DOWNLOAD PDF NEPALS FOREIGN DEBT

Chapter 1 : Help quake-hit Nepal by cancelling foreign debt - campaigners | Reuters

Nepal during the Great Recession Nepal's External Debt (Total) had a positive growth of % during the Great Recession Nepal since the end of the Great Recession Nepal's External Debt (Total) had a negative growth (decline) of % since the end of the Great Recession.

Meaning, Objectives and Problems! In India, public debt refers to a part of the total borrowings by the Union Government which includes such items as market loans, special bearer bonds, treasury bills and special loans and securities issued by the Reserve Bank. It also includes the outstanding external debt. However, it does not include the following items of borrowings: In India, most government debt is held in long-term interest bearing securities such as national savings certificates, rural development bonds, capital development bonds, etc. In such countries the government debt has a very simple relationship to the government deficit the increase in debt over a period say one year is equal to its current budgetary deficit. But, in India, the term is used in a different sense. The State generally borrows from the people to meet three kinds of expenditure: It is not always proper to effect a change in the tax system whenever the public expenditure exceeds the public revenue. It is to be seen whether the transaction is casual or regular. If the budget deficit is casual, then it is proper to raise loans to meet the deficit. But if the deficit happens to be a regular feature every year, then the proper course for the State would be to raise further revenue by taxation or reduce its expenditure. In many countries, the existing public debt is, to a great extent, on account of war expenses. Especially after World War II, this type of public debt had considerably increased. A large portion of public debt in India has been incurred to defray the expenses of the last war. During British rule in India public debt had to be raised to construct railways, irrigation projects and other works. In the post-independence era, the government borrows from the public to meet the costs of development work under the Five Year Plans and other projects. As a result the volume of public debt is increasing day by day. The Burden of Public Debt: When a country borrows money from other countries or foreigners an external debt is created. It owes its all to others. When a country borrows money from others it has to pay interest on such debt along with the principal. This payment is to be made in foreign exchange or in gold. If the debtor nation does not have sufficient stock of foreign exchange accumulated in the past it will be forced to export its goods to the creditor nation. To be able to export goods a debtor nation has to generate sufficient exportable surplus by curtailing its domestic consumption. In the s, many developing countries such as Poland, Brazil, and Mexico faced severe economic hardships after incurring large external debt. They were forced to curtail domestic consumption to be able to generate export surplus i. An external debt imposes a burden on society because it represents a reduction in the consumption possibilities of a nation. When we shift attention from external to internal debt we observe that the story is different. It creates three problems: These three problems may now be briefly discussed: Efficiency and Welfare Losses from Taxation: When the government borrows money from its own citizens, it has to pay interest on such debt. Interest is paid by imposing tax on people. If people are required to pay more taxes simply because the government has to pay interest on debt, there is likely to be adverse effects on incentives to work and to save. It may be a happy coincidence if the same individual were tax-payer and a bond-holder at the same time. If the government imposes additional tax on Mr. X to pay him interest, he might work less and save less. Either of the outcome â€” or both â€” must be reckoned a distortion from efficiency and well-being. Capital Displacement Crowding-Out Effect: The shortage of capital in the private sector will push up the rate of interest. With the large deficits of recent years, many economists have been concerned in the competition for funds; also higher interest rates have discouraged borrowing for private investment, an effect known as crowding out. This, in its turn, will lead to fall in the rate of growth of the economy. So, decline in living standards is inevitable. This seems to be the most serious consequence of a large public debt. As Paul Samuelson has put it: As a result, the pace of economic growth slows and future living standards will decline. Public Debt and Growth: Thus an economy grows much faster without public debt than with debt. When we consider all the effects of government debt on the economy, we observe that a large public debt can be detrimental to long-run economic growth. Let us suppose an economy were to operate over time with no debt, in which case the capital stock and potential output would follow the hypothetical path indicated by the solid lines in the diagram. Now suppose the government increase a huge deficit and debt; with the accumulation of debt over time, more and more capital is displaced, as shown by the dashed capital line in the bottom of Fig. As the government imposes additional taxes on people to pay interest on debt, there are greater inefficiencies and distortions â€” which reduce output further. What is more serious is that an increase in external debt lowers national income and raises the proportion of GNP that has to be set aside every year for servicing the external debt. If we now consider all the effects of public debt together, we see that output and consumption will grow more slowly than in the absence of large government debt and deficit as is shown by comparing the top lines in Fig. This seems to be the most important point about the long-run impact of huge amount of public debt on economic growth. To conclude with Paul Samuelson and W. It is pure waste of our resources to use them to pay interest on the debt. This argument is wrong because interest payment on the debt â€” if domestically held â€”do not prevent a use of economic resources at all. It is, of course, true that if our debt is held by foreigners, we will suffer a loss of resources. In the case of domestically held internal debt, internal payment on the debt involves a transfer of income from Indian taxpayers to Indian bondholders of the same generation. Limit to Public Debt: Though there is no clear end limit to internal debt there should be a definite limit to external debt. Moreover the upper limit to internal debt should be set by the annual rate of growth of per capita GNP. Assessing the Debt Optional: One of the most obvious and significant burdens of the national debt is the interest that must be paid to borrow and maintain a debt of this magnitude. The interest burden of the national debt cumulates as additional debt is incurred each year. Because the debt is not being retired, interest must be paid year after year. The rising burden of the debt service â€” or interest cost of maintaining the debt â€” will be passed on to future generations who will have to pay the interest on the current debt. At the same time, however, many of those to whom interest will be paid will be Indian citizens who own government securities. Should we pay off the debt? First of all, it would be a huge, probably impossible, burden, even over several years, to raise, through taxes and other revenues, the amount needed to pay off the debt. Second, with repayment of the debt, a significant income redistribution would occur as the average taxpayer became poorer due to the increased tax burden and the holders of government securities became richer with their newly redeemed funds. Also, some portion of the debt is external, or foreign-owned. While, under normal conditions, this is not a serious concern, in a period of accelerated repayment it would mean a sizable outflow of rupees from the India. Finally, in order to pay off the public debt, a series of surplus budgets would be needed. However, as Keynes pointed out, a surplus budget has a contractionary impact on the economy. While the debt was being paid off, economic activity would decline. In short, the opportunity cost of lowering the national debt would be a slowing down of the economic activities.

