extend assistance to include not only the economic development but also some components of the regular budget, foreign aid in Nepal past and present with reference to U.S.

Singh (1966) analyzed that Indian aid to Nepal is both economic and technological, and bilateral and semi-bilateral. Bilateral aid though preferred by most of the donor countries serve as an instrument of diplomacy. Bilateral aid to Nepal is also an instrument of diplomacy. India has given most of its aid for specific projects. Thus, it is project - tied aid. Indian aid has largely been spent on the infrastructural development. Singh further added that the pattern of Indian aid to Nepal over a period of three decades provide some interesting facts. Between 1954-78 India has 80 agreements involving a total investment of Rs. 11049 lakhs. Between 1960-72 aid projects were undertaken at a feverish speed but slowed down after 1972. It may be noted that after 1972 more emphasis was on the completion of the ongoing project.

Pyakuryal et. al (2005) mentioned that although the economic cooperation of India to Nepal has been institutionalized for about fifty years, the beginning of Indian capital flow initiated from 1936 when the company act was promulgated. After the mid 1930s, Indian entrepreneurs entered into Nepal to establish basic need industries due to the availability of low cost raw materials and unskilled manual labors in domestic market. They established jute mill in 1936 in Biratnagar, rice mill in the same year, a cotton mill in 1942 and sugar mill in 1946, which are noteworthy in economical as well industrial development of Nepal. In the early years of Indian aid, construction of transportation link and telecommunication were given key priority for infrastructural development of Nepal by which economic development would be facilitated. During 1960s, Indian aid began to grasp the complex problem of changing backward economy into modern one. India's cooperation to Nepal in the field of education has begun with the establishment of TU in 1953.

They further added that in 1980s; Indian assistance appears to have shrunk a little. During the people movement, India imposed economic blockade to Nepal, as a result Indian assistance was postponed for some months. After the restoration of democracy in 1990, economic cooperation is mutual resumed with reformed terms.

Indian also supplied aid for airport in Kathmandu and Tribhuvan highway linking the India border to the capital of Nepal. Later its contribution to east-west highway stands as the main vein of national economy and development. Indian aid has also been extended to health education, rural development, forestry etc. There was temporary setback in the aid from India after the advent of the Partyless Panchayat system in 1961/62.

Sigdel (2004) said that the country has made significant progress in the field of economic and social infrastructure since 1950 and this progress would not have been possible without foreign aid. Foreign aid has played positive role in the development of national economy. Sigdel assumed foreign aid is an addition to nation's real resources, which can and have been with varying degree of success used for nation's economic development. Never the less, expectations, which have naturally run high, have not been fulfilled; can genuinely invite charges of miss-management or worse collusion of the donor's country with the government. Sigdel further explained that Nepal received substantial amount of foreign aid in the last five decades. Sigdel received various kinds of economic assistance from all donors irrespective of their political systems and ideologies. As its per capita income is one of the lowest in the world, even resources are effectively used and directed to productive investment, required level of development may not be substantially achieved. In this context, he says additional foreign capital can be most beneficial. With significant gap between saving and investment in Nepal, a substantial portion of development expenditure is met by foreign aid. But he adds because of priorities of donors, their interest and complexities the absorptive capacity of aid in Nepal is very low.

Acharya (2002) showed the importance of foreign aid in Nepal but holds critical importance in Nepalese economy. According to Acharya, economic importance of aid resides not only in the fact it provides resource for the national budget. Foreign aid helps bridge between the short falls of the national savings to national investment. It also supports to fill the gap between the excess of imports of goods and services over their exports. There are hardly any economic activities in Nepal, particularly relation to government that does not have the element of foreign aid. Many of Nepal's economic, social and political policy makers are done with the support of foreign assistance. Such horizontal and vertical pervasiveness of foreign aid in economic management of Nepal

transcends its influence to non-economic spheres such as social, political and regional dimensions as well through their redistributive effect that emanate from the resource allocation perspectives.

Acharya further indeed, Nepal has been receiving low quantum of foreign aid in comparison with other least developed countries. What much amount she received, that all is not effectively utilized. A research study conducted by Action Aid Nepal reveals, there are many reasons for an ineffective utilization of foreign aid in Nepal. Lack of commitment from the government, donor's own strategic interest rather than economic development, corruption, political interference in the bureaucracy that causes the frequent change of project managers and ineffective monitoring system are some of the important reasons for ineffectiveness of foreign aid. There are so many anomalies in foreign aid administration. It is to be accepted that Nepal has not been able to properly manage the available foreign aid.

Upreti (1988) showed six kinds of aid in different perspective like -

- i. Capital Aid: - Capital aid includes grants and loans. It may be given for different purposes such as development & infrastructure maintenance, aid including intermediate goods and raw materials, the utilization of already built up capacity and general purpose.
- ii. Technical Aid: - Technical aid includes the services of technical expertise, scholarships and fellowships.
- iii. Multilateral Aid: This is that form of aid which is given through interactive agencies like IMF, WB, and IBRD etc.
- iv. Bilateral Aid: - Bilateral aid is the flow from the government of one country to government of another.
- v. Tied Aid: - Foreign aid given for a specific project is known as 'tied aid'. Tied aids are of two types: source-tied and project-tied.
- vi. Untied Aid: - Untied aid is not related to any specific project. It is given to raise capital for the plans and the annual development budget of the recipient countries. The recipient country is free to utilize such aid according to their needs and priorities.

Shrestha (2060 B. S ) said that going back to the history of foreign aid we find that the USA had assisted many European Countries dilapidated by the Second World War. It was carried out to increase the American influence under these countries and its main designer was the then foreign minister Marshall. Since then, the term, foreign aid 'has been coined to indicate' the process of resource transformation from one country to another under certain conditions for the implementation of specific development plans/projects. Foreign aids initially would flow from one country to another, or were bilateral in nature. But after the Second World War, the international agencies and organizations like WB, IMF, International Development corporations and financial institutes etc. enhanced the flow of capital obtained from different resources which is multilateral in nature. Both of bilateral or multilateral are known as official development assistance.

Khanal (2009) has concluded the Indian assistance is social infrastructure as well as in human resource development, it has positive impact. India's assistance in social sectors even during the continued political turmoil's is laudable. India has remained a dominant force in the sphere of aid to Nepal. Indian assistance for the economic development has witnessed significant growth over the years. At present, the assistance to Nepal's economy has been extended to various sectors such as infrastructure, water resources, health, education, sanitation, and communication etc. Nepal cannot promote the economy in absence of foreign aid solely. Neither it is able to avoid the risk of becoming the victim of aid intoxication and debt trap. At this critical situation, India's cooperation to Nepal is necessary not only to sustain developed activities but also for reducing horizontal inequality and deprivation.

Thapa (2005) described Nepal is geo-strategically located between India and China, must have appropriate relations with both countries. Prior to 2006, Nepal's monarch maintained a generally balanced approach in dealing with India and China even though in practice Nepal had a closer relationship with India due to key factors, such as geography, socio-cultural closeness, and reliance on trade and transit through India. However, a great political transition occurred in Nepal during 2007, and since 2008, China has increased its activities within Nepal. This study addresses Nepal's strategic dilemma by looking at three policy options: lean towards India; lean towards China; or

follow a middle road between these two powers. Through descriptive and analytical studies of government policies adopted by Nepal, India, and China, published books, and scholarly articles, this research analyzes Nepal's options in terms of the diplomatic-political, informational, military, and economic (DIME) instruments of national power and geographic factors. She must maintain a sharp focus on serving her national interests, promoting stability and prosperity, and preserving her sovereignty and independence while taking into consideration the interests of her two powerful next-door neighbors, China and India.

Reviewing most of the literatures concerning foreign aid along with Indian aid, it is found that, to some extent foreign aid positively affects economic growth. These concluded that foreign aid is important for infrastructure development as well as to meet a large portion of development expenditure. Besides this Indian aid plays the vital role in economic development of Nepal. One of the prominent donors to Nepal is neighboring country India, which is a rising economic power in the world economy. It has enveloped Nepal from east, west and south. As a neighboring country, it has many similar social, cultural and religious, geographical and demographic features with that of Nepal. But the Nepalese economy has remained underdeveloped for more than a century compared with that of India. This is because of availability of more natural resources like: ocean, petroleum mining and a better and favorable international relationship. Nepal has too adequate natural resources but have no sufficient capital, skill and technology to utilize the natural resources properly, so in this context Nepal is very dependent on foreign aid along with Indian aid for the industrial, infrastructure, and economical as well as social development of Nepal. But never the least, Nepal should not follow this trend totally in coming days; but should try to be independent in coming future.

# **CHAPTER - III**

## **RESEARCH METHODOLOGY**

The chapter is mainly devoted to a suitable research methodology based on the nature and subject matter of the study. Research means search again and again on the given subject matter and methodology refers to the various steps that are generally adopted by a researcher in the study about the given nature and matter of the study in order to find out the answer of the given research questions, fulfilled the given objectives, and drawn conclusion and recommendations. Thus, research methodology refers to the various sequential steps to be adopted by a researcher in studying the designed subject matter. So, it is a way to analyze systematically the logic behind about the particular problems so as to find out something new about the given subject matter. Hence, it would be said that a research work cannot be pursued without an appropriate research methodology. Research methodology is a very important as the utility and validity of any research work can be judged by the methodology employed. So, in this chapter, a detailed explanation of the methods of research used in the study have been presented like research design, nature and sources of data, sample period covered, tools and technique of data collection, data organization and processing, tools and technique of data analysis.

### **3.1. Research Design**

Generally, a research design means a definite procedure and technique that provide some specific plan, guidelines and ways for the given research work. It is an overall frame work or plans of the study. It is an organized approach and an integrated system that guides the researcher in formulating, implementing and controlling the study and produces the answers to the given research questions. Hence, the study is designed in accordance with the given research problems, research questions, and objectives of the study. The study is fully based on the secondary data of Indian aid to Nepal that mainly focused on the trend, structure, composition and major areas of Indian aid for economic development of Nepal. Hence, the study followed the descriptive research design to carry out the research with the help of secondary data by covering 24 years from 1990/91 to 2013/14.

### **3.2 Nature and Sources of Data**

As the study is fully based on the secondary data, the required data and information for the study were gathered only from the secondary sources. Most of the background information of the given subject matter, trend and structure of Indian aid were mainly obtained from the study of available published and unpublished documents based of Indian aid to Nepal like books, booklets, journals, seminar reports, magazine, newspaper, various bulletins, official records, thesis, and websites etc. However, the major sources of the data and information used in this study are published by the Ministry of Finance, Central Bureau of Statistics (CBS), Indian Embassies, and other published and unpublished documents. Similarly, various thesis and websites of agencies and governmental authorities are also used that made the study to complete in this form.

### **3.3 Sample Period Covered**

The study mainly focused on the trend, structure, and composition of Indian aid on major areas for economic development of Nepal. In order to achieve the answer of given research questions and fulfilled the given objectives of the study, the study has followed the time series data by covering the period of 24 years from the FY 1990/91 to FY 2013/2014 as a sample years which is divided into two major parts. One is for 14 tears from 1990/91 to 2003/04 which is from multi party system to republican system. Second is for 10 years from 2004/05 to 2013/14. The main causes of taking the data from 1990/91 to 2013/14 are the various political changes from multi-party system to republican system during the given sampled period. Due to some political problems, the Indian aid in some specific sampled years of the study period was not available (NA),

### **3.4 Tools and Techniques of Data Collection**

As the study is fully based on secondary data, the required data and information were collected through table work and computer work by visiting the research himself to concerned departments, ministries, and embassies and other offices. Moreover, some data and information are taken from websites too.

