

Agriculture Investment in South Asia: trends, opportunities and challenges

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Outline

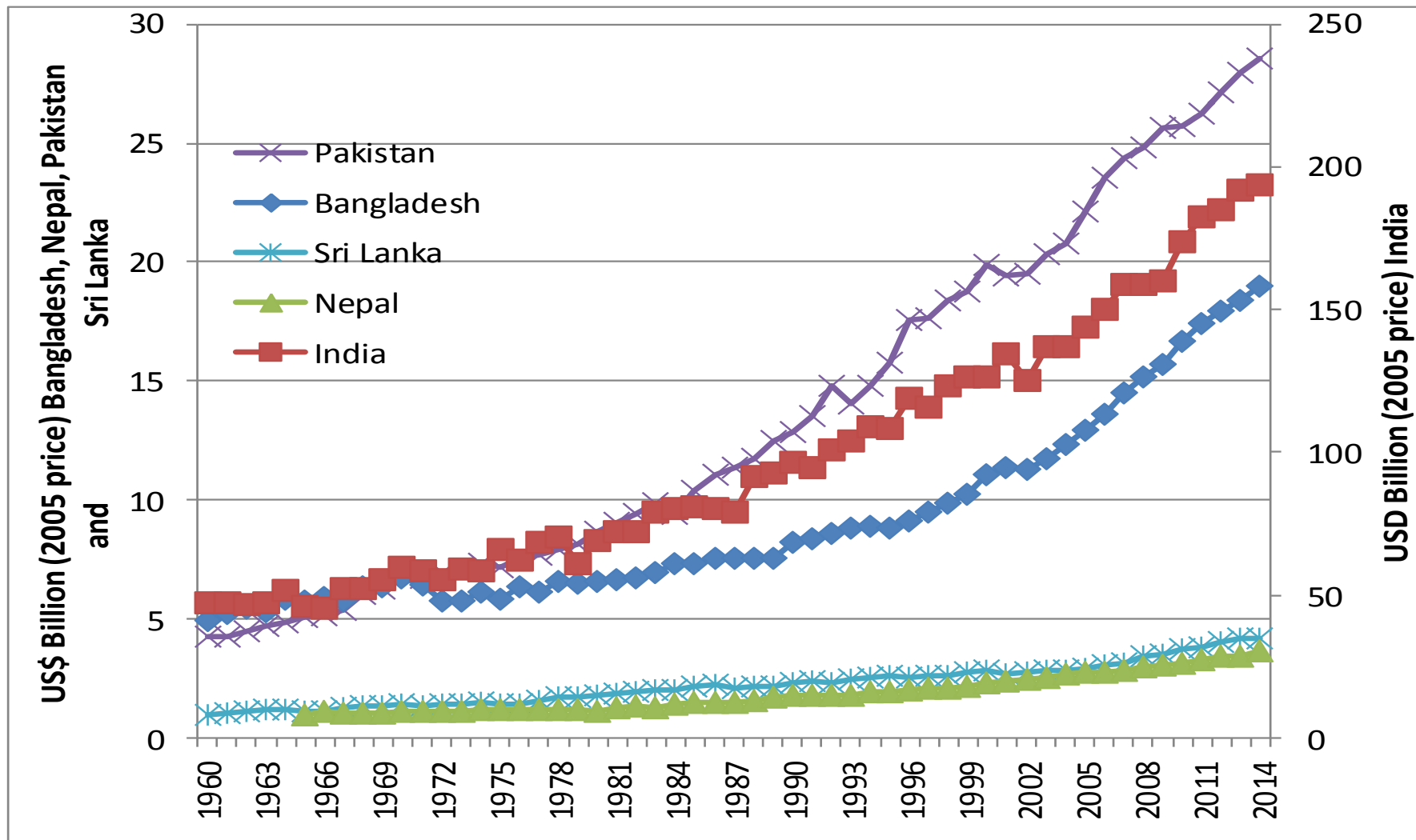
- Background
- Value added in agriculture
- Challenges to Food and Livelihood Security
- Public investment
- Private investment
- Gender dimension of investment
- Opportunities

Background

- South Asian economy suffers from structural problems
 - Large portion of working population in low productive agriculture
 - Small population in high earning sectors
- Huge gap in income and living standards
 - Discourages private investment in agriculture
 - Low level of capital formation
- Inadequate public sector investment on capital formation
- Agricultural investment essential to promote –
 - agricultural value addition and growth,
 - reducing poverty and hunger, and
 - promoting environmental sustainability.