Chapter 2 : External Debt (Percentage of GDP) - Nepal

Nepal recorded a government debt equivalent to percent of the country's Gross Domestic Product in Government Debt to GDP in Nepal averaged percent from until , reaching an all time high of percent in and a record low of percent in

Background[edit] Nepal has been a recipient of foreign assistance since when it joined the Colombo Plan for Cooperative, Economic, and Social Development in Asia and the Pacific. The plan was established, under a slightly different name, by the Commonwealth of Nations in During the s, many Nepalese received scholarships through the Colombo Plan to go to different countries for studies in technical and professional areas Also during that time, all other aid was in the form of grants. The bulk of assistance was directed toward developing agriculture, transportation infrastructure, and power generation. Other areas targeted for assistance were communications, industry, education, and health. India and the United States each were responsible for more than one-third of all grants. Both countries established aid missions to Nepal and directed aid to special projects. Britain , Switzerland , Australia , Japan, and New Zealand also were involved in lesser assistance programs. The United Nations UN provided some technical assistance. Until the mids, Nepal depended mostly, if not totally, on foreign grants for all its development projects. Most of these grants were on a bilateral basis. Japan has been the largest donor country to Nepal. Koirala Highway and the Koteshwor-Suryabinayak extended road 12 km were built with assistance from Japan. The Soviet Union helped to build cigarette and sugar factories, a hydroelectric plant , and part of the East-West Highway Nepal. United States grants supported village development, agriculture, education, and public health. Beginning in the s, some bilateral assistance was in the form of loans. The loan share of foreign aid increased from under 4 percent between and to more than 25 percent by the period. In the s, multilateral assistance programs started to play an important role in development planning and accounted for more than 70 percent of funding for development planning. By the end of the s, the great majority of foreign aid was in the form of multilateral assistance programs. The major sources of borrowing or grants for these programs were the International Development Association of the World Bank and the Asian Development Bank. Most of these loans could be characterized as soft loans. Sources of foreign aid were numerous. Eleven UN agencies, seven multilateral lending agencies such as the World Bank , and eight private agencies for example, the Ford Foundation had participated in aid programs. At least seventeen countries offered bilateral assistance. By sixteen countries and six international agencies participated in the group. The level of commitment from the Nepal Aid Group had increased from Rs1. The bulk of foreign aid contributions after came from this group. Most economic development projects were funded with external assistance on concessional terms. More than 70 percent of the aid was in the form of grants; the remainder was in the form of concessional loans. A high percentage of technical assistance and direct aid payments were not documented. Much of the aid granted was underused. By , Nepal was receiving external assistance in the form of project aid, commodity aid, technical assistance, and program aid. Project aid funded irrigation programs, hydroelectric plants, and roads. Commodity assistance targets included fertilizers, improved seeds, and construction materials provided by donor aid agencies. Technical assistance covered services of experts to advise the government in training indigenous personnel to perform research in technological fields and resulted in the development of skilled labor. Program aid supported various projects, in particular the agricultural and health fields. Dependence on foreign aid was increasing. Between and , foreign aid as a percentage of GNP increased from under 8 percent to almost 13 percent. Debt service as a percentage of GDP increased from less than 0. Outstanding debt in this period increased from Rs million to almost Rs21 billion. From until , Japan was the premier source of bilateral ODA for Nepal, accounting for more than one-third of all funds. Alternatives[edit] There is an increasing number of social entrepreneurs who try to address development issues through individual, financially sustainable and more home-grown initiatives. With the first Social Entrepreneurship Award and again in there is a small but steady movement and ecosystem building around those changemakers. One organization - Hidden Journeys Nepal - is trying to promote those social entrepreneurs and at them same time help others to learn from them through field visits and networking events that help participants to be motivated and inspired.