### **3.5 Data Organization, Management and Processing**

Data organization, management and processing are the key factors of any research work. The collected data and information were edited, organized, coded, classified and calculated in accordance with the nature of study purpose and nature of available data and information. The collected data has been made for various tables and graphic presentation in order to achieve the answer of the research questions and fulfilled desired objectives. Under data processing, the raw data are converted into meaningful information pattern. Basically, there are four steps in data processing like data editing, coding, classification and tabulation.

### **3.6 Tools and Technique of Data Analysis**

The collected data and information have been made for various tabular and graphic presentations (line diagram, bar diagram, and pie chart) in order to achieve the answers of given research questions and justifies the desired objectives. Various single and multiple dimensional tables and graphic presentation are also made as per the situation and requirements of the study. The study basically focused on descriptive method for the presentation of the collected data and information. Apart from the general tabular and graphic presentation, some simple mathematical tools have also been used for the data analysis and interpretation like percentage, average, and ratio so on.

## **CHAPTER – IV**

### **History of Indian Aid to Nepal**

The economic relation between Nepal and India started before the 19<sup>th</sup> century. Their relation is further strengthened by people to people through an open and long border which came into force with the advent of India-Nepal peace and friendship treaty of 1950. After the introduction of democracy in Nepal in 1951, India was a premier donor country that played an important role in mobilizing aid to Nepal under the Colombo plan (Dahal, 2004).

Similarly, Nepal, India and others South Asian Countries have similar religious, cultural, environmental, physical and natural heritages. After independence movement in India, the relationship between these countries has been increasing. Reciprocal help for the betterment of political and economic condition is another factor of increasing our relation. In the reign of Prime Minister Janga Bahadur Rana, the existing British government in India got armed forces for the First World War from Nepal. They were satisfied with the assistance and gifted four districts (Banke, Bardiya, Kailali and Kanchanpur) to Nepal which were lost during the battle of integrating process of Nepal. In 1947, many Nepalese citizen played active role to free India from British colony. After the end of British colony in India, they helped to overthrow Rana family regime from Nepal.

The first indication that India was willing to assist Nepal in the field of economic sphere was given by Indian Prime Minister Nehru during his visit to Kathmandu in July 1951. He had said, ‘if you seek our help in say, technical or other spheres, we do our almost to be useful to you. But we never want to interfere’ (Dharamdasani, 1985). India and Nepal experience a unique economic interdependence but not found elsewhere. The interdependence has a long history of five decades of economic cooperation. Indo-Nepalese cooperation in the field of modern economic development began as early as 1951

The Indian aid mission was established two years before the introduction of planned economic development in 1956 and three years before the formulation of

industrial policy in Nepal in 1957. The bilateral agreement for Koshi project was signed by India and Nepal in April 1954 before the initiation of industrial policy. The estimated cost of this project was Rs. 68.4 million. Consequently, in 1956 India provided US\$ 22 million as grant for the first plan (1956-1961). In 1958, India also agreed to build a 14 MW hydroelectric project on Trishuli in Nuwakot district at the cost of US \$ 47.9 million (Mihaly, 1965).

After the Sino-India conflict, India increased her assistance to Nepal considerably both in quantity and quality for expediting its economic development. Contemporary His Majesty the King of Nepal inaugurated in Indian aided Patan Industrial Estate in November 1963. One of the important sectors of cooperation was irrigation. Therefore it was necessary to emphasize on agricultural sector constructing major as well as minor irrigation projects in the country. The Chatara Canel project, Nepal's biggest irrigation scheme, is a symbol of cooperation between Nepal and India in irrigation field. The project, which consists of 35 mile long canal, 16 distributaries of a total length 185 miles and minor up to 5 cusec capacity, cost Rs. 13.5 crores (IC). The scheme after its completion was expected to annually irrigate 2.12 lakh acres of land in Morang and Sunsari districts (ICM, 1972). After the accomplishment of this project, India has been providing various minor and major irrigation projects for the agricultural development over the country. In the field of health service in Nepal, the Indian aid has been utilized for the construction of doctor's quarters, nurse's hostel, OPD unit and additional ward for Paropakar maternity home in Kathmandu. Similarly building equipments and furniture have been provided for 25 bed hospitals at Dhangadhi and Rajbiraj, 15 bed hospitals at Taulihawa, Gulmi and Ilam and some health posts and health centres at various other places in Nepal (Dharamdasani, 1984).

In the early years of Indian aid, construction of transportation link and telecommunication were given key priority for infrastructural development of Nepal by which economic development would be facilitated. During 1960s, Indian aid began to grasp the complex problem of changing backward economy into modern one. India's cooperation to Nepal in the field of education has begun with the establishment of TU in 1953 In 1980s; Indian assistance appears to have shrunk a little. During the people

movement, India imposed economic blockade to Nepal, as a result Indian assistance was postponed for some months. After the restoration of democracy in 1990, economic cooperation is mutual resumed with reformed terms. Indian also supplied aid for airport in Kathmandu and Tribhuvan highway linking the India border to the capital of Nepal. Later its contribution to east-west highway stands as the main vein of national economy and development. Indian aid has also been extended to health education, rural development, forestry etc. There was temporary setback in the aid from India after the advent of the Partyless Panchayat system in 1961/62 (Pyakuryal, 2005).

In sum up, the programme of India-Nepal economic cooperation was launched in 1951. The objective of this programme was and remains to supplement the efforts of the Government of Nepal in the national development of the country. India's assistance programmed in Nepal is guided by the vision that alongside progress in political process in Nepal, it is equally important to ensure that economic deliverables, particularly in the areas of education, health and infrastructure, must reach the people without any pre-conditions in a smooth, quick and unencumbered manner. Towards this end, Government of India is providing technical and financial assistance for multi-sectored development of Nepal. The scope and breath of India's economic assistance programmed has been expanding over the years.

# CHAPTER-V

## DATA PRESENTATION AND ANALYSIS

### 5.1 Trend of Indian Aid to Nepal

India has been assisting Nepal after the India's independence in 1947. India seems to play the foremost role in the development of Nepal from the beginning. India has mainly helped Nepal continuously in almost every field of Nepalese economy such as agriculture, transportation, industry, health, education, technological development, to make constitution etc and Nepal also opened the door to her neighbor for investment in mutually benefiting projects on her natural resources like Koshi, Gandaki, Karnli and Mahakali project which have benefited to both countries. The trend of Indian aid to Nepal is divided into two major parts which is from 1990/91 to 2003/04 which is for the multiple party system of Nepal. The next is from 2004/05 to 2013/14 which is for the republican system as shown in given tables and graphs.

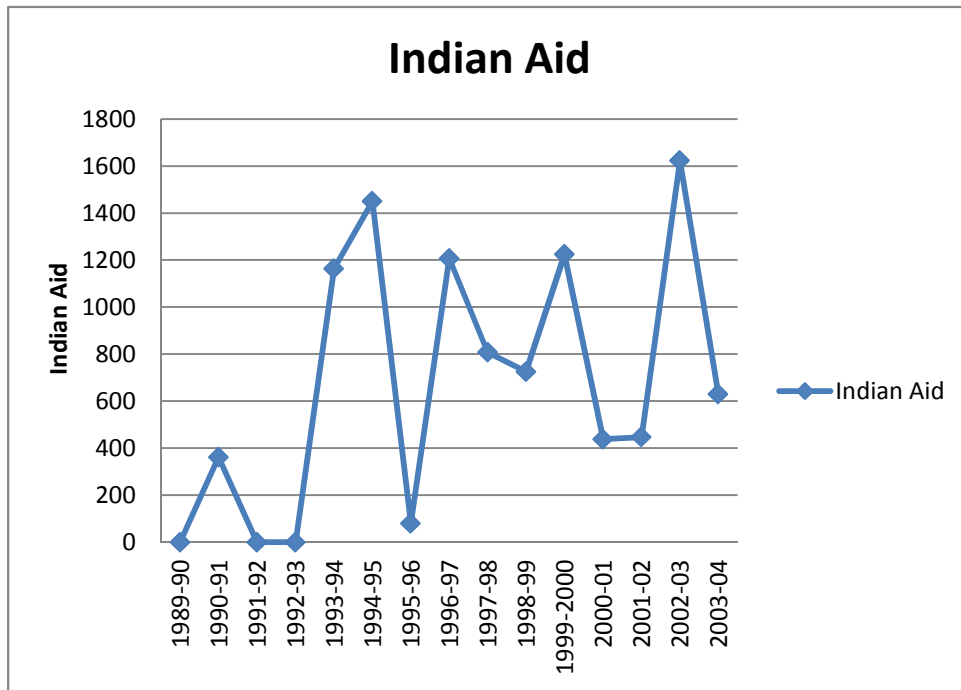
Table: 5.1  
Trends of Indian Aid to Nepal (Rs, in millions)

| <b>Fiscal years</b> | <b>Indian Aid</b> | <b>Fiscal years</b> | <b>Indian Aid</b> |
|---------------------|-------------------|---------------------|-------------------|
| 1990/91             | 361.81            | 2004/05             | 629.09            |
| 1991/92             | NA                | 2005/06             | 4457.77           |
| 1992/93             | NA                | 2006/07             | 4428.14           |
| 1993/94             | 1163.68           | 2007/08             | 4457.77           |
| 1994/95             | 1450              | 2008/09             | 342.22            |
| 1995/96             | 80.17             | 2009/10             | 4079.59           |
| 1996/97             | 1207.37           | 2010/11             | 4783.9            |
| 1997-98             | 807.68            | 2011/12             | 5093.13           |
| 1998/99             | NA                | 2012/13             | 5315.17           |
| 1999/2000           | NA                | 2013/14             | 6700              |
| 2000/01             | 437.87            | Total               | 44706.76          |
| 2001/02             | 447.11            | Average             | 4470.067          |
| 2002/2003           | 1623.02           |                     |                   |
| 2003/04             | 629.09            |                     |                   |
| Total               | 8449.47           |                     |                   |
| Average             | 603.53            |                     |                   |

Source: ICM Report and Partnership in Economic Development

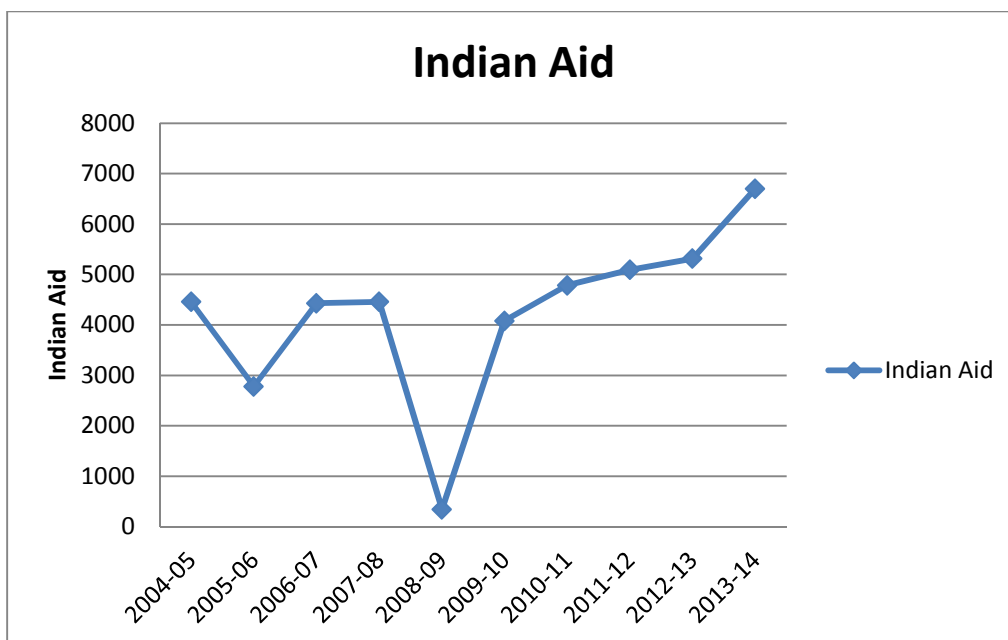
Note: NA = Not available.