Trend of Agriculture Value Addition



Data source: The World Bank 2015

Agriculture Value Added

- Depends on
 - Size of the agrarian economy
 - Area and productivity of farmland
 - Size and productivity of labor force engaged
 - Climatic stresses
 - Public investment
 - Private investment

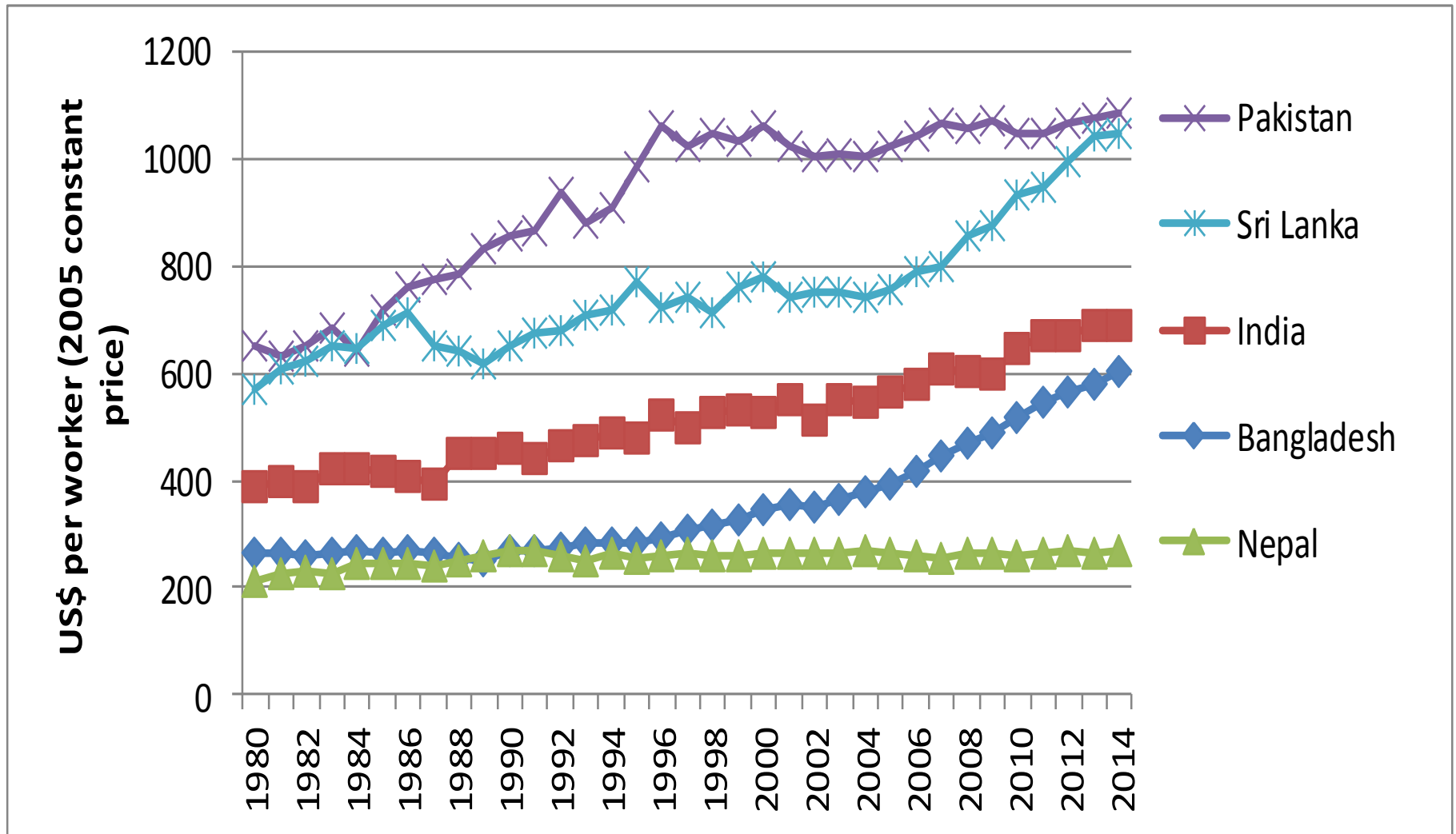


Contribution of agriculture to the economy

Country	AGDP (%)	Work force (%)
Bangladesh	19	55
India	14	47
Nepal	33	60
Pakistan	21	43
Sri Lanka	11	29