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Chapter 3 : Managing Nepal's Foreign Debt (MANED)

Nepal's External Debt reached USD bn in Jul , compared with USD bn in the previous year. Nepal's External Debt: USD mn data is updated yearly, available from Jul to Jul The data reached an all-time high of USD bn in Jul and a record low of USD bn in Jul

It expressed its desire to be a part of the project hoping to benefit from the investments in infrastructure. This was perceived as an attempt by Nepal to reduce its dependence on its southern neighbor India. In the past two decades, there has been an increasing effort within the Nepalese leadership to find ways to get out of the Indian sphere of influence. The most logical alternative, then, is China. This, in turn, is creating a lot of concern within the Indian foreign-policymaking circle. However, the most pertinent question is whether Nepal can ever be able to move out of the Indian sphere of influence completely. In recent years, there has been a lot of discussion about the increasing Chinese inroads in Nepal and elsewhere in South Asia. China has been investing heavily in Nepalese infrastructure and has shown its support whenever Kathmandu appeared in need. During the visit, the two sides also discussed direct flights, technology transfer and Tibet as an alternative route for supplying goods to Nepal. This is similar to the apprehension that is being witnessed among other countries that have joined the BRI. The two countries have successfully conducted two rounds of joint military exercises. This certainly created some unease in India. Looking at the recent developments and trends, one can argue that Nepal is undertaking massive efforts to get closer to China. However, the primary hurdles for the Himalayan nation in this endeavor will be geography, history and demography. Though Oli is talking about making Nepal a bridge and not a buffer between India and China, the linkages Kathmandu shares with India are hard to replicate. He also talked about increasing Indian investment in Nepal. In the first half of , the number of Indians visiting Nepal was 96, as compared with 71, Chinese. There is also huge migration by the Nepalese population to India for employment. There is no proper official figure but it is believed that around 2 million Nepalese stay and work in India without permits. Nepalis and Indians intermarry and have historical family connections. India and Nepal conduct the Surya Kiran military exercises twice a year, which are aimed at counterterrorism. Nepalese citizens serve in the Indian Army. Indian ports are the nearest for Nepalese traders and thus are more economical for transport and shipment of goods than alternatives. Thus, geographically the issue is whether transport routes via Tibet would be financially feasible for Nepal. India and Nepal also share a porous border through which trade is conducted at a number of different levels. It is no surprise that Nepal will look for ways to assert its independent identity and is happy to pit China and India against each other. Nepal has always been wary of facing an Indian blockade the last was in , which affects its supply of basic essentials, and continuing Indian meddling in its domestic affairs. In order to help counter any land blockade, China has provided Nepal access to a number of its ports. However, what India needs to understand is that Nepal, like all other South Asian countries, is in need of development and infrastructure, and China is ready to provide it. In addition, India has its own domestic economic limitations and has been failing to keep up its promises. However, it still has a more benign image when compared with China, but there is an urgent need for New Delhi to realize that it cannot afford to dilly-dally on promises. Given the deep-rooted connections, India may not lose Nepal completely to China, but it will not be in Indian interests to have a Nepal that is completely in debt to China. Asia Times is not responsible for the opinions, facts or any media content presented by contributors. In case of abuse, click here to report.

