

CHAPTER

INTRODUCTION

1.1 Background of the study

Developing countries are rich in natural resources but they are poor in capital skill management while the developed ones have sufficient skills and capital. Most of the developing countries do not have rapid economic growth. It is mainly caused by lack of basic economic structure. Such countries are not capable to achieve a substantial development. They are characterized by low saving ratio, lack of skilled man-power, lack of technology, etc..

Foreign aid is generally considered as one of the important factors for development after the world-war . Transfer of capital and technologies from developed countries and donor agencies to the underdeveloped countries either in the form of loan or grant from time to time is generally known as the foreign aid. Capital accumulation increases all possible aspects of economic development. Capital increases by investment and investment needs more saving, and foreign aid stimulates both of those situations.

Nepal, being a developing country, gets foreign aid from different countries and international agencies. Before 1951, foreign aid was unknown factor for Nepal. When Nepal opened her border to the outsiders in 1951, she searched for development assistances from external sources. Foreign aid appears to have played a loan able role in as much as it has inspired successive governments in Nepal to demonstrate their commitment to development. Even if the desire of the people of Nepal to

have a better living standard has a product of endogenous stimuli, everything else from the objective of development to the strategy, policies and projects are destined to be influenced by foreign aid. Channeling of the fund was not significant until the beginning of Nepal's first plan in 1956. Since, the foreign aid from various sources has been meeting a large proportion of the cost of Nepal's development program. (1982, Poudyal)

The major part of Nepal consists of rolling hills and high mountains covering 83% of the total area, where resources are scattered over many inaccessible place. The people are isolated from one place to another by the most of formidable physical barriers. Economic development presupposes development of transport to a considerable extent. Insufficient transport and poor communication are the main barriers of prosperity of Nepal. She has remained for 104 years in the hand of Ranas whose interests had been to keep people in the state of ignorance to serve their own interests by their reason. There are not any development processes except some insignificant mileages of roads and railways. Its importance was realized only after the formation of democratic government in 1951 AD.

The history of foreign aid to Nepal actually began when Nepal signed the "point four" agreement with the United States on January 23, 1951 on health, agriculture, forestry development, education and transportation. Soon after the aid agreement was signed between Nepal and the USA, India started introducing its aid in the development activities of Nepal. India first assisted Nepal in the areas of transportation through financing in the construction of highways and airports. Since then Chinese aid is also assisting Nepalese development programs.

After joining the Colombo Plan in 1952, Nepal has a good forum to attract the interests of other friendly countries towards her economic development efforts. Under this Plan, Nepal received much technical assistance. Outside the Colombo plan, China has been helping Nepal in the field of infrastructure development and industrialization. Nepal has received a significant volume of bilateral aid from the USA, UK, France, Denmark, India, China and many other countries. In 1976, after forming the “Nepal aid group” she has received a huge amount of multilateral aid from different donor agencies.

1.2 Focus of the Study

Nepal is a landlocked developing country lying in the South Asian region. Influence of India is prevailed in every South Asian nations. Indian assistance in development activities of these nations is the major cause of such influence. To accommodate the development of the developing countries, foreign aid is taken as a boon. Nepal is also dependent on this tool, who always has been requesting more aid from the donors as a general character of the developing country. To fulfill the big development challenges, Nepal needs the huge amount of foreign assistances.

Nepal has been receiving huge amount of Indian assistances not single specific sector but in the overall development projects. Although foreign aid is a major tool for the overall development of Nepal, its proper utilization is also the other important aspect. So, this study specially focuses on the flow of Indian aid in Nepal and its overall impact on the Nepalese economy.

1.3 Statement of the Problem

Foreign aid has played a significant role in economic development of Nepal. Eighty three percent of land is mountainous, which is really undeveloped. Lack of adequate means of infrastructure and resources is main hurdle in the prosperity of Nepal. Developing countries are rich in natural resources but poor in efficient resource-management and lack skilled man power. Foreign assistances help them to overcome these hurdles.

During early years of 1950s, the aspirations of Nepalese people were very high but available infrastructures and resources were very few. In such situation, Nepal followed the similar path of other developing countries and started accepting the foreign aid which is still a trend. Nepalese economy is totally based on foreign aid. Presently, Nepal has been receiving the foreign assistances from forty-nine countries, but the major donors are India, Japan, China and the USA. In present context, Nepal is growing as developing country. Economic conditions are obviously not sound and people are living below the subsistence level.

Nepal started receiving foreign aid since 1951 and over the forty-nine years (1951 to 2002), she received a total of NRs 220619.3 million (Table 5.3). Past trend suggests that the sharp decline in foreign aid is during the years when the major donor countries like India, China and the USA were engaged in other international problems and their own internal affairs.

As a major source of foreign aid, Indian aid has contributed significantly in the over all development of Nepal. Last few years have been remarkable for researchers due to changes in the type and terms of foreign assistances including Indian assistances. However, these have not been discussed precisely and analyzed seriously. Very few studies and

research works have been conducted foreign aid. The major problem is the scarcity of information. There are no centralized and scientific and systematic bookkeeping on the subject. Despite these difficulties, the study has been carried out to as an attempt to solve the following specific questions-

1. What is the role of Indian aid in Nepalese economy?
2. Has the Indian aid been used in the desired sector?
3. What is the trend of Indian aid to Nepal?
4. What socio-economical development has been achieved from the Indian aid?

1.4 Objective of the Study

The major objectives of the study are as follows:

1. To find out the overall impact of Indian aid on Nepalese economy.
2. To find out whether the flow of aid has been directed towards the desired sectors.
3. To find out contribution and trend of Indian aid on Nepalese economy both in quantitative and qualitative terms.
4. To identify the need of foreign aid on Nepalese economy.

1.5 Significance of the Study

This investigation is an important attempt in the research field of Indian aid. It focuses on the vital role played by Indian aid in economic development of Nepal. Various data and information are collected in order to find proper solution. This study will provide an updated inventory of sector wise Indian assistance to Nepal. It also provides the detail information on how Indian's economic cooperation has addressed Nepal's priority based on development projects.

1.6 Limitation of the Study

The study has the following limitations:

1. This study covers the period between 1951 and 2004 AD only.
2. Study does not include the financing by private Indian organizations, commercial banks and military aid.
3. It does not cover the impact of Indian to the local community.
4. The whole study is based on limited data and information.
5. The whole study is mainly based on secondary data collected from the Ministry of Finance and India-Nepal Cultural Center.

1.7 Outline of the Study

The whole study is divided into eight chapters.

First chapter deals with introduction, which includes general background, focus of the study, and statement of the problem, objective of the study; its significance, limitation and design.

Second chapter deals with the review of available literatures.

Third chapter explains the research methodology used in the study, which includes research design, nature of data sources, and tools of the study.

Fourth chapter deals with conceptual framework which provides literatures and theoretical concepts regarding the subject matter. It also describes the historical background of foreign aid to Nepal.

Fifth chapter contains review about foreign aid and Nepalese development plans.

Sixth chapter describes Indian aid and development of overhead facilities in Nepal.

Seventh chapter describes social and economic impact on Indian aid to Nepal.

And, finally, the **eighth chapter** discusses summary of main findings, conclusions and recommendations.

CHAPTER

REVIEW OF LITERATURE

2.1 Review

Foreign aid is an important aspect of international relation as well as an instrument of donor's foreign policy. Foreign aid means transfer of financial and other resources in the form of grant loans from economically better-off nation to nations which are not able to attain the desirable growth rate in the era of post second world-war. The term foreign aid emphasizes the transfer of resources from rich or well developed countries to less developed countries. The main objective of donor nation is to influence the receiving country through the moral principle and solidarity.

Foreign aid is difficult to define because the scope of the definition is either narrower or broader. In the broadest sense it embraces everything from grants and loans through short exporter credit to straight trading relation. (Arnold, 1962:7)

The term aid has many interpretation meaning grants and term loan for the economic proposal. It not only includes the aspect of economic relation between developed and developing countries but also the private investment and trade.

The term foreign aid means any type of financial and technical assistances provided by foreign countries and international agencies to the recipient country. However, foreign aid is a transfer of financial and other resources from the developed countries to fight against hunger, disease, and poverty prevailing in the least developed countries. The generosity and philanthropy are also considered as the permanent reasons

and objectives of the foreign aid. At present, many international agencies are working in the developing countries to augment their socio-economic conditions which make them self-reliant.

2.2 Bilateral and Multilateral

Foreign aid can take many forms, including donations of money, goods, services, and technical expertise. Foreign aid can be bilateral, which means it is given by one country to another. It can also be multilateral—that is, given by a group of countries. The term foreign aid is also sometimes used to describe assistance given to a country by a private organization in another country. (Microsoft Encarta Reference Library DVD, 2005).

The United States has been the largest contributor of foreign aid in the world since World War II ended in 1945. The United States gives many different types of bilateral foreign aid. It directs aid primarily to developing countries through projects aimed at agricultural and rural improvements, health care, population planning, child survival assistance, and business enterprise, among other activities. Such aid goes mainly to developing countries. (Microsoft Encarta Reference Library 2005) Microsoft Corporation.

Nepal has received foreign aid for its development projects and programs in the form of technical and financial assistances from different bilateral and multilateral sources. India, china, UK, German, Japan, USA, are major donor under the bilateral sources. The UN, World Bank, UNDP, ADB are under the multilateral sources.

2.3 Foreign Aid in Developing Countries

Foreign aid is mostly effective in developing countries; it is one of the most important political innovations of the twentieth centuries. Development assistance has also gradually emerged as a principle for the globalization of social policies. The debates on foreign aid and growth dated back to the early fifties of current century. The economists like Robstow Millikan, Rosentain Rodan etc. had given top priority to the foreign aid for the economic development.

Rosenstein Rodan argued “the purpose of an international program of aid to undeveloped countries is to accelerate their economic development up to a point where a satisfactory rate of growth can be achieved on self sustaining basis”. He also included technical assistance as a part of aid, although it is not a normal capital inflow, because it is a form of transfer skills, which can result in economic growth.(1961, P-81)

Nurkse said, Economic development has much to do with human endowment, social attitudes political condition and historical accident.

Developing countries woefully lack of economic overhead; capital, which directly facilitates more investment. They need more investment for long gestation period, which they are unable to undertake without foreign aid.

They do not have such position to start the key industries, foreign aid obviously support to move toward industrialized economy. Foreign aids pre-suppose the existence of basic public expenditure like education, public health, and medical programs in receiving countries. Support from foreign aid raises the level of national productivity, income, employment which in turn leads to higher wage rate, lower prices and raised the standard of living. It also helps to minimize the inflationary pressure. It

overcomes the balance of payment difficulties experienced by developing countries in the process of development. Foreign aid not only brings money and machines but also technical know how.

On the other hand, national capital is very shy for the development programs in developing countries. They are passing through the extreme line of poverty estimating that more than 77 percent of people are below the poverty line in developing countries. There are low saving & investment implying the capital deficiency along with technological backwardness. It leads to high cost of production and low productivity of production inputs which reflect the high capital output ratio.

Due to inconsistency in economy these countries are not getting minimum requirement for life. The gap between developed and developing countries is very high. In order to fill up this gap, emphasis on foreign aid is enormously necessary which raises the level of development. Achievement of the sustainable economic growth is the result of such exercise.