**Figure 5.1**  
**Trend of Indian Aid during multiparty system**



During these 14 years multiparty system the total amount of Indian Aid was Rs 8449.47 million and the average amount was Rs 603.53million. During this period the highest amount was on the fiscal year 20002/03 and the lowest amount was on the fiscal year 1995/96.

**Figure: 5.2**  
**Trend of Indian Aid after republican system to Nepal**



There exists republican system in Nepal from 2004/05. During these 10 years period, the total amount of Indian Aid was Rs 44706.76 millions and the average amount of Indian Aid was 4470.68 millions. The highest amount was on the fiscal year 2013/14 and the lowest amount was on the fiscal year 2008/09

## 5.2 Structure of Indian Aid by Scale of Projects

The study focused on the structure of Indian aid by the scale of projects and small development projects. It seems that India's assistance programs in Nepal are guided by the vision that alongside progress in political process in Nepal. It is equally important to ensure that economic deliverables, particularly in the areas of education, health and infrastructure, must reach the people without any pre-conditions in a smooth, quick and unencumbered manner. Towards this end, Government of India is providing technical and financial assistance for multi-sectored development of Nepal. The scope and breath of India's economic assistance programmed has been expanding over the years. The structure of Indian aid to Nepal by the scale of projects is categorized as small, intermediate and large scale which is shown as follows:

Table: 5.2  
Structure of Indian Aid by Scale of projects

| Date of projects started | No. of small Projects | No. large & intermediate | Total |
|--------------------------|-----------------------|--------------------------|-------|
|--------------------------|-----------------------|--------------------------|-------|

|            |     |    |      |
|------------|-----|----|------|
| 31.3.2004  | 16  | 10 | 26   |
| 31.3.2005  | 56  | 22 | 78   |
| 31.3.2006  | 100 | 24 | 124  |
| 31.3.2007  | 174 | 26 | 200  |
| 31.3.2008  | 247 | 28 | 275  |
| 31.3.2009  | 294 | 30 | 324  |
| 31.3.2010  | 340 | 30 | 370  |
| 31.3.2011  | 366 | 35 | 401  |
| 31.3.2012  | 396 | 35 | 431  |
| 31.3.2013  | 425 | 35 | 460  |
| 31.3.2014  | 450 | 35 | 485  |
| 31.10.2014 | 462 | 35 | 497  |
| 30.11.2014 | 466 | 36 | 502  |
| 31.05.2015 | 474 | 36 | 510s |

**Source:** Economic wing, Embassy of India Kathmandu

Similarly, the small development projects are implemented on the basis of a MoU signed between GoI and GoN in November 2003 and renewed in June 2006, August 2008 and August 2011. The validity of the current MoU is until 5 August 2014 and further extended weft 13.08.2014 until 05 Aug 2017. Projects costing less than NRs. 5 crores (\$ 0.7 Million) approximately i.e. IRs. 3.125 crores) are undertaken with focus on areas of infrastructure development and capacity building in the areas of education, health community development. The projects are implemented through local bodies of GoN viz. District Development Committee (DDC), Municipality, Divisional office of Department of Urban Development and Building Construction (DUDBC). Embassy of India does not release funds directly to the beneficiary organizations. Funds are released to the local body of GoN in the Districts concerned in four installments based on progress reports received from the local body. An overseeing committee consisting of executing agency (DDC etc.), concerned district office (education, health etc.), local community leaders, and beneficiary organizations is constituted to ensure quality and timely implementation of the projects. Implementation of the projects is closely monitored by EC Wing of the Embassy through periodical on-site inspections by the officials.

### **5.3 Sector Wise Composition of Indian Aid to Nepal**

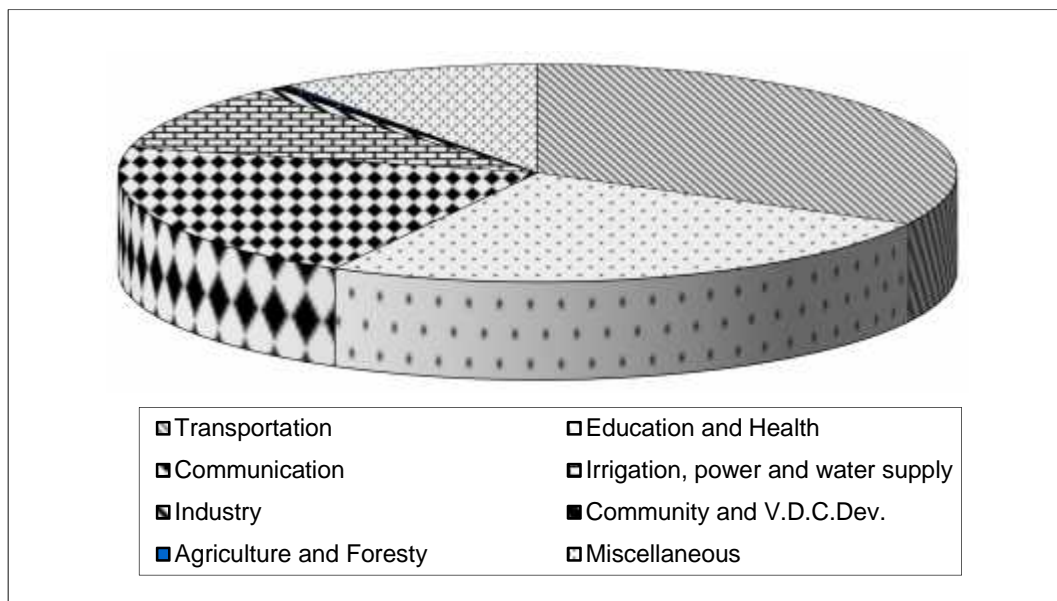
Over the period of five decades, the Indian aid covers all the major sectors of Nepalese economy. Among these sectors, the infrastructure like transportation, irrigation and power, postal and telecom and education have been given top priority. The following Table and Figure shows the Indian assistance in various economic sector of Nepal.

**Table: 5.3**  
**Sector Wise composition of Indian Aid to Nepal (IC in millions)**

| Sectors (1985/86 to 2013/14)       | Indian Aid | % of Total Aid | Rank            |
|------------------------------------|------------|----------------|-----------------|
| Transportation                     | 4593.75    | 32.73          | 1 <sup>st</sup> |
| Education and Health               | 3544.97    | 25.26          | 2 <sup>nd</sup> |
| Communication                      | 2911.79    | 20.75          | 3 <sup>rd</sup> |
| Irrigation, power and water supply | 1337.47    | 9.53           | 5 <sup>th</sup> |
| Industry                           | 125.38     | 0.89           | 6 <sup>th</sup> |
| Community and V.D.C. Development   | 69.66      | 0.49           | 7 <sup>th</sup> |
| Agriculture and Forestry           | 27.86      | 0.2            | 8 <sup>th</sup> |
| Miscellaneous                      | 1421.06    | 10.12          | 4 <sup>th</sup> |

Source: Partnership in Economic Development

**Figure: 5.3**  
**Sector-- wise composition of Indian Aid**



The above Table 5.5 and pie

-chart 5.4 shows that Indian aid scheme has given top priority to the transportation sector. India had given almost 33 percent to the transportation and ranked it in first. Education and health are another one that heavily supported by Indian aid. Total aid disbursed in health and education sector is in the second position. Irrigation, power and water supply remained in the 5<sup>th</sup> position with 9.53 percent of total aid receipt. The aids given in sectors such as technical development, equipments, supply of paddy, sugar, cement etc are included in miscellaneous. The contribution of Indian aid on it is ranked on 4<sup>th</sup> position with 10.12 percent share. Communication sector has been given 3<sup>rd</sup> priority providing almost 21 percent of total aid. Industry, community and VDC development, and agriculture and forestry are also benefited by the Indian aid.

## **CHAPTER-VI**

### **Major Areas of Indian Aid to Economic**

#### **Development of Nepal**

Globally, in comparison to other countries, Nepal is the least developed landlocked country with geographical diversity. It has ecological, cultural and ethnic diversity too. There are numerous potentials of development. In spite of its rich biodiversity and hydropower resources it isn't developed due to the lack of substantial foundation and large amount of financial and capital investment to uplift the country from the existing backwardness. In annual budget, development expenditure is found to be less than twenty percent each year. Because of this acute problem, the country is forced to rely on foreign assistance in order to gain the aim of high level sustainable and broad economic development and overall upliftment of the economic condition.

Regarding the economic development of Nepal, many bilateral and multilateral agencies have been providing assistance in the form of grants and loans. It has great importance but in comparison to the previous years, their share has been declined. If we analyze the history of foreign aid in Nepal, India occupies the first position among the bilateral sources up to 1980s. In spite of India's developing economies, it has been cooperating Nepal in almost all the economic sectors. 90 percent Indian aid is found as in grants. The sectors of cooperation in Nepal for the development of various sectors have been continuously extending. Some of the major sectors are industry, education, communication, transportation, basic infrastructural development etc. So, it is important to observe India's assistance in the development of various sectors of Nepalese economy.

India is the largest development partner of Nepal with 177 projects involved and outlay of NRs.22291.2 million up to 2010 March 31<sup>st</sup>. 92 projects (3 large project and 89 small development projects) have been completed with the outlay of NRs 3624 million up to 2013. A multi- layered cooperation comprising of more than 500 completed and ongoing projects at a cost of NRS 75 billion in key economic sectors based on the priorities of the government of Nepal. The Indian aid covers different areas in Nepal. The

Indian aid disbursed in different areas and identified the areas that have been given priority are as follows:

## **6.1 Transportation**

Transportation is necessary for the economic development of Nepal. Most of the Indian aid during the two decades of 1950s and 1960s has been towards infrastructure development of Nepal. India's cooperation in the field of transportation in Nepal has covered building of roads, railways and airfields. To establish peace, security, law and order and to transport goods and services from one part to another, roads and air transportation play the vital role. But due to lack of essential development of transportation facilities, Nepal is not able to exploit her natural resources and cannot achieve desired level of benefit from industry and commerce. The total road length at the end of F.Y 2010/11 was only 23209 Km; out of which black topped road is only 9902km, graveled road is 5670 km and fair weather road is 7637 km. According to the data of Indian Embassy, as on March 31, 2013, there are so many projected roads in terai region which are as shown in appendix 1.

