

TREND ANALYSIS OF JAPANESE AID TO NEPAL

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Submitted by

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LETTER OF RECOMMENDATION

This thesis entitled “**TREND ANALYSIS OF JAPANESE AID TO NEPAL**” is prepared by **Mr. Yubaraj Sharma** under my supervision. I hereby recommended this thesis for examination by the Thesis Committee as a partial fulfillment of the requirements for the Degree of Master of Arts in Economics.

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APPROVAL LETTER

We certify that this entitle TREND ANALYSIS OF JAPANESE AID TO NEPAL submitted by **Mr. Yubaraj Sharma** to the Department of Economics, Prithvi Narayan Campus, Pokhara, in partial fulfillment of the requirements for the Degree of Master of Arts in Economics has been found satisfactory in the scope and quality. Therefore, we accept this thesis as a part of the said Degree.

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ABSTRACT

This study entitles “**TREND ANALYSIS OF JAPANESE AID TO NEPAL**” has been carried in partial fulfillment of degree of master’s in Arts in Economics. It is an explanatory and analyzing type of thesis. The study analyzes the trend of Japanese aid to Nepal. The study further analyzes sectoral allocation, priorities and achievements of Japanese aid to Nepal. The secondary data are used in the analysis. Data have been collected through annual reports of Economics survey, Embassy of Japan Nepal, and Japan international co-operation agency (JICA) etc. Data are presented in figure tables percentage, chart, trend line and diagram.

This era is an era of globalization and open market. Desirable or undesirably foreign aid is not possible to be refused by developing countries. So main issues on foreign aid are sectoral allocation, priorities and achievements of foreign aid, Effective utilization of aid. Descriptive research methodology which is based on secondary data analysis is followed. Result is presented in the analytical and descriptive form.

Nepal received total foreign aid during 1975 to 2012 is Rs 646466.70 million, out of which Rs 361919.70 million 55.98 percent is of grant and Rs 284547.00 million 44.02 percent consists of total loan aid. In the initial period, most of the aid was in the form of grant but later on the share of loan has been increasing. Similarly commitment and disbursement is total commitment is Rs 969962.50 out of which Rs 646466.70 only 66.64 percent received total commitment. The difference between commitment and disbursement is mainly due to poor absorptive as well as non-performance on the side of Nepalese counterpart. Every donor wants to provide the assistance in own priority on installment basis and they also observe the first performance in implementing the projects in different sectors. If they do not find good performance of utilizing the assistance they will not disburse the wholly committed aid.

To use foreign aid utilization is the process of reducing gap between the commitment and disbursement. Mainly, disbursement depends on the absorptive and competitive power of the receiving country. Absorptive capacity depends on incentive, human resource, systematic and procedure of the aid giving and receiving. Foreign aid is used for to fulfill the gap between the total expenditure and total revenue gap. During the 1975 to 2012 total

expenditure is Rs 2899204.05 million and total revenue is Rs 2112285.70 million this shows that resource gap is Rs 786918.35 .

Japan has provided Rs 98132.47 million during the review period study as aid which consists of Rs 51769.71 million 52.75 percent grant and Rs 46362.76 million 47.25 percent loans. The sectoral allocation, in the beginning Japan give the priorities in agriculture 18.73%, education 8.66%, food aid 5.30%, alternative energy 7.59%, Irrigation.0.64, Civil aviation 7.40 and communications 7.40 but present Japan give priorities in road transportation 34.19%, Drinking Water 6.03%, External loan payment 4.40%, local development 2.45, Planning and Statistics 3.63%, Women, Children and Social Welfare 2.29 and Peace and Reconstruction 0.89% etc.

Total foreign aid is Rs. 646466.70 million out of this Japanese aid is Rs. 98132.47 million 15.17 percent total aid. It shows that Japanese aid covered the top positions among the donor countries.

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ABBREVIATIONS

ADB	:	Asian Development Bank
AMDA	:	Association of Medical Doctors of Asia
AOTS	:	Association for Overseas Technical Scholarship
APIC	:	Association for Promotion of Industrial Cooperation
CBS	:	Central Bureau of Statistics
DAC	:	Development Assistance Committee
DRF	:	Debt-Relief
EEC	:	European Economic Community
EIBI	:	Export Import Bank of Japan
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
GGP	:	Grant Assistance for Grass Root Projects
GON	:	Government of Nepal
GRP	:	Grass Root Projects
HDR	:	Human Development Report
IADP	:	Intensive Agricultural Development Programme
IBRD	:	International Bank for Reconstruction and Development
ICT	:	Information and Communication Technology
IDA	:	International Development Association
IDCJ	:	International Development Center of Japan
IECCD	:	International Economic Cooperation Coordination Division
IFAD	:	International Fund for Agriculture Development

IMAJ	:	Internal Management Association of Japan
IMF	:	International Monetary Fund
INGO	:	International Non-Government Organization
JAAN	:	JICA Alumni Association of Nepal
JBIC	:	Japan Bank for International Co-operation
JICA	:	Japan International co-operation Agency
JOCU	:	Japan Overseas Cooperation Volunteers
JODC	:	Japan Overseas Development Co-operation
JOTCA	:	Japan Overseas Technical Cooperation Agency
JUSAN	:	Japan University Students Association in Nepal
LDCS	:	Least Developed Countries
MMA	:	Metal Mining Agency of Japan
MOF	:	Ministry of Finance
NGO	:	Non-Governmental Organization
NPC	:	National Planning Commission
NPG	:	Non-project Grant
NRB	:	Nepal Rastra Bank
ODA	:	Official Development Assistance
OECD	:	Organization for Economic Cooperation and Development
OECF	:	Overseas Economic Cooperation Fund
OFCF	:	Overseas Fisheries Co-operation Foundation
OPEC	:	Organization of Oil Exporting Countries
SSGA	:	Small Scale Grant Assistance

UK	:	United Kingdom
UNDP	:	United Nations Development Programme
UNICEF	:	United Nations Children's fund
USA	:	United States of America
USSR	:	United States of Soviet Russia
VDC	:	Village Development Committee
WB	:	World Bank
WDR	:	World Development Report
WEF	:	World Education Forum
WHO	:	World Health Organization