Planners, policymaker, economists, etc. realized that there is no escape from foreign aid for developing countries which suffer from chronic shortage of resources if they intend to achieve the target of sustainable development.

2.4 Foreign aid in Economic Development of Nepal

Foreign aid has played a significant role in the evolution of Nepalese economy over last five decades. Nepal has been receiving substantial amount of foreign aid from friendly countries such as United States of America, United Kingdom, India, Japan, China, France, Denmark, Germany, Switzerland, etc. She has received various kinds of economic

assistances from all donors irrespective of their political system and ideology.

“Nepal’s importance, seen from the international perspective, lies not in its size or its natural resources, but in its strategic location between two Asian power China and India.”- Gaige. This importance is the cause for abundance in foreign assistances to Nepal.

Almost all developing countries need the foreign aid in bringing the change in their economy. Nepal is one of the developing countries whose per capita income is 230 US dollars and GDP growth rate is negative (Dahal-2005); to change its economic situation is fully dependent up on the foreign aid.

“Nepal experiences for foreign economic aid heralded by the point four program agreements signed on January 23, 1951. The American assistance of NRs. 22000 provided under President Harry Truman’s point four programs was soon followed by formal economic assistance from India, October in the same year. China and USSR came in 1956 and 1958 respectively.” (Sigdel, 2005:513)

Nepal joined the Colombo plan in 1952 and participated in the first Non-aligned Conference in 1955 in Bangkok and became a member of United Nation, all these further exposed Nepal to the outside and opened for diplomatic relation with a number of countries resulting in a better inflow of foreign assistance from various sources. After participation in the conference of non-aligned countries held in Belgrade in 1961, Cairo (1964), Lusaka (1970) it attracted the supporters to Nepal in development efforts

After formation of “Nepal Aid Group” in 1976 the quantum of foreign aid increased more significantly in Nepal. After restoration of democracy in 1990, further impetus was provided for the expansion of economic aid. Although Nepal has been receiving a huge amount of aid, it is quite small as compared to the aid received by other low- income countries.

Nepal is landlocked country whose basic infrastructures are made by the government. In initial phase, major source of development expenditure was foreign aid. Majority of investment was on capital formation. In Nepalese context it has played a dual role; one is finance flow and another is additional saving. Aid programs contribute to bring a significant change in the filed of development of Nepal.

Nepal was fully depended on foreign aid during its first plan. Although foreign aid played a vital role in economic development of Nepal, she has never utilized it properly. It is more difficult to find out how the aid has been used and what it has been achieved.

In the initial development plans, the proportion of foreign aid was very high, as high as 100% in total development expenditure. Following table has been presented to the proportion of foreign in Nepalese development plan.

Table -1

Proportion of foreign aid in total development expenditure in plans

Duration	1956-1961	1962-1965	1965-1970	1970-1975	1975-1980	1980-1985	1985-1990	1992-1997	1997-2002
Plans	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th
Proportion (%)	100.00	77.84	56.12	44.96	48.07	60.97	49.60	43.96	53.12

(Source: Appendix 1)

2.5 Indian Aid in Nepal

Nepal and India a unique economic interdependence not found elsewhere in the other SAARC member countries.(Pykuryal, ----) India has been one of the major aid suppliers of aid to Nepal. The first category of aid supplied by India was in field of transport development. The government of India established a technical assistance mission called Indian Aid Mission (IAM) to coordinate various development projects in Nepal. The Indian assistance covered almost every sector of the economy. During the second plan (1962-65), the program for child maternity care was initiated and an engineering and educational institute was also established. In improvement of infrastructure of Nepal, Indian aid is a boon.

India's economic and technical cooperation with Nepal began soon after India's independence in 1947. Several significant infrastructure projects were undertaken in wide range of sector such as highway, construction, hydropower electric project, airport, hospital and educational infrastructure. Local community development projects give priority to education and health and rural development. Several school building, girl's hostels, and health clinics are being financed through the Indian assistance. Link road between important rural to town locations, and village's irrigation through a network of tube well are some other projects for rural development.

Human resource development has all along been a major contribution of India to Nepal's development. Basically the bulk of Indian assistance had gone in to three main types of activities to improve transport and communication, rural development through the schemes of village and local development irrigation works and power development. Besides that India provided assistance to Nepal in field of technical as well as social services.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

This chapter aims to present and reflect the method and the techniques of the study which are carried out and follows during the study period. This chapter deals with the research design, sources of data collection, processing and tabulating procedure and methodology.

The topic of the problem is **Contribution of Indian Aid on Economic Development of Nepal**. The major objective of the study is to evaluate to the contribution of the Indian aid in economic development of Nepal and its impact on Nepalese context.

Primary data collection is a major problem in this type of study due to lack of proper record keeping of foreign aid. Due to wide coverage of Indian aid, setting appropriate research design to achieve the objective is a challenge.

3.2 The Research Design

The goal of this study is to analyze Indian aid and its contribution on Nepalese context, investment areas of Indian aid and their impacts in Nepalese context. This study has been laid on the overall impact on the socio-economic life of Nepalese economy through the Indian aid programmers. This study follows descriptive type of research and analytical framework. Data collected from different sources have been presented systematically. And other information, with adequate interpretations has been presented using descriptive method.

3.3 Nature of Data Sources

To fulfill the objective of the study, the secondary data have been used. The data collected from various sources have been presented systematically to achieve the goal.

Secondary data have been collected from the Ministry of Finance, Tribhuvan University's library etc. Likewise different publications, budget speeches, different economic survey and the statistical year book have been used. Similarly information collected from libraries. Different books, case studies, booklets, magazines, statistical reports and different web sites have been review to develop conceptual frame work.

3.4 Tools of the Study

Collected data have been analyzed and clarified through applying percentage and ratio where necessary. Data presented in the table and presented in charts diagrams, graphs, tables and boxes.

CHAPTER V

CONCEPTUAL FRAMEWORK

4.1 Background of Indian Aid

After induction of democracy in 1951, Nepal entered into the new era; there were not any basic infrastructure and totally isolated from neighboring nations. Since 1951, government of Nepal has paid a huge priority to the infrastructure development project all over the country by linking up various friendly nations. As the closest neighbor, India is ahead of all such nations in providing aid.

The earlier assistances were given to Nepal by India by sending 150 men military mission to organize her army. Rawat (1974: P-172). In initial days; the government of India had been cooperating Nepal in various economic development programs by sending planning experts and statisticians. The economic cooperation between Nepal and India started with the construction of airport in Kathmandu and a road from Kathmandu to Raxaul. The construction of both projects began in 1953 AD with the estimated costs set at 1.92 million US dollars for the road and \$147,000 for the Gauchar (Kathmandu) airport (Mihaly, 1964, P-53). Both the road and airfield were built by Indian army's engineers with a little Nepalese participation. This was a first technical and financial assistance from India to Nepal for her development projects. (ibid. 1964:P-53).

After the 1951 revolution, India was a primer donor country which played an important role in mobilizing aid to Nepal under the Colombo plan (Dahal- 2003). Nepal was extremely interested to Indian assistance for her development process.

The two project begun in 1953, in addition to being economically valuable and had advantaged of facilitating this relationship those two projects constituted physical bonds between India and Nepal. Although the relationship between two countries were rooted in mind of common people, ancient links relation and cultural heritages, common out look on life and its values and so these old ties that date back to the very down of history have been and out to be treated only as solid foundation on which the present time is being raised brick by brick by mutual cooperation and assistances (R. Bahadhur – 2025BS).

Indian aid relation has suffered at time due to strain in political relationship, the pipeline of the friendship and cooperation has never broken. After set up “Indian Aid Mission” (IAM) it has become the administrative center for numerous projects imitated by India.

Nehru announced on 8th September 1954 that India would grant Nepal 1.2 Million dollars for irrigation and drinking water projects. The fund that handed over to the government of Nepal was the India’s next movement on aid to Nepal. During the period 1951-1957, India also placed increased emphasis on the scholarship for Nepalese students. After 1965, scholarship had risen. (Mihaly, 1964). India’s first experiences in channeling aid through the government of Nepal came at this time. In response to the agreement for the need of improved medical facilities in Nepal, it donated beds and equipments for 500 bed hospital.

4.2 The Beginning of Foreign Aid

Nepal has been looking foreign aid as a permanent requirement of her development projects the official record show that Nepal started receiving foreign aid since 1951. The first official donor was the USA which gave Rs. 22,000 under the point four programs in 23rd January 1951. The US

aid immediately followed by formal economic assistances from India in October, 1951. United Nation assistance to Nepal was first authorized on February 19, 1953 in an agreement under the consisting of funds for small demonstration projects, scholarship, experts and aid for the administration of pilot projects. WHO project was started with 'American malaria eradication scheme'. Other donor like the Ford foundation's first movement was to grant to government 150,000 dollars in 1954 to cover the costs of cottage industry and Domestic science training center for three years period. China and Switzerland connected in 1956.

Thus, it is understood that foreign aid started in Nepal as bilateral assistance. Later on multilateral aid also flooded into Nepal. According to Mihale (1964), there were few, if any, countries that received aid from as many sources as Nepal.

4.3 Bilateral Aid

Bilateral foreign aid refers that aid which is given by one country to another. United States was the first country to aid Nepal. Next to the United States is India. Then after many others friendly nations started aiding Nepal in her development projects.

In the early years, i.e. the 1950s, the US and India were the main providers of aid to Nepal. West Germany and the USSR joined the donors club during 1960s. Similarly, Japan was the main donors during 1990s, though it started inducing aid since 1960. Table 4.1 table has been presented to exhibit in which sectors the donor countries are aiding Nepal and when such aid started.

Table -2**Different bilateral donors and their involvement**

Donors	Date	Sectors
India	1951	Health, education, drinking water, hydropower, irrigation, road, air field, Industry, horticulture, veterinary, telecommunication, and Postal services.
USA	1951	Education , health , Agriculture, Forestry, Irrigation, Local development, Economic liberalization, Democratic Institution building.
China	1956	Health, Sport, Road, Industry And Commerce, Hydro power, Irrigation.
Swiss	1956	Education, Resettlement, Health, Dairy product, Veterinary, Road transport, Small hydropower, forestry, Local development.
Japan	1960	Water supply, Education, Health, Horticulture, Sericulture, Fishery, Store institution, Building, Road, Radio, Telecommunication, Hydropower, Electricity distribution, Commodity assistances.
UK	1961	Education, Health, Water supply, Storage, Tea, Institution building, Road, Air transport, Forestry, road transport.
Germany	1961	Health, Education, Industry, Power, Forestry Live stock seed, Institution building, Local development, Structural adjustment, Adversary services
Australia	1979	Health, Education, Air transport, Forestry, Institution building, Rural development.
Canada	1971	Health, Education, Airfield, Agriculture, Rural development
Belgium	1982	Tele communication
Finland	1982	Health, water supply, Power, Forestry, Television, Tele communication, Agriculture, Institution Building.
Norway	1982	Education, Hydropower, Watershed management
Denmark	1980	Education, Health, forestry, Dairy, livestock, Telecommunication, Irrigation, Domestic Institution development ,

(Source: MOF)

4.4 Multilateral Aid

Foreign aid takes the form multilateral when it is given by a group of countries or by international organization. The major aid provider to Nepal among the multilateral donors is the United Nations which started its program since 1960s. Table 4.2 shows the multilateral donors which starting providing aid to Nepal.

