International Cooperation in Commercialization & Industrialization of Nepalese Agriculture: From Policy to Practice
International Cooperation in Commercialization & Industrialization of Nepalese Agriculture: From Policy to Practice

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Preface

Most of the tillers in Nepal are partially engaged in production oriented agriculture, which is subsistent in nature. It restricts them to benefit by economy of scale and enhanced livelihood and prosperity.

It is often opined that it is important to develop agriculture sector rapidly for the economic revolution in Nepal. To start with the engagement and involvement of large number of people in agriculture will massively increase their employment. It will reduce the burden of sending youth outside as migrant workers and free Nepal from the dangerous dependency on unsustainable remittances.

Industrialization and value addition of crops, livestock, plantations, herbs and medicinal plants will boost livelihoods of the farmers.

The recent ventures of few Nepalese individuals on commercialization of new avenues of agriculture such as kiwi fruits, olive, avocado, ostrich, trout fish, tomatoes etc. are very encouraging and must be supported by the government and private sectors.

Land reform and commercialization of agriculture must be intertwined. The actual tillers should be the owners of the land. Government should support commercialization and industrialization of agriculture by promoting and supporting establishment of processing industries (value adding) based on the locally produced raw materials. The tillers work part time as factory workers. They along with erstwhile landlords should be encouraged to become shareholders of such industries. This way the tillers, who make up the bulk of poor people in the country, will be engaged full time and benefit three ways, as tillers of their land, as factory wage earners and finally the shareholders earning as owner of the factory. This way it is highly expected that their livelihood increases with overall positive impact at the national economy. It is highly recommend that government must support with appropriate policy, technology, marketing of products of farmers by facilitating their national, regional and international linkage and infrastructure such as roads, transport, electricity, storage etc.

Realizing the importance of modernization of agriculture with a paradigm shift by replacing its subsistent characteristics Institute of Foreign Affairs (IFA) in support of Project for Commercialization of Agriculture and Trade (PACT) under the Ministry of Agriculture Development (MOAD) and Agriculture
Concern Society Nepal (ACoS-Nepal) conducted one day seminar on November 25, 2013 on “International Cooperation in Commercialization and Industrialization of Nepalese Agriculture: From Policy to Practice”.

I thank two paper presenters as follow:

1. Commercialization of Nepalese Agriculture and External Cooperation, by Mr. Deependra Kshetry, former Vice Chairman, National Planning Commission.

2. Existing Policies, Gaps, Challenges and Way Forward for Effective Mobilization of International Cooperation Towards Commercialization and Industrialization of Nepalese Agriculture, by Mr. Ganesh K.C., former Secretary, Ministry of Agriculture

IFA is grateful to Chief Guest Hon. Mr. Tek Bahadur Thapa Gharti, Minister for Agriculture Development for his Keynote speech, and Chair person of one of the sessions Mr. Leela Mani Paudel, Chief Secretary, Government of Nepal. IFA thanks PACT and its Project Director Mr. Yogendra Kumar Karki for financial support to this important seminar, for being a joint organizer and for his welcome speech.

IFA expresses its thanks to Dr. Prem Bahadur Thapa, Chairperson, ACoS-Nepal for his closing remarks and for being a joint organizer the Seminar.

Dr. Ganesh Joshi, Secretary, Ministry of Forestry and Soil Conservation and Dr. Champak Pokhrel, former Member, National Planning Commission deserve appreciation for their excellent comments on the two papers.

I also wish to thank Mr. Khush N. Shrestha, Deputy Executive Director, IFA, and Sanu Raja Puri, Librarian for their overall contribution to the seminar and publication. Ms. Snayha Basnyat deserves our appreciation for editing the publication. The institute welcomes comments, suggestions and feedbacks so as to refine the future publications of IFA.

Dr. Rishi Raj Adhikari
Executive Director
Concept of the Seminar on
International Cooperation in Commercialization and Industrialization of Nepalese Agriculture: From Policy to Practice

Background

Agriculture is the mainstay of the people’s livelihood and socio-economic development as majority of the people in the world still depend on it. However, there has been a limited progress worldwide towards agricultural development and food security. A large number of people in countries like ours derive minimal benefits from this sector, and they face numerous problems and challenges due to its subsistence nature. Both internal and external shocks coupled with extreme poverty further aggravate the situation. A majority of people living in extreme poverty is compelled to spend nearly 70 per cent of their income on food, and around 40 per cent of children in Nepal suffer from malnutrition and stunting.

Nepalese Agriculture employs two third of the country’s labor force and contributes to more than one third of Gross Domestic Product (GDP), and is the main source of food, income and employment for the majority, especially for the rural population. However, it is associated with poverty rendering Nepal as an underdeveloped country with very modest economic growth rates. The central challenge for the development in Nepal is to shift from subsistence to a commercial economy.

Since the Fifth Five-Year Plan (1975–80), agriculture has been accorded the highest priority in Nepal because it was determined that the economic growth was dependent on both increasing the productivity of existing crops and diversifying the agricultural base for use as industrial inputs.

However, Nepal’s agriculture is largely based on low-value cereals and subsistence production, with a mere 13 percent of output traded in markets. Despite an increasing reliance on remittances, the absence of economic opportunities outside subsistence agriculture keeps most Nepalese poor. Improving agricultural productivity and shifting people away from agriculture is essential for taking out people from extreme poverty and hunger. The greatest challenges faced in the development of agriculture in Nepal are low
productivity rates, traditional farming mechanisms, lack of commercialization and industrialization.

It is widely believed that the livelihoods of vast majority of farmers cannot be improved without transforming the agricultural activities into enterprises so it needs to be transformed as business enterprises that can attract youth in agriculture sector including production, processing, manufacturing and marketing which can lead to transform the country towards overall economic growth and prosperity of the people. This is quite possible as we have (i) highly experienced, diligent and laborious farmers, and (ii) we have comparative advantages of producing high value agriculture and NTFP commodities. In addition, the youth can be attracted in agriculture sector, country can be made self-sufficient on main agricultural commodities, number of high value commodities can be exported to neighboring and friendship countries and agricultural sector can be transformed into an employment generating, economically strong and prestigious business, if agriculture mechanization, commercialization as well as industrialization are started with new vision, mission and goal, and if due attention is given to enhance the international/bilateral cooperation and partnership for marketing and/or trade of important agriculture products that are of mutual benefits. We have many high value commodities that have huge comparative advantages such as off-season vegetable crops e.g. tomato, carrot, cauliflower, cabbage, broccoli, spice crops e.g. cardamom and ginger, organic/orthodox tea and coffee, vegetable seeds, various medicinal and aromatic plant species such as Yarchagumba, Panchaule, Jatamansi etc.

**Agriculture Policy Review**

Nepal is on the threshold of a new socio-cultural, political and economic change, and reshaping agricultural policies and strategies could play a vital role in economic development.

There have been a number of policies and programs for the development of the agriculture sector since 1995. The adoption of the 20-year Agriculture Perspective Plan (APP) in 1997 and recent endeavor of another 20 years Agriculture Development Strategy (ADS) and current governments proclaimed policy of doubling the budget allocation in agriculture reflects the emphasis the government has given on the agricultural sector and its commercialization and industrialization with the target of economic revolution in the country. However, APP did not succeed as planned and ADS is being criticized for not being realistic and to have bypassed the consultation of main stakeholders, the farmers. Therefore, a great deal in this regards remains to be reviewed and accomplished.
Some of the policies such as National Agriculture Policy-2061, Agribusiness Promotion Policy-2063, Commercial Agriculture Policy-2064 and Trade Policy-2065 have considered some aspects of commercialization, industrialization and trade promotion of agriculture commodities. However, these policies are not enough and also not implemented properly though they are in the mutual benefits of Nepal, its neighboring countries and other friendly countries. Therefore, it is strongly felt that it is essential to review the existing policies, strategies and programs and projects related to commercialization and industrialization of agriculture sector and international trade and marketing of agricultural commodities including medicinal herbs and NTFPs. There is need to analyze the policy gaps and develop necessary suggestions that can provide important feedback for planners and policy makers so as to revise the policies and strategies related to commercialization and industrialization of agriculture sector in Nepal and to promote the international trade and trade relations and partnerships.