### **a) Roads**

- i) Tribhuvan Rajpath:** Tribhuvan Rajpath connects Bhainse, Makwanpur with Thankot the main pass to Kathmandu valley and run through the hilly terrain, rising to a height of 8200 ft near Daman. The construction of 116 km Tribhuvan Rajpath was started in 1953 and completed in 1956 with the cost of NRS 90 million. There is another 81 km long road connecting from Bhaise to Raxaul on Nepal India border.
- ii) Mahendra Rajmarg (East-west Highway):** The 1400 km long road, Mahendra Rajmarg joins Mechi in the east and Mahakali in the west and is the nation's one, true lifeline. Late King Mahendra laid the foundations of this highway with the view to commence the process of economic development in Nepal and to reduce the country's dependence on India in transportation sector. An agreement was signed between the GOI and GON for the construction of this highway in March 1975. Out of 1000 km length of this road, India assisted to construct three major sections of this highway. As per the agreement signed in 1966, GOI agreed to provide financial assistance to the extent of NRs 352 million for the

construction of this highway from Jhapa to Janakpur. Similarly, for the construction of Butwal-Nepalgunj sector India has provided NRs. 401.2 million based on the agreement signed in 1972. In September 28, 1985, GOI offered NRs 800 million for the construction of remaining part of this highway i.e. from Kohalpur to Mahakali. Thus India constructed more than 70 percent of this highway. In 1996, GOI agreed to provide assistance of NRs 928 million for the construction of 22 bridges in Kohalpur- Mahakali section.

**iii) Siddhartha Rajmarg:** The 210 km long Sunauli-Pokhara Highway (Siddhartha Rajmarg) was started to construct in 1964 and completed in June 1970, under the agreement signed on August 25, 1964 with the cost of NRs 146 million. This highway begins from Indian town Sunauli and runs across Bhairahawa, Butwal, Tansen, Syngja and then ends at Pokhara.

**iv) Road Constructed by the Regional Transport Organization**

In January 1958, contemporary GON, India and US agreed to develop infrastructure facilities in Nepal with a view to facilitate interchange of technical knowledge and skills and programs of self-help and mutual cooperation. The rationale behind the agreement was to promote economic and social well being and secure basic rights and liberties of the people and to protect their security and independence. As per the agreement, an agency was formed consisting of equal number of representatives from the three governments, i.e. Regional Transport Organization (RTO), to carry out the program. This program was finally terminated in February 1960 with the construction of 206 km jeep able roads and 320 km of motor able roads in different areas in which India assisted the amount of NRs 158.4 lakhs. The following 8 roads were constructed under this programme.

**Table: 6.1  
Road Constructed by RTO**

| S. N. | Roads                | Length in (miles) |
|-------|----------------------|-------------------|
| 1     | Kathmandu – Trishuli | 43                |
| 2     | Raxaul – Bhainse     | 46                |
| 3     | Nepalgunj – Surkhet  | 71                |
| 4     | Krishnagar – Pyuthan | 80                |
| 5     | Dharan - Dhankuta    | 93                |
| 6     | Kathmandu – Janakpur | 130               |

|   |                        |     |
|---|------------------------|-----|
| 7 | Sunauli – Pokhara      | 131 |
| 8 | Dhangadhi – Dadeldhura | 150 |

**Source:** Partnership in Economic Development, 2014.

- v) **Dakshinkali Road:** The Dakshinkali road was constructed by India at a cost of NRs 2152 lakh which links the capital with Dakshinkali, a temple dedicated to goddess Chamunda. People of this area are getting benefit from the point of commercial activities as it is now becoming one of the targets of tourist as well as local people.
- vi) **Up Gradation of 26 KM Road from Dakshinkali - Kulekhani Dam:-** MoU for the project signed with ministry of infrastructure and transport on 29.4.2010. The estimated cost of the project is Nrs15 crores. The construction of the road has been completed. The work on the construction of drainage and slop stabilization for durability and sustainability of the road is ongoing.
- vii) **Tripureshwor-Thankot Road:** Tripureshwor- Thankot road was constructed with a cost of Nrs 1.6 million, which connects kathmandu valley with Tribhuvan Rajmarg. The people of Kathmandu Valley in particular are benefited from this highway. Now, it is the busiest road due to traffics and traders of the kingdom.
- viii) **Kakrawa-Lumbini Road:** The 8 km long Kakrawa- Lumbini road was constructed during 1957-58 in a cost of NRs 6.72 lakhs. This road connects Kakrawa, the Indo-Nepal border with Lumbini and develops and expands the tourist movement to Nepal. It would bring substantial amount of foreign exchange through tourism industries.
- ix) **Kathmandu-Godawari Road:** Kathmandu Godawari road was constructed by Indian assistance, which runs from Patan and reaches at the site of beautiful Botanical Garden in the South-western part of Kathmandu valley. It links Patan Industrial Estate with Kathmandu and provides easy access to marble quarry at Godawari.
- x) **Balaju Road:** Balaju road was constructed by Indian assistance at a cost of NRs 2.72 lakhs. This road links kathmandu and industrial estate of Balaju near Mahendra Park and facilitates the growth of industrial activities in this estate.

**xi) Janakpur Town Road:** This road was constructed by Indian assistance in Janakpur town at a cost of NRs 4.92 lakhs. Janakpur is an important commercial and tourist town in the mid eastern terai of Nepal and one of the important religious places.

**xii) Trishuli Road:** India has constructed Kathmandu-Trishuli road at a cost of NRs 112 lakh. This road works as a medium of transport to supply fruits and vegetables from Nuwakot to Kathmandu and industrial projects and food grains for the people of Nuwakot from Kathmandu as well.

**b) Airports:-** Because of hilly topographical structure, the air transportation is essential mechanism in the rapid development of civil aviation in Nepal and are useful in simultaneous economic development in the absence transportation facility in different part of the country. India was the first country to provide aid for the construction of airports. In 1951, India provided Rs 56.11 lakh to establish the airport at Gauchar in Kathmandu valley under the request of contemporary GON which was renamed Tribhuvan Airport in 1952. After this, in 1964 India also provided assistance through comprehensive program to construct airport in different places of Nepal. India agreed to construct various modern runways at these airports at a cost of Rs 10 million. Pokhara airport has also been provided with additional facilities like terminal building, nine staff quarters etc. Government of India agreed to provide further assistance equal to NRs 208 lakhs for the development of airports including Biratnagar in 1968. The total assistance in airports services provided by India is Rs. 123.83 lakhs. India has solely constructed the following airports.

**Table: 6.2**  
**Construction of Airports under Indian Aid**

| <b>Projects</b> | <b>Details</b> | <b>Year of Completion</b> | <b>Cost (lakh) IC</b> |
|-----------------|----------------|---------------------------|-----------------------|
| Kathmandu       | Construction   | 1951                      | 56.11                 |
| Pokhara         | Construction   | 1964                      | 0.76                  |
| Biratnagar      | Construction   | 1964                      | 28.36                 |
| Bhairawaha      | Construction   | 1964                      | 15.52                 |
| Janakpur        | Construction   | 1964                      | 19.45                 |

|        |              |         |        |
|--------|--------------|---------|--------|
| Simara | Construction | 1964-71 | 3.63   |
| Total  |              |         | 123.83 |

**Source:** Partnership in Economic Development, 2014.

c) **Railways:-** Due to hilly topographical structure it is difficult to construct railways in Nepal. However India has assisted in developing railways especially in Terai region. India in the first agreed to construct broad gauge railway line in Nepal from Raxaul to the foot of the hills in the north up to Hetauda at a cost of Rs 8.59 lakhs. Although it had great economic significance, this project did not materialize. In May 1993, the DPR prepared by m/s rites and GOI renovated and upgraded the narrow gauge rail track of Janakpur to Jaynagar in the total package of NRs. 144 million. India renews the narrow gauge railway track and also provides the diesel engines with eighteen coaches to Janakpur railway, which enhance the commercial and industrial activities in this region. Similarly, India also fulfilled the commitment to link Birgunj with Raxaul with broad-gauge line. This railway link came into operation from 16 July, 2004. This railway service connects Nepal with the Island container Deposit (ICD) from which the country can take maximum advantage of the deposit's trade potential.

**Table: 6.3**  
**Projected Rail Links under Indian Aid (NRs. in millions)**

| Projected Rail Link                  | Length (in km) | Estimated cost |
|--------------------------------------|----------------|----------------|
| Nepalgunj Road-Nepalgunj Rail link   | 12.11          | 2384           |
| Nautanwa-Bhairahawa Rail link        | 15.3           | 2816           |
| Jayanagar-Bardibas Rail link         | 68             | 7148           |
| Jogbani-Biratnagar Rail link         | 17.65          | 3200           |
| New Jalpaiguri-Kakarbhitta Rail link | 70             | 5727           |
| Total                                | 183.06         | 21275.00       |

Source: Economic cooperation wing, Embassy of India, 2014.

Indian aid has given top most priority to the area of transportation without which economic development of any country cannot be imagined. The development of transportation facilities made significant contribution to economic development of Nepal by providing economic and administrative links between the capital, regional and many others parts of the country. It also played a great importance for promoting the regional contacts between the mid mountain region and Terai region and has saved both energy

and time and brought in closer contact between mid-Terai region and Kathmandu valley as well. Similarly, the development of roads is also helped for the commercial point of view that created opportunities for the development of agriculture, industry, trade and commerce and tourism that helped for overall economic development.

Likewise, India was a first country to provide aid for construction of airports in Nepal. There are six airports which are constructed under Indian aid among which one is Tribhuvan International airport. Through these airport projects, Nepal is connected with north to south and east to west of global. It helps for increasing foreign trade, foreign exchange and improved several other sectors of the nation.

Similarly, India has assisted in development railways especially in Terai region. There are five projected railway links under Indian aid. Through these projects the commercial activity and industrial activity are enhanced. These railway services connect Nepal with the Island container Deposit (ICD) from which the country can take maximum advantage of deposit's trade potential. Thus, it is concluded that the contribution of Indian aid on transportation area to economic development of Nepal is highly appreciated.

## **6.2 Communication**

Indian collaboration with Nepal in the postal field dates back to the 19<sup>th</sup> century when an Indian post office was opened in 1816 in the British Residency (Poudel 1980). Since then in addition to conducting a survey for postal arrangement and rendering advice for improving postal services, the general post office buildings were constructed under the Indian cooperation program at the cost of NRs 19.2 lakhs and the foreign post office building at the cost of NRs 12.24 lakhs. After than Nepal became a member of universal postal union. Indian advisors subsequently helped to organize the Nepalese postal system both internal and external. India and Nepal agreed to establish effective postal services between them in 8th September, 1964. Both the governments also committed to exchange postal parcels between the postal administrations of India and Nepal.

In the field of Tele communication, a radio telephone link was established between Kathmandu and New Delhi in 1950. The GOI and contemporary GON agreed to establish continuously open wireless telegraph and radio telephone services between Nepal and India on June 25, 1964. In cooperation with USA a radio telegraph facility was provided between Kathmandu and New Delhi and a radio telegraph between Kathmandu and Calcutta at a cost of NRs 153.28 lakhs on June 25, 1968 at the approximately NRs 4.8 million. The GOI agreed to provide funds to the extent of NRs 1.92 million for the establishment of a 5k.w radio telephone link between Kathmandu and Delhi on June 24, 1968 in which, the materials for standby power supply transmission line, antenna and local leads at Kathmandu for extending the radio telephone circuit from the wireless station on the central telephone exchange are the significant achievements from the Indian assistance. The GOI arranged execution of the projects in the turnkey basis through the concerned department of India and handed over to contemporary GON after its completion.