Table-3
Multilateral donors and their involvement (sector wise)

Donors	Date	Sectors
ADB	1969	Education, Drinking water, Road and Air transport, Irrigation, Hydropower, Electricity, Agriculture, Forestry and Industry.
EEC	1982	Drinking water, Sewerage, Agricultural, Water resources, Hydropower, Irrigation, Watershed, Commerce, Rural development, Institution building.
UNDP	1960	Education, Health, Drinking water, Forestry, Agriculture, Industry, Hydropower, Irrigation, Road transport, Air field, decentralization, Policy support.
UNICEF	1960	Health ,Drinking water ,institution building.
WHO	1954	Health, Drinking water, Institution building.
WB	1969	Education, drinking water, water supply, Settlement, Agriculture, crop research, Storage, hydro power, Irrigation, Road transport, credit, Institution building, forestry, Rural development.
IFAD	1997	Agriculture, Water resources.
IMF	NA	Monetary Economy.

(Source – MOF)

4.5 Indian Aid in Their Involvement

India has been one of the suppliers of aid to Nepal. First category of the aid -supplied by India was in field of transport development – construction of airport,

Tribhuvan Highway, the first highway of the country. The GOI established a technical assistance mission called Indian aid mission (IAM) which coordinated various development projects to Nepal. Indian aid covered the entire field of economy such as transport, irrigation, hydropower, drinking water, health, development of industrial estate, communication, education, agriculture, and community development etc..

Table - 4

Indian assistance involvement

SN.	Date of Agreement	Name of Project	Amount in NC	type
1	2/3/1983	The Expansion of Bir hospital	87	Grant
2	30/12/1983	Police hospital	4.14	Grant
3	9/1/1984	Expansion of Patan Industrial Estate	1.72	Grant
4	9/1/1984	Paropakar S.P.I.R.L.D. Maternity Home & Child welfare center	1.45	Grant
5	29/10/1984	Revolution and extension of Chandra canal	198.6	Grant
6	29/10/1984	Entrepreneurial Development program	0.7	Grant
7	8/8/1985	Rural Electrification project in Nuwakot	58.0	Grant
8	8/8/1985	Museum and Library cum-Documentation complex in Forestry Institution at Hetauda	37.7	Grant
9	28/9/1985	Construction of Kohalpur Mahakali section of Mahendra highway	725	Grant
10	18/1/1987	Rajbiraj industrial estate (food Aid)	25.2	Grant
11	25/2/1987	Coitre control	100.8	Grant
12	31/8/1988	Construction of bridge across Mahana rive	33.6	Grant
13	31/5/1989	Rajbiraj Industrial estate	4.57	Grant
14	25/10/1990	Indra R.L. Maternity hospital	10.08	Grant
15	17/12/1990	Sirsiya bridge Construction (debt relief)	-	-
16	10/3/1994	B.P.K. Institute of health science at Dharan	128.0	Grant
17	9/1/1994	Extension of third iodize salt	156.36	Grant
18	3/10/1994	Providing two diesel engine and six coaches For the narrow gauge line at Jankapur Railway.	Commodity aid & T.A.	Grant
19	12/2/1996	Construction of 22 bridges on kohalpur Mahakali section of the Mahandra highway	924.3	Grant

Sources : MOF

India has been providing significant amount of the economic assistances in important sectors of the economy. During 1953-85, it is estimated that total flow of the Indian assistances exceeded Three billion Nepalese Rupees at nominal prices. From 1986 to till 1990 the total estimated assistances from the GOI was about 225 million Nepalese Rupees at nominal price. India has also assisted the commodities assistances as well.

CHAPTER V

FOREIGN AID AND NEPALESE PLAN

5.1 Introduction

In late 1930s, the Nepalese government prepared a twenty-year economic development plan but it was not implemented because of the second world-war. Then, in 1948, the national planning board was established to prepare the fifteen year plan but it could not be carried out because of the political change of 1950/51. In order to improve the living standard of Nepalese people, it required undertaking new strategies. The government started making five-year plans for the economic development. From 1956 to 2002, nine plans implemented which tried to solve the different problems of the country and initiated various concept of development. But situation of the country did not much change.

5.2 Foreign Aid and Nepalese Plan

Foreign aid has played a significant role in the economic development during the plan periods. The major sources of development expenditure were come from foreign aid. The table – 5.2, shows that foreign government and agencies are the major sources of financing the development expenditure of our plans. But percentage of development expenditure was gradually declined from 100 percent to 45 percent from first plan to the fourth plan. In fifth plan, foreign aid increased to 48.1 percent and in sixth plan it increased to 61 percent. There was not specific improvement in the utilization of the foreign aid seemed to have been brought about in the six plan period. From seventh plan, percentage share of foreign aid was again declined in to 49.6. In ninth plan percent of development expenditure was again increases and became 58.8.

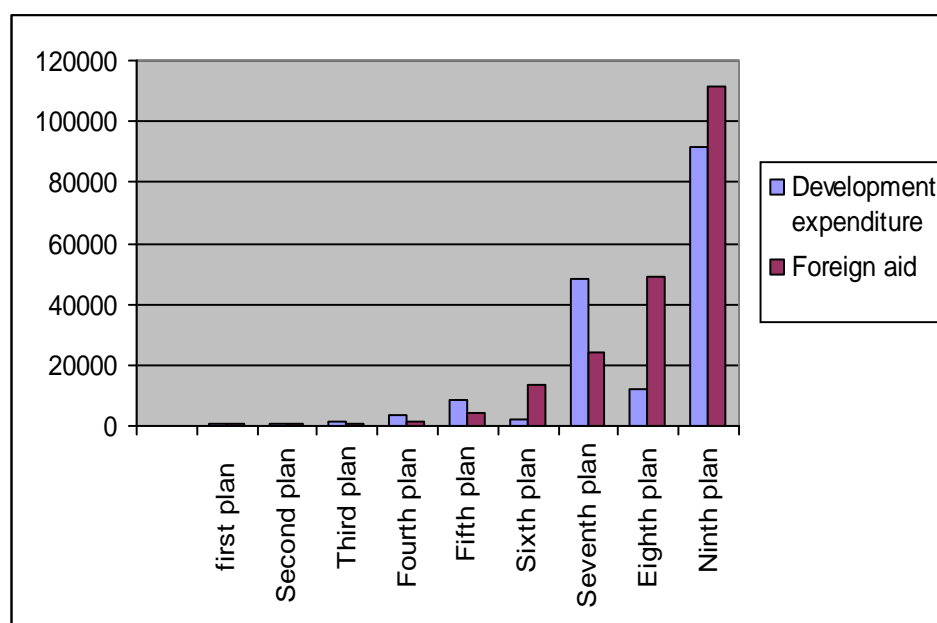
Table -5
Foreign aid and Nepalese plan

(NRs. In million)

Plan period	Development expenditure	Foreign aid	Foreign aid as % in development expenditure
First plan	382.9	382.9	100
Second plan	614.7	478.5	77.5
Third plan	1,639.10	919.8	56.1
Fourth plan	3,356.90	1,509.10	45
Fifth plan	8,870.60	4,264.10	48.1
Sixth plan	2,175.00	13,260.00	61
Seventh plan	48,345.00	23,978.50	49.6
Eighth plan	11,919.80	49,203.00	44
Ninth plan	91,514.40	111,546.00	58.8
Total	2,328,758.80	205,541.90	49.9

(Source: Economic survey, MOF, Various Issues)

Fig. 5.2
Development Expenditure and Foreign Aid Component



The total amount of aid the country was receiving during the five year period from 1951 to 1956 was only NRs 95.0 million; and during the

subsequent five year period from 1957 to 1961, this amount almost reached to Rs 38209 million. It was nearly double in 1962/63. Prior to 1956 India was a larger donor of the country with Indian Rupees 70 million that accounted for the 73.68 percent of the total aid receipt of the country. The USA provided NRs 25 million, which was 26.32 percent of total aid. During the first plan period, the total American aid announced was Rs 222.4 million which amounted 52 percent of total aid. India ranked second during this period with Rs 82.1 million, which was 21.44 percent of total entire aid. China contributed Rs 3.2 million which was 8.38 percent of the entire aid. The UK gave Rs 3.7 million which was 0.97 percent of total aid. At the end of 1962/63, the USA was donated with Rs 378.9 million. India became second with Rs 206.6 million. The USSR aid worth RS 76.1 million, china worth NRs 50.1 million and UK worth RS 8.5 million were contributed.

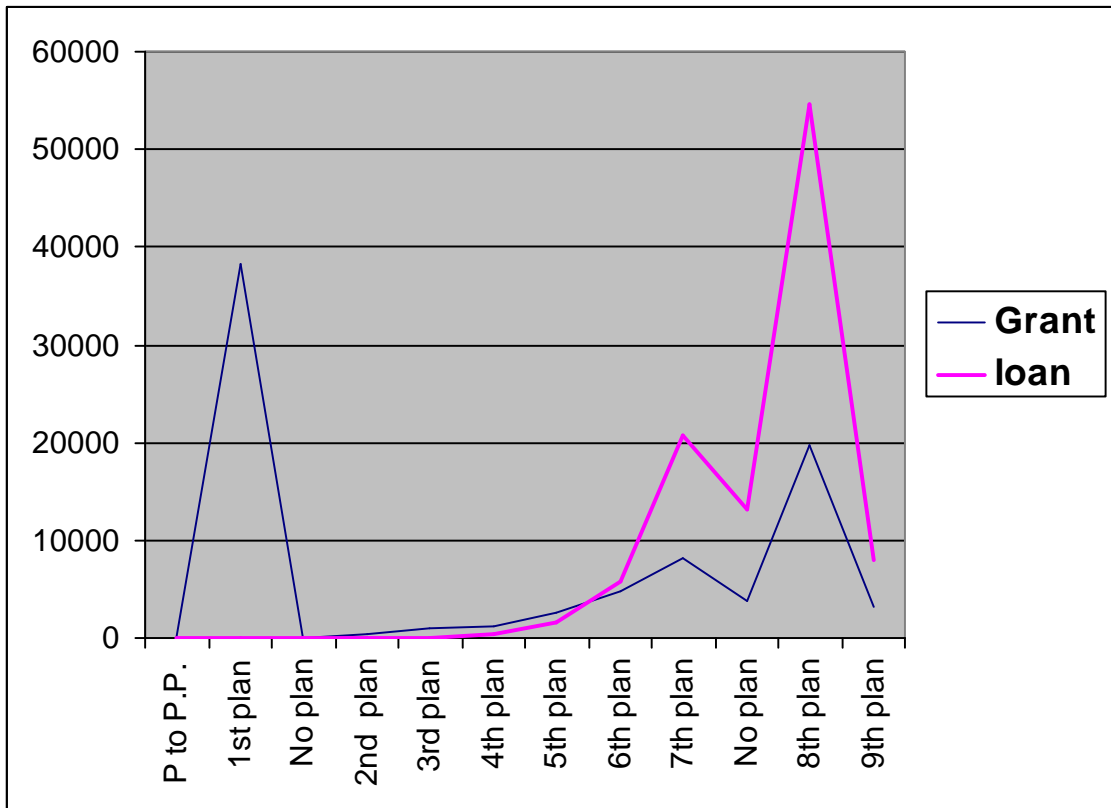
Table-6
Nepalese Total Aid Receipts:
(NRs. In million)