Nepal attaches high importance and pursues a policy of developing the agriculture sector into an industry, as stated in the Interim Constitution of Nepal, 2007. In view of the paramount role played by agriculture in the economy, The Three Year National Plan 2010/11- 2012/13 lays emphasis on enhancing the contribution of agriculture sector in food and nutritional security, employment generation and poverty reduction and improving balance of trade by means of modernization and commercialization of this sector.

Importance has been realized about the transfer and use of appropriate, affordable, sustainable and climate resilient agricultural technology towards industrialization and commercialization of agriculture that combine local knowledge as well as supportive to international trade rules.

**Agriculture and Economic Development**

The role that agriculture plays in the transition of less developed countries to higher levels of economic development, through progressive industrialization and greater employment of labour with higher (real) wage-levels, transcends simply by diverting capital, labour, and other productive resources from agriculture to industry. This has been demonstrated by the wide failure of the import substitution-based strategies for industrialization pursued by many less developed countries during the 1950s and 1960s. A wider sharing of agricultural income growth leads to a greater incremental consumption demand for the labor-intensive products of rural industries. Rural industry
growth in turn further increases in agricultural productivity, leading to a mutually supportive cycle of agricultural and industrial growth.

It has been observed that agricultural demand-led industrialization outperformed export-led industrialization over the fifteen year period 1964-78, owing mainly to the prominence of agriculture and the greater labor intensity of agricultural output than industrial output in South Korea during the early 1960s. It is found that for each 1 percentage point increase in the growth of exports the rate of industrialization (GDP growth) increases by 0.3 percent, but that for each 1 percentage point increase in the growth of agricultural output the rate of industrialization (GDP growth) increases by 1.3 percent.

**Obstacles to commercialization of agriculture**

The exodus of youth from rural areas, growing rural-urban gap, loss of agricultural land, weak smallholder farmer organizations, and lack of adoption of improved technology are some of the key challenges to transform the agriculture sector that includes broader areas from crops to livestock, forestry and fisheries, production, trade, processing to marketing, and spans across different ministries and agencies, and includes not only government agencies but farmers, private sector enterprises, cooperatives, NGOs, and service providers.

A mountainous terrain and poorly developed road network restrict access to markets, constraining agricultural growth and diversification into higher value added and non-farm activities. Weak and poorly integrated institutions and inadequate technical support for supply chain development have further limited marketing opportunities.

Until now, agriculture in Nepal, to a large extent, is being simply traditional, ritual and as a part of culture; not been the business enterprises. Economic transformation of any developing countries like Nepal is possible only when agriculture sector is commercialized and industrialized. Japan, China, South Korea, Malaysia etc. are good examples in this regard whose initial economy was rooted through the commercialization of agriculture sector and industrialization was possible only after the commercialization of agriculture. A wider sharing of agricultural income growth leads to a greater incremental consumption demand for the labor-intensive products of rural industries. Rural industry growth in turn provides additional stimulus for further increases in agricultural productivity, leading to a mutually supportive cycle of agricultural and industrial growth which offer the promise of increasing access to many privately provided services, such as banking and retailing of consumer goods, in rural areas.
Conclusion

Nepal's economic revolution must be focused to promote rapid, sustained, and inclusive economic growth that will lessen the potential for conflict, reduce poverty, and improve lives. It is often opined that it is important to develop agriculture sector rapidly for the economic revolution in Nepal. The engagement and involvement of large number of people in agriculture will massively increase their employment. It will reduce the burden of sending youth outside as migrant workers and free Nepal from the dangerous dependency on unsustainable remittances.

Industrialization and value addition of crops, livestock, plantations, herbs and medicinal plants will boost livelihoods of the farmers. The recent ventures of few Nepalese individuals on commercialization of new avenues of agriculture such as kiwi fruits, olive, avocado, ostrich, trout fish etc. are very encouraging and must be supported by the government and private sectors. The farmers should be made owners of the land they till and shareholders of the agricultural industries and cooperatives in the rural areas so that they can have ownership over the economic development process of the country.

Aim and objectives of the seminar

Overall aim of the proposed seminar is to review existing policies, strategies and programs related to commercialization and industrialization of agriculture sector and the role international stakeholders can play. It will also analyze and propose appropriate policies and strategies to promote international trade of agriculture products so that the agriculture sector can be transformed into various business enterprises.

Following objectives may need to be achieved to fulfill the aim:

Review existing policies, strategies and programmes related to (i) commercialisation and industrialisation of agriculture sector, and international cooperation including international trade of agriculture commodities;

(ii) Analyse the policy gaps between policy and practice and develop necessary guidelines for the commercialisation and industrialisation of agriculture sector.

Organization of the Seminar

The seminar will be one day long from the morning till afternoon in Annapurna hotel. It is proposed that the agriculture specialists of Nepal will present two papers on relevant topics.
The papers will deal with review of past policies focusing on the review of international cooperation and propose innovative ways of commercialization and industrialization of Nepalese agriculture.

There will be three sessions, staring with Inaugural and one for each paper. There will be at least one commentator and one chair for each paper and a team of rapporteurs.

The outcome of the seminar will be disseminated by overwhelming presence of the media and related individuals and organizations at policy-making levels. Later the papers, discussion points and comments will be published in a form of book, which will be widely disseminated.

_The seminar is proposed to be a joint activity of IFA, PACT and ACoS-Nepal_
Welcome Remarks by
Mr. Yogendra Kumar Karki, Project Director, Project for Agriculture Commercialization and Trade (PACT)

Chairperson Dr. Rishi Raj Adhikari, Executive Director,
Institute of Foreign Affairs (IFA),
Chief Guest Honourable Minister for Agricultural Development,
Mr. Tek Bahadur Thapa,
Secretaries, Excellencies Ambassadors,
Diplomats, Head and Representatives of Donor Partners,
Joint Secretaries, Department Heads,
Chairman of Agriculture Concern Society,
Distinguished Guest, Delegates, Media Persons,
Ladies and Gentlemen
A Very Good Morning and Namaste

First of all I would like to express my sincere thanks and welcome to Honourable Minister for Agricultural Development Mr. Tek Bahadur Thapa. Similarly, I would like to welcome to all the distinguished guests, delegates, resource persons and participants of this seminar on “International Cooperation in Commercialization and Industrialization of Nepalese Agriculture: From Policy to Practice”. It is indeed a great honour for us to host this seminar jointly with Institute of Foreign Affairs (IFA), Project for Agriculture Commercialization and Trade which is popularly known in Nepal as PACT and Agriculture Concern Society (ACoS-Nepal).

The main purpose of this seminar is to share experiences, success stories and lessons learnt from various agriculture systems in developing countries. Overall aim of this seminar is to review existing policies, strategies and the programmes regarding to commercialization and industrialization in the agriculture sectors and the role what the international stakeholders can play. It will also analyze and propose appropriate policies and strategies to promote international trade of agriculture products so that the agriculture sectors can be transformed into various business enterprises.
Before I present the objectives and modalities of the seminar, allow me to speak very briefly about agriculture and the project PACT. Agriculture is the engine of development of Nepalese economy. It is the single largest sector in the economy accounting to about 32% of GDP and provide employment to two third of the labour force. Performance of the agriculture sector is therefore crucial for improving livelihood of Nepalese people which is possible through commercialization and industrialization of the agriculture sector of the country.

