

Encouraging Foreign Direct Investment (FDIs) in the COMCEC Region for Increasing Agricultural Productivity

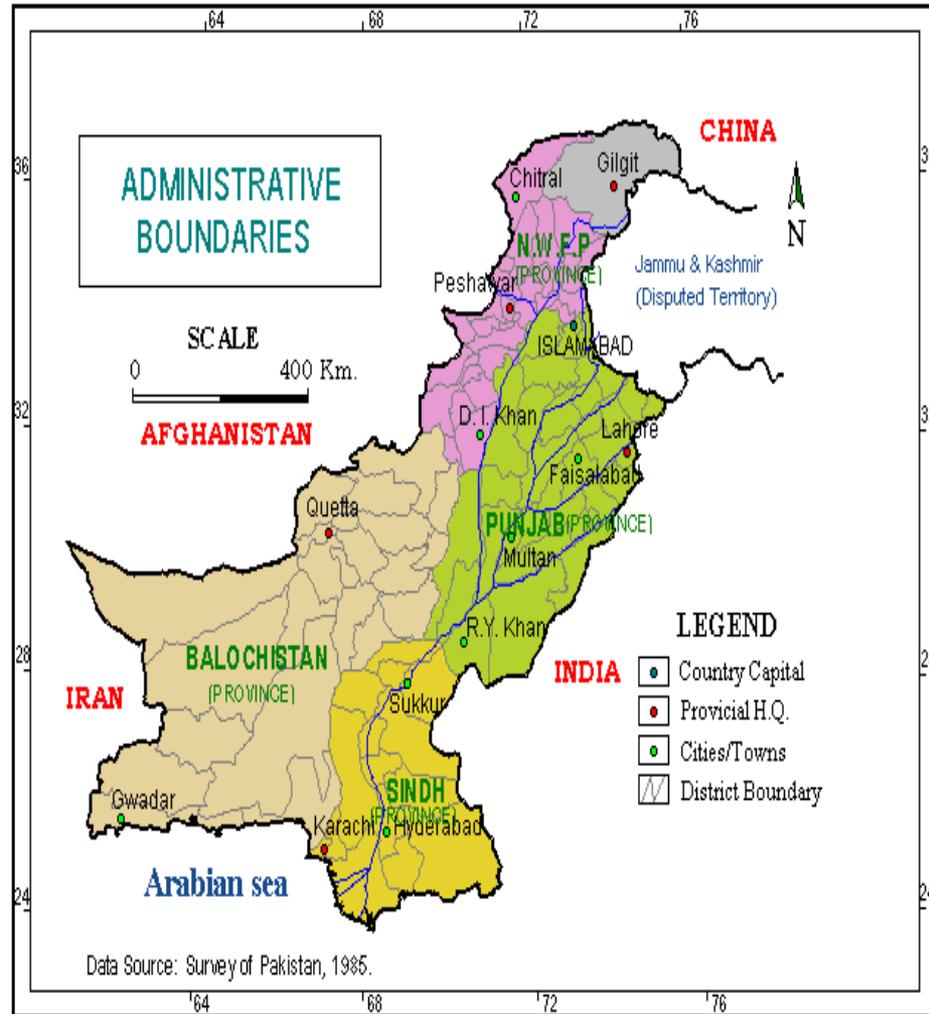
Pakistan's Perspective

Dr. Nadeem Amjad

Dr. Anjum Munir

Natural Resource Base

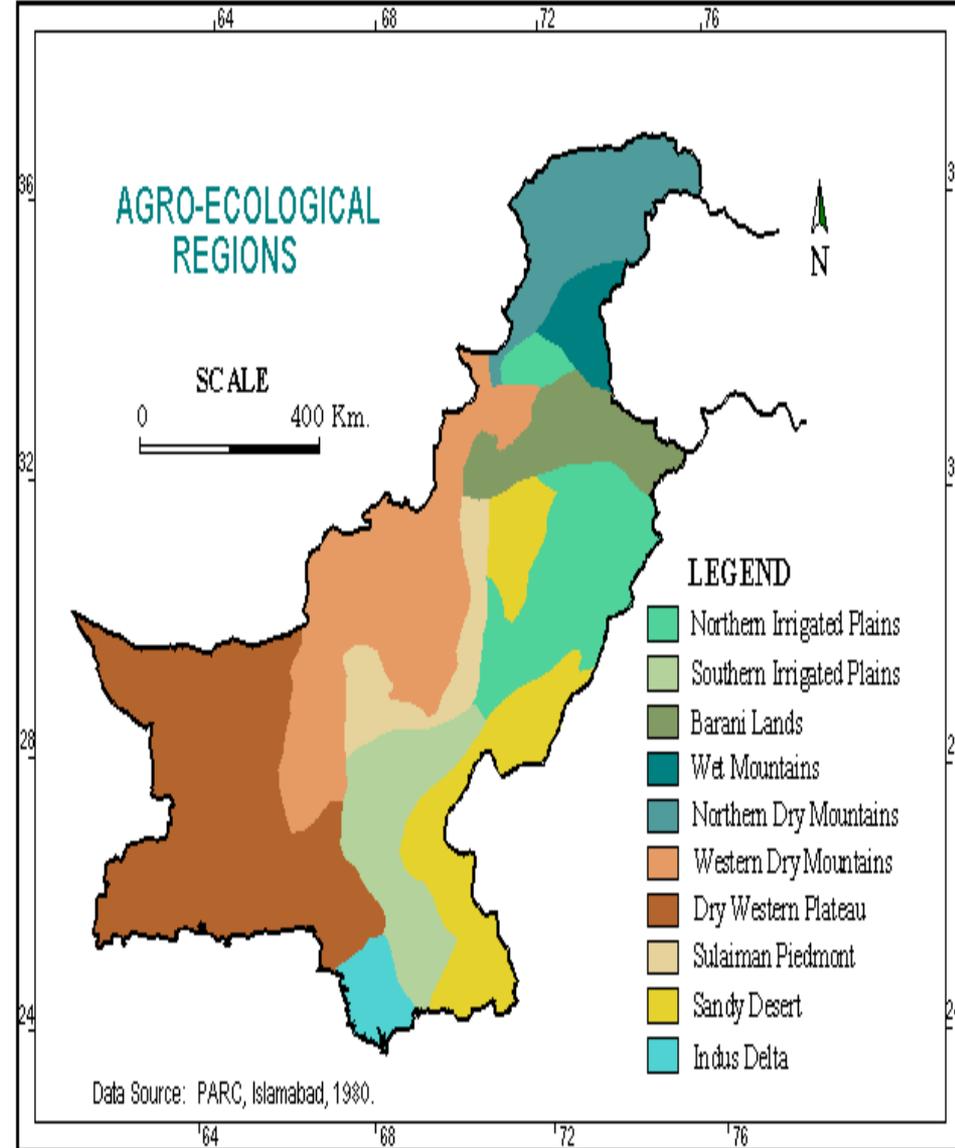
- ▶ 179 million Population
- ▶ Out of 79.6 m ha, only 20 m ha area available for farming
- ▶ 16 m ha irrigated and 4 m ha under rainfed farming
- ▶ Pakistan is predominantly arid and semi-arid with 68 m ha (85%) where rainfall is less than 300 mm.