Plan period	Foreign aid		Total	Grant/loan ratio
	Grant	Loan		
Period to plan period	95.00	-	95.00	4.17
1 st plan (1956-61)	38,209.00	-	382.90	4.17
No plan (1961-62)	70.60	-	478.30	4.17
2 nd plan (1962-65)	459.30	19.00	919.20	4.00
3 rd plan (1965-70)	905.30	13.90	1,509.10	4.08
4 th plan (1970-75)	1,198.50	310.60	4,240.80	3.31
5 th plan (1975 -80)	2,623.70	1,617.10	10,585.20	2.61
6 th plan (1980-85)	4,752.30	5,832.90	28,839.50	1.91
7 th plan (1985-90)	8,190.80	20,648.70	16,882.20	28:72
No plan (1990-92)	3,808.60	13,073.60	7,431.00	0.97
8 th plan (1992-97)	19,761.00	54,549.00	11,546.00	26:74
9 th plan (1997-2002)	3,259.50	7,895.10	11,154.60	29:71

(Source-Economic Survey, MOF ,Various Issues)

Fig-5.2.1

Nepalese total aid receipts (1st plan to 9th plan)



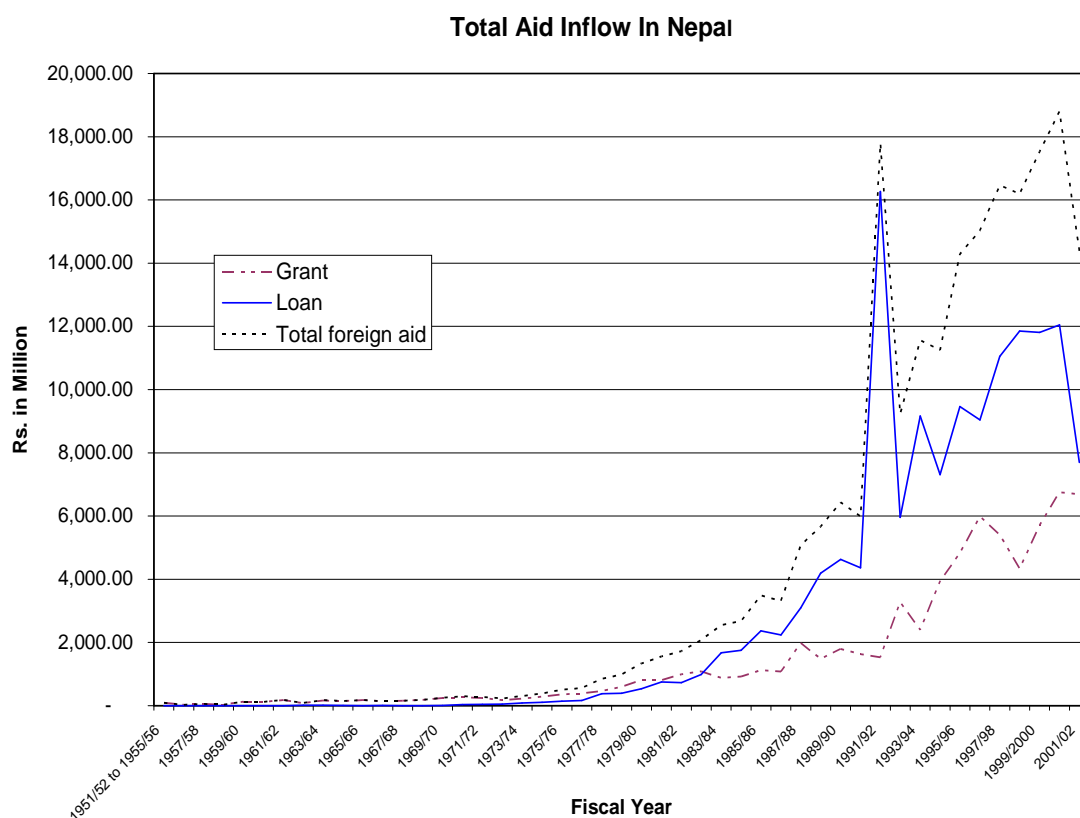
5.3 Trend of foreign aid in Nepal

The point four programs sign by Nepal and USA on January 1951 that was Nepal's the first experience of foreign assistances. The American assisted Rs 22000 under the point four programs and after followed by India in October in the same year. After that the flow of foreign aid increases continuously. And overall period of last 52 years (1950/51 to 2001/ 02) has been receiving a total aid Rs 220619.3 million, which is in appendix - table – 5.3.

The figure shows that trend of foreign aid is irregularly up and down from 1971/72. The volume of aid has been gradually increasing from

1972/73. In 1986/87 volume of aid has been decreasing and after that it has an increasing trend.

Fig-5.3



5.4 Sectoral Distribution of Foreign Aid

In many countries including Nepal, foreign aid is considered necessary as a motivator and catalyst for development. Foreign aid covers all the sectors of the Nepalese economy that ranges from transport and communication to agriculture and industry and to social services sectors as well. The largest share of foreign aid had been allocated to develop transport, power and communication in early plans periods. From the beginning of the fourth plan, priority was shifted towards agriculture with main focus on irrigation.

Table – 5.4, shows that foreign aid is distributed to agriculture, transport, industry, social services, and others. Before 1984/85, the share of foreign aid for agriculture irrigation, industry had been increased. After the period, the share of these sectors has been changeable. It has been highly utilized in transport, power and communication and social services in fiscal year 1999/2000 which has continued to receive a large amount. In percentage basis, there is fluctuation in these sectors from the beginning. Industry and commerce have received very low amount of foreign aid. Since, last five years sectoral distribution of aid is increasing gradually in social services.

The table 5.4 shows that foreign aid has been directed mostly toward transport, power and communication sectors. On average 43.1 percent of the total aid has been utilized in these sectors during the period 1988/89 to 2002/03. Agriculture, irrigation and forestry were the next in priority in all years. Industry and commerce and social services have been given high priority in subsequent years.

Table - 7

Sectorial Distribution Analysis of Foreign Aid

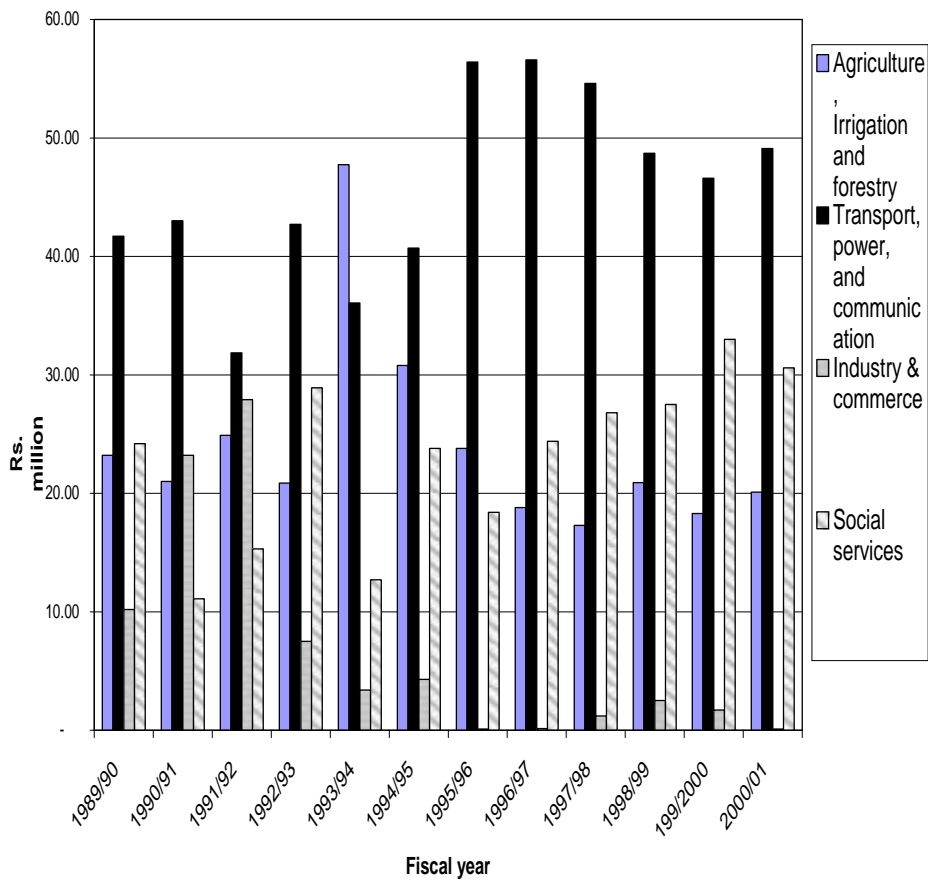
Fiscal year	Total aid	Agriculture, Irrigation and forestry		Transport, power, and communication		Industry & commerce		Social services		others	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1989/90	6427.1	1489.7	23.2	2679.1	41.7	656.6	10.2	1555.8	24.2	45.9	0.7
1990/91	5990.0	1253.2	21.0	2575.6	43.0	1390.9	23.2	667.9	11.1	102.4	1.7
1991/92	7800.4	1945.4	24.9	2485.1	31.9	2174.3	27.9	1191.6	15.3	4.0	0.1
1992/93	9235.6	1927.4	20.9	3939.6	42.7	696.9	7.5	2667.6	28.9	4.1	0.0
1993/94	11557.2	5519.1	47.8	4169.4	36.1	389.9	3.4	1468.6	12.7	10.1	0.1
1994/95	11249.4	3462.4	30.8	4574.9	40.7	480.3	4.3	2680.1	23.8	51.7	0.5
1995/96	14289.0	3399.6	23.8	852.7	56.4	15.9	0.1	2636.2	18.4	184.6	1.3
1996/97	15031.9	2827.5	18.8	8504.5	56.6	23.4	0.2	3665.0	24.4	11.5	0.1
1997/98	16457.1	2852.1	17.3	8989.6	54.6	198.1	1.2	4417.3	26.8		
1998/99	16189.0	3383.9	20.9	7892.2	48.7	404.7	2.5	4446.4	27.5	61.8	0.4
1999/2000	17523.9	3209.8	18.3	8159.3	46.6	298.5	1.7	5794.0	33.0	62.3	0.4
2000/01	18291.6	3774.8	20.6	9235.1	49.1	19.9	0.1	5253.7	30.6	8.1	0.0
2001/02	14384.8	3285.8	22.8	5905.7	41.1	368.7	2.6	4685.8	32.6	138.8	1.0
2002/03	15885.5	2177.9	13.7	7774.1	48.9	401.2	2.5	5321.0	33.5	211.3	1.3
Total	180312.5	40508.6	22.5	77736.9	43.1	7519.3	4.2	46451.0	25.8	896.6	0.5

(Source - Economic Survey, MOF, Various Issues)

It clearly shows that donors are more interested in helping to build infrastructure. It also shows the donors interest for the productive sector development

Table – 5.4

Distribution of foreign aid by major sectors (1989/90 – 2000/01)



In fig. 5.4 shows that transport, power and communication has been given the huge priority in 1995/96 to 1997/98 . Agriculture has been given more concentration in 1993/94.