In March 13, 1972 GOI provided assistance of NRs 83.2 lakhs for the establishment of telephone exchange at Janakpur, Biratnagar and Jhapa. Another project is the overhead line between Biratnagar and Jhapa. Another project is the overheads line between Biratnagar and Jogbani provides direct circuits between Nepal and India. A direct composite radio link was established between Kathmandu and Bombay at a cost of NRs 16 lakhs to provide direct circuit between Kathmandu and Bombay for transmitting international traffic in Nepal.

Currently, the GOI is involved in a project for setting up an optical fiber cable based on information super highway along the east highway of the country. The estimated cost of this project is NRs 1344 million being provided by India to Nepal as a grant with the assistance of GOI, the connection of highway (Mahendra Rajmarg) 904 km OFC from Bhadrapur to Nepalgunj has been completed on November 22, 2004 at the cost of NRs 1184 million.

The second largest area of Indian aid is communication. Before the early 1960s to till date, India has been assisting to develop the communication sector of Nepal. While talking about the economic development of Nepal through this sector, before early 1960's we have only postal service to convey message each other which were under Indian aid.

But nowadays we have more facilities on communication like telephone, mobile, television, radio, postal services and internet services. Through these services people of Nepal are being advanced. By these facilities we are connected to each other within the country and outside the country. We can exchange news and information abruptly to each other. It helped for more comfortable life of people and became easier economic, commercial, social, cultural and religious activities. So, it is concluded that the contribution of Indian aid on communication to economic development of Nepal is highly admirable.

### **6.3 Education**

The economic assistance of India in the field of education begun with the establishment of Tribhuvan University in 1958. Since 1960 onward, India provided NRs 12 million for construction of various building within Tribhuvan University complex, Kirtipur, Kathmandu. Under the Colombo plan, Government of India agreed to provide additional assistance for the Development of Tribhuvan University for science equipments and furniture and fixture for library equivalent of NRs 1.76 million. And GOI also provided services of Indian scholars for a long time to teach subject at post graduate both in science and humanities at Tribhuvan University under this same plan. On August 31, 1960, GOI and contemporary GON signed agreement for establishment of an engineering school in Kathmandu and provided out of overall aid funds, financial assistance to the extent of NRs 1.40 million. The programme was implemented by engineering school development board constituted under the contemporary Vikas Samiti Ain, 1957. By this programme, Nepal could produce a skilled manpower that was very useful especially in the context of executing various development schemes in the country. Currently, there are 72 schools/multiple campuses in 36 districts covering plain to hilly region, under construction or constructed benefiting 100,000 students. There are various educational projects (**see appendix- 3**) and scholarship programmes run under the Indian aid.

India has begun providing Nepalese students with different kinds of scholarship to Nepalese Students pursuing higher studies in India, which started with the emergence of Colombo plan. The plan had been providing immense opportunity to Nepalese students to

study medicine, engineering, economics and business management including different spectrum of knowledge under various scholarship program. Even after the termination of Colombo Plan India has been providing different scholarship and training to Nepalese students and professional, currently government of India offer of 2000 scholarship to Nepalese students for students in Nepal and higher studies in India. Some programs are listed below.

- i) Under Graduate Courses:** The GOI, through the Embassy in Kathmandu provides a total of 50 scholarships every year to Nepalese students to study B.E/B.Tec in various engineering colleges of India. India also provides some seats to undertake MBBS course under self-financing schemes for ten students in India. Similarly, India has been providing nearly 15 seats for sample student to undertake courses. Such as BBA, BCA, LLB, Journalism etc. under general scholarship in each year of the total five seats have been allocated for students offering music and fine arts.
- ii) Post Graduate Courses:** Each year GOI provides scholarship quotas for Nepalese students in various facilities such as MA, M Sc. MCA and MBA under Silver Jubilee of the coronation of Late His Majesty King Birendra. In addition 5 scholarships under Nepal Aid Fund Scheme are also provided for M Sc. agriculture course each year.
- iii) Research/Post Doctoral Scholarship:** To promote interaction among students and academic of the two countries, one fellowship and two scholarship are provided to Nepalese candidates for undertake in doctoral/post-doctoral studies in various fields. In addition to this, one SAARC chair is offered to an eminent Nepalese Scholar every 6 year to pursue studies in the field for which adequate facilities are not available in Nepal.
- iv) Golden Jubilee Scholarship Scheme:** To mark 50 years of economic cooperation between Nepal and India assistance in human resource development had been expanded to include studies in Nepal also. This scheme has been announced from academic year 2002/03. Under this scheme 50 scholarships were awarded to selected Nepalese students for undergraduate course in Nepal.
- v) Mahatma Gandhi Scholarship Scheme for Pursuing +2 Courses:** From 2003/04, Indian embassy starts his scholarship scheme to Nepalese student for pursuing +2 courses within Nepal. Approximately 500 students are benefited from this scheme receiving NRs

500 each per month by India. Selection method for scholarship program is the score obtained by the students and the interview undertaken by the Indian Embassy.

Besides this India has permitted interested Nepalese institutions to set up an open university affiliated with IGNOV of India for those who are not able to attend classroom study. It has also provided training for government officials of Nepal in different in accordance with the Colombo plan. The government has been providing training for Nepalese journalists in mass communication in India. After 1996, four quotas have been allocated each year for this purpose. In addition to this, India has provided 82 buses as a gift to different education institution of Nepal since 1994.

The third largest area of Indian aid is in education. Indian aid on this area is quite important. India has been assisting on this area before 1960s to till date. Various school buildings, college building, library buildings on different part of the country has constructed. Indian aid has been providing books to libraries buses to various school and college. Besides, Indian aid has been providing scholarship programmed for deserving students of Nepal in different level under different category. Through these programs, many Nepalese students are benefited and overall educational activity is increased. It is said that without educational development, no economic development is possible. So, it is concluded that the contribution of Indian aid on education for economic development of Nepal is much appreciated.

## **6.4 Health**

Health is also one of the major sectors of Indian assistance. Indian assistance in the field of health has been mainly in the development of the Paropakar Shree Panch Indra Rajya Laxmi Devi Maternity and child welfare center in Kathmandu. India has been associated since 1959 (Poudyal 1980). In the initial stage the services of doctors and nurses were provided. The total assistance provided for this center was NRs 1.76 million. This was beginning of Indian assistance in the field of health of Nepal. In 1967, sum of NRs 4 million allocated for the development of hospitals and health posts in various parts of Nepal. The major activity in the field of health of Indian assistance came to the scene

from 1972/73 for the control of Goiter where India agreed to provide Rs. 12.5 million. The funds provided by GOI were utilized to meet the cost of the iodination of salt including distribution allowance in remote areas.

India has contributed for renovating Bir Hospital with the construction of OPD complex and Nuclear Imaging medicine center and now is providing assistance to a very large project i.e. Emergency and Trauma center in Bir Hospital. The Indian government has promised to give assistance worth NRs 760 million for the establishment of a separate Emergency and Trauma Center which is constructed within 54,000 square feet area have 8 storey with 200 bed facilities. Presently, the hospital has 426 beds in general services. The Trauma center is more service-oriented than an emergency service. Its services range from a minor dressing up to major operations, not merely relieving the pain and discarding to general medicine ward. A patient gets directly admitted to medical ward in Trauma center. It is well equipped to undertake neuro, orthopedic, cardiac ENT and all other major operations. In context of rising number of patients because of exploding population especially in Kathmandu valley, the specially designed Trauma and Emergency section will be provided quick and reliable health service to the patients.

With a view to improve the health status of people of Nepal and the neighboring regions, BPKIHS was established with Indian assistance under the bilateral agreement in 1944, which is one of the biggest projects in the history of Indian medical cooperation to Nepal. Under the agreement Government of India provided a sum of NRs. 1024 million for the establishment of hospital and medical college complex. An additional sum of Rs 160 million was also provided for faculty development which would cover the cost of training of Nepalese candidate in India and deputation of selected Indian teachers to BPKIHS. It has highly modern teaching hospital with 646 beds providing different services. Since 2013-14 India is also providing an annual funding of IRs 1 crore to BPKIHS for five years towards partially covering hiring of Indian faculty for the introduction of super specialist courses by BPKIHS and or any other programme specifically for promoting ties/exchange with India. In addition to this, India has provided 422 ambulances as a gift to different health institution of Nepal since 1994 (see: appendix- 4).

Health is the fourth major area of Indian aid. India has been providing aid on health sector projects from the beginning to till date. Construction of Paropakar hospital, Bir hospital, B.P.Koirala Memorial hospital and National trauma centre are the big projects on this area. Besides, India has been assisting to different district hospital too. India has been assisting to conduct different health programmes like goiter control programme, school eye health care programme. Under the SDP programme, India has been assisting to several hospitals and maternity centers. Indian aid to Nepal to Netra Jyoti Sangh for cataract and Trachoma surgeries programme is also remarkable. Beside this India has providing ambulances to several hospitals too. Through these projects and programmes people of Nepal are able to get better health facilities. There health condition is going to be improved. The average life expectancy is going to be longer. People are not complied to die without treatment. The death rate of people is going to be reduced. The child mortality rate is also going to be reduced. On the other hand, job opportunities are increased. Several pharmaceutical companies are going to be established. The commercial activity on this sector is also increased. Health activity and health awareness are increased. As a result economic development through healthy people is raised. Thus, it is concluded that the contribution of Indian aid on health area to economic development of Nepal is admirable.

## **6.5 Industrial Development**

Like all other developing countries, Nepal considered rapid industrialization is essential in order to increase economic development of the country. None of the country has uplifted their economy without industrial development. Japan is well-known in the world economic as a steel producer country. Similarly China is an emerging example for the industrial development in recent years. Even India is a growing economic power in the world economy by modern industrialization.

Nepal is suffered by traditional production system until now, by which its production is low qualified with high cost. Because of these reasons, our products cannot able to compete with other developed countries production. In this context, it is necessary to establish modern industries with high efficiency and technology. In order to build an industrialized economy a country must have the necessary prerequisites: well developed

transportation and communication, raw materials, technical knowledge, capital and human resource and an expanding market. In Nepal, the major problems in the way to industrialization are lack of infrastructure and power, shortage of capital and technological knowledge was absence of entrepreneurship.

In different places there are altogether 11 industrial estates located at Dharan, Butwal, Birendranagar, Rajbiraj, Balaju, Patan, Hetauda, Nepalgunj, Pokhara, and Bhatkapur with existing 507 industries. Among these industries Government of India were assisted the industrial area of Patan, Pokhara, Rajbiraj, Dharn, Butwal and Nepalgunj in different times. Initially, three industrial estates were set up with Indian assistance in Dharan, Patan and Nepalgunj. His Majesty Late King Mahendra inaugurated the Patan Industrial estate in November 1963. Facilities such as sheds, workshop and building have been added with the objective of providing beneficial to the small investors. In addition to common facilities, these industrial estates were provided workshop fully equipped with modern machines and tools room facilities. In May, 1972 India agreed to provide funds to the extent of NRs 6.56 million for setting up of industrial estate at Nepalgunj and Dharan. The project except the building construction works was executed by department of industries contemporary GON. It was also agreed to provide additional assistance amounting NRs 4.25 million for Patan, NRs 2.5 million for Nepalgunj and NRs 3.5 million for Dharan industrial estates. In 1985, India provided NRs 18.96 lakhs for the expansion of Patan industrial estates.