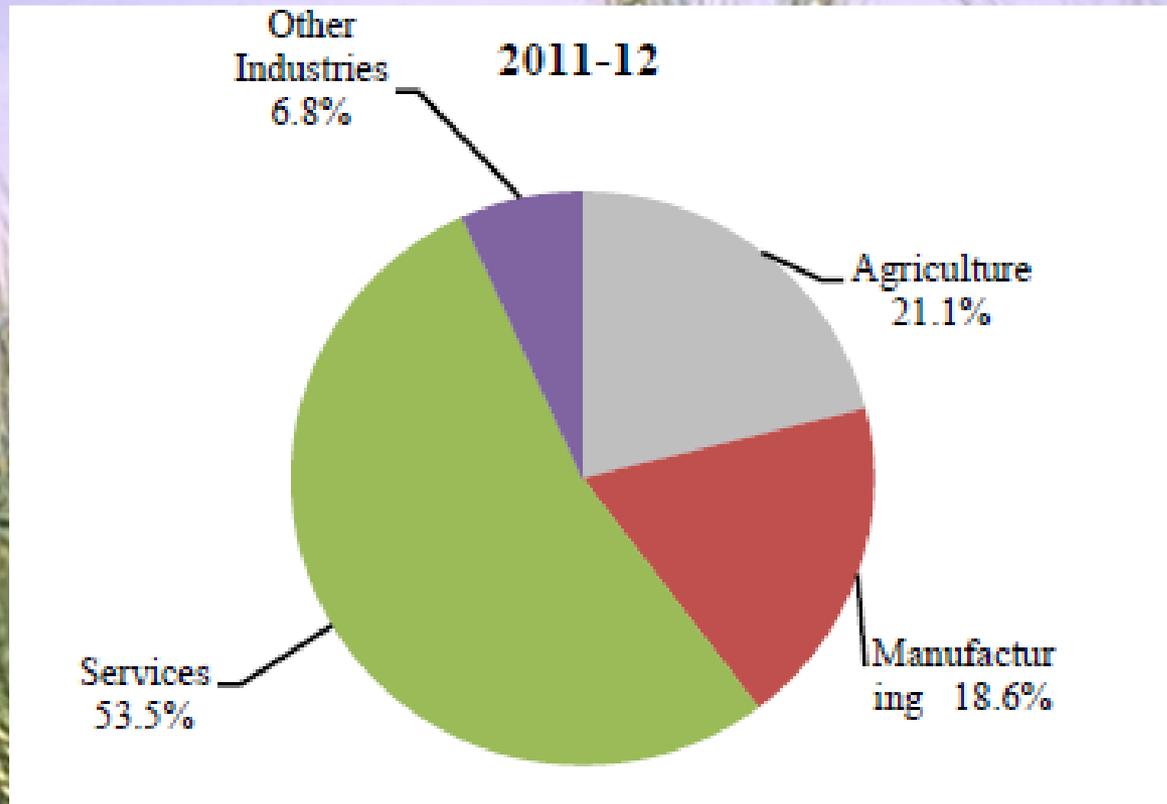
Natural Resource Base

Pakistan has diverse landscapes including:

- **high mountain** ranges of the Himalayas, Karakoram and Hindu Kush,
- **snow-covered peaks**, eternal glaciers, and the inter-mountain valleys in the north,
- vast rich **irrigated plains** in the Indus basin,
- **snow and glacier melt** keeps the Indus Basin rivers **perennial**
- undulating highly vulnerable agri. areas of rainfed Pothwar
- **stark deserts** and rugged rocky expanse of plateaus in the south-west of Balochistan.