During the first plan, Nepal’s development expenditure has been fully funded from foreign aid. The socio- economic sectors succeeded in attracting large amount of foreign aid in Nepal but, it can not be much succeeded in Nepalese context.

CHAPTER VI

INDIAN AID AND DEVELOPMENT OF OVERHEAD FACILITIES

India has been continuously extending cooperation to Nepal in various sectors such as road, industries, basic infrastructural development, education and health. To define the specific areas of entire Indian assistances is not within the scope of this thesis paper. However, in this chapter the researcher has endeavored to glimpse on the Indian aid and its role in the development of overhead facilities.

6.1 Transportation

Indian assistances in the development of transportation in Nepal have covered the road, air field and the railways. Transportation is major requirement for economic development of a nation. Since 1951, his majesty the government has given the highest priority to the development of transport which is a fundamental pre- requirement for any economic development.

6.1.1 Road

One of the major Indian assistances for transportation is construction of major portion of Mahendra Rajmarg (East–West highway) which is the backbone of Nepalese economy. Nepal has an area of about 141,181 square meters. Its length from east to west is 800 Km in average and 200 to 240 Km from north to south.

6.1.1.1 Mahendra Rajmarg (East-West highway)

Mahendra Rajmarg is the cornerstone of Nepal's road transportation which is the only one highway linking Mechi with Mahakali. An

agreement was signed between the governments of India and Nepal on 1966 to provide financial assistance for the completion of the highway. India assisted to construct three major section of the highway. India provided financial assistance worth NRs 220 million of Indian currency for the construction of eastern portion of the highway

Similarly, after an agreement signed in 1972, it provided IRs. 250.8 million for the construction of Butwal–Nepalgunj sector of the highway. And the third aid package was for the construction of Kohalpur – Mahakali sector of the highway. This portion was constructed on turnkey basis. India also agreed to provide assistance of NRs. 928 million for the construction of 22 bridges of this section.

6.1.1.2 Tribhuvan Rajpath (Tribhuvan Highway)

The 116 KM long Tribhuvan Rajpath connects Bhainse of Makawanpur district with Thankot of Kathmandu district. Raxaul, the Indian boarder is connected with Bhainse by 81 KM long road running through the southern plain.

The construction of Tribhuvan Rajpath was started in 1953 and completed in 1956 and then handed over to HMG/N. The cost of road on completion was Irs. 564.84 Lakh. From commercial point of view, this is the vital road of Nepal because it has largely increased the volume of passenger, traffic, internal and external trade and employment opportunities in Nepal and also saved time and energy. The highway has contributed for promoting social and regional contact between Middle mountain including Kathmandu valley with the eastern Tarai region. It has given the significant contribution to Nepal's economic development.

6.1.1.3 Kakrawa-Lumbini Road

The eight kilometer road constructed by Indo Nepalese cooperation, links Kakrawa, Indian boarder with Lumbini, the birth places of lord Buddha. The road was constructed in 1957/58 at the cost of IRs. 0.420 Million which has facilitated the tourist movement in Nepal.

6.1.1.4 Road Constructed by the Regional Transport Organization

In 1958, the Government of Nepal, USA and India entered in to a Tri-parties agreement for the development of infrastructural facilities of Nepal. An agency by the name – **The Regional Transport Organization** consisting of representatives of the three Governments was set up to carry out the program. The following eight roads were constructed:

Table-8
Roads constructed with the help of India

S.No.	Roads	Length (KM)
1	Raxaul – Bhainse	74
2	Sunauli – Pokhara	210
3	Kathmandu – Trishuli	69
4	Nepalgunj –Surkhat	114
5	Dharan – Dhankuta	150
6	Krishananagar – Puthan	129
7	Dhangari- Dandeldhura	241

(Source- ICM)

The program was finally terminated on February 1963. Till this time, 236 K.M. of Jeepable tracks and 320 K.M. of motorable road were constructed in different areas. The Government of India's share in the total expenditure of this project was IRs. 0.99 million.

6.1.1.5 Kathmandu – Trishuli Road

It is one of those roads which was included under the “regional transport organization” project. The lack of access upto Trishuli Hydropower project created the necessity of this road. Since the organization was terminated on July 10, 1963 AD, HMG/N and GOI exchanged the letter whereby the later undertook responsibility of the maintenance and improvement of this road. The 69 K.M. road starts from Balaju of Kathmandu city and ends at Trishuli Bazaar, Nuwakot. Till 31st march 1972, IRs. 70 Lakh had been spent on its maintenance. The data regarding the maintenance expenses later on is not available.

Sanauli – Bhairahwa, Butawal- Tansen, Synga and then end to Pokhara, these are the most important roads which have created remarkable opportunities for the economic development of Nepal. It has increased the volume of trade, Industry, Agriculture and Tourism and also saved time and energy. This road has a great importance for promoting the social and regional contact between the mid mountainous region with the mid western Terai region.

6.1.2 Airport

Due to rugged topography, it is difficult to establish link in all the parts of the country through the road. So, air service has strategic importance in transportation sector of Nepal. India was the first country to provide assistance for the construction of airport at Nepal. At the first request of HMG/N, the GOI willingly forwarded her assistance in a spirit of advantage of two neighboring nation jointly starting on the march to wards modernity and development .A comprehensive program was drawn up for the construction of airfield at Bhairahawa, Janakpur, Simara, Biratnagar and Pokhara in 1964. In 1954, Gaucher airfield was first

developed in to a permanent airport. The weather airport equipments with hard surface runway terminal building and ancillary facilities were set up. India also agreed to provide various modern runways at that airport at a cost of 10 million Indian rupees. Pokhara airport was provided with additional facilities with terminal building and nine staff quarters etc.. In 1968, the Government of India agreed to provide further assistance with 1.3 million Indian Rupees for the development Biratnagar airport

6.1.3 Railways

It is very difficult to construct railways in Nepal, but India has assisted in developing railways also, especially, in plain areas. The Government of India renovated and upgraded narrow rail track of Janakpur railways. The total aid package amounted NRs. 144 million. India upgraded existing 53 kilometer narrow gange rail track of Janakpur-Jaynagar railway and provided four dais locomotives and eighteen coaches. Similarly, India has constructed a railway track Birgunj-Raxaul, which connects Birgunj with Raxaul through land container department (ICD). The country can take maximum advantage of the depot's trade potentiality. The ICD came in to operation from July 16, 2004.

6.2 Communication

Indian collaboration with Nepal in the postal field and telecommunication dates back to the 19th Century. The GOI had provided funds to the country when an Indian post office was opened in 1816 during the period of British Residency (Poudal, 1980). The general post office building was constructed in Kathmandu under the Indian cooperation program at cost of IRs 1.2 million and foreign post office building at the cost of IRs 0.765 million. After Nepal became a member of the Universal Postal Union,

Indian adviser subsequently helped the organization to develop postal system in Nepal at both the internal and external levels.

In the field of telecommunication, a radio telephone link was established between Kathmandu and New Delhi in 1950. In cooperation with the USA, a radio telegraph facility was established between Kathmandu and New Delhi and a radio telephone between Kathmandu and Kolkata at the cost of 0.9580 million Indian Rupees. Similarly, at the request of HMG/N the GOI agreed on June 24, 1968 to establish a tele-printer circuit link between Kathmandu and Kolkata. The cost of project was expected to be 0.3 million Indian Rupees, which was executed through the Post and Telegraph Department of India.

As a continuity of assistance in the field, an aid amounting to IRs 1.2 million was provided for the establishment a 5 KW radio-telephone link between Kathmandu and New Delhi along with the material for standby power supply transmission line, antenna and local lens at Kathmandu for extending the radio telephone circuit from the wireless station to central telephone exchange. The GOI arranged the execution of the project through the Director General of P&T, India which was handed over to HMG/N after it was completed.

The government of India agreed on March 13, 1972, to provide IRs 5.2 million for the establishment of telephone exchange in Biratnagar, Janakpur and Jhapa. The central Engineering Division of HMG/N executed the building component of the project. The telecommunication component was executed under the support of the telecommunications boards set up by HMG/N for the development of telecommunication facilities of Nepal.

Currently, India is implementing a project for setting up an *optical fiber cable* (OFC) based information super highway (ISH) on the East west Mahendra Highway. The estimated cost of this project is NRs 1,344 million provided by India to Nepal as a grant.

6.3 Water Resources

Nepal is rich in water resources. India's role in the utilization of Nepalese water resources, mainly hydro electricity, is always in debate. However, India's aid has helped us a lot in its proper utilization.

6.3.1 Drinking Water

Indian aid in the field of drinking water had been chanelized through Canal and Drinking Water Supply Development Board of HMG/N. Notably; twenty-five schemes had been completed so far at the cost of 43 Lakh Indian Rupees.

Following is a short list of Indian aid projects that has been finalized till now:

- 405 hand-pumps all over the country: two hundred and sixty hand pumps in terai, 40 in Kathmandu valley, one hand pump in Mohottari, fifty hand pumps in Kailali, four hand pumps in Parsa district, and additional fifty hand pump in valley.
- Pokhara water work.
- Panchmane water work.
- Amlekhgunj water work.
- Satang-Darang water work.
- Phalebash water work.
- Karki-manthali water work.
- Balambu Water works near Matatirtha, Kathmandu.

These projects were implemented through a board known as canals and drinking water supply development board which was constituted by HMG/N under the Development Board Act, 2013 (Bikas Samiti Ain, 2013). The director of Indian aid mission was adviser of the board.

6.3.2 Irrigation

Indian assistance in irrigation sector was started with the construction of Koshi and Gandaki barrages. Beside that, there are several instances in which India has provided assistantship in the field of irrigation. Nepal has relative abundance of fresh water which gives rise to the comparative advantage in both irrigation and hydro-power. Irrigation is an important factor of the economic development of Nepal and pushes towards the modernization.

In 1954, the government of India agreed to provide a grant of IRs 5.0 million to Nepal for the period of four years for minor irrigation and the minor water supply projects. Some irrigation projects were:

Table -9
Some irrigation projects constructed with the help of Indian aid

S.No.	Scheme	Location
1	Tikabhairab canal	Kathmandu
2	Mahadeo Khola	Dhading
3	BudhaNikanth canal	Kathmandu
4	Ahe Khola kulo	Sindhupalchok district
5	Lower Vijayapur Project	Pokhara valley
6	Fewatal Bund	Pokhara valley
7	Baglung irrigation Project	Baglung district
8	Jhaj canal	Bara, Parsa & Rauthat district
9	Kutti	Sapatari district
10	Dunduwa	Banke district
11	Khotkub Khola	Kathmandu valley
12	Godawori khola	Kathmandu
13	Bosan khola	Kathmandu
14	Handinath	Mahotari district
15	Manusmara	Sarlahi & Rauthat district
16	Tinao project	pathi- majhkhand district

(Source: IAM, 1966)

These projects were also implemented through a board known as canal and drinking water supply development board.