In this endeavour, it gives me a great pleasure to say publicly in this august gathering that Project for Agriculture Commercialization and Trade (PACT) is probably the first agriculture project of Nepal implemented by the Ministry of Agricultural Development (MoAD) with the assistance of any donor or funding agencies to cover all the 75 district of Nepal and successful in receiving the additional financing to the extent of double of what it was originally agreed and it is expected to play a leading role for the development of commercialization and industrialization of overall agriculture sector of Nepal. The overall objective of this project is to increase the competiveness of small holder farmers and agribusiness sectors of selected values and commodities of this country.

Chairperson, distinguished ladies and gentleman, let me go through the seminar objectives and modalities. As we know the theme of the seminar is 'International Cooperation, Commercialization and Industrialization of Nepalese Agriculture Sectors', let me now read the objectives of the seminar. It has four objectives:-

1. Review existing policies, programmes and strategies regarding to commercialization and industrialization of Nepalese agriculture sector.

2. The second objective is to analyze the policies gap between policy and practice and develop necessary guidelines for commercialization and industrialization of agriculture sector of Nepal.

3. To solicit the ideas in assisting the emerging agribusiness in conforming and establishing norms of international trade. And finally,

4. To support national, regional and international policy makers on the role of public-private-partnership (PPP) and ways to improve business environment and their sustainability and also measure to address the technical barriers of trade agreements.
In this seminar, there will be two sessions, apart from this opening session. For this opening session, we have invited few distinguished speaker who will talk on potential challenges of international cooperation in agriculture commercialization and Industrialization. And then in the working session, there will be two papers. The first paper is Commercialization and Industrialization of Nepalese Agriculture and External Cooperation. This paper will be presented by Mr. Deependra Kshetry, Former Vice Chairman of National Planning Commission and the paper will be commented by Dr. Ganesh Raj Joshi, Secretary of Ministry of Forestry and Soil Conservation. We have equally very important second paper by our veteran Mr. Ganesh KC, Former Secretary of Ministry of Agricultural Development on "Existing Policies, Gaps, Challenges and Way Forward for Effective Mobilization of International Cooperation Towards Commercialization and Industrialization of Nepalese Agriculture" and this paper will be commented by Dr. Champak Pokharel, Former Member of National Planning Commission. After the end of the seminar, we intend to produce proceeding which will document all the presentation and recommendation for general use.

I on the behalf of the organizers sincerely thanks chief guest, delegates, resource persons and participants who have kindly participated in this important seminar on short notice. Finally, let us make commercialization and industrialization of Nepalese Agriculture as a moment of interaction of desire.

Thank You.
First of all, let me thank organizers of this seminar for providing me the opportunity to speak on the most pertinent issue of all time—the agriculture, which feeds the world.

If agriculture goes wrong, nothing else can go right. This quote from a renowned scientist from our part of the world rightly captures the importance of this sector for all of us. Agriculture is the cultural endeavor for a majority of our populace. Without doubt, agriculture has been the backbone of our survival as a country, as a community and as a person. For us, agricultural development is the prerequisite to achieve our broader developmental aspirations. Our policies, past and present, reflect this insight during our developmental discourse. We have devised a number of policies and strategies for agricultural development. State of agriculture today is the outcome of our previous policies and investments in the sector.

Commercialization of agriculture has become a key agricultural developmental agenda since the inception of Agriculture Perspective Plan (APP) in mid-90s. With respect to commercialization, past policies including APP were more focused on the commercialization of high value crops. Consequently, we have
achieved some positive results as agricultural sub-sectors such as poultry, milk, tea, cardamom, fish, fruits and vegetables have now been commercialized to certain extent. This state of commercialization has, though, been fragmented and has not been transcended to all sub-sectors of agriculture. Cereal crops, which comprise more than 50 percent of the total agricultural output, are yet to reach a state of commercialization. So is the state of livestock sector in general. Clearly, our past policies and efforts were not instrumental enough to realize potentials of agricultural commercialization in the country. It is fair to say that the extent of agriculture commercialization in Nepal is not sufficient to drive agricultural based economic transformation in the country.

Agricultural development is systemic in nature; a pluralistic, multi-pronged and all encompassing approach of development is therefore essential for agricultural development in general and commercialization in particular. Development partners, government, scientific communities, private sectors including business entrepreneurs, farmers and their cooperatives, all are the key stakeholders of this developmental process. The Nepalese government through its policies rightly emphasizes for a concerted efforts of all these stakeholders for the agricultural development in the country. Realizing that investment in agriculture is a key for its development, this year the public sector investment in agriculture has been increased by almost 74 percent compared to the last fiscal year.

Agriculture is the most complex human endeavor as well. Unlike many other sectors such as manufacturing and services, it involves highly uncertain, hard to control or modify, biological, social, economic and climatic processes. Its development is also influenced by changes that undergo in the socio-economic, technological and political spheres of a nation and beyond.

Evidences show that investment in agriculture sector had declined since 1980's until the world confronted with raising food price crisis in 2008. In fact, the share of foreign aid to agriculture in total aid declined from around 23 percent in 1979-81 to 6 percent in 2007-08. The food crisis became a reminder for the national and international communities for a renewed commitment to raise real and effective support to developing countries on agricultural sector. For most of these countries that are in the receiving side, agriculture is the primary sector having a significant share in the national GDP. Performance of the sector in these developing countries not only determines the fate of billions of people living there but also supports consumers in developed countries.
In Nepal, the global trend of declining aid to agriculture corresponded with the public sector investment in agriculture. Public sector expenditure in agriculture came down to around 3% from around 7% during last 3 decades.

Recently, we have seen that investment in agriculture is being internationally valued. I believe it is a very high time for us to utilize such supports in the most effective way. That is, we reciprocate by improving the performance of our agriculture sector and help stabilize the volatile agro-food supply situation across the earth. By 2050, agriculture needs to produce enough for 9 billion people of this globe. This is a daunting task at the present scenario since the world is already lagging means and ways to feed 850 million undernourished people and 165 million malnourished children. Our own context is not any better. A little more than 23 percent of the Nepalese population is still under poverty trap and only the agriculture has the tenacity to bring majority of these people out of the trap.

Within the last couple of decades, agriculture has gone through major structural and phenomenal changes across the globe. It has been the subject of long and disputed globalization agenda. Rapid development in science and technology has offered significant growth opportunity in agricultural productivity. Revolution in information and communication technologies has led to the evolution of unprecedented extend of consumerism even in agro-food products. Supermarkets even in developing countries are replacing traditional wet agricultural markets steadily. Global food value chains have linked consumers from developed countries to producers in developing countries and vice versa. Development of logistical technologies provides opportunities for loss and waste reduction across the food chain. Effectively, agriculture has developed into industrial in nature with genuine source of high profitability and has risen into an equally intense competitive industry for farmers and actors of the food value chain.

In these circumstances, modernizing our agriculture by utilizing and exploiting latest socio-economic, technological and political developments within and across the globe is a synergistic solution. Our farmers as well as other actors of food chains might not be better prepared and equipped to cope up with new challenges. Since development of agriculture sector is a win-win result for all its stakeholders, we may need to find a contextual model of support in agriculture, which redefine the nature, objective and modality of international cooperation. The aim is to invest in the sector in a way, which not only makes the recipient self-sustaining but also helps to pay back the supporting communities. Enhancement in the investment through
international cooperation in agriculture and development of internal capacity to use the support effectively and efficiently must become our immediate priorities. Very recently, our development partners have shown the similar commitment through their support and engagement in the preparation of Agriculture Development Strategy (ADS). I would be pleased to see similar commitment in the execution of ADS.