Source: Economic surveys of respective countries

Trends of agriculture value added per worker



Data source: The World Bank 2015

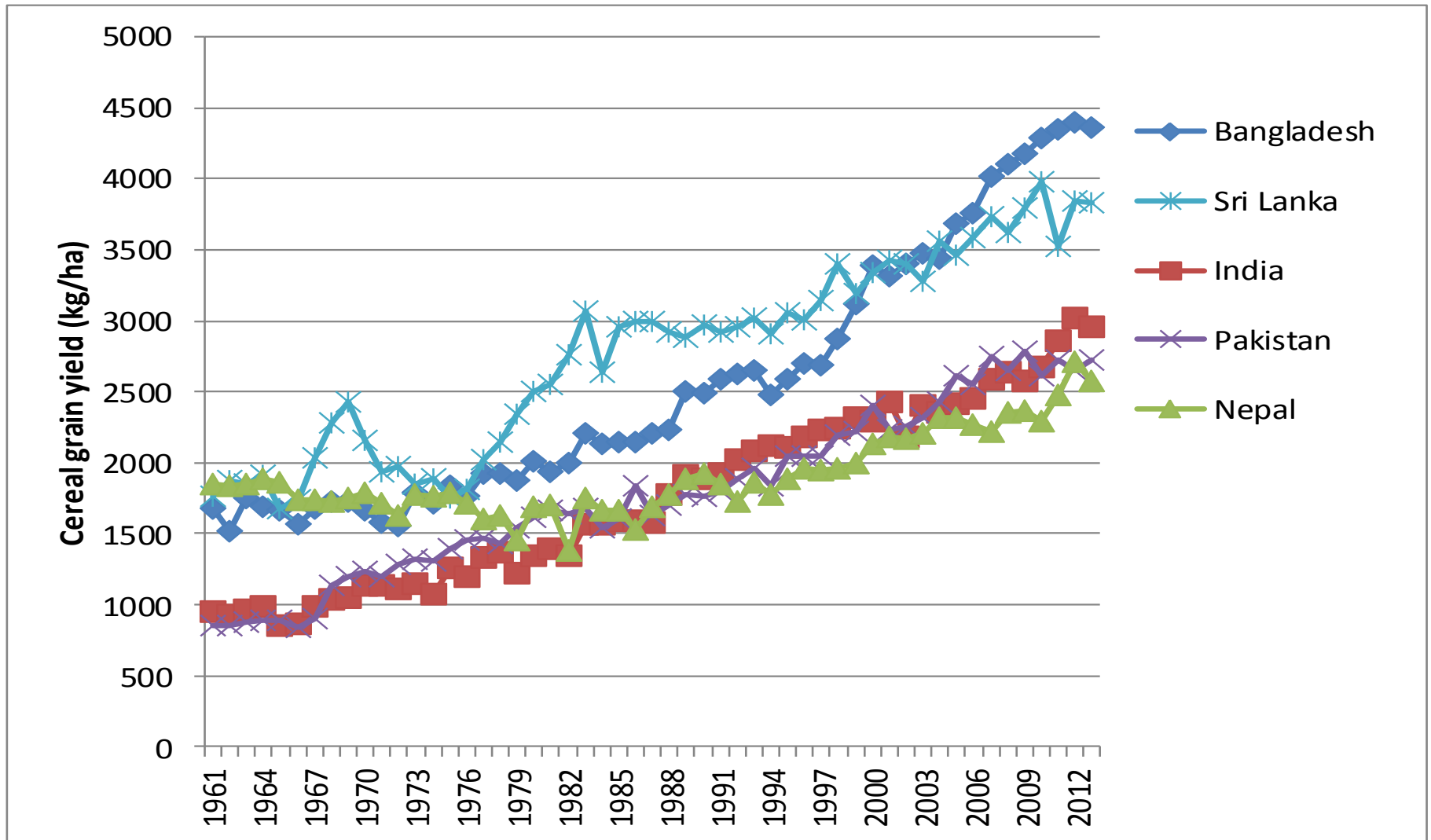
Agriculture value added per worker

Depends on

- Land productivity
- Capital formation – irrigation, machines
- Investment per worker
- Full employment of labor force
- Suitable climatic conditions
- Technology adopted
- Farmers' confidence



Cereal grain yield in South Asian countries



Data source: The World Bank 2015

Challenges to Food and Livelihood Security

- Safeguarding production from Climate change
- Protecting livelihood assets
- Increasing productivity of available assets
- Improving public goods
- Accelerating capital formation



Climate change in agriculture

- Agriculture depends on natural processes
- Suffers from CC and related natural disasters