6.3.3 Hydro-power

Hydro-electric power is the main source of energy in Nepal. The three rivers namely Koshi, Gandaki and Karnali are major contributors, which provide enormous potentiality to generate the hydropower of Nepal. Theoretically, Nepal's hydro-power potentiality is estimated to be 83,000 MW, but technically 42,000 MW is estimated to be viable. It could be the major source of income for future generations. India has given her assistance from very beginning in this field. Some major projects assisted by India are as follows:

6.3.3.1 Trishuli Hydro-power Project

The Trishuli River rises in Tibet and flows 2,600 sq kilometers from the Himalayas before entering the Nepalese territory. The potentialities for hydro power development on such a river system are immense. The Trishuli Hydro project designed with a capacity of 21000 KW had been built under the Indian cooperation program at a cost of 128.8 million Indian rupees, and was completed in 1971. It helped to establish the small scaled industries in Kathmandu and Hetauda.

6.3.3.2 Koshi Hydro-power Project

Koshi is the third biggest Himalayan river, which flows into Brahmaputra. The Koshi river covers 36,780 sq kilometers out of which 366,139 kilometers are under glacier. The power house in the eastern Koshi canal has been designed to produce 20,000 Kw of which Nepal's share would be 10,000 Kw. This first joint venture project of India and

Nepal was originally conceived as a flood control scheme for the protection of people of Bihar, India.

6.3.3.3 Devighat Hydro-electric Project

Devighat hydro-electricity project was implemented to reuse the water of the Trishuli hydro-electric project. The project is located in Nuwakot district. In this project, 14,100 Kw electricity is generated by using three generators. Experts from Indian government visited the project site and studied all the relevant details of the project proposal. Then its present shape was formulated. The link road connecting from Kathmandu to Trishuli road was improved. Staff quarters, water supply system, dispensary, school and other required facilities were also constructed in the project site. The project was completed in 1983 with the cost of 290 million Indian Rupees. India provided her assistance in rural electrification project in Nuwakot.

6.3.3.4 The Phusra Khola Project

A hydro electricity station at Pokhara having four generators of 250 Kw were installed in the power house to generate 1000 Kw electricity under the Indian aid at Phusra khola, Kaski. It has provided the substantial portion of electricity for feeding small scale industry in pokhara.

6.4. Education

Next major sector where Indian aid is provided in huge amount is education. Indian aid in this sector is provided not only in monetary form, but also in other forms like training and development. Indian aid in educational sector is discussed below under various sub-headings.

6.4.1 Indian aid to Tribhuvan University

Indian assistance to Nepal in the field of education started with the establishment of Tribhuvan University. Since 1960, India provided Rs 7.5 million for constructing various building at Tribhuvan university complex, Kirtipur, Kathmandu. These were:

- Building of the department of chemistry, botany and zoology.
- University library.
- Student hostel to provide accommodation for 50 post graduate students.
- Girl hostel to provide accommodation for the 80 girl-students besides providing common facilities like dining hall and kitchen.
- Staff quarters: altogether 24 staff quarters were constructed.
- Stadium
- 25 research scholar quarters.
- Ghandi bhawan
- Building for student club at botany block.
- Rose garden – developed as a part of the T.U. library and Gandhi bhawan.
- The development of Tribhuvan University equivalent to the sum of IRs. 1.1 million for the construction of library building and setting up of a gas plant in the science block and furniture and fixture in the library.
- The modern science block of Tri-Chandra campus was constructed.

6.4.2 Scholarship Programs

India had been providing scholarship program to Nepalese student pursuing higher studies in India. Under the Colombo plan, Nepalese students had gone to India for higher studies when post graduate and

higher facilities were not in possible in Nepal. Under the Colombo plan, India had been providing intense opportunity to Nepalese students to study in Medicine, Engineering, Economics and Business Management including various knowledge, especially, when Nepal was need appropriate human resources.

6.4.2.1 Scholarship for Undergraduate Courses

Government of India provides a total of 50 scholarship seats every year to Nepalese students to study various engineering colleges in India, through the Indian Embassy in Kathmandu. Five seats each are allotted to Nepalese students for students for studying B.Sc, BVSc, and B. Pharm. Each year ten scholarships are provided to Nepalese students to undertake course like BBA, BSc, LLB and Journalism under general cultural scholarship and five seats have been allotted for music and fine arts as a major course.

6.4.2.2 Scholarship for Postgraduate Course

Twenty-five scholarships are awarded to Nepalese students every year for the post-graduate courses in various faculties like: MBA, MCA, MA, are under the silver jubilee scholarship scheme. Five scholarships award under *the Nepal aid fund scheme* are also provided for M.Sc. agriculture course every year. The selection criterion is on the basis of academic result and performance through interviews conducted by the embassy. And, India also provides the Fellowship and the scholarship to Nepalese candidates under the doctoral/post doctoral studies in various fields.

6.4.2.3 Golden Jubilee Scholarship Scheme

To mark the 50 years of economic cooperation between India and Nepal, a new scholarship scheme called “Golden jubilee scholarship” has been

announced from academic year 2002/03. Under this scheme, 50 scholarships are awarded to selected Nepalese students for following under graduate courses in Nepal:

- ✓ 10 scholarship are being awarded for MBBS/BDS (NRs 3,000 per month),
- ✓ 10 scholarship are for BE/B.Tech. course (NRs 3000 per month),
- ✓ 30 sets BSc and other discipline (NRs 2,000 per month)
- ✓ 25 of the scholarship are reserved for candidates for educationally disadvantaged districts.

6.4.2.4 Mahatma Gandhi Scholarship Scheme for +2 Courses

The embassy of India has introduced a new scholarship scheme “Mahatma Gandhi scholarship” to Nepalese student for +2 courses within Nepal from academic year 2003/04. Around 500 scholarships containing 500 Nepalese rupees each per month will be awarded to meritorious Nepalese students.

6.4.3 Engineering Education

GOI and HMG/N signed an agreement for establishing engineering college in Kathmandu on August 31, 1960 and provided the overall aid funds with the assistance to the extent of 0.850 million Indian Rupees. The primary objectives to establish the engineering college were:

- To provide training for overseers, draftsman etc. in Kathmandu which would meet demand for engineering personnel in Nepal.
- To look after maintenance of the school for a period five years.
- Tribhuvan Adarsha Vidyalaya received Rs.0.35 million to construct a new school building, 8 teachers quarters and a

dispensary in Pharping, Kathmandu and also provided two teachers to serve the school in beginning.

- India also provided assistance for Adarash Balika Mahavidyalaya, Biratnagar and to the Institute of forestry under the Tribhuvan University for the construction of library complex. The GOI provided financial assistance to purchase book worth 600,000 Nepalese rupees for various institutes like Tribhuvan University, Kathmandu University, various colleges, school and libraries.

6.4.4 Distance Education

The Indian embassy at Kathmandu is facilitating distance education through Indira Gandhi National Open University (IGNOU). The IGNOU study center has already been established at international computer counseling center at Dharan, Kathmandu and Pokhara.

6.4.5 Training of Journalists

The embassy of India has been sponsoring training of Nepalese journalists in diploma course at the Indian institute of mass communication since 1996.

6.4.6 Training for Senior and Middle Level Executives

India has provided a comprehensive and integrated training to in-service candidates of HMG/N and public sector nominees sponsored by HMG/N. The total 50 seats have been allotted under technical cooperation scheme (TCS) of the Colombo plan and 30 seats under Indian technical and economic cooperation (ITEC).

Under the Colombo plan following courses were covered:

- Agriculture
- Audit/account
- Computer
- Education
- Finance
- Human resource development
- Journalism
- Parliamentary affairs
- Public administration
- Planning –rural development
- Science and technology-statistics
- Surface transport- textiles
- Urban development
- Water resources

Similarly, area covered under ITEC scheme are: Auditing, accountancy, banking and finance, computer, maintenance of bio-chemical equipment, diplomacy, food processing technology, foreign trade, man power management, parliamentary studies, rural development and poultry framing and small scale industries.

6.5 Health

One major example of Indian assistance in the field of health is the development of the Paropakar Shree Panch Indra Rajya Laxmi Devi Maternity and Child Welfare Center. The facilities developed by Indian aid were the construction of ward, OPD, clinics, laboratories, X-ray unit, mortuary equipment medicines, resident doctor's quarters and research study center, neonatal intensive care unit, maternal intensive care unit. In initial phase, the services were provided by Indian doctors and nurses.

Total assistance provided for the central was Nepalese rupees 1.1 million dated 1959. In 1967, for the development of hospitals and health-posts in various part of Nepal, twenty-five bed hospital at Rajbiraj and Dhangadhi, fifteen-bed hospital in Taulihawa, Gulmi and Illam, health center in Terathum and six health posts in Narayani zone were constructed with those funds.

India agreed to provide 12.5 million rupees or the period of five years for the control of Goiter, which was widely prevalent in the northern areas of Nepal. The amount was used:

- To meet the cost of the iodination of salt,
- Transportation by rail, road and air,
- Packing, stamping and labeling of bags,
- Expenditure on salaries and allowances of liaison officer and staff employed
- Specifically for the distribution of iodized salt in inaccessible areas, and
- Subsidizing the retail prices of iodized salt not exceeding 50 paisa per mana.

Major contribution of Indian assistance for renovating Bir Hospital and BP Koirala Institute of Health Science (BPKIHS) has been remarkable. Initially, India assisted to Bir Hospital for the construction of OPD complex and nuclear imaging medicine center and now is providing assistance for emergency and trauma center in Bir Hospital.

Similarly, India assisted for the BPKIHS, which is the one of the biggest projects in the history of Indian medical cooperation with Nepal. It is not only health services but also providing doctors. Indian assistance for health sectors was also providing with Ultra-sonography equipment to

police hospital and Tribhuvan University Teaching Hospital. India provided post graduate training facilities for 57 Nepalese doctors at Indian medical institution, the agreement of which was signed on September 12, 2002.

6.6 Agriculture and Forestry

Agriculture and forestry are the backbone of Nepalese economy. Although it covers the 58 percent of GDP, it is always shattered from all other sectors. India has assisted in development of agriculture in Nepal since 1960. According to the agreement of March 1973, the government of India assisted 1.593 million Indian Rupees for purchase and distribution of agriculture seeds, fruit seeds or plants.

6.6.1 Horticulture

The government of India assisted to start fourteen horticulture stations in various areas where trial production of various plants was taken up on an experimental basis. Horticulture yields much greater income per unit area than ordinary agriculture plants. Through this scheme, the production of high quality fruits and vegetables was made possible. A potato development center was established at Kritipur. India assisted IRs 4.4 million for implementing new scheme of horticulture and intensive horticulture development work. And also, free technical advice and plant material layout was given. Subsidy on the purchase of fertilizer tools, plants implementation and insecticides was given.

6.6.2 Forestry

A forest research institute was constructed at Hetauda under the Indian cooperation program. In 1954, the inspector general of forest and in 1956, the director of forest education, Forest institute of the GOI visited Nepal

for preparing a report on the best way of utilizing and developing the forest sources of Nepal. On 31 August 1960, the government of Nepal and the government of India signed an agreement for the development of forestry in Nepal at a cost of 1.5 million IRs and enlarged the fund on 1961 with 3.1 million. Building was constructed for Nepal Forestry Institute at Hatauda at a cost of 10 million IRs and the services of Indian teachers were made available for imparting training in forestry at the institute, and also assisted for forestry museum in the institute by India.