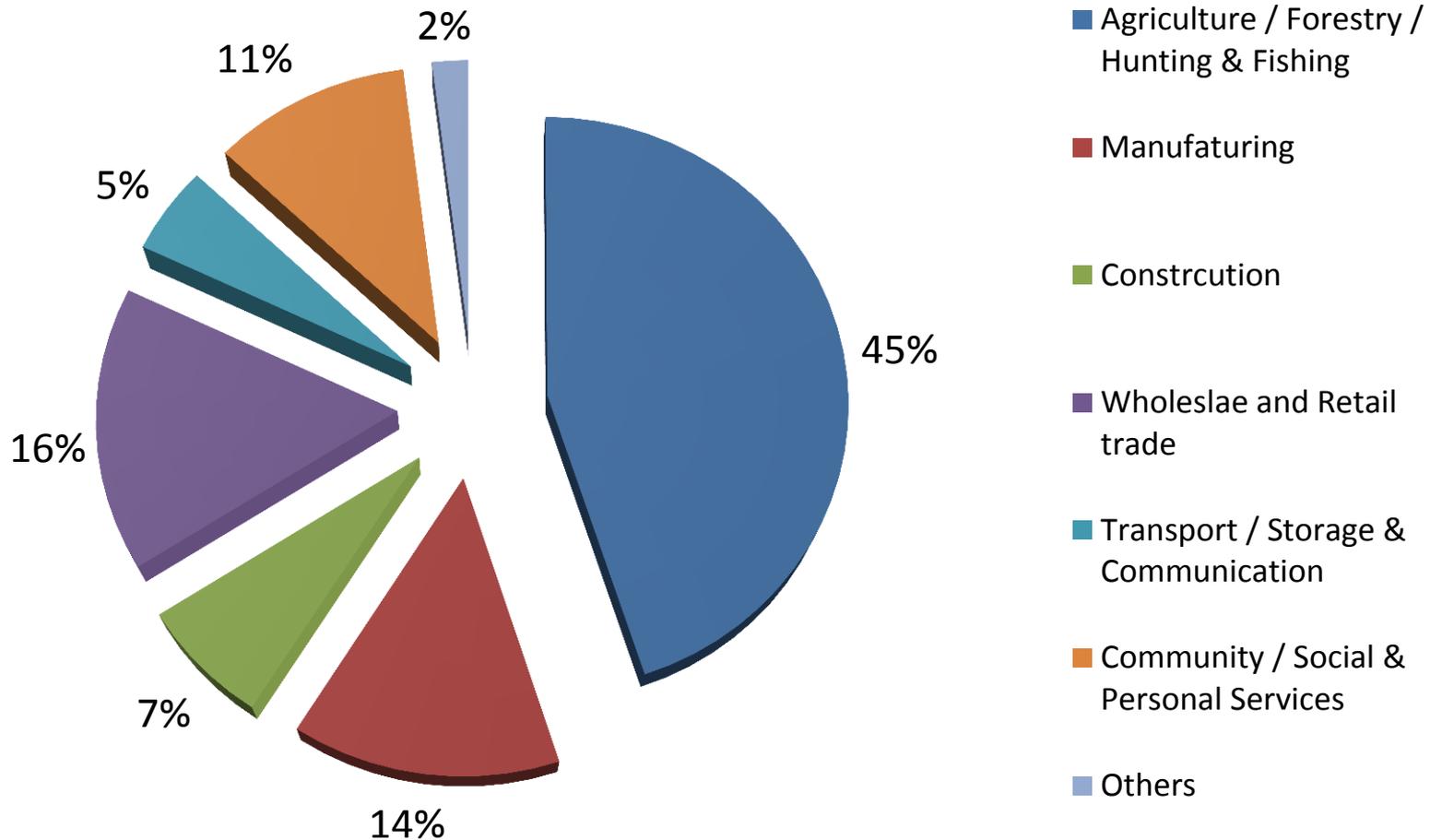


Agriculture: Contribution to GDP



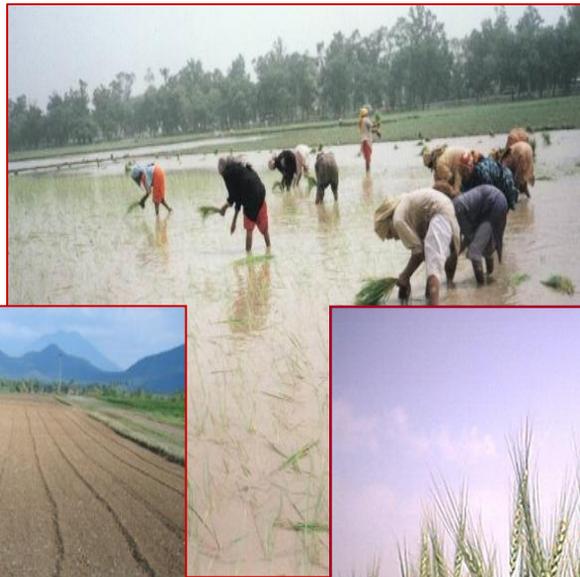
- ▶ Contributes 21 percent to GDP
- ▶ 60 percent of the rural population depends upon this sector for its livelihood.

Employment Share



Generates productive employment opportunities for 45 percent of the country's labour force

Being open to vagaries of weather, agriculture sector is highly vulnerable to extreme climatic events



- ▶ Important crops accounted for 25.2 percent of agricultural value added and has experienced a growth of 2.3 percent in fiscal year 2012–13.



- ▶ The value of agricultural exports in 2011–12 was US\$2111 million, thus increasing from the US\$1617 million value of 2009–10. The main agricultural exports in terms of value are milled rice, hydrogenated oil, refined sugar, broken sugar and cotton lint.