With this, I would like to conclude by thanking the organizers as well as participants and wishing for the success of this event in achieving desired results.

Thank you.
Closing remarks by
Dr. Rishi Raj Adhikari, Executive Director, IFA

A very good morning to all of you
- Hon. Minister of Agriculture Development, Mr. Tek Bahadur Thapa Gharti
- Chief Secretary Mr. Leela Mani Paudyal
- Secretary of Forest and Soil Conservation, Dr. Ganesh Raj Joshi
- Mr. Yogendra Karki, Project Director, PACT and Dr. Prem Bahadur Thapa, Chairperson of ACoS both our co-organizers of this seminar
- Members of the diplomatic corps
- Eminent personalities in the field of agriculture development, foreign relations, economy, business, diplomacy, and academy.
- Representatives from the donor agencies.
- Paper presenters, Chairpersons and Commentators
- Friends from media
- Colleagues from Ministry of Foreign Affairs, Agriculture Development and other Ministries, All other invited guests and my co-workers from the Institute of Foreign Affairs.

I thank Hon. Minister for his eloquent and thought provoking ideas on the theme of the seminar and for setting the tone for the following two sessions.

Agriculture is very important for sustaining our lives and as the source of economic revolution of our country. It has the greatest potential of leading Nepal out of unemployment and poverty trap and bringing peace and stability in the country. It is main source of food, income and employment for the majority, especially for the rural, marginalized population. It employs two third of country’s labor force and contributes more than one third of GDP.

Agriculture has role in economic development by:
- Increased supply of food for domestic consumption and import substitution;
- Increased employment in tandem with release of labor for industrial employment;
• Enlarged the size of the market for industrial output; and
• Increased supply of domestic savings; with earning of foreign exchange.

However, it is subsistence in nature and associated with poverty, underdevelopment with very modest economic growth rates. Supporting production aspect of agriculture only is not enough to make agriculture competitive. Commercialization and industrialization is necessary.

Agriculture has been observed to play a vital role in the transition of less developed countries to higher levels of economic development, through progressive industrialization and greater employment of labor with higher wage-levels.

Sustained economic growth in less developed counties requires policies for economic development that yield incentives for efficient expansion of agriculture as well as industry. Increases in agricultural output stimulate the demand for industrial inputs such as fertilizer and farm equipment; as well as expand the supply of agricultural goods used as inputs to nonagricultural production.

There are many lessons from Asian countries. Economic miracle of some of the Asian countries has been observed to be based on labor-using industries and exports of labor-intensive manufactures. Agricultural growth and rural development have a significant role to play in the industrialization and economic growth of these countries. The adoption of the 20-year Agriculture Perspective Plan (APP) in 1997 and recent endeavor of another 20 years Agriculture Development Strategy (ADS) and current governments doubling the budget allocation in agriculture reflects the emphasis the government has given on the agricultural sector and its commercialization with the target of economic revolution in the country. It is quite pleasing to learn that so many innovative Nepalese currently have started commercialization of agriculture in various parts of the country. It is highly desired that these innovations must be expanded and link small and poor farmers and take to economy of scale so that large number of poor youth get the job in these enterprises and do not have to migrate for menial jobs abroad.

However, there are policy flaws in commercialization of agriculture in Nepal as there is no concept of complete chain management (from production to consumption). Production, marketing, processing and distribution are taken as separate processes with no inter-relationship. Due to migration of youth abroad and to the cities there has been shortage of agriculture workers,
pushing up the labor charges and also resulting in sizeable acreage of land to be fallow. Encouraging commercialization and industrialization of agriculture would engage these migrating citizens within the country and contribute to national development.

I would like to present a model of agriculture development that supports a farmer out of the poverty trap:

**Linking Small Farmers To Commercialization- A Model**

Thank you very much.
Nepal is a country of potentialities waiting to be translated into realities. Nature has bestowed natural beauty and resources, the harnessing of which is marred by mismanagement, faulty decisions and inadequate investment. Based on the interactions with likely investors it could be said that barring the law and order fragile situation, and lengthy procedures for foreign investments, scopes for it are plenty for its water resources, tourism activities and industries.

Though agriculture possesses high potentials due to diverse ecology and soil characteristics coupled with the irrigation facilities yet to be harnessed, investment neither external not domestic has been attracted. Production and processing of agricultural commodities have immense scope both for domestic consumption and export. Since policy and priority placement lays elsewhere, agricultural sector is lagging behind and fails to even meet the calorie need of the population with the output of the country.

This write up is organized into five sections. First section deals with the features of the Nepalese agriculture and its commercialization trend. Second portion examines the status of external assistance and areas covered by it. Third section covers the achievements made from the commercialization activities. The fourth section deals with the measures to be taken and the final part concludes the write up. With the conclusion of this exercise it is expected that a clear picture will emerge about the commercialization of Nepalese agriculture and a need to adopt policies in order to meet market demand of agricultural produce in the country.
1. Features of Nepalese Agriculture and Trend of Commercialization

Nepalese agriculture used to be more of culture than profession. Till today worshipping of elements related to agricultural practices are in use. Offering the agricultural produces before the households consume appeases ‘BhumeDevta’ local deities, who have attachment with land. Similarly, Naag (Venerated Snakes) are worshipped every year to get protection in the agricultural activities of rural households. Unique feature of letting frogs married at a time when drought prevails for long. By doing so, farmers believe that nature addresses the problem of rainfall. Cattles and domestic pets like dogs are worshipped during the festivals of light that coincides post harvest season. These features characterize the subsistence level of agriculture are more attached to the unfounded belief of getting benefits from nature. If there was round a year irrigation network, there would be no necessity of frog nuptial function would require. Almost three fourth of population is engaged in agriculture with average size of holdings of 0.7 ha. Peasant proprietorship with smallholdings predominate the agricultural households, which have the tendency of keeping few cattle and poultry. The Nepal living standard survey (NLSS) 2011/12 reveals that 64.2 percent raise cattle and 53.6 percent keep poultry. This shows the common characteristics of agricultural households and indicates relatively the low degree of commercialization of agriculture. It is manifested from the sources of income the agricultural households receive. Farm income drastically declined to 27.7 percent in 2011/12 compared to 47.8 percent in 2003/04 (NLSS, 2011/12). Non-farm income has gone up considerably and remittance forms a sizable portion of household income. From the consumption point of view one in five households were identified as consuming an inadequate diet based on the FCS (Food Consumption score) and one in four were identified as food poor (NPC-2013)

In the past, in pursuit of making agricultural growth sustainable, annual exhibitions of agro products in different districts were held and the agriculture year was observed. Long term planning of agricultural sector designed covering twenty years under the name of Agricultural Perspective plan (APP) which spelt out clearly that the resource need and projections of achievements to be made under the program in different components of agriculture. A perfect coordination between irrigation infrastructure and cereal crops was visualized to make the agricultural production sustainable to ensure food security and meet external demand. Ownership of the APP lacked since frequent changes of government and reorganization of ministries, the responsibilities of which were taken very lightly. The outcomes of the APP were not realized tangible however; trends were set to make the essential ingredients for sustainable
development of agriculture in place, such as credit needs, market channels and coordination among line agencies.