6.6.3 Veterinary Services

Indian cooperation in veterinary started in 1960 for establishing a veterinary research laboratory in Kathmandu and dispensaries in other parts of the country. A rinderpest eradication program was launched and successfully completed. Indian Collaboration with FAO, vaccination program of cattle against rinderpest was carried out in Nepal. With the help of this program 4 million cattle in Terai were immunized against rinderpest. A central veterinary hospital cum cattle breeding center was set up. India provided 2.5 million IRs for establishing veterinary facilities in Nepal. The Central Veterinary Laboratory produced the different types of vaccines for control of rinderpest like; hemorrhagic, septicemia and fowl pox. After successful result of such a program, India extended the assistance for initial stages of 2.6 million IRs and after 1.0 million Indian Rupees for veterinary scheme.

6.7 Urban Development

At requested of Nepal, India agreed to provide the assistance 0.15 million IRs for preliminary ground survey in Pokhara for the comprehensive master plan. India provided NRs 74 million in 1994 increasing the capacity of the Kathmandu municipality in garbage collection & Removal

and traffic management system for Kathmandu and also help to clearing up of the capital city for environment management. Cost of Nepalese rupees 6.4 million for systematic geological mapping of important minerals in different parts of the country was formulated under the Indo-Nepal agreement signed in November 17, 1961.

6.8 Community Development

Various programs of economic and social development of rural areas by increasing food and agriculture production, development of horticulture, improvement of livestock, provision of health and education facilities and improvement of village communication was taken up in 1959. India has executed two agreements with His Majesty's Government of Nepal to give an aid of 28.0 million Indian rupees for village development program and local development works.

Under the village development program, 13 village development blocks and three intensive valley development schemes at Pokhara, Lalitpur and Palung were covered in which India committed to aid 40.0 million Indian Rupees. A local development work on self-help basis in areas not covered by the village development blocks was also taken up in the assistance of GOI. India gave as assistance a sum of Nepalese Rupees 3.2 million towards the funds of the local development works broadly.

India also serves Nepal through its aid during the period of natural disaster. For the victims of natural disaster like flood, earthquake, etc.. During such period, India had helped in several modalities. Table 6.3 shows the Indian aid intended to serve the community during such period:

Table – 10**Indian assistances in Nepal (2051 to 2061)**

Year	Programs	Aid amount (In NRs.)
2051	Leprosy control program + Badipidit program	40,000,000
2052	Pancheshower project + Leprosy control program	16,880,000
2053	Leprosy control program	8,000,000
2054	Leprosy control program + Pancheshower project +Iodize salt	28,825,600
2055	Leprosy control program	133,187,232
2056	-Gap-	No aid
2057	Lalbakraiya river control program+ Leprosy control program	48,003,880
2058	Lalbakriya river control program	198,00,000
2059	Lalbakriya river control program	4,589,000
2060	Bagmati river control program	42,600,000
2061	Bagmati river control program	54,000,000
2062	Bagmati river control program + Fertilizer program	1,764,413,469

(Source – MOF: 2051-2062)

Indian assistances have covered the every field of development in Nepal. During the period 2051 to 2062, India has assisted leprosy control and river control programs. India basically assisted, in 2051 to 2054, for leprosy control. The year 2055 was an aid-gap period. After 2056, fund was for river control programs. We can see last ten years assistance programs in table – 6.3. This type of assistances is very useful for developing country like ours.

6.9 Miscellaneous

In addition to the aid programs discussed above, India has assisted Nepal in several other fields. Some of them can be illustrated as follows:

6.9.1 Archaeology

Under the India Nepal cooperation, pre- historical survey of Kathmandu valley and excavation at Tilaurakot and Kodan - near the Taulihawa, near the Lumbini were conducted. In both Kathmandu and Lumbini, the work was done under the guidance of an Indian professor.

6.9.2 Lumbini Museum

The government of India agreed to assist for the development of Lumbini. Museum building at Lumbini was completed in 1990 at the cost of NRs 40 million, and valuable books are presented to the Lumbini library (Jha, 1998). And India also trained the employees of Lumbini museum. A permanent exhibition depicting the life and work of Buddha, the original artifacts and manuscripts all over the India has been gifted by government of India to the museum.

6.9.3 Krishna Mandir (Temple) Conservation Project

In March 1998, the government of India provided the financial assistance of NRs 375 thousand to cover the costs of technical inputs and materials in connection with the Krishna Mandir conservation project at the Patan .This Mandir is one of the monuments in the world heritage list of UNESCO (Jha 1998).

6.9.4 Welfare of Ex-servicemen from India

The government of India and the Indian army headquarters are both concerned with the welfare needs of ex-service men and their dependents. Priority has been given to the settlement of ex-serviceman in Nepal. The welfare activities can broadly divided into fields of education, medical

training, rehabilitation, vocational training, financial assistance and miscellaneous Welfare activities.

Thus, in this chapter, an account of Indian aid in various sectors of Nepalese economy has been outlined. In addition to the aid programs described above, there are enumerable assistance programs conducted at non-governmental level which are out of the scope of this thesis.

CHAPTER VII

SOCIAL AND ECONOMIC IMPACT OF INDIAN AID

India is the closest neighboring nation which has always supported the economic and social development of Nepal. Indian aid provided in the sectors like education, health, and community development has influenced Nepalese society to a great extent. On the other hand, the same provided in other sectors like hydropower, transportation, agriculture, urbanization, etc. directly affects the Nepalese economy. As every coin has two sides, Indian aid given to Nepal has both positive and negative impact towards its social and economic environment.

It is not easy an easy task to quantify the social and economic impact aid programs. The appropriateness of the programs aid is dependent upon the effectiveness in the society and, consequently, upon the overall economy. Whatsoever may be the nature of impact, such social impacts can not be measured. Owing to this difficulty, the researcher has used descriptive method for impact assessment.

7.1 Social Impact Analysis

In the initial stage, India supported by investing in large scale infrastructure development projects. But, now a day, she has shifted her focus to both larger and smaller projects which directly benefit the people. These include construction of school buildings, donation of books, ambulances, renovation of temples, scholarship scholars/students, social welfare, irrigation and drinking water and local community development etc. Indian aid to Nepal has built-in-quality of wider coverage of Nepalese people. India has diversified her cooperation in Nepal mainly focusing on mega projects in past and grassroots small

projects at present. A substantial numbers of projects are currently in active. A number of health centers, polytechnics centers, health post are being set up in different parts of Nepal.

Indian aid provided in the sectors like education, health, and community development has a positive impact towards Nepalese society. Indian assistance advanced towards these sectors has been proved instrumental for upgrading Nepalese society.

The impact of Indian aid towards Nepalese society is enumerated below:

1. India has aided educational sector of Nepal in all the fronts. From primary education to the post graduate and doctoral education, Indian aid has helped to upgrade education level of Nepalese society. Literacy rate goes up by improved education and Indian aid aims at improving education standard of Nepalese people. (see appendix-4)
2. In the initial days, Tribhuvan University was the only university where Nepalese people could obtain higher education. This university is the major beneficiary of Indian aid in education sector. With able support of Indian aid, this university is in present state of providing higher education.
3. India has provided scholarships in different academic fields. Indian assistance to Nepal particularly in the field of education consists of good human resource, which has a high value. Such scholarship programs have constructed a pool of qualified human resource which has fulfilled the demand human resource in Nepalese society.

4. Expansion of PSPIRLDM & child welfare center was the major assistance from India. She developed various units for Nepalese people. Nepalese patients are benefiting from that project.
5. After the expansion of Bir hospital and establishment of several health posts, health center and hospitals, Nepalese people are receiving good medication from those health institutes. This has uplifted the health condition of Nepalese people. Such programs have benefited Nepalese people with un-comparable advantages. Nepal has achieved significant improvement in infant mortality rate, maternal mortality rate, life expectancy, and other demographic variables. Indian aid is major contributor for that.(see appendix-4)
6. Indian aid on health, education, Human resource development, and hydropower development is linked with the Nepal's need and priority projects, which are really profitable and useful for development of Nepal. Positive socio-economic impact can be expected from large projects such as East-west highway, hydro-electric project, Bir hospital expansion project, Man Mohan memorial polytechnic project.
7. Nepalese communication service is also lifted by Indian aid. Recent aid provided to install optical fiber has helped Nepalese society to be in touch with present information technology world.

Nevertheless, as every coin has two sides, negative impacts are also there raised by the Indian aid. However, the quantum of such negative impacts is very low. Excessive flow of aid makes a country dependent on foreigners. In chapter 6, we saw that major roads are constructed with Indian aid, major educational institutions are raised by Indian, health

sector is aided by India. This list elongates if we continue to brainstorm. This has increased our dependency over India and other foreign countries. On the other hand, education obtained in India makes scholars lean towards Indian culture and ideology. This creates Indian invasion towards Nepalese culture and beliefs. It is found that Indian aided programs are centered in Tarai and certain lower regions. We can not find Indian aided programs in upper hilly and Himalayan region. This has created unbalance in socio-economic condition on Nepalese people.

Economic Impact Analysis

Nepal and India have similar social outlook like: similar culture, similar religion; both shares the same boarder. Indian aid has been creating productivity, growth and opportunities for poorer sectors by the joint venture industries.

To support the development aspect of Nepal, India has given high priority from health to hydropower and education to human resource development. For implementing economic reforms, India has been lunching various supporting projects like road construction, hydropower projects, health clinic, training programs and so on. Definitely, by the support of India, Nepal has been generating the new economic opportunities.

Some economic impacts created by Indian aid in Nepalese economic are explained below:

1. India-Nepal joint venture enterprises like, Nepal Liver, Colgate Palmolive Nepal, Dabar Nepal are creating employment and income opportunities for Nepalese people. These manufacturing units in Nepal with finished goods being exported to India and

other countries are providing momentum for Nepalese economic development. Such growing units contribute to growth and offer economic opportunities in labor intensive society like ours.

2. Development of transport is major contribution of Indian aid. Definitely, transport is a basic infrastructure of development process. Free movement of raw materials and finished goods is possible only after the development of appropriate transportation mode, and export of Nepalese products to outsiders is facilitated by the development in the transportation. Thus India has a significant role in transport of goods, movement of people and promotion of export.
3. Import export is accelerating the employment opportunity, which generates the high income level. It creates a positive impact in Nepalese society. (See appendix-4)
4. Hydro power development is other major assistance of India which always gives the positive impact in the Nepalese economy. Hydroelectricity and transportation are the major foundation which generates the industrial development. We can not disregard, *the Patan industrial District* developed under the Indian aid program which was the Nepal's first industrial project. It created the employment opportunity to those people who were unskilled and illiterate.
5. Agriculture is the main occupation of Nepalese people. Horticulture development project, veterinary development program are the best gift to Nepal from India. Development of canal, fertilizer subsidy is giving optimistic encouragement to Nepalese people. It definitely gives positive support to agriculture sector.

6. In 1990, India and Nepal jointly committed for the liberalization programs on the global economic scenario. Economic liberalization created an open market to foreign investors. Many joint venture enterprises have been established in Nepal stepping in this liberalization policy. Joint venture commercial banks are good example of this. This has fostered Nepal's image positively in global market for foreign investment. It is a positive impact of Indian programs.

However, Indian aid provided in area like: hydropower is always in controversy. Some Nepalese expert blame that Indian aid in hydropower is driven by Indian self-interest. Indian Investment in Koshi barrage, Gandak agreement, Tanakpur project, etc. are in controversy because some provisions in agreement make India benefit more.

