

**TREND AND PATTERNS OF US AID IN NEPAL**  
**(FY 1990/91-FY 2017/18)**

A Thesis

Submitted to the Department of Economics,  
Faculty of Humanities and Social Sciences of Tribhuvan University,  
in the Partial Fulfillment of the Requirements for the Degree of  
**MASTER OF ARTS**  
in  
**ECONOMICS**

Submitted by

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March, 2020

## **RECOMMENDATION**

The thesis entitled “*Trend and Patterns of US Aid in Nepal (FY 1990/91-FY 2017/18)*” has been prepared by Nawaraj Khanal under my supervision. I hereby recommend this thesis for approval by the thesis committee.

Date: 6<sup>th</sup> March 2020

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## **ABSTRACT**

*Foreign aid can be defined as economic aid from one country to another, the beneficiary typically being a less developed country (LDC). Foreign aid is required for the economic development and growth of the country. Lack of enough capital formation in the country is the main problem for economic development of the underdeveloped country. The developed countries have been providing assistance to the less development countries by providing aid through various medium and agencies.*

*The study is concerned with the trend and patterns of US aid to Nepal. The study aimed at examining the effect of US aid on GDP in Nepal. The study is descriptive as well as analytical type and focuses on trend, magnitude, composition and concentration of US aid. The regression, correlation, hypothesis testing are done according to the given sets of data using SPSS software.*

*The study is related to the analysis of Trend and Pattern of US Aid in Nepal (FY1990/91-2017/18). The study shows that USA aid to Nepal during FY1990/91-2017/18). is Rs.1084864 millions. The US aid occupied 7.1% of the total aid in Nepal. Likewise, US aid has covered an average of 0.35% in the total GDP of Nepal. The total USA grants reached cumulative Rs.438785.4 millions and the total USA aid loan reached cumulative Rs.346804.6 millions in the 16 years period from 2003-2017. The volume of US aid to Nepal is rising taking a pattern of decreasing and increasing through out the study period. The study tries to explain the US aid commitment and disbursement situation in Nepal. The US aid commitment reached Rs. 785590 millions and the US aid disbursement reached Rs. 399108.4 millions. The disbursed USA amount is only 49.70% of the total aid commitment.*

*US is providing aid in almost every sector in Nepal. The areas of US aid assistance includes food security, natural resource management, health and education, democracy and governance, disaster risk reduction , resilience and reconstruction. From this, we can see that the contribution of the US aid to Nepal is vital for the economic development of the country.*

*The study tries to see the impact of US aid on the GDP of Nepal. The impact of US aid on GDP is found to be positive and significant. Using regression analysis, I found that there is positive correlation between US aid and GDP. The Pearson's coefficient is 0.944 which implies that there is positive relation between the independent and dependent variables. The value of  $R^2$  is 0.891 implying that predictor US aid accounts 89.1% variation in the total GDP. The value of F-statistic is 180.594, which the critical value of F is 4.30 at 5% level of significance which indicates that  $R^2$  is statistically significant. That is the estimated equation is significant. Likewise, the slope of US aid inflow is 48.206 which indicate that there is positive relation between GDP and US aid. This implies that when total US aid inflow increases by 1 million GDP increases by 48.206 millions.*

*The history of foreign aid to Nepal shows that the donors of Nepal have been implicitly expressing and lobbying their political and economic motives to the GoN. The GoN should be careful while accepting foreign aid. The GoN should always accept foreign aid as per the needs and national priorities. There should be better utilization of foreign aid because aid today adds liability to the future generation.*

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## LIST OF ACROYONMS

ADB	Asian Development Bank
AMP	Aid Management Platform
DAC	Development Assistance Committee
DW	Durbin Watson
FA	Foreign Aid
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
IDA	International Development Assistance
IMF	International Monetary Fund
LDC	Least Developed Country
MoF	Ministry of Finance
NPC	National Planning Commission
NRB	Nepal Rastra Bank
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Square
OPEC	Organization of the Petroleum Exporting Countries
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nation Development Programme
UNICEF	United Nations International Children's Emergency Fund
USA	United States of America
USSR	Union of Soviet Socialist Republics
WHO	World Health Organization