Agriculture farms run by government with the aim of demonstration and experimentation to lead the agriculture into more business like enterprise, are not getting due attention by the government. Some are being privatized or leased out in a bid to transfer the ownership right. Management of such farms are neglected partly due to insufficient budget and even if budget is allocated, proper use is hardly honored. The objective of running the government farms are waning and proving to be redundant exercise leading to waste of resources, including human resource who feel the posting at experimental farms as punishment. Vivid direction is lacking as to dealing with government farms. Consequently, appropriate agricultural practices in a particular ecology and soil conditions are immensely missing. Commercialization of agricultural products and initiation of industrial enterprise dealing with farm products through replication are becoming rare.

Rural integrated projects were focusing on rural households engaged in agriculture in raising output. Projects meant for crop diversification, raising income of small and medium scale farmers, market access for agricultural products were initiated to drag the farmers into marketing of agricultural output. Leasehold forest and livestock development project linked the farm households to benefit from non-timber forest products. Specific projects like those were instrumental in imparting knowledge to farmers on commercial type of farming and sell the marketable surplus.

To initiate commercialization of agricultural products, the Federation of Nepalese Chamber of Commerce and Industries (FNCCI) has run the Agriculture Enterprise Development Centre, primarily encouraging private sector to involve in agro enterprises, in cooperation with USAID. The center focuses on production of cash crops, processing and marketing of those corps through providing training and technical support. Presently, the center is concentrating its efforts into developing one village one product (OVOP) and one district one product (ODOP), in geographical areas feasible to promote suitable products. Similarly, high value agro product (HVAP) project also is in operation encouraging the farmers to adopt new practices in producing black pepper, apples, cardamom, tea and many other kinds of herbal products.

Under the Ministry of Agriculture Development (Cooperatives erstwhile) Project for Agriculture Commercialization and Trade (PACT) has been in operation since 2009 in Cooperation with the World Bank. The PACT is concerned with improving competitiveness of small holders and the agro-
business sector in selected high value crops, value chain in twenty-five central and western hills and Terai districts having high importance in agriculture. Main objectives of the project are to assist individual farmers and cooperatives orienting to engage in profitable market oriented products, promote network among producers, processors, traders and other stakeholders and make the farmers able to meet the standards of the products in line with national and international market demand. First phase is over and the second phase envisages covering the whole country incorporating eight main areas namely, value chain in vegetables like tomatoes, cabbages, dairy products, ginger, coffee, floriculture, cardamom, fishery, live-stock and poultry products. Nominal portion (one-fifth) of the project cost would be borne by the government while rest would come from the World Bank in the form of grant and loan, the latter portion will slightly be higher. To bring changes in the agricultural practices in rural areas; making the farmers able to sell their products into the market to increase the farm income. The project has become instrumental through linking with markets, improving processing techniques. The demand for its services have shot up.

Micro Enterprise Development Project run by UNDP in coordination with government agencies mainly Ministry of Industry (MoI) has promoted to create self employment among youth of rural poor, marginalized through training, facilitating to establish enterprises based on local raw- materials. Enterprise development and sustainability is the main component to which the UNDP plays catalytic role in strengthening capacity of local bodies so that eventually the exercise becomes self-fulfilling. Since rural areas contain agro forest based materials, the use of which would not only provide employment and income to rural poor families but also encourage enterprise development based on agro-forest products catering the national and international needs.

Returnee migrant workers have taken keen interest to start enterprises based on agricultural production. Dairy farming, piggery, vegetable growing, fishery are the undertakings the youths have started according to the experience they had and potentiality that exists in the area they start business in. Besides that, government policy of awarding grants to cooperatives and individual farmers as part of technical support has encouraged commercialization of agricultural products specially vegetables, warehouse and storage facilities to be provided through grant of government also has assisted to draw attention of farmers to follow cash crop farming. Industrialization based on agro-products however, is dismal against the backdrop of decelerating conditions of overall industrial sector. Rice milling units consist the principal industrial undertaking in agro industrial sector. It is therefore believed that with the
promotion of productivity, commercialization enhances which further demands the processing of agro products that again will stimulate demand for agro industries to be set up by domestic and foreign investments.

**External Assistance: Status and Areas focused.**

External assistance is the main source of development expenditure in the Nepalese budget. Multilateral, bilateral and international non-government organizations are the main sources. Loan and Grant are two components in which agriculture sector in general and commercialization portion of agriculture in particular receives grant in larger proportion. Accepting grants does not mean only the funds but technology and management also. Sometimes grant is pictured as meaningless in the sense that major part of it being returned back to the source country under the garb of technical and human resource support, that proves to be hundred times expensive than the native source. Important thing is what one can learn to utilize the resources to extract optimum benefit.

General impression among people is that developing countries like ours lack funds therefore desired level of development is not achievable. But, the data demonstrate otherwise. No general trend is observed in utilization of both grants and loans. Table – 1 shows that there is vast gap between commitment and disbursement of grants. The mechanism of grant is such that once the government initiates the intended project after that only it seeks reimbursement from the donor agencies. In some cases lack of counterpart fund in the national budget, the process of utilization of grant funds becomes slower.

**Table- 1 : External Assistance use - Grant**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Committed</td>
<td>Disbursed</td>
<td>C</td>
<td>D</td>
<td>C</td>
</tr>
<tr>
<td>Bilateral</td>
<td>5621</td>
<td>9576</td>
<td>23655</td>
<td>8720</td>
<td>36900</td>
</tr>
<tr>
<td>Multilateral</td>
<td>35443</td>
<td>10745</td>
<td>19441</td>
<td>17663</td>
<td>33358</td>
</tr>
<tr>
<td>Total</td>
<td>41064</td>
<td>20321</td>
<td>43096</td>
<td>26383</td>
<td>70258</td>
</tr>
<tr>
<td>Percentage</td>
<td>49.5</td>
<td>61.2</td>
<td>54.9</td>
<td>70.9</td>
<td>69.9</td>
</tr>
</tbody>
</table>

(Source: Economic Survey 2013/14)

Similarly, utilization of loan account, Table -2 demonstrates that two fiscal years successfully obtained disbursement well above the level of commitment
while fiscal year 2009/10 onwards the result was very dismal, well below 50 percent. This is the scenario of overall budget and share of foreign assistance in it. Similar case will be observed in commercialization of agriculture also a subsector of the budget.

### Table- 2: External Assistance use - Loan

(Rs. In Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bilateral</strong></td>
<td>Commit</td>
<td>Disbursed</td>
<td>C</td>
<td>D</td>
<td>C</td>
</tr>
<tr>
<td></td>
<td>7486</td>
<td>632</td>
<td>3541</td>
<td>613</td>
<td>0</td>
</tr>
<tr>
<td><strong>Multilateral</strong></td>
<td>636</td>
<td>8348</td>
<td>1338</td>
<td>9356</td>
<td>26351</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8122</td>
<td>8980</td>
<td>4879</td>
<td>9969</td>
<td>26351</td>
</tr>
<tr>
<td><strong>Percent achieved</strong></td>
<td>110.6</td>
<td>204.3</td>
<td>42.6</td>
<td>29.2</td>
<td>27.8</td>
</tr>
</tbody>
</table>

(Source: Economic Survey, 2012/13)

Intending to transform the Nepalese agriculture into business enterprise from its present position, friendly countries and international agencies have offered assistance. Doing so multilateral and bilateral agencies have to follow the government’s priority areas and policies enhancing the sector. Similar to the past policy document, the approach paper of the thirteenth plan emphasizes on making the agriculture, livestock and poultry sector competitive and business oriented. Motivation for youth to enter into agro business through various means would be the policy orientation during the plan period. In order to make agriculture sector competitive, working policy would be making easy access the agricultural inputs, insurance schemes for agriculture and livestock, credit, rebate on the imports of agriculture and livestock related machineries and equipment’s and tax rate on agro business. Supporting government's sectorial policies are the responsibilities of the external agencies. However, donors sometimes preempt and impose the assistance on the plea of the national policy of donor agencies. Streamlining this issue has become necessary. Therefore, government is preparing foreign aid policy and proposing operation modality of external aid. Donors’ objective should be to back up the policies of the country intended to be assisted. By doing so, donors can serve the interest of the recipient country to attain the targeted growth rate.