Similarly, on the basis of the agreement signed on 30<sup>th</sup> July 1978, India provided assistance of NRs 9.6 million to Pokhara and Butwal industrial estates. Later in 1987, Government of India also agreed to establish industrial estates at Rajbiraj with the total cost of Rs. 40 million as estimated in 1994. A handicrafts training cum production center was set up in Patan and production cum extension centres at 10 other places. A training center was also established to provide training facilities to the workers employees in small and cottage industries.

On September 29, 1964, considering the existing deficiency of capital in Nepal, India provided a sum of soft loan amount of NRs 16 million in order to establish industrial enterprises. This loan has been utilize primarily to establish paper, jute, cement

and textile industries and such other industries for which the requisite machinery was available in India. The loan was payable in fifteen equal installments in Indian currency at the 3 percent rate of interest.

Joint ventures in the implementation of large industrial projects were considered with a view to reducing the trade deficit between two countries. Among the large projects considered the more important ones related to a cement plant at Udayapur and development of the paper and pulp industry for export to India and third countries. Other large projects to be taken up on a joint venture basis related to magnesited, lead, zinc, iron and steel. A diesel pumping sets was also established in Nepal for manufacture of 4H.P diesel pump sets. The service of an industrial advisor and technical assistance has been provided to supervise and provide technical guidance to various industrial units.

Indian aid has given fifth priority to this area. The industrial sector established by Indian aid has been covering many fields like the cotton and nylon, hosiery dry cell battery, plastic products, hardware, industrial camphor, power looms for cotton fabrics, electric goods, woolen carpets. Most of these goods have been introduced in competitive way. Indian aid on the agro- based industries like jute, sugar etc also played a significant role in agriculture and basic needs requirement. Through industrial development it has been creating job opportunities, increasing commercial and industrial activity. So, the contribution of Indian aid on this area cannot be underestimated.

## **6.6 Water Resources**

- a) Hydro- Power:-** Hydro electric power occupies an important place in the development of national economy. Hydro electricity is one of the most economic sources of power in Nepal because of its abundance. Its technical potentiality is estimated to be 42 thousands M.W out of 83,000 MW of full potential. Despite a high potentiality of power generation, one percent of the total potentiality is generated. Although Nepal has potentiality to export hydro electricity due to high costing to produce, it cannot fulfill the domestic demand. However, the aid giving countries have very well realized the prominent role of electricity in the economic development of Nepal and accordingly India has assigned a substantial position of its aid to this sector. India has contributed for the completion and the following hydro-electricity projects.

- i) Trishuli Hydroelectricity Project:** In 1958, India undertook the construction of Nepal's biggest power project at Trishuli at a cost of NRs. 21.66 crores. This project was completed in 1971. The project has been constructed to its optimum capacity of 21.00 KW. The power is transmitted to Kathmandu valley through 18 mile long high tension transmission lines. Now it is linked to the national grid. This project has helped established small scale industries in Kathmandu and Hetauda. Besides, the power has been used for domestic consumption and street lighting in Kathmandu. From establishment up to now, this project continuously under operation.
- ii) Devi Ghat Hydroelectricity project:** This project was implemented to reuse the water of Trishuli hydroelectricity project. In 1978, Government of India undertook the execution of this project. This project was completed in 1983 with the cost of NRs 464 million. Using three generators, 14100 KW electricity is generated under this project. Beside this, India has provided assistance for Surajpur power project, Katya power project, and rural electrification project in Nuwakot.
- iii) Koshi Hydroelectricity Project:** Koshi hydro- electricity project has been started after joint agreement in 1954 of the government of Nepal and India. To provide irrigation facilities, to generate hydro-electricity and to control flood were the main objectives of this projects. The power house on the eastern koshi canal has been designed to produce 20,000 KW of which Nepal's share would be 10,000 KW. The hydropower obtained from this project is distributed mainly among the industries of Biratnagar, which helped to promote the growth as well as agriculture in the Koshi region. Under this project India assisted in constructing infrastructure in Nepal for the irrigation of 93,000 hectares in Sunsari and adjoining districts. The flood control and irrigation project constructed in Nepalese land has been providing a lot of benefit with little dissatisfaction. The Koshi barrage was completed in 1962 at the cost of NRs 377.9 million and flood embankments of 146 km and 123km respectively were completed at a cost of NRs 720 million.
- iv) Phursekhola Project:** This hydropower project has important for the socio-economic development of the Pokhara valley. In this project India assisted to install four generators of 250 KW to generate 1000 KW electricity at Phursekhola. This project has provided substantial portion of electricity for feeding small industries in the Pokhara valley.

**b) Irrigation and Drinking Water:-** Nepal is an agricultural country and the second rich country in water resources in the world. As in the past years, development projects related to irrigation have been carried out at the government level and also by the Asian Development Bank Limited (ADBL). In F/Y 20013/14, the irrigation facility managed by the government reached 1227000 hacter lands.

Although Nepal is an agricultural country but it could not provide irrigation facilities more than 27 percent of total arable land which is only 17 percent of total agricultural land up to F/Y 20013/14. Agriculture is the principle component of Nepalese economy which contributes about 35% in total GDP. Indian assistance in irrigation sector is started with the construction of Koshi and Gandak barrage. Besides these there are several major and minor irrigation and drinking water supply projects in which India has provided assistance. Nepal and India signed in various treaties on the implementation of large river like Koshi, Mahakali and Gandaki for mutual benefit and friendship providing power and irrigation facilities. Irrigation projects under Indian Assistance are shown in appendix 2. In the field of public health, there is a need for adequate provision of drinking water and management for the protection of health. For this purpose India has assisted in various drinking water projects. Indian aid has been channelized through the canal and drinking water supply Development Board of government. Notably, 35 schemes DWP have been completed at a cost of NRs 78.8 lakh and 450 hand pumps all over the country have been already constructed. But according to the book India Nepal Economic cooperation of 2013, till date, nearly 1000 DWPs have been executed in Nepal's villages at a cost of NRs 120 million. Under the Indian assistance the biggest Sundarijal damp has been completed in 1966 at a cost of NRs 10.99 lakhs. Some development activities in drinking water projects are being operated in different places of Nepal. Among them Triyuga Municipality, DWP of Udayapur and Manakamana water supply projects are under progress at the total cost of NRs 152.7 lakh. Thus we can conclude that Indian aid has substantial contribution in the field of irrigation and drinking water supply.

Indian aid has given sixth priority on this area. Indian aid on water resources are categorized as hydropower, irrigation and drinking water. There are four major hydro projects which are constructed under Indian aid. They are Trishuli hydroelectricity

project, Devighat hydroelectricity project, Koshi hydroelectricity project and Phursikhola hydroelectricity project. Through these projects we are able to establish several industries, we are able to utilize different electric gadgets, we are able to reduce petroleum products for lightening, cooking. So we are able to increase our industrial, economic, social and commercial activities. Our life is more comfortable than the past. Similarly, several irrigation and drinking water projects are completed under Indian aid. Eighteen big and intermediate irrigation projects have completed. Through these projects, farmers are being beneficiated. Their agricultural activity is grown up. They are able to earn more money and able to reduce the level of poverty and they are able to fulfill their basic requirements. At the same time they are getting balance diet too. Likewise, through the drinking water projects, people are getting purified water and improving their health condition. So, it is concluded that the contribution of Indian aid on this area to economic development of Nepal is too admirable.

## **6.7 Forestry**

Nepal is said to be rich in forest resources. At present, 39.9 percent of the total land is covered by forest which is less by 7 percent for the ecological balance as suggested by environment scientist. As a part of contemporary GON national policy on forest, working plan for various forest division of Nepal were prepared on scientific line with the help of Indian assistance. A forest research institute at Hetauda was constructed under the Indian assistance. A forest research institute at Hetauda was constructed under the Indian cooperation to enable more operation on forest research. In 1954 it helped to prepare a report on the best way of utilizing and developing the forest sources. In 1958, the Indian cooperation mission prepared a report on the re-organization of the Nepal Forest Department. In 1960, contemporary GON and Government of India signed an agreement for the development of forest in Nepal at the cost of NRs 24 lakhs which was increased to NRs 51.2 lakhs in 1961. Indian assistance in the field 'forestry' is smaller than other field but it should not be the undermined because Nepalese livelihood directly and deeply rooted with these fields.

Indian aid in the field 'forestry' is smaller than other field but it should not be undermined because Nepalese livelihood directly and deeply rooted with this field. For

example farmers are depend on forest for grazing cattle most of the rural people are depend on wood for cooking their meals, making houses as well. Forest is a source of national revenue of Nepal too.

## **6.8 Horticulture**

Because of the presence of diverse climate condition and geographical condition in Nepal there is high potentiality to cultivate different kinds of fruits and vegetables. Indian cooperation in the field of horticulture began in 1960 with a view to improve the economic condition of the farmers in the hilly region as it yields much greater income per unit area than ordinary agriculture. Realizing the importance of horticulture in economic development of Nepal, India has been collaborating with Nepal in this field. In 31<sup>st</sup> August 1960, India agreed to provide financial assistance of NRs 40 lakhs for establishment of Horticulture development center in different parts of the country. India assisted to Nepal in these fields to provide technical experts of concerned field. 14 Horticulture station were established at Kirtipur, Daman, Pokhara, Trishuli, Sarlia Thang, Janakpur, Dhunivesi, Dhankuta, Thak and Baitadi and other different places. India extended assistance of NRs 69.76 lakhs for implementing new schemes of horticulture, under this scheme new three stations were set up at Palpa, Jumla and Dhunche. A potato development stations was set up at Ilam and horticulture station at Daman and Kirtipur. Beside this, a subsidy of NRs 80, per acre was given for planning of overhead and for the purpose of fertilizer, tools, plants equipments and insecticides.

Indian aid on this area is low but all the activities in the field would certainly raise the living standards of Nepalese in general and farming community in particular. It also fulfills the objectives of to supply nutrition's fruit for the Nepalese people. In addition to this all stations would handle there their commanding area effectively, by providing necessary financial and technical assistance to the farmer. So we conclude that the contribution of Indian aid on this area is admirable to some extent.

## **6.9 Veterinary Services**

The effective veterinary service plays a great role in an agricultural country like Nepal. By realizing the importance of this sector, contemporary GON decided to organize the veterinary services on scientific system. With the request of contemporary GON,

India assists a sum of NRs 40 lakh for establishing veterinary facilities in Nepal. The facilities consisted of a veterinary research laboratory in Kathmandu and dispensaries in other part of the country. It also includes the training of veterinary assistance to ensure rapid expansion of veterinary services in the country. In collaboration with FAO, vaccination of a vast number of heads of cattle against rinderpest, with the help of these program four millions cattle in terai were immunize against rinderpest was carried out in Nepal with the help of Indian aid.

Encouraged by the fruitful result India extended assistance of NRs 16 lakh for veterinary laboratory and control veterinary hospital at Kathmandu and 33 veterinary hospital com cattle breeding centers have been set up. So all these activities in the field shows that India has contributed substantially for the promotion of economic condition of rural people. Though the Indian aid on this area is very low, but it is quite effective to ensure rapid expansion of veterinary services in the country. Through these services farmers are being beneficiated a lot. They are able to earn extra money. The health condition of animals is going too improved. As a result animal husbandry sector is contributed a little bit in GDP too. So, it is concluded that the contribution of Indian aid on this area to economic development of Nepal is thankful.

