

Foreign direct Investment in Agriculture: Status, challenges and Opportunities

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Introduction

- Investment is a primary source of economic growth and employment.
- Private and Foreign direct investment (FDI) has a prominent role in the investment.
- FDI is an investment made by a company or individual in one country with business interests in another country, either by buying a company or by expanding operations of an existing business in that country.
- Foreign direct investment is a category of cross-border investment.

Introduction

- FDI offers and exclusive opportunity to inter into the international or global business, new markets and marketing channels, access to new technology and expertise, more product or services and cheaper production facilities.
- Foreign direct investment is regarded as a factor that drives economic growth of the country.
- Foreign direct Investment is a core ingredient to sustainable economic growth.

Policy Status of FDI In Nepal

- Nepal is open for business in many areas, FDI introduced about six decades back, however since the promulgation of Foreign Investment and Technology Act 2038 provide the legal framework for FDI in Nepal.
- The Foreign Investment and Technology Transfer Act (FITTA) 1992 is the law regulating the entry and operation of foreign investment in the country.
- Foreign Investment and one window policy, 1992.

Policy Status of FDI In Nepal

- National Agriculture policy, 2004.
- Industrial Policy 2011.
- Investment board Act, 2011.
- Execute by Department of Industry and Investment Board depending on the size of investment.

Investment Status of FDI In Nepal

- Nepal has a great opportunities for FDI.
- Nepal Received FDI worth NRs 1320912.02 million (up to 2073/74) and established 6989 company and 545913 received employment.
- In Agriculture and Forestry based sector received FDI worth NRs 20,729.52 million (up to 2073/74) and established 49 company and 34220 received employment.

All Sectors FDI in Nepal

Year	No of industry	Total Capital (RS in million)	No. of Employment
2064/65	227	20,126.36	12844
2065/66	301	26,961.36	20359
2066/67	258	39,245.35	14510
2067/68	242	90,412.58	13727
2068/69	279	84,427.39	16960
2069/70	446	119,601.13	28535
2070/71	370	287,807.65	21448
2071/72	466	138,751.27	22785
2072/73	409	121,007.22	18760
2073/74	466	153,755.39	24286

FDI in Agriculture Sector

- Agriculture and its allied services, has substantial part in Nepal's National income, and major job providing sector, almost 65 % of the population .
- This sector contributes a major portion in the country's GDP, But the share of this sector has been continuously declining.
- Being an agrarian economy, Nepal also need to increase investment in this sectors, where FDI one of the potential sector.

FDI in Agriculture Sector

- Increasing global food, feed and fiber demand.
- increases in food production will depend on investment.
- FDI in agriculture can affect different components along the production and marketing chain, from direct production of food and cash crops to entry of providers of farm inputs (e.g. seeds and agro-chemicals) and of food distributors (e.g. supermarkets).

FDI in Agriculture and Forestry

Year	No. of Industry	Investment (Rs. in millions)	No. of Employment
2064/65	12	236.1	434
2065/66	10	448	472
2066/67	1	2.5	24
2067/68	21	536.56	787
2068/69	12	161.2	396
2069/70	54	1992.66	2204
2070/71	46	1566.66	1627
2071/72	50	1513.9	1596
2072/73	28	987.9	1038
2073/74	24	3241.6	806

Challenges

- Need favorable environment to the investor.
- FDI receive very few benefits, because most benefits are transferred to the multinational company's country.
- Small farmers are always vulnerable loss their agriculture business where FDI has a bulk production and processing.
- Management of security in terms of economy and security.
- Absence of sound policy and favorable environment.

Opportunities

- Rich agro-diversity, favorable climatic conditions.
- Agriculture production offer several opportunities from production, processing, marketing and technology transfer , managerial skill, training thereby FDI in agriculture sectors tend to have the highest employment intensity.

Opportunities

- FDI is one of the major external sources to fulfill the capital gap as well as development of Infrastructure in Agriculture.
- FDI can be used to propagate agriculture R and D, develop technology for energy saving and protect environment.
- The Nepal Trade Integration Strategy 2010 focuses on the development of cardamom, ginger, honey, lentils, tea, noodles and medicinal herbs/essential oil as priority export products. The Trade Policy 2015 reemphasizes the need to develop these products.

Thank You