As per the details published by Finance Ministry, the programs and projects to be supported by bilateral, multilateral agencies and non-government
international organizations, some components are directly related to commercialization and industrialization of agriculture. Some projects cover few fiscal years while some are carried over from the past. Projects stimulating agricultural production and productivity, ensuring food security, processing and marketing of agricultural produce are opted here for our purpose. Fishery and livestock development, institutional capacity building in designing policies, analysis on risk and vulnerabilities among rural poor due to circumstances like market integration, price volatility and climate change are included. Vocational and technical trainings to create employment in agriculture sector also are sponsored by external aid agencies. The following table depicts the funds devoted for commercialization of Agricultural products:

### Table: 3: Funds Committed by External Sources

<table>
<thead>
<tr>
<th></th>
<th>Bilateral</th>
<th>Multilateral</th>
<th>Joint</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural production</td>
<td>4274.1</td>
<td></td>
<td></td>
<td>4274.1</td>
</tr>
<tr>
<td>Food Security</td>
<td>3.9</td>
<td>31.1</td>
<td>17.7</td>
<td>52.7</td>
</tr>
<tr>
<td>Marketing</td>
<td>242.8</td>
<td>196.8</td>
<td>41.4</td>
<td>481.0</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>59.1</td>
<td>46.5</td>
<td></td>
<td>105.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4579.9</strong></td>
<td><strong>274.4</strong></td>
<td><strong>59.1</strong></td>
<td><strong>4913.4</strong></td>
</tr>
</tbody>
</table>

(Source: Finance Ministry, 2013)

Under bilateral sources donor countries and agencies affiliated to them are included, while under multilateral agencies UN specialized agencies are covered. The 'joint' column includes the initiation made jointly by particular country and UN agency. The figures are drawn from the publication of the finance ministry 'Statement of Technical and other Assistance F/Y 2013/14', from Bilateral and Multilateral sources including INGOs'. Amounts donated were in different currencies like US dollar, Swiss Franc, Japanese Yen etc, which are converted into Nepali rupee with the relevant exchange rates. The figures shown may not be utilized in one fiscal year but may be extended, up to few more years.

Agricultural production received highest amount of Rs. 4274.1 million committed by bilateral agencies only. No amount was available from multilateral agencies and joint endeavor for agro- production. Food security, an issue that is reflected as right of the people, total amount received was 52.7 million each contributed by bilateral agencies Rs. 3.9 million, Rs31.1 million from multilateral agencies and Rs 17.7 million from joint sources. Food security being important and appealing to people all the agencies seem to be interested, though the amount is sizeable. Marketing attracted Rs. 481.0
million, the highest portion of Rs. 242.8 million was devoted by bilateral source while multilateral and joint sources contributed Rs. 196.8 million and Rs. 41.4 million respectively. Miscellaneous topic covers other areas not included in the above but related to commercialization and industrialization of agriculture such as assessment of land degradation and climate change and promote, protect, monitor the legislation on right to food. Under this heading Rs. 105.6 million is earmarked; Rs. 59.1 million from bilateral sources and Rs. 46.5 million from multilateral source. The funds thus allocated seem to be indirectly related to commercialization of agriculture. Building infrastructure including knowledge of quality maintaining for export is also important aspect that cannot be neglected.

Stimulating production and productivity of agricultural produce including horticulture, livestock, poultry and fishery remained the important activity to promote commercializing. Processing and marketing of surplus products depends primarily on productivity gains, infrastructure to preserve or store the agro-products like vegetables, meat product and fruits have significance, witnessing the facts of harvesting times. Similarly, minimizing loss during post harvest seasons is a matter to be considered seriously. The loss incurred during handling and storing could be minimized with sufficient grains or agricultural produces available for marketing. The government policy should be directed towards this direction either by devoting resources from government annual budget or adhere the policy to elicit resources from external agencies.

The external funds allocated by the ministry of agricultural development in the current fiscal year 2070/71 in major agricultural projects related to commercialization are given in table-4.

**Table – 4 Major Agricultural Projects under External Assistance**

<table>
<thead>
<tr>
<th>Purpose/Source</th>
<th>Govt.</th>
<th>Grant</th>
<th>Loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro Production</td>
<td>(415.2)</td>
<td>1117.1</td>
<td>354.8</td>
<td>1471.9</td>
</tr>
<tr>
<td>Food Security</td>
<td>(21.8)</td>
<td>392.6</td>
<td>-</td>
<td>392.6</td>
</tr>
<tr>
<td>Marketing</td>
<td>(168.1)</td>
<td>1785.6</td>
<td>-</td>
<td>1785.6</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>(0.9)</td>
<td>10.8</td>
<td>22.3</td>
<td>33.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(606.0)</td>
<td>3306.1</td>
<td>377.1</td>
<td>3683.2</td>
</tr>
</tbody>
</table>

| 89.   | 10.2 | 100.0 |

*Source: Ministry of Agri.Dev. 2013*

From the approved programs of MoAD of major agricultural activities, of the Rs. 3683.2 million, 89.8 percent (Rs. 3306.1 million) comes from grants while
10.2 percent (Rs. 377.1 million) is derived from loan accounts. Out of the total grant of Rs. 3306.1 million, 54.0 percent - Rs. 1785.6 million is devoted to marketing while 33.8 percent – Rs. 1117.1 million is allocated for Agro-production. Miscellaneous items cover the leasehold forest and promotion of livestock development for which both loan and grant amount are utilized. Bulk of the amount being received under grant, there is likelihood not to pay enough attention to materialize the goals set earlier to be addressed by the resources deployed.

Ground for commercialization and industrialization of agricultural products is already set, the next step is to provide momentum emphasizing on infrastructure development and management skill to handle the issue. Agriculture enterprise is becoming expensive due to several factors such as shortage of layout, rising input costs and uncertainty of market. According to economic survey 2070, total land area devoted for cereals was 3344 thousand hectare yielding 8738 thousand metric tons using 145653 metric tons of chemical fertilizers (within the first eight month of F/Y). Compared with the previous year's figure, the cultivated area is almost the same but yields were a little less (5747.2 thousand metric tones) than the current year's, with the tremendous amount of chemical fertilizers, almost 219 percent more (45672 metric tons previous year) than the previous year. No significant increase in the area of cash crops was seen. On the other hand, the price of chemical fertilizers especially of DAP and potash increased by 40.6 percent and 55.0 percent respectively. Factors like these have discouraging impacts mainly due to cost escalation, but the return to farmers was negligible. Exploitation of farmers is made by the middle men or marketing agents who charge heavy rates to final consumers while offering minimum to growers. Owing to these factors, agriculture sector needs structural changes and coordination among related agencies required in order to make agro-enterprises cost-effective and competitive in the market.