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Chapter 4 : Nepalâ€™s shift from India to China: Will it work? | Asia Times

External debt: $ billion (31 December est.) $ billion (31 December est.) Definition: This entry gives the total public and private debt owed to nonresidents repayable in internationally accepted currencies, goods, or services.

Despite noticeable differences, the recent unusual steps taken by these economies must trigger countries like Nepal, where future government expenditures are predicted to escalate after the country recently adopting federalism, to develop better debt management practices. Public Debt Simplified The poor countries do not have financial resources enough to fund their large-scale projects. To afford such resource-gaps, countries borrow money by issuing treasury bills, government bonds and securities. In addition, countries like Nepal â€” who are considered to be the less creditworthy economies â€" also borrow money from credible international institutions like the World Bank and the ADB. Doing so, these countries owe creditors thus borrowed money, which in terms is known as the public debt. Furthermore, it is called either external or domestic debt depending upon the origin of the creditors. The economists have different takes on the debt with some favoring and rest disapproving it. The proponents, often coming from the Keynesian school of thoughts, advocate that public debts allow governments to execute large-scale projects while also producing spillover effects. The opponents, often coming from the Classical school of thoughts, on contrary, view public debt as the unnecessary burden on the future generations. However, despite the given risks â€" market, rollover, liquidity, credit, settlement and operational, if managed well a considerable debt often results in desired economic and social outcomes. For example, debt has resulted in healthy economies for countries like Japan, Singapore, Belgium, United States and Bhutan while it has severely damaged economies of Greece, Italy, Spain and Venezuela. Nepal in the Context Nepal formally begun to take loans, domestic and external, since and respectively with the former USSR and United Kingdom being the first foreign creditors. As per the recent Economic Survey, of the total outstanding debt of 8. Urgency of public debt debates The debt to GDP ratio is a good indicator to check whether an economy stands in a position to repay debts without incurring additional debts. However, this does not mean that Nepal can continue to employ past strategies to manage future debts. Though this ratio had been on decline over years â€" with the year witnessing record high And if the World Bank predictions are to be believed, this ratio will become With a federal system in place, government expenditure is sure to surge in coming years. To meet increased expenditure targets, the government will have no option but to borrow money from creditors thus putting the country at economic risk. As a result, it is high that the government and all other concerned stakeholders assess their prioritizes well before execution so as to avoid potential debt trap in the future.

Chapter 5 : Ministry of Finance - Government of Nepal

Nepal's NP: External Debt: Average Interest on New External Debt Commitments: Private data is updated yearly, averaging % from Dec to , with 47 observations. The data reached an all-time high of % in and a record low of % in

Chapter 6 : Chandan Sapkota's blog: Structure of Nepalâ€™s public debt

NEPAL 2 INTERNATIONAL MONETARY FUND external debt to reach 11Â½ percent of GDP in and to gradually rise to 12 percent of GDP over the next five projection years. This DSA compares as follows.

Chapter 7 : Nepal External Debt External Debt: USD mn | Economic Indicators & Data

An Assessment of the Impact of External Debt on Economic Growth of Nepal Gunakar Bhattaâˆ— Countries at early stages of development have small stocks of capital and.

Chapter 8 : Foreign aid to Nepal - Wikipedia

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Structure of Nepal's public debt This is adapted from Box 1 of Macroeconomic Update, August , Vol.3, No.2 (executive summary here, and FY growth and inflation outlook here). It presents is the composition of Nepal's outstanding internal and external debt.

Chapter 9 : Nepal Government Debt to GDP | | Data | Chart | Calendar

The burden of external debt is measured by the debt-service ratio which returns to a country's repayment obliÂ-gations of principal and interest for a particular year on its external debt as a percentage of its exports of goods and services (i.e., its current receipt) in that year.