 - Warming climate accelerate the hydrologic cycle, altering rainfall, magnitude and timing of run-off
- Larger impacts feared in future
- Agriculture in South Asia highly vulnerable to climate change (IFPRI 2010).

Public investment in agriculture

Testing suitability

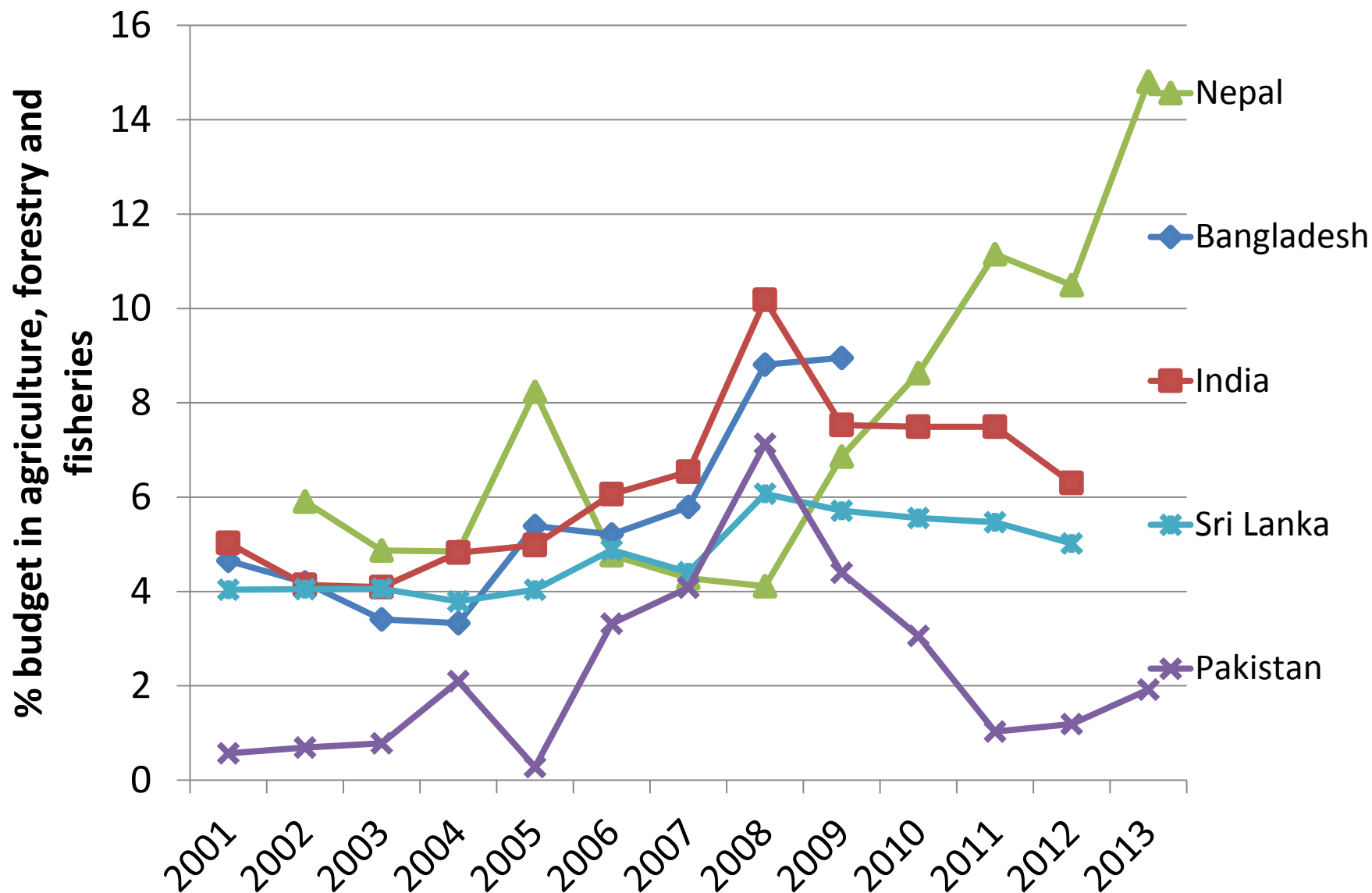
- **Public burden test:** Taxes to consumers and benefits to farmers and consumers
- **Poverty reduction test:** Most poor in agriculture, cheaper food to poor consumers
- **Social protection test:** Income security for the poor
- **Gender safeguard test:** Larger portion of females in agriculture
- **Responsiveness test:** Are agri programs responsive to farmers' preferences?
- **Accountability test:** Are farmers empowered to demand accountability from elected and appointed officials? (Shaha 2005).