Mango Export



FDI

- ▶ FDI is crucial to a developing country like Pakistan as it provides the needed capital for investment. In addition, FDI brings with it employment, managerial skills and technology, and thus accelerates growth and development.

WHAT ARE THE FOREIGN DIRECT INVESTMENT INCENTIVES IN PAKISTAN?

The simple answer is that making a direct foreign investment allows companies to accomplish several tasks:

- ▶ Avoiding foreign government pressure for local production.
- ▶ Circumventing trade barriers, hidden and otherwise.
- ▶ Making the move from domestic export sales to a locally-based national sales office.
- ▶ Capability to increase total production capacity.
- ▶ Opportunities for co-production, joint ventures with local partners, joint marketing arrangements, licensing, etc;
- ▶ low corporate tax and income tax rates in Pakistan

WHAT ARE THE FOREIGN DIRECT INVESTMENT INCENTIVES IN PAKISTAN?

- ▶ tax concessions/exemptions to particular businesses
 - ▶ special economic zones developed by the Government of Pakistan
 - ▶ cheap labour in Pakistan
 - ▶ Job training & employment subsidies
 - ▶ Infrastructure subsidies
 - ▶ Research and Development support
 - ▶ Early Entry Advantage.
- 

INVESTMENT POLICY 1997

1. Previously only manufacturing sector was open to foreign investors. Now agriculture, services, infrastructure, and social sectors are also open for foreign investors.
 2. Manufacturing sector has been prioritized in four categories, namely
 - a) Value added or export industries, the units which export 80 percent or more of their products in any one year or have minimum value addition of 40 percent of production value is treated as value added or export industries respectively.
- 

Pakistan over the last few years has developed itself as a potential market for foreign investors with its liberal investment policy, cheap labour, tax incentives and good return on investments. Following table demonstrates the FDI in Pakistan over the last decade

Year	Greenfield Investment	Privatization Proceeds	Total FDI	Private Portfolio Investment
2001-02	357	128	485	-10
2002-03	622	176	798	22
2003-04	750	199	949	-28
2004-05	1,161	363	1,524.00	153
2005-06	1,981	1,540	3,521.00	351
2006-07	4,873.20	266	5,139.60	1,820
2007-08	5,019.60	133.2	5,152.80	19.3
2008-09	3,719.90	-	3,179.90	-510.3
Jul-Mar-10	1,553.9	-	1,553.9	378.6
Total	20,037.60	2,805.20	22,303.2	2,195.60

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (July-Aug)
USA	1,309.3	869.9	468.3	238.1	227.7	223.0	45.3
UK	460.2	263.4	294.6	207.1	205.8	632.3	6.6
U.A.E	589.2	178.1	242.7	284.2	36.6	19.9	(6.9)
Japan	131.2	74.3	26.8	3.2	29.7	30.7	0.8
Hong Kong	339.8	156.1	9.9	125.6	80.3	242.6	15.9
Switzerland	169.3	227.3	170.6	110.5	127.1	149.0	29.7
Saudi Arabia	46.2	(92.3)	(133.8)	6.5	(79.9)	3.2	0.0
Germany	69.6	76.9	53.0	21.2	27.2	5.0	(10.6)
Korea (South)	1.2	2.3	2.3	7.7	25.4	25.8	0.0
Norway	274.9	101.1	0.4	(48.0)	(275.0)	(258.4)	(61.5)
China	13.7	(101.4)	(3.6)	47.4	126.1	90.6	5.1
Others	2,005.2	1,964.2	1,019.6	631.3	289.7	283.6	81.0
Total including Pvt. Proceeds	5,409.8	3,719.9	2,150.8	1,634.8	820.7	1447.3	60.7
Privatization Proceeds	133.2	0.0	0.0	0.0	0.0	0.0	0.0
FDI Excluding Pvt. Proceeds	5,276.6	3,719.9	2,150.8	1,634.8	820.7	1447.3	60.7

Sector Wise FDI Inflows (Million \$)