## **6.10 Community and VDC Development**

India agreed to provide NRs. 2.4 lakh at the request of Nepal for the preliminary ground survey and preparation of the comprehensive master plan for Pokhara to develop the city in an orderly manner. Similarly, the GoI provided Rs. 74 million in 1994 for enhancing the capacity of the Kathmandu municipality in garbage collection, garbage removal and traffic management system in kingdom. To uplift the economic and social condition of rural people, India enters into the development effort of the Nepal with fruitful collaboration providing aid of NRs 44.8 million. This amount was extended for two purposes: i.e. village development programme and other local development works. The scheme covered all the social and economic activities of rural Nepal by increasing food and agricultural production, education, health and introduction of new skill and recreation facilities. Under the village development programme, 13 village development

blocks and three intensive valley development scheme at Pokhara, Palung, Lalitpur were taken up by the board, for which India committed an aid of NRs. 64 million.

A total of 1516 works of local benefit were completed with financial assistance from the local development work such as school and libraries, village roads, Culvert Bridge and bunds, drinking water schemes and other works. In addition to this, in 1967 assistance was given to various local village and districts panchayats for their development programmes. Many officers and supervisors recruited by local administration and officials were trained in India. India has provided NRs. 8.32 million to various VDC for the development works.

Indian aid has been contributing on this area to uplift the economic and social development of rural people. To give more emphasize to this sector, Indian aid has been launching small development projects scheme since 2003 A.D. The main aim of these projects is development through grass root level. Throughout these projects, many local workers and communities are benefited; their economic, social, commercial activities have increased. Hence, it is concluded that Indian aid on this area is also quite admirable.

### **6.11 Miscellaneous**

Under the ex-serviceman welfare scheme, a central coordination board is functioning in the military branch of the Indian embassy in Kathmandu to cater to the welfare of Gorkha Ex-army. The welfare activities can broadly be divided into field of education, rehabilitation, financial assistance medical training vocational training and miscellaneous welfare activities. In the field of education, complete tuition and boarding fees of children of deceased and disabled ex-army is borne from the welfare funds. Total expenses for higher education like medical, commerce, engineering and children of the Indian ex-army from Nepal also borne by the army headquarters.

In the field of health some medical doctor's team are visited annually for the remote areas ex-servicemen with accordance to need. Full time doctors in Kathmandu and Pokhara provide free treatment to all pensioners and their dependents. Several villages have already been covered under this scheme. In addition to this, a special fund exists to cater to additional welfare requirements of disable soldiers, war widows and their children. There are many other benefits such as purchase of salvages vehicles, army

group insurance, army housing scheme etc. which are extended to ex-serviceman. Although this assistance is related to military serviceman, it is not under military assistance to Nepal.

Similarly, Indian assistance also contributed to research and develops of archaeology in Nepal. In 1959 contemporary GON decided to organize archeology in a scientific way with the cooperation of India. In 1960, the Director General of the Archaeological Survey of India visited Nepal and submitted a report and it formed the basis for the reorganization of the department archaeology as well as its program in excavation and exploration. India has also cooperating with Nepal in excavation at Lumbini and Kathmandu besides conducting some pre historical and iconographic surveys at various places in Nepal under the care of Indian expert Shri Krishna Dave. A number of people have been trained in India in pottery drawing, epigraphy, Iconography surveying etc.

Similarly, National archives were set up with the help of Indian assistance. In 1967, building for national archives has been constructed for upkeep and preservation of government records and manuscripts of cultural and historical interests. Additionally, the service of a Sanskrit Scholar was made available to National Archives in 1963 to facility the work of cataloging and indexing of the old manuscripts.

In 1982, the GOI agreed to contribute to the development of Lumbini. For this a museum building was completed in 1990 at the cost of Rs. 40 million, valuable books worth Rs 1.2million were also presented to the Lumbini Library (Jha, 1998). The Government of India has provided training facility for the museum personal. By the establishment of Lumbini Museum Nepal can develop and expand tourism sector and earned foreign exchange. In this context Indian assistance to develop Lumbini area is fruitful in the prospect of tourism.

In March 1998, GOI provided financial assistance to the tune of Rs. 3.75 lakhs to cover the costs of technical inputs and materials in connection with the Krishna Mandir conservation project at Patan Durbar Square, Lalitpur. This temple is one of the monuments of the World Heritage list of UNESCO. Besides this, Dharmashala at Pashupati temple complex is being constructed at a cost of NRs 6.35 crore. Under this

assistance, India has also agreed to establish a research and education center at Dev Udhyan, Pashupati complex, Kathmandu.

Presently India is the largest development partner of Nepal with more than 500 completed and ongoing projects at a cost of Nrs75 billion in various fields of Nepalese economy. In this way, Indian assistance has covered every aspect of Nepalese economy.

Indian aid on this area is minimum but quite admirable. Indian aid on ex-Indian army and their society for several development activities, health facility for ex-Indian army, assistance on archaeology, culture is also appraisal. Through this our tourism sector is going to be promoting. More job opportunities are created on tourism sector. Hence, the contribution of Indian aid on this category also admirable to economic development of Nepal.

## **CHAPTER - VII**

### **MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **7.1 Major Findings**

The major finding of the study is summarized with the objectives of identifying to analyze the trends and structure as well as major areas of Indian aid to Nepal. It is found that there is positive impact of Indian aid to Nepalese economy. Such impacts are revealed in form of income generation, construction of social works, social overheads and awareness of people. Regarding the Indian aid is social infrastructure as well as in human resource development, it has positive impact. India's assistance in social sectors even during the continued political turmoil's is laudable. India has remained a dominant force in the sphere of aid to Nepal. Indian assistance for the economic development has witnessed significant growth over the years. At present, the assistance to Nepal's economy has been extended to various sectors such as infrastructure, water resources, health, education, sanitation, communication etc. Nepal cannot promote the economy in absence of foreign aid solely. Neither it is able to avoid the risk of becoming the victim of aid intoxication and debt trap. At this critical situation, India's cooperation to Nepal is necessary not only to sustain developed activities but also for reducing horizontal inequality and deprivation.

Although some scholars and commentators argue that Indian aid to Nepal is strategically, politically and economically motivated and through sometimes it seems to be partially true, the assistance is less politically and some economically inspired. Indian aid to Nepal indeed is to supplement the efforts of the Nepalese government, for the mutual benefit to encourage increased interaction at all levels between India and Nepal and to strengthen India - Nepal bonds of friendship. The study has been also designed to review the policy statements and subsequent actions by the foreigner for sustainable forest development.

Further, by reviewing the history of Indian aid to Nepal. It is found that Indian aid plays a vital role in Nepalese economy. Indian aid covered 38% of total aid recipient

of Nepal. We have near about six decade economic relation with India. India has been providing aid on various sectors such as transportation, industry, health, and education etc. for the upliftment of economic development of Nepal.

Similarly, in the part of trends of Indian aid to economic development of Nepal, it is found that India is our prominent donor country. It provides aid 90 % as a grant and 10% as a loan. Indian aid has been increasing throughout different fiscal year. It covers every aspect of our economy too. During these 14 years multiparty system the total amount of Indian Aid was Rs 8449.47 million and the average amount was Rs 603.53million. During this period the highest amount was on the fiscal year 20002/03 and the lowest amount was on the fiscal year 1995/96. There exists republican system in Nepal from 2004/05. During these 10 years period, the total amount of Indian Aid was Rs 44706.76 millions and the average amount of Indian Aid was 4470.68 millions. The highest amount was on the fiscal year 2013/14 and the lowest amount was on the fiscal year 2008/09

Likewise, in the part of structure (composition) of Indian aid to Nepal, major findings of this part are as follows: Indian aid is based on 90% grants and 10% loans. Indian aid has given top priority to the transportation sector; it has given almost 33% to transportation and ranked in first. Total aid disbursed in health and education sector is in second position. Communication sector has given third position. The aid given in sectors such as technical, development, equipment, etc are included in miscellaneous. The contribution of Indian aid on it is ranked fourth position. Irrigation, power and water supply remained in fifth position. Moreover, structure of Indian aid's projects is classified as small, intermediate and large. To upliftment of the economic development of Nepal from the grassroots level India have been providing small development project schemes since 2003. In the part of areas of Indian aid to Nepal. It is found that Indian aid is allocated according as areas. In this part the contribution of Indian aid to Nepal has mentioned in detail. All the required data, information and table are also attached whenever necessary. This part has given the detail study on areas of Indian aid to Nepal, priority of Indian aid to Nepal, Mutual benefit of two countries, coverage of Indian aid to Nepal. Moreover, it is found that without the Indian aid the infrastructure development,

industrial development, agricultural development and economic development of Nepal cannot be possible as present.

Finally, it has been planned to analyze the aforesaid issues based on finding and suggest appropriate recommendations for future action.

## **7.2 Conclusion**

Nepal is an underdeveloped country with limited resources. Therefore, foreign aid can play vital role and can be boon for the economic upliftment of the nation. The importance of foreign aid cannot be denied but the proper use of these aids in Nepal has been a major challenge to the government of Nepal. However, if the country learns from its past mistakes and weakness, the effective utilization of foreign assistance can be made possible. Foreign aids occupy a very important place in concluding in Nepalese economy. The philosophy behind foreign aid is that developing countries like Nepal suffering from vicious circle of poverty and cannot escape from it without foreign aid. In the socio-economic sector, Nepal has received a large amount of foreign aid. It proves that India gives more emphasis on infrastructural development which helps to modernize the every sectors of economy such as health, education, industry, etc. It is necessary to invest on new technology, seeds, fertilizers and irrigation facilities.

Similarly, construction, irrigation, canals have been built by Indian aid that has contributed to the economic development of Nepal. Nepalese rivers are tremendous potentiality of hydro power electricity generation. Scholarship programs are also provided to study in different institutions of India year by year. Overall, much has been achieved in the past and much remains to be done finally, it can be hoped that the active and better contribution of Indian aid in the economic development of Nepal.

The conclusion of the study is mentioned on the basis of major findings. History showed that the economic relation of India and Nepal began before 19<sup>th</sup> century. India started to provide assistance for economic development of Nepal from 23<sup>rd</sup> January 1951. Indian aid has been playing a vital role in economic development of Nepal. It covers every aspect of our economy. The trend of Indian aid is minor as well major ups and downs due to various factors. During these 14 years multiparty system the total amount of Indian Aid

was Rs 8449.47 million and the average amount was Rs 603.53million. During this period the highest amount was on the fiscal year 20002/03 and the lowest amount was on the fiscal year 1995/96. There exists republican system in Nepal from 2004/05. During these 10 years period, the total amount of Indian Aid was Rs 44706.76 millions and the average amount of Indian Aid was 4470.68 millions. The highest amount was on the fiscal year 2013/14 and the lowest amount was on the fiscal year 2008/09. While looking at structure of Indian aid to Nepal, we found that the ratio of grant and loan is 9:1. Indian aid has covered the different sectors like as transportation, health and education, communication and miscellaneous and ranked as 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>. Indian aid's projects are classified as small, intermediate and large. India has been providing small development project scheme since 2003 for upliftment of economic development of Nepal from grassroots level. Further, in the part of areas of Indian aid to Nepal, Indian aid is allocated on the basis of area like as transportation, health and education, communication, agriculture, forestry, irrigation, power and water supply etc. and their details are also mentioned accordingly.