**Achievements**

A subsistence characteristic of Nepalese agriculture is waning out overtime. Since farm income from small plots of owned land do not cover the ever increasing cost of living of people, farmers have the tendency to leave the land barren and seek non-farm job elsewhere. Those who stick to farming also cultivate high value crops and seasonal vegetables that could be marketed and the income out of which supports to buy cereals. Therefore, farmers have known the benefits of market oriented farm business but ancillary support services like market information, credit, insurance and storage facilities critical for business enterprise are lacking. However, by the joint efforts of
the government and external agencies, commercialization of agriculture is gaining momentum. Dairy farming, poultry raising, tea, coffee, ginger, cardamom like cash crops growing activities have become popular leading to growth of exports of agricultural products. Mostly agro-products exports form semi or unprocessed items. This feature opens up the opportunity to develop processing industries in the country and raise the export proceeds from agricultural products.

There is dearth of information on the issues related to enterprise development leading to commercialization and industrialization of agriculture. Very good network of extension service was in place once, receded overtime with less importance given by the state under liberal economic policies. From the designated extension services centers located in different areas of a district failed to function properly either due to absenteeism of staff or budget problem and communicating information, be it farming techniques, post harvest management, processing or fetching to market, is vital for institutionalization of commercialized agriculture. Go downs and cold storages are very important elements for preserving and maintaining stock. These can affect the market price and hence the income of farmers, as well as help in maintaining supply in the market.

Some indirect indicators having correlation with farm enterprise – production and marketing could be taken from studies conducted entirely for other purposes. Table 5 shows the access of farmers in different infrastructures created by the state:

<table>
<thead>
<tr>
<th>Description</th>
<th>2003/04</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paved Roads</td>
<td>37.2</td>
<td>51.4</td>
</tr>
<tr>
<td>Rough Roads</td>
<td>67.6</td>
<td>79.8</td>
</tr>
<tr>
<td>Local Market</td>
<td>60.7</td>
<td>64.0</td>
</tr>
<tr>
<td>Market Centre</td>
<td>34.4</td>
<td>44.7</td>
</tr>
<tr>
<td>Agri. Centre</td>
<td>31.9</td>
<td>42.8</td>
</tr>
<tr>
<td>Sajha Co-op.</td>
<td>33.7</td>
<td>53.9</td>
</tr>
<tr>
<td>Banking</td>
<td>27.8</td>
<td>35.9</td>
</tr>
<tr>
<td>Irrigated Land (Area Hect.)</td>
<td>11823</td>
<td>35748</td>
</tr>
</tbody>
</table>


Road network is developing fast, facilitating market agricultural inputs and agro-products. Almost half of the farm population is in the access of paved
roads within half an hours travel time. Similarly, 64.0 percent farmers have access to local market which is within 30 minutes distance. Sajha Cooperatives have proliferated and are at the access to 53.9 percent of the farm population. Irrigated land has more than tripled since 2003/04 to 2010/11 accounting for 35748 ha. of land under perennial source of irrigation. Indicators mentioned above facilitate to increase agricultural productivity and market products accordingly. All these infrastructures are made available in the auspices of government agencies.

Private sector is leading to establish enterprises dealing with processing, packaging and transforming agricultural products from the point of production to the point of end use. Investments thus are made by private sector in developing business enterprises that induce production, enhancement and improve value chain thus maximizing the farm income. Migrant workers returning back after gaining experience and some money to start with business in the country take initiatives. These people are focusing on tunnel cultivation, dairy farming, vegetable growing, fishery etc. pooling land resources or under contract farming. Production, no doubt has increased but support services from government side are not matching partly because agro enterprises are rarely registered in the form of corporate body. Entities lacking corporate nature are often deprived of the services including subsidy by the government and credit facilities formally from banks and financial institutions.

The press frequently covers enterprises promoting agricultural sector. Ostrich farming, slaughterhouse, set up in eastern plain targeting export of meat products to P.R. of China and Vietnam etc. are some novel and income generating profitable enterprises. Floriculture is picking up fast while because of faulty financing practices, export oriented floricultural enterprise has failed. In lack of storage facilities, onions produced in the central Terai under special projects like 'Mission Onion', farmers had to sell at below the cost of production to Indian business people and import later the same item paying high costs. Inconsistent import regulation and custom practices also have discouraged the local producers, which apply to cereals, poultry products and fruits. Nepalese export of agricultural commodities often meet hostile customs regulation, as a result the exported items remain at the border for weeks till the sanitary and phyto sanitary measures are cleared by Indian customs. Such practice is unilateral, whereas Nepal does not care about what we import from India.

Initiatives taken by different agencies in developing the agricultural sector into business enterprises are worth reviewing because duplication of activities
are found and working style also differ, hence allowing the service recipient confused. Guideline from the government agency helps to bring uniformity in action and thinning out the project activities to cover more farm population.

**Directions to be taken**

Agricultural sector is an important sector, it has lost priority in policy and budgetary issues for a long time. Recently, realization is live among government officials and policy makers that agriculture sector in Nepal is the only sector that can bring change in the economic well-being of Nepalese people and prosperity through ensuring food security and assured income. The previous government led by Dr. Baburam Bhattarai laid an emphasis on the importance of agriculture development. Agriculture alone can ensure the industrial base and exports of quality goods. Almost two thirds of the population relies on agriculture that does not assure livelihood and decent life. Therefore, emphasis was given to double the budget so that minimum benchmark for rapid economic growth would be achieved. Increment in budget will have no positive effect, if production oriented new projects are not initiated. Should there be any project pending due to budget constraint, additional budget might help enhancing agriculture. Commercialization of agricultural projects is possible if external resources earmarked for agro-business promotion is utilized properly. In this regard following steps should be taken for rapid commercialization of Nepalese agriculture:

Agro-enterprises need to be registered with the government body so that activities like monitoring and facilitation on the part of the government becomes easier. So the process of getting registered needs to be simple and hassle free. In case of registered firms government agencies can take into account for the institutional technical and financial support. Credit and insurance facilities become impossible to non-registered firms. Similarly, subsidies, if any, from government are also not possible. To make the enterprise update financially book keeping and regular auditing become essential which is not possible to unregistered enterprise.

External assistance in any form should be channelized through government agencies. The assistance should comply with the recipients’ legal and physical needs. The tradition of utilizing internal funds at the will and design of donors should be made away forth with to fully attain the goals those are consistent with national and local needs. Donor driven projects hardly guarantee the perfect use of financial and technical matters that suit the local conditions. Harmonization of foreign assistance is necessary. The assistance from external sources should be the part and parcel of government’s development agenda.
International Cooperation in Commercialization & Industrialization of Nepalese Agriculture... with articulated aims and objectives to be accomplished. Any assistance outside the frame of national policy and agenda is a waste of resources and time. In regards to utilisation of external assistance government should enhance absorptive capacity so that committed funds would be utilized to the fullest extent.

The agencies involved in enterprise development including in agricultural field are working independently fixing targets and employing financial resources. Waste of resources felt this way could best be utilized to attain greater and wider goals if these agencies coordinate with each other. Micro-Enterprise Development Program (MEDEP) under ministry of industries, Agro Enterprise Development (AED) under Federation of Nepalese Chamber of Commerce and industries and Project For Commercialisation of Agriculture (PACT) under Ministry of Agriculture Development all of which are supported by external agencies needs perfect coordination.

Considering the varied ecological zones, potentials of Nepalese agriculture and forest based products both seasonal and off seasonal are high. The foreign missions of the government of Nepal should explore the best practices in respective countries under the precept of economic diplomacy and try to replicate it in Nepal to score the best in world market. The outcome of long experience of the countries of the world could best be utilized in Nepal through missions stationed overseas, complying perfectly the needed regulations. National interest, based on economic policies could be presented before the nation represented by Nepalese overseas and the area of external support be a guideline to finalize.

