

**ASSESSING FOREIGN AID FROM THE PERSPECTIVE OF NEPAL'S
ECONOMIC DIPLOMACY**

A Dissertation

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LETTER OF RECOMMENDATION

I certify that this dissertation entitled “Assessing Foreign Aid From the Perspective of Nepal’s Economic Diplomacy” was prepared by Navin Shekhar Karn, under my supervision. I hereby recommend this dissertation for final examination by the Research Committee under the Department of International Relations and Diplomacy (DIRD), Tribhuvan University, in fulfillment of the requirements for the Degree of Master’s in International Relations and Diplomacy.

.....
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Supervisor

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DECLARATION

I hereby declare that this dissertation is my own work, and that it contains no materials previously published. I have not used its materials for the award of any kind and any other degree. Where other authors' sources of information have been used, they have been acknowledged.

Signature

Navin Shekhar Karn

Date

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ABSTRACT

The present study has attempted to analyze the effectiveness of economic diplomacy to attract more and more foreign aid for development in hydropower and tourism sectors, from the two fast growing neighboring countries India and China. This research acknowledges that the foreign aid means the transfer of financial, social, cultural and technical assistance from the developed countries to the underdeveloped or developing countries, and it can be more effective and fruitful to Nepal by exercising economic diplomacy with India and China.

This study argues that though Nepalese economy is passing through a critical phase of low level of equilibrium trap circumscribed by poverty, and stagnation over long periods along with slow economic growth rate, traditional way of diplomatic practices and internal conflicts, no commitment and implementation of settled program thus foreign aid has very high possibility to mobilize the resources.

Due to lack of economic diplomacy, there is a poor utilization of resources, even though foreign aid was introduced since Rana regime. Present study discusses that Nepal is getting large amount of foreign aid from India and China, but it is not mobilizing towards top priorities sectors like hydropower and tourism, which can lead the country to the path of high growth rate and rapid reduction of poverty and unemployment. The reason behind this is nothing rather than lack of the effective and contextual economic diplomacy. This study uses qualitative as well as descriptive research methodology in which various empirical results are drawn using secondary data from various sources like Ministry of Finance, Embassy of India and China etc.

This study concludes with a note that economic diplomacy can work as a tool to attract foreign aid from Indian and China towards top priority sectors that have huge potentialities. If Nepal is able to change its traditional way of economic diplomacy then the days of prosperity are not far off. Similarly, increasing trends of foreign aid from India and China to Nepal because of their competition or by their foreign policy instrument, in both ways Nepal can be benefited if Nepal government focuses on economic diplomacy through both government and non-government agencies.

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ABBREVIATIONS

ADB	-	Asian Development Bank
AIDIA	-	Asian Institute of Diplomacy and International Affairs
CBS	-	Central Bureau of Statistics
CAGR	-	Compound Annual Growth Rate
DID	-	Department of International Development
DCs	-	Developed Countries
DAC	-	Development Assistance Committee
DDC	-	District Development Committee
DST	-	Diagnostic, Screening and Treatment
ERCD	-	Economic Relation and Co-operation Division
FINIDA	-	Finnish International Department Agency
FNCCI	-	Federation of Nepalese Chamber of Commerce and Industry
FY	-	Fiscal Year
GDP	-	Gross Domestic Product
GoI	-	Government of India
GoN	-	Government of Nepal
HMG/N	-	His Majesty's of Government of Nepal
HLTF	-	High Level Task Force
IBRD	-	International Bank for Reconstruction and Development
IBF	-	International Business Forum
IDA	-	International Development Association
IDD	-	Iodine Deficiency Disorder
IMF	-	International Monetary Fund

IRD	-	International Relation Desk
LDCs	-	Least Developed Countries
MoF	-	Ministry of Finance
MoU	-	Memorandum of Understanding
MW	-	Mega Watt
NGOs	-	National Governmental Organizations
NPC	-	National Planning Commission
OECD	-	Organization of Economic Cooperation and Development
PRC	-	People's Republic of China
RTO	-	Regional Transport Organization
SDF	-	Small Development Project
SAARC	-	South Asian Association for Regional Co-operations
TU	-	Tribhuvan University
US	-	United States
UK	-	United Kingdom
UNDP	-	United Nations Development Program
UNO	-	United Nations Organization
UNESCO	-	United Nations Educational Scientific and Cultural Organization
USAID	-	United States Agency for International Development
WB	-	World Bank
WHO	-	World Health Organization