Sector	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (July-Aug)
Oil & Gas	634.8	775.0	740.6	512.2	629.4	559.6	60.7
Financial Business	1,864.9	707.4	163.0	310.1	64.4	314.2	2.4
Textiles	30.1	36.9	27.8	25.3	29.8	10.0	2.1
Trade	175.9	166.6	117.0	53.0	25.3	5.7	2.1
Construction	89.0	93.4	101.6	61.1	72.1	46.0	5.0
Power	70.3	130.6	(120.6)	155.8	(84.9)	28.4	(7.4)
Chemical	79.3	74.3	112.1	30.5	96.3	(47.6)	31.1
Transport	74.2	93.2	132.0	104.6	18.7	44.1	(0.3)
Communication (IT&Telecom)	1,626.8	879.1	291.0	(34.1)	(312.6)	(385.7)	(24.8)
Others	764.5	763.4	586.3	416.3	282.6	872.6	34.5
Total including Pvt. Proceeds	5,409.8	3,719.9	2,150.8	1,634.8	820.7	1447.3	105.4
Privatization Proceeds	133.2	0.0	0.0	0.0	0.0	0.0	0.0
FDI Excluding Pvt. Proceeds	5,276.6	3,719.9	2,150.8	1,634.8	820.7	1447.3	105.4

- ▶ **CATEGORY(D): AGRO-BASED INDUSTRIES**
- ▶ – Production of Quality / Hybrid seeds.
- ▶ – Edible Oil Extraction / Refining.
- ▶ – Livestock / Poultry, Livestock Complex including the facility for Processing and Packing.
- ▶ – Milk Processing & Milk Products / dairy Products.
- ▶ – Fruits, vegetables & Flowers – Grading, Packing /Processing, etc.
- ▶ – Agro-based value-added products/Bi-products/Chemicals (e.g. Cotton, Sugar cane, Rice, Corn-based like cattle feed, Cellulose & its Products, Industrial Alcohol, Glycerin, Fructose, Furfural, Xylose, etc.)

CORPORATE AGRICULTURE FARMING

- ▶ Land development/ reclamation of Barren Land, Desert and Hilly areas for agriculture Projects and Crop Farming, Reclamation of Water Front Areas/ Creeks, Crops, fruits, Vegetables, Flowers, Farming/ Integrated Agriculture (Cultivation and Processing of Crops), Modernization and Development of Irrigation Facilities and Water Management, Plantation/ Forestry, Horticulture, Dairy, Small Ruminants (Sheep and goats) and all other Livestock Farming and Breeding.
- ▶ The corporate agriculture farming has been declared as an Industry with 100 per cent foreign equity allowed, no minimum foreign investment is required while remittance of capital, profits, dividends allowed.



"Youth is our future

Youth is our asset"



Recent projections from FAO state that in the next 40 years the world's population will increase from 7 billion to over 10 billion. At the same time, agriculture is an ageing and undervalued profession for which there is a declining interest among young people. Who will feed this growing population? and how?

Youth is our future

- ▶ Around 60% of Pakistan population (108 million) is comprised of Youth
- ▶ Govt. of Pakistan is initiating a number schemes to facilitate the youth. Prime Minister's youth loan scheme is one of the example.
- ▶ FDI can provide the youth of Pakistan a new hope especially in the field of Food, Agriculture and Livestock.....



Area identified for PM loan Scheme

- ▶ **Cut Flower Farm (Gladiolus, Rose, Marigold, Statice and Chrysanthemum).**
- ▶ **Off Season Vegetables (High & low tunnel)**
- ▶ **Fodder Production & Trading Company**
- ▶ **Fruit Grading & Packing**
- ▶ **Honey Production, Processing, Packaging & Marketing**
- ▶ **Pickle Production, Processing, Packaging & Marketing**
- ▶ **Rose Water**
- ▶ **Seed Oil Extraction Unit (Rape Seed)**
- ▶ **Spices Processing, Packing & Marketing**
- ▶ **Calf Fattening, Goat Fattening Farm, Camel Farming, Sheep & Goat Fattening Farm, Poultry Farm**
- ▶ **Inland Fish Farming, Shrimp Farming**

National Agricultural Youth Forum 18 – 19 January 2014

- ▶ Youth as Agriculturist
- ▶ Youth as Entrepreneur
- ▶ Youth as Innovator
- ▶ Youth as Service Provider



Youth is our asset



\$

₹

¥

Thank

¥

€

£

you