In the current scenario, the government of Nepal has a big challenge to implement new development programs to the targeted people because of limited resources. Without able support of any donor nation, it is not possible.

Nepal has always tried to increase high productivity in both agriculture and non agriculture sector, recovery in manufacturing, export and tourism with also improvement in the domestic and external environment.

While granting aid, India concentrates heavily on good governance. Good governance creates a favorable path to achieve desired outcomes, such as higher per capita income, lower infant mortality, and high literacy. There is no doubt that good governance will deliver basic services to the people. The Indian aid seems to hand over the responsibility to the local communities but there are no clear models found to measure input against

the out put. Indian aid is directed towards the improving the institutional capacity and promoting the good governance.

The success and failure of projects depend upon the understanding of local environment, strengths, weakness of both donors and recipient countries, and also on the designing, implementing, and monitoring of the project. Indian aid is designed to address local needs and national priorities, so, it is definitely making positive social and economic impacts in Nepalese economy.

CHAPTER -VIII

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter includes three major aspects of the study. Firstly, this chapter will summarize the entire research and analysis process. Secondly, conclusions have drawn in line with the objectives of the study. Lastly, recommendations have been made on the basis of analysis.

8. Summary

Under-developed countries like Nepal have limited capital resources, undeveloped technology, low saving, low investment and unskilled human resources. Foreign aid plays a fundamental role in the economic development of Nepal. In the broadest sense, foreign aid means any types of financial and technical assistances provided by foreign countries and international agencies. Nepal has been receiving foreign aid for last five decades. For Nepal, major source of development finance is neighboring country India which is a prominent donor. Among other foreign countries and international agencies, India is a giant neighboring nation, who has supported various development proposes including industry, agriculture, health and education and great contribution in transport; mainly in road, construction, communication.

The construction of the two most important highways of Nepal: East-West Highway (Mahendra Highway) and Tribhuvan Rajpath is the most valuable work of India. Besides that, many other roads have been constructed in Nepal by Indian co-operation. By the contribution of Indian assistance have open up the country for the outsider, move easily from one part to another and have grate facilities to flow of trade and commerce.

Nepal has not been able to develop such basis infrastructure like road, airport, telecommunication, health services at her own. The basic infrastructure is very important in growing developing nation. But development process is not easy to carryout in countries like Nepal because of it geographic elevation. But Indian aid has been proved boon in developing infrastructures in Nepal.

India has assisted in the field of education for development of the Tribhuvan University either financially or technically. India has been offering different fields of education to Nepalese students. Under the socio-economic development schemes, villages and local development communities has given for better priorities and various program has been lunched.

In the field of health, government of India has been assisting through Bir Hospital, BPKIHS Dharan, Police Hospital and PSPIRLDMH and child welfare center. And it has also established many health posts and hospitals in different part of Nepal. In order to control the incidence of disease like goiter, India has provided Rs.12.5 million for five year period by iodized salt through the Salt Trading Corporation.

Indian assistance in the field of agriculture is in huge area. India has provided 4.4 million Indian rupees in the horticulture. By the support of GOI, agriculture sector has new technology, new techniques of farming, which is necessary for meet the targets of development process. In the field of forest industry, India had assisted IRs 3.2 million to construct forestry institute in Hetauda, and, in the past, also had lunch the various programs for development the forest industry in Nepal.

India established "Patan Industrial State" in Patan. Although, it was the first industrial district, but gave big support for initialing industrial development of Nepal.

Indian aid is also available in the field of archeological development. Examples are development museum in Lumbini, program for rejuvenation of Patan Krishna Mandir, etc..

Indian investment in health, education, transport and communication are the directly accelerating the development and reducing the poverty. Most of the Indian aids aim at creating infrastructure facilities, employment opportunity than other development partners.

Nepal has not adequate finance for development progress. So, foreign aid has been providing the financial resource regularly. The government of India has provided active help to Nepal in every field. Other friendly countries are concerned in a particular field of development like; Chinese aid especially has been in the field of road and industry, the US aid has gone in agriculture, education, road and village development and the UK's aid in field of power plant and electricity but India has covered entire fields of development.

India has maintained a steady position of being on the top of the list of donors since 1976/77 except in 1978/79 when it slid down to second position. There were interesting fluctuations in the list of the donor nations. However, India has maintained a consistent position as a development partner of Nepal.

8.2 Conclusion

India has been giving her assistance in every field of development aspects of Nepal. The joint achievement of the past, should give both countries

new goals, new dimension and mutually benefited economic cooperation in future. India has assisted in education, roads, hydropower, basic infrastructures and human resources development. By the benefit of the Indian assistances, Nepal can increase employment opportunities, improve the productivity and also increase macro economic indicators. By the support of Indian cooperation, we will go faster, grow quicker, and, of course, joint venture cooperation will maximize the welfare of both countries. Although there is massive flow of foreign aid in Nepal, she could not succeed with it. There is not any specific growth in GDP, per capita income, standard of living; means there is not specific growth in macro economy. So, foreign aid is not successful to reach in its motives. Causes of ineffectiveness foreign aid are:

- They do not have clear motives. Actually, receiving country could not find what the motives behind them.
- Involving large number of foreign employees in assisted projects. Basically, donor involves their own technician and skill man power in the projects, and it reduces the employment opportunities in the receiving countries like ours and. Nepal. It is also observed that we hardly get the know-how of technical and fundamental knowledge about the project.
- Not working in proper motives. Donors are not working properly in the desired sectors. Basically, they could not study in the desire sectors and not find properly what they needed.

However, Indian aid is better contribution in the economic development of Nepal than other friendly nations. Indian aided programs are found to cover almost all sectors of economy. However, performance review of such programs is necessary to improve effectiveness of upcoming aid.

8.3 Recommendations

When we talk about the need of foreign assistance in Nepal, there are some constraints in national economy. Most formidable constraint is physical factor; topographical structure and geographical location. This constraint requires the use of high technology, effective pool of exports, and massive capital. Besides these, there are socio-economic and political constraints as well. Our development process is still in early stage compared with other friendly nation. So, foreign aid is essential to get successes in the economic development.

However, foreign aid flowed into Nepal is not so effective as evidenced by unsatisfactory economic indicators. The same is true for the Indian aids. Based on the entire study, following points are recommended regarding the Indian aid:

- Indian aid is very useful to Nepal in all aspects of development. Indian assistance is projects type of aid not a programs type. Program type of aid gives freedom to the receiver to use the fund. But, there is leakage problem in projects type of aid. Of course, India has helped to Nepal in every field of development, but in some cases the result is questionable. Unemployment, low standard of living, low saving, high illiteracy rate, etc, existing in Nepal show the ineffectiveness of Indian aid in its motive. So, Indian aid should be changed to program type with real helping motive.
- Focus on the special projects and infrastructure development programs to increase the employment opportunity in remote area is needed.

- The proper attention should be placed for the effectiveness and utilization of aid in the economy.
- Emphasis should be given to labour intensive programs.
- The progress of project should not be affected by any type of political instability.
- Nepal should try to get the long term commitment from the donors to assure the development need.
- While signing the agreement of Indian aid, it should always be kept in mind to use not only donor's employees, but also the Nepalese technicians so that the technical know-how of the program can be obtained.

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APPENDICES

APPENDIX I

Proportion of Foreign Aid in Total Development Expenditure in Plans

Rs in million

Plans	Plan Period	Development expenditure (NRs in Million)	Foreign aid (NRs Million)	Foreign aid as a proportion of Dev. Exp (%)
1 st plan	1956-61	382.90	382.90	100.00
2 nd plan	1962-65	614.70	478.50	77.84
3 rd plan	1965-70	1,639.10	919.80	56.12
4 th plan	1970-75	3,356.90	1,509.10	44.96
5 th plan	1975-80	8,870.60	4,264.10	48.07
6 th plan	1980-85	21,750.00	13,260.00	60.97
7 th plan	1985-90	48,345.40	23,978.50	49.60
8 th plan	1992-97	111,919.80	49,203.00	43.96
9 th plan	1997-2002	215,154.40	114,290.00	53.12

(Source-Economic survey, MOF)

APPENDIX II

Indian Aid in Sartorial Allocation

(In crores IRs)

Project	Total
1. Road and airport	133.15
2. Irrigation, power and water	66.17
3. Agriculture, horticulture and allied scheme	1.26
4. Community and panchayat development	3.57
5. Education and health	2.64
6. Industries	1.84
7. Postal and telecommunication	1.69
8. Misc/ Technical assistance	8.04

(Source –BPKHSC)

APPENDIX -3

Total Aid Inflow in Nepal

(Rs in million)

Fiscal year	Grant	Loan	Total foreign aid
1951/52 to 1955/56	95	-	95
1956/57	27.3	-	27.3
1957/58	58.1	-	58.1
1958/59	35.1	-	35.1
1959/60	125.3	-	125.3
1960/61	125.1	-	125.1
1961/62	181.6	1	182.6
1962/63	76.5	11.6	88.1
1963/64	165.9	11.4	177.3
1964/65	141	5.9	146.9
1965/66	175.3	3.3	178.6
1966/67	142.2	3.7	145.9
1967/68	158.1	0	158.1
1968/69	185.9	0	185.9
1969/70	243.7	7.6	251.3
1970/71	270.7	32.5	303.2
1971/72	241.1	39.9	281
1972/73	180.2	47.4	227.6
1973/74	222.6	87.9	310.5
1974/75	282.8	103.9	386.7
1975/76	359.7	145.9	505.6
1976/77	392.5	164.4	556.9
1977/78	466.6	381.8	848.4
1978/79	599.3	390.1	989.4
1979/80	805.6	534.9	1340.5
1980/81	808.9	753.3	1562.2
1981/82	992.5	730.7	1723.2
1982/83	1090.1	985.8	2075.9
1983/84	876.6	1670.9	2547.5
1984/85	923.4	1753	2676.4
1985/86	1120.6	2370.9	3491.5
1986/87	1078.3	2236.1	3314.4
1987/88	1984	3094.3	5078.3
1988/89	1478.2	4188.7	5666.9
1989/90	1798.8	4628.3	6427.1
1990/91	1630	4360	5990

1991/92	1531	16269.4	17800.4
1992/93	3273.9	5961.7	9235.6
1993/94	2393.6	9163.6	11557.2
1994/95	3937.1	7312.3	11249.4
1995/96	4825.1	9463.9	14289
1996/97	5988.3	9043.6	15031.9
1997/98	5402.6	11054.5	16457.1
1998/99	4336.6	11852.4	16189
1999/2000	5711.7	11812.2	17523.9
2000/2001	6753.4	12044	18797.4
2001/02	6686.2	7698.6	14384.8
Total	54268.3	140421.4	220619.3

(Source: MOF, Various issues)

APPENDIX IV

Gross Domestic Product by Sources

TOPIC	YEARS	
	1995/96	2003/04
Per Capita Income	7690	15162
Total Investment	68017	130993
Gross Domestic saving	34426	62386
Gross National Product	252479	509700
Employment Rate (%)	67.2	74.3
Unemployment Rate (%)	4.9	3.8
Labour Forces Participant Rate (%)	70.6	77.2
Customs	7327.4	15554.8
Transport		297.1

(Sources-Nepal Living Standards Survey2003/4, Economic Survey)