### **7.3 Recommendations**

From the study, the major problems concerned with foreign aid along with Indian aid in respect of Nepal are as follows: low internal absorptive capacity, unnecessary and unsuitable conditions stitched up with the aid by the donors. The other reasons are: investment in low-productive and non-productive sectors, treating it as easy cheap and regular objects, etc. We conclude that if the assistance is properly absorbed and obtained in favorable condition of recipient country, it will certainly transform the receiver country's economy into better state. So, Nepalese government should accept aid in a reasonable extent which appears favorable for that our domestic economy and its utilization must be in productive sectors as well.

In the socio-economic sector Nepal has received large amount of Indian aid. The transportation, communication, agriculture, irrigation and forestry sectors attracted considerable amount of Indian aid in the past followed by industry, commerce and social service sector. Among the total assistance, around 30 to 40 percent aid is disbursed in transportation development of Nepal. It proves that India gives more emphasis on

infrastructural development which helps to modernize the every sectors of economy such as health, education, industry, etc.

On the basis of this study some major recommendations are presented below for the betterment of the existing scenario.

- Indian aid should be considered as an addition to domestic resources to accelerate growth and poverty reduction in accordance with the development priorities of the country. Priorities should be given to grants rather than loans and used only in productive sector.
- Though projects type of aid has its own advantages, it would be beneficial if Nepal also receives program type of aid from India. So it is suggested that figure Indian aid flow to Nepal should be program type of aid.
- Industrialization is the key point to develop the economy. However the volume of Indian aid seems to be lower in this particular sector as compared to other sectors. So, Nepal should strive for larger amount of aid to develop industrial sector and India should comply with accordingly.
- The country has to concentrate itself on the projects which can generate backward and forward linkages.
- Effective administrative department should be established in evaluating and monitoring each and every records of Indian aid.
- Frequently arising disputes and dissatisfactions in respect of Indian aided mutually beneficial mega - projects should be settled permanently and conducive environment should be developed to launch such additional projects.
- Interactive meetings with politicians, journalists, civil society, organizations and intellectuals are imperative to exchange thought on various aspects of Indian aid.
- The aid projects should be run by the Nepalese govt. / authorities rather than by the Indian authority itself as far as possible.
- Internal capability of the country should be strengthened so as to increase the absorptive capacity of aids.

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**Appendix-1**  
**Terai Roads Projects Estd. Cost Nepalese Rs. 11, 22 millions**  
**Number of Roads: 20 and Total Length: 678 k.m.**

| Projected Road Numbers (PRN) | <b>Feeder Roads</b>                               | Actual Length (in k.m.) | Districts in Nepal |
|------------------------------|---|-------------------------|--------------------|
| 1                            | Mechi Highway (Charali-chandragadhi-Kechana) Road | 39.62                   | Jhapa              |
| 2                            | EWH (Kanepokhari)-Rangeli Road)                   | 28.00                   | Morang             |
| 3.                           | EWH (Kalyanpur)-Barsain Shuharanpatti Road        | 18.00                   | Saptari            |
| 4.                           | EWH (Birendrabazzar) -Uadukaha Maninathur Road    | 32.55                   | Dhanusha           |
| 5.                           | Janakpur-Yadukaha Road                            | 17.04                   | Dhanusha           |
| 6.                           | Janakpur - Jatahi Road                            | 12.60                   | Dhanusha           |
| 7                            | Janakpur-Maliwada (Bhittamod) Road                | 18.70                   | Dhanusha           |
| 8.                           | EWH (Maithan)-Gaushalabazaar-Samsi Road           | 26.92                   | Mahottari          |
| 9.                           | Barhathwa( (Naya road)-Madhubani Road             | 40.51                   | Sarlahi            |
| 10.                          | EWH (Nawalpur)-Malangawa Road                     | 27.00                   | Sarlahi            |
| 11.                          | EWH (Manmat)- Kalaiya-Matiyarwa Road              | 26.66                   | Bara               |
| 12.                          | EWH (Jitpur)-Taulihawa-Khanuwa Road               | 33.22                   | Kapilvastu         |
| 13.                          | EWH (Lamhi)-Koilabas Road                         | 35.00                   | Dang               |
| 14.                          | EWH (Bhurigaon)-buleria-Murtia Road               | 35.51                   | Bardiya            |
| 15.                          | EWH (Lamki)-Tikapur-Khakrula Road                 | 27.52                   | Kailali            |
| 16.                          | EWH (Tamagarhi)-Simraungarh Road)                 | 39.63                   | Bara               |
| Projected Road Number (PRN)  | <b>Postal Roads</b>                               | Actual length (in km)   | Districts in Nepal |
| 17.                          | Jaleswor-Hardi River Road                         | 27.22                   | Mahottari          |
| 18.                          | TRP (Birgunj)-Thori Road                          | 68.00                   | Parsa              |

|     |                               |       |           |
|-----|-------------------------------|-------|-----------|
| 19. | Nepalgunj-Baghauda Road       | 44.51 | Nepalgunj |
| 20. | Sati-Bhajaniya-Dhangadhi Road | 61.15 | Kailali   |

Source: Economic cooperation wing, Embassy of India, Kathmandu, 2014.

## Appendix - 2

### Irrigation Projects under Indian Aid

| S. N. | Irrigation scheme          | Location                           | Completion year | Irrigated land (in ha) |
|-------|----------------------------|------------------------------------|-----------------|------------------------|
| 1.    | Chatara Canal project      | Morang                             | -               | 30,000                 |
| 2.    | Koshi                      | Morang, Sunsari                    | -               | 20,0000                |
| 3.    | Gandaki                    | Parsa, Rautahat, Bara, Nawalparasi | -               | 23000+28000            |
| 4.    | Chandra Canal              | Saptari                            | -               | 34690                  |
| 5.    | Mahadev Khola              | Kathmandu                          | 1960            | 3500                   |
| 6.    | Askekhola Kulo             | Sindhupalchok                      | 1960            | 120                    |
| 7.    | Lower Vijayapur Project    | Pokhara                            | 1960            | 7200                   |
| 8.    | Baglung Irrigation Project | Baglung                            | 1960            | 400                    |
| 9.    | Tika Bhairab Canal         | Kathmandu                          | 1961            | 6700                   |
| 10.   | Budhanilkantha Canal       | Kathmandu                          | 1961            | 2000                   |
| 11.   | Jhaj Canal                 | Bra, Parsa, Rautahat               | 1961            | 15000                  |
| 12.   | Fewatal Bund               | Pokhara                            | 1964            | 3000                   |
| 13.   | Dunduwa                    | Banke                              | 1964            | 7000                   |
| 14.   | Khotku Khola               | Kathmandu                          | 1965            | 1,800                  |
| 15.   | Godawari Khola             | Kathmandu                          | 1965            | 2200                   |
| 16.   | Bosna Khola                | Kathmandu                          | 1965            | 500                    |
| 17.   | Hardinath                  | Mahotari                           | 1966            | 9,000                  |

|     |               |                  |      |         |
|-----|---------------|------------------|------|---------|
| 18. | Mansumara     | Sarlahi/Rautahat | 1966 | 1821.1  |
| 19. | Khutti        | Saptari          | -    | -       |
| 20. | Tinau Project | Rupandehi        | 1966 | 20234.7 |

Source: Partnership in Economic Development 2014

### Appendix - 3 Indian Educational Projects in Different Districts

| S. N. | Educational Projects                     | Place         |
|-------|--|---------------|
| 1.    | Tribhuvan University                     | Kathmandu     |
| 2.    | Trichandra College                       | Kathmandu     |
| 3.    | Manmohan Memorial Polytechnic            | Morang        |
| 4.    | Nepal Bharat Maitri Vidyalaya            | Kaski         |
| 5.    | Institute of Enginnering                 | Kathmandu     |
| 6.    | Gauriganj Campus                         | Jhapa         |
| 7.    | Tansen Multiple Campus                   | Palpa         |
| 8.    | Nuwakot Adarsha Multiple Campus          | Nuwakot       |
| 9.    | Shree Mahendra Higher Secondary School   | Dadeldhura    |
| 10.   | Neelkantha Campus                        | Dhading       |
| 11.   | Rajeshwar Nidhi High School              | Dhanusha      |
| 12.   | Madan Bhandari Memorial College          | Kathmandu     |
| 13.   | Shree Adarsha madhyamic Vidyalaya        | Mahottri      |
| 14.   | Panchthar Multiple Campus                | Sarlahi       |
| 15.   | Shree Durga Janata Madhyamic Vidyalaya   | Panchthar     |
| 16.   | Panchthar Multiple Campus                | Rautahat      |
| 17.   | Shree Saraswati Higher Secondary School  | Makwanpur     |
| 18.   | Makwanpur Multiple Campus                | Chitwan       |
| 19.   | C.V Raman Auditorium at Kathmandu        | Kavre         |
| 20.   | Shreee Maha Laxmi Secondary School       | Gorkha        |
| 21.   | Tribhuvan Campus, Belatari               | Nawalparasi   |
| 22.   | Trijuga Janata Campus                    | Udayapur      |
| 23.   | Bhairahawa Multiple Campus               | Rupandehi     |
| 24.   | Shree Chandanath Higher Secondary School | Jumla         |
| 25.   | Shree Bal Janata Higher Secondary School | Dang          |
| 26.   | Mahakaruna Shakya Pa Vidyalaya           | Upper Mustang |

|     |   |            |
|-----|---|------------|
| 27. | Shree Kalinchowk Seondary School            | Dolakha    |
| 28. | Shree Sharda Secondary School               | Parsa      |
| 29. | Pashupati Shiksha Sadan                     | Banke      |
| 30. | Surkhet Campus                              | Surkhet    |
| 31. | Shree Saraswati Higher Secondary School     | Kailali    |
| 32. | Shree Ghatal Secondary School               | Kanchanpur |
| 33. | Shree Aadarsha higher Secondary Scool       | Dang       |
| 34  | Shree GautaumBudhha higher Secondary School | Kapilbastu |

Source: Nepal-India Economic Cooperation, Embassy of India, 2014.

**Appendix - 4**  
**Indian Assistance to Health Sector (In Lakhs NRs.)**

| <b>Projects</b>                              | <b>Details</b>          | <b>Date</b> | <b>Cost</b>   |
|--|-------------------------|-------------|---------------|
| Bir Hospital                                 | Exapansion              | 1983        | 13.92         |
| Paropakar Maternity and Welfare Center (ktm) | Exapansion              | 1959        | 176           |
| Rajbiraj                                     | Bed 25                  | -           | -             |
| Dhangadi                                     | Bed 25                  | -           | -             |
| Ilam   | Bed 15                  | -           | -             |
| Gulmi  | Bed 15                  | -           | -             |
| Taulihawa                                    | Bed 15                  | -           | -             |
| Drinking water                               | Supply to 24 town       | 1968        | 285.36        |
| Hospital and dispensaries                    | Different town          | 1967-73     | 40            |
| Paropakar Hospital                           | Expansion and Equipment | 1984, 1990  | 105.6 + 48.19 |
| Goiter control                               | 115987 quintal          | 1973-83     | 283.08        |
| Police Hospital                              | Expansion               | 1984        | 45.23         |
| Bir Hosptial                                 | OPD                     | 1985        | 1537.6        |
| Paropakar                                    | Intensive               | 1999        | 160           |
| Goiter Control                               | Iodized salt            | 1993-98     | 1593.6        |
| BPKIHS                                       | Dharan                  | 1994-98     | 12,800        |
| Emergency = Trauma Center in Bir Hospital    | Bed 200                 | -           | 12160.0       |
| Ambulances                                   | Gift                    | 1994-2014   | -             |

Source: Partnership in Economic Development 2014