Budgetary outlays in agriculture, forestry and fisheries (USD million)

	2001	2005	2010	2012
Bangladesh	238	369		
India	3,862	6,412	20,881	19,271
Nepal		102	274	363
Pakistan	68	51	1049	487
Sri Lanka	168	234	610	602

Data source: FAOSTAT

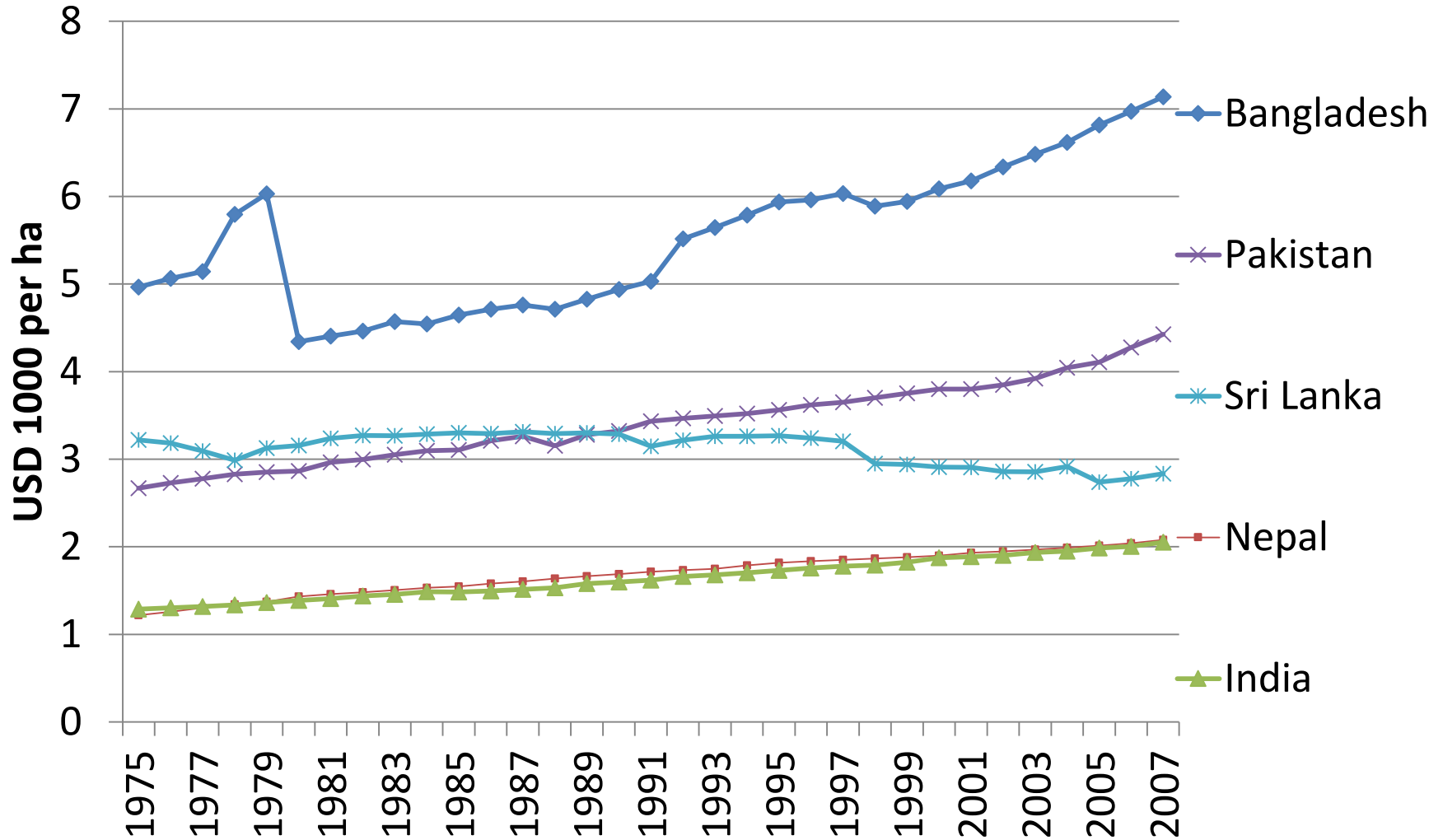
Proportion of Agriculture Sector Budget



Other sources of investment in agriculture

- Larger portion of govt. agri. budget to recurrent costs
 - Small investment for capital formation
- Lower level of FDI in agriculture as compared to manufacturing sector
- Limited foreign assistance in agriculture
- Weak capital formation in agriculture challenges in hunger reduction in rural areas (Dave, 2014)

Gross fixed capital formation per hectare



Data sources: World Bank and FAOSTAT

Private investment in agriculture

- **Households:** farm equipment, machinery, irrigation, land improvement and land reclamation
- **Private corporates:** agricultural production, marketing, value addition and trade
- Agricultural credit
- Public investment
 - Provides public goods that increase the profitability of private investment in agriculture.
 - Public investments crowd-out private investment

Gender Dimension of Agriculture Investment

- Women produce half of the world's food supply (60 to 80% in developing countries) (Momsen, 1991; Mehra and Rojas 2008)
- Women shape rural economy in South Asia by contributing as farmers, labourers and entrepreneurs (Fontana, 2003; Gulati and Fan 2008)
 - Women often concentrated in less profitable stages of the value chain
- Gender responsive budgeting (GRB) for mobilization of public resources for gender equality

Opportunities

- Better targeting and **downsizing of recurrent expenditures** while increasing those in capital formation, production of public goods
- Regional investment **hill/mountain farm technology** for areas not benefitting from green revolution technology
- Investment and regional **sharing of technologies for adaptation** to CC and reducing vulnerabilities
- Investment for regional collaboration in **agri market linkages** and **B2B relations**

Thank you
for your kind attention

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