A STUDY ON FOREIGN AID ASSISTANCE TO NEPAL

(WITH SPECIAL REFERENCE TO INDIAN AID)

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 (M.A.) In ECONOMICS

By

ANIL DONGOL Roll No. 168/2063 Central Department of Economics Tribhuvan University, Kirtipur, Kathmandu, Nepal

March, 2015

LETTER OF RECOMMENDATION

This thesis entitled "A STUDY ON FOREIGN AID ASSISTANCE TO NEPAL WITH SPECIAL REFERENCE TO INDIAN AID" has been prepared by Mr. Anil Dongol under my supervision. I hereby recommend this thesis for examination by the Thesis Committee as a partial fulfillment of the requirements for the Degree of MASTER OF ARTS in ECONOMICS.

> Dr. Ram Prasad Gyanwaly (Chairman) Central Department of Economics Tribhuvan University Kirtipur, Kathmandu Nepal

Date:

APPROVAL SHEET

This thesis entitled "A STUDY ON FOREIGN AID ASSISTANCE TO NEPAL WITH SPECIAL REFERENCE TO INDIAN AID" Submitted by Mr. Anil Dongol has been accepted as the partial fulfillment of the requirements for the Degree of MASTER OF EDUCATION in ECONOMICS.

Thesis committee

Dr. Ram Prasad Gyanwaly (Chairman)

Mr. Tara Prasad Bhusal (External)

Dr. Ram Prasad Gyawali (Chairman) Thesis Supervisor

Date:

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to Dr. Ram Prasad Gyawali (Ass. Campus Chairman) for his in valuable suggestions, guidance and genuine cooperation. It would not have been possible for me to complete my study without his supervision, advice and direction.

I would like to extent my personal appreciation to. Dr. Ram Prasad Gyanwaly, head of the Department and other teachers of Central Department of Economics for providing invaluable suggestions. I would also like to appreciate to different organization, institution and individuals who helped me in this matter.

Finally yet importantly sense of respect goes to friends and relatives who inspired me to study economics and provide their co-operation. I fully appreciate my friends Sunchandra Thapa Magar for their kind help and inspiration.

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

Anil Dongol

TABLE OF CONTENTS

Recom	ii					
Approv	iii					
Acknow	iv					
Conter	nts	v-vi				
List of	Tables	vii				
List of	viii					
Abbrev	ix					
CHAP	TER ONE: INTRODUCTION	1-8				
1.1	Background of the Study	1				
1.2	Statement of the Problem					
1.3	Objectives of the Study					
1.4	Significance of the Study					
1.5	Methodology of the Study					
1.6	Limitations of the Study					
CHAPTER TWO: LITERATURE REVIEW		9-21				
2.1	Theoretical Framework	9				
2.2	Review of Empirical Studies	13				
	2.2.1 International Context	13				
	2.2.2 Nepalese Context	15				
CHAPTER THREE: FOREIGN AID IN NEPAL						
3.1	Historical Background	22				
3.2	Nepal Foreign Aid Policy 24					
3.3	Sources of Foreign Aid 26					
3.4	Trend of Foreign Aid in Nepal 30					
3.5	Commitment and Disbursement of Foreign Aid 34					
3.6	Resource Gap in Nepalese Economy 36					
3.7	Sectoral Allocation of Foreign aid					
CHAPTER FOUR: INDIAN AID TO NEPAL						
4.1	Introduction	41				
4.2	Objective of Indian Aid4					

4.3	Areas of Indian Assistance to Nepal	47			
	4.3.1 Transportation	48			
	4.3.2 Communication	55			
	4.3.3 Water Resources	57			
	4.3.4 Education and Health	60			
	4.3.5 Industrial Development	63			
	4.3.6 Forestry	66			
	4.3.7 Horticulture	67			
	4.3.8. Veterinary Services	68			
	4.3.9 Health	68			
	4.3.10 Community and VDC Development	70			
	4.3.11 Miscellaneous	71			
CHA	APTER FIVE: SUMMARY, FINDINGS, CONCLUSION ANI	D			
REC	COMMENDATION	74-82			
5.1	Summary	74			
5.2	Findings				
5.3	Conclusion				
5.4	Recommendations				
REF	FERENCES	83			

LIST OF TABLES

Table No. 3.1	Bilateral and Multilateral aid in the % of total aid.	27		
Table No. 3.2	The Inflow of Foreign Aid to Nepal			
	(1984/85-2012/13)	31		
Table No. 3.3	Commitment and Disbursement	35		
Table No.3.4	Resource gap in Nepalese Economy			
	(FY 1984/85- 2012/13)	37		
Table – 3.5	Sectoral allocation of foreign aid			
	(1984/85 - 2010/11)	39		
Table 4.1	Road Constructed by RTO	51		
Table 4.2	Construction of Airports Under Indian Aid	54		
Table 4.3	Projected Rail Links Under Indian Aid	55		

LIST OF FIGURE

Figure 3.1:	Trend of Bilateral & Multilateral	29
Figure 3.2:	Trend of Inflow of Foreign Aid	33

ABBREVIATION

ADB	:	Asian Development Bank
BPKTHS	:	B.P. Koirala Institute of Health and Science
CBS	:	Central Bureau of Statistics
DCs	:	Developed Countries
EU	:	European Countries
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
GOI	:	Government of India
GON	:	Government of Nepal
IAM	:	Indian Aid Mission
IC	:	Indian Currency
IGNOU	:	Indra Gandhi National Open University
IMF	:	International Memetary 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