



Years	1989/90	1995/96	2000/01	2010/11
Bilateral	254.49	353.33	277.12	2,585.04
Grant	154.43	307.33	218.45	2,173.80
Loan	100.06	46.00	58.67	411.24
Multilateral	388.22	1,075.57	1602.62	3,214.73
Grant	25.45	175.18	456.89	2,418.41
Loan	362.77	900.39	1,145.73	796.32
Total	642.71	1,428.90	1879.74	5,799.78
Grant	179.88	482.51	675.34	4,592.22
Loan	462.83	946.39	1,204.40	1,207.56

Foreign aid disbursement in Rs 10 million
Source: Ministry of Finance

WHY IS NEPAL STILL STRUGGLING AS A DEVELOPING NATION DEPENDENT ON AID?

Despite receiving foreign aid for over six decades, Nepal continues to struggle to uplift its status of a developing nation, which is characterised by unemployment, poor infrastructure and poverty, among other indicators. Failure to identify national priorities and accepting foreign aid sans judicious judgement could be holding the country back.

TELLING TALES Although sweet tales of foreign aid pouring into the country over the years has been relayed through the media, signs of a robust economy and social development still remain elusive. Yet, the political leadership and each successive government boast of their ability to garner foreign aid.

Foreign aid has undeniably had some tangible impact on educational, health and social sectors over the years. According to the National Planning Commission, school enrolment ratio increased to 93.7 per cent in 2010 compared to around 65.1 per cent in 1999. Similarly, maternal mortality rate was reduced to 229 per 100,000 in 2010 from 770 per 100,000 in 1990.

Also, as per Central Bureau of Statistics, whereas the living standard of 30.80 per cent of people was below poverty line in 2003-04, it was reduced to 25.16 per cent in 2010-11. The other impact of international and local non-governmental organisations (I/NGOs) on Nepali society includes major contribution to social empowerment and gender equity to some extent.

BITTER REALITY While the country is yet to build adequate development infrastructure, lack of employment opportunities is resulting in productive youth force embarking as migrant workers. Along with big construction projects, the national budget also seems to be partly dependent on foreign aid. Poverty reduction induced by remittance from migrant workers is neither dependable nor sustainable. People in far flung districts that are shunned by doctors continue to succumb to treatable conditions in lack of basic medical care.

Many projects funded through foreign aid collapse once donors withdraw support. Seeking foreign aid or donors to launch any development projects has also eroded the confidence and capacity of Nepali bureaucracy and administrative institutions, states Posh Raj Pandey, executive chairman of South Asia Watch on Trade, Economics and Environment. He also cautions that development brought through unplanned and unmonitored aid funded programmes could have dire consequences. "Strong advocacy on social empowerment has made people aware of their rights but failed to implant a sense of responsibility, which could lead to conflict. The focus should be on productive sectors, or we may lose all the achievements made through the years," says Pandey.

On the dependency syndrome, Economist Keshav Acharya says Nepal should take lessons from other Asian countries like Malaysia, Thailand and South Korea that were once dependent on foreign aid, but have managed to gain economic independence.

GAPING GAPS Critics point out that aid funded development programmes are tailored in the centre without involving stakeholders. "Until the locals have easy access to information on foreign aid and participate actively, the aid funded projects will be ineffective," opines Prabhav Devkota, secretary and national programme manager at Alliance for Aid Monitor Nepal, adding foreign aid should come through the state mechanism and align with national development plans.

"The government should be wary of donor dominated foreign aid which may not be in the national interest. Also, a huge percentage of grants under technical assistance go back to the donor country for materials supplied and consultation charges," informs another Economist, Sur Bir Poudel.

Citing examples of jailed ex-ministers, he blames misuse of foreign aid due to corruption at policy level and the nation's frail absorbing capacity thanks to a weak bureaucracy riddled with red tape.

While maintaining that foreign aid is not bad in itself, Lal Shankar Ghimire, joint secretary at the Ministry of Finance, claims that Nepal government has been rejecting aid that is not in the national interest.

"There have been such cases -just that we do not inform the media about it," he says. However, he admits that a stronger partner tends to be more influential during negotiations.

"We're not as dependent as we were few years back when 50 to 60 per cent of the national budget was reliant on foreign aid.

The percentage has been brought down to 26 at present," he states. However, people like Poudel insist that given the time period that the country has been relying on foreign aid, it should have achieved zero per cent dependence by now.

Duplication of programmes owing to lack of sound coordination among I/NGOs form another key factor behind the ineffectiveness of development aid. Several I/NGOs working on the same issue and concentrating on the same area result in waste of resources and time.

I/NGOs and donor agencies, on the other hand, complain that while government's apathy towards ongoing projects also delays its completion, the government is even unable to take care of completed and handed projects. Political instability coupled with strikes and protest programmes hinder field mobility. Transfer of government officials also hampers speedy execution of a project and new laws enacted and existing ones reformed do not allow donor agencies to effectively execute projects. **WISER WAY** With gross domestic saving of Nepal standing at mere 10 per cent, foreign aid is still an integral necessity. Laying out aid funded development targets, a strong state mechanism should follow up core projects consistently until the goals are met.

Pandey says, "Aid programmes should focus on productive sectors that spur local economic activities and result in stronger national economy." Acharya suggests, "Both the state machinery and donors should take mutual accountability for the success of a project by involving the stakeholders."

Besides infrastructure, the government also needs to lure and involve foreign direct investment in crucial sectors like energy and roads. The government should design and adapt a prompt budget disbursement mechanism for timely spending. "The government needs to build confidence and execute projects on its own -at least one big project per year," says Pandey. He also opines that the state should come up with an exit plan to reduce dependency on foreign aid. Another way to benefit from foreign aid is to tie up foreign loans with export, according to Acharya. "While accepting loans, the government should reach a negotiation requiring it to export pure Nepali products -either food stuffs or goods -in return for the loan," says Acharya.