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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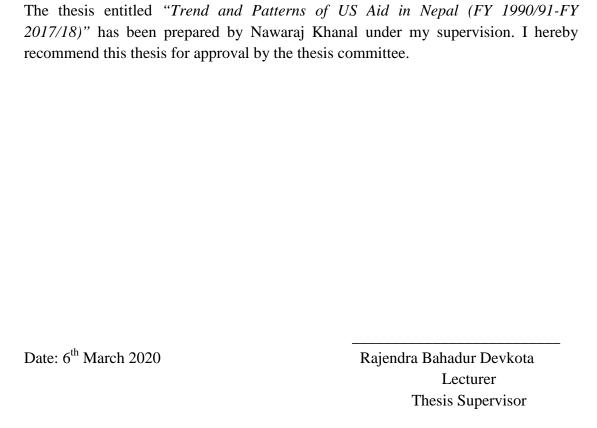
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RECOMMENDATION





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We certify that the thesis entitled "Trend and Patterns of USAid in Nepal (FY 1990/91-FY 2017/18)" submitted by Nawaraj Khanal to the Department of Economics, Prithivi Narayan Campus, Pokhara , Faculty of Humanities and Social Sciences , Tribhuvan University, in partial fulfillment of the requirements for the degree of MASTER OF ARTS in ECONOMICS has been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the Said Degree

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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