Unless a nation like ours is ready for commercialization and industrialization of agriculture, no inducement would be there to attract external assistance. The government should take following measures:

a) Prepare a database of agriculture sector focusing on the existing position and immediate tasks to be done to create environment conducive for commercialization. Data related to land ownership, cropping pattern, human resource, information on hydrology and meteorology etc.

b) Government policy shift is necessary in processing, storage and marketing rather than only on production enhancement. Since a major part of exports of agricultural produce consists of raw and semi-processed forms, it is necessary to emphasize on processing and marketing through incentive measures.
c) The concerned ministry – Ministry of Agriculture Development, should be equipped with technicians and laboratories required to run research and development work smoothly. Though the private sector may take a lead, government sector is expected to conduct farm research and facilitate the farmers to adopt profitable agro-business. In this connection the leverage government has to acquire is in modern technology in agriculture sector. Private sector in developing countries like ours has relatively less scope. So, public-private partnership in research and development and dissemination of results would be of great importance.

d) Compliance of regulations of international standard is the responsibility of the government. The WTO as well as other regional trade organizations are expected to honor the provisions, as the member, measures like sanitary and phyto sanitary have to be complied fully. For this, external assistance could be elicited and benefitted from the experiences of other countries. Net benefit of this measure would be that the facilitating country itself could be the best customer because it has witnessed the issue very closely.

e) Through tax incentives in different aspects of commercialization and industrialization of agriculture, namely concession on registration fee for the land meant for agro- business, rebate on the import duty of tools and machineries, partial exemption of value added tax on the goods and services entering the market out of these endeavors could provide a cushion. Smooth running and increased market share will be a leeway for attracting external funds including Foreign Direct Investment (FDI).

f) Dissemination of information from research institutions and farms should be institutionalized. Marketing Information provided hitherto needs to be strengthened and coordinated in such a way that rural farmers ensure access to services including extension from the government.

**Conclusion**

Transforming Nepalese agriculture from subsistence level to a commercialized one is the main task to improve the living condition of Nepalese farmers through ensuring food security. Many periodic plans and programs were launched in the past, partial achievements, over the stated objectives were made. The potentials given by the ecological diversity and soil conditions
of Nepal are yet to be reaped. Another agricultural Development Strategy is prepared encompassing all aspects including climate change. However, daunting task to begin with the agriculture led growth of Nepalese economy solely lies on the commercialization and industrialization using funds both from domestic and external sources.

Recently, Nepal government has led emphasis on the growth of Nepalese agriculture sector for which budget is increased almost double. In the fiscal year 2012/13 agriculture received 2.6 percent of the total budget while this fiscal year, the allocation is 4.1 percent of the total budget. However, capital expenditure is still at a low 12.8 percent of the Rs. 21403.1 million earmarked for the sector. Resource committed by external sector funding is 21.8 percent of the total budget for agricultural sector. To set industrial base in the country, it has been realized both in government and private sector that agriculture should get priority.

The agricultural projects approved for the fiscal year 2013/14 exclusively for commercialization of agriculture is Rs. 3683.2 million of which 89.8 percent comes under grant. For these projects government has earmarked Rs. 606 million only, which is one-sixth of the external resources. Similarly, bilateral and multilateral agencies including INGOs have earmarked Rs. 4913.4 million for commercialization of agriculture. Sufficient interest shown by external agencies support the cause of transforming agriculture into business enterprises.

External funds often come at the will of the donor agencies rather than as part of development agenda of the recipient country. It holds true to Nepal also. Therefore, harmonization of foreign aid and taking ownership of the projects under external assistance becomes necessary to honor the Paris Accord and fully reap the advantage from the external aid. To ensure these aspects, development programs of the recipient country should fully be appraised through missions abroad and come to a consensus in implementing the projects. It will minimize the alleged feeling that funds in the form of foreign aid again returns back to donor countries. Ownership of external aided projects by recipient countries brings fruits to both the donor and receiving ends.

Government is the main player that sets the ground for eliciting external assistance including FDI. Infrastructure development like rural roads, electrification, and irrigation etc. heavily fall upon the government for which it has to prepare extensive plan of action. To commercialize the agriculture sector, tax incentives including rebate in registration fee of the land to be
used in the enterprise and concessional import duty for the machineries and equipment’s meant imported. Financial services like credit and insurance also are critical. These are the cushions the potential entrepreneurs get to speed up the commercialization exercise.

After all, enterprise development prospers with the initiation and encouragement of the private sector. Government can assist in developing projects, building infrastructure and serve as facilitator. Research and development in government farms help the farm sector to adopt technology and avoid risks which private sectors seem reluctant to take. With these measures if government creates conducive environment, agriculture sector will prosper through commercialization and industrialization for which critical inputs like capital and technology could be mobilized through external assistance.

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Comment on the Paper

Commercialization of Nepalese Agriculture and External Cooperation

Dr. Ganesh Raj Joshi
Secretary
Ministry of Forests and Soil Conservation

Commenting on a paper written by a very eminent person like Deependra B Kshetry is a difficult job for me. First of all I would like to congratulate Dipendra sir for his excellent paper. He has touched almost all dimensions of agricultural development more importantly on commercialization and external support. He has made elaborative discussions on characteristics of Nepalese agriculture and trends of commercialization, status of external assistance in agriculture and areas focused for such cooperation, and achievements made so far in the areas of agricultural commercialization and industrialization. Discussing on the status and achievements, he has proposed the way forward for promoting agricultural commercialization and industrialization in Nepal.

Let me put some comments on the paper that will be useful for improving the quality of the paper. Only one year foreign assistance data has been mentioned in paper. This is inadequate to evaluate the performance in agricultural commercialization with the external assistance. I would suggest to look into the total external assistance for the last 30-40 years (based on the availability of data), and disaggregate it into agricultural and non-agricultural sector. It would be nice to analyze the trends/growth in both the sectors and make comparison. I would also suggest disaggregating into loans, grants and technical assistance. If the information is available, the use of these types of external assistance by sub-sectors (in agriculture) would be useful to carryout further analysis. I would also suggest correcting some typological errors in the paper.
I would like to supplement what Deependra sir has written on different aspects.

We all know agriculture is an important sector to contribute to economic development and poverty reduction in Nepal. This can happen only with agro-based industrial development which is evident from the experience of ASEAN and East Asian countries.

Let me just cite “Rural Area Agri – based Employment Development Strategy” proposed by Prof Mellor during 1980s. He suggested major four components for implementing this strategy:

1. Increasing agricultural production through investment in cost reducing technologies, infrastructures and other inputs.
2. The shift of industrial strategy towards labor intensive and decentralized strategy
3. Acceleration of international trade
4. Decentralization of administrative structure (regulatory to facilitating)

This would lead to decrease in average cost which results in increase in aggregate production, farm income and aggregate demand.

I am sure our Agriculture Perspective Plan was also based on the above premise as Prof. Mellor was the architect of APP. This could not be fully implemented as there was lack of ownership by ministries concerned (except agriculture), inadequate resources allocation and weak coordination for its implementation, among others. The financial support anticipated from the external sources was also inadequate to implement the APP.

There were many projects supported from external assistance in agricultural sector in Nepal. The agricultural sector was the major component of Integrated Rural Development Projects (IRDPs) implemented during 1970s and 1980s in different parts of the country. To cite some Integrated Cereal project, Agriculture Research and Production Project, Agriculture Research and Extension Project, Market Access for Rural Development, Secondary Crops Development Project, Crop Diversification Project, Livestock Development Projects (different phases), Commercial Agricultural Development Project, Leasehold Forestry and Livestock Development and many others. At present, the projects such as supported by World Bank (PACT), Asian Development Bank (RISMFP), Kisanko lagi Biu Bijan (IFAD), and many other projects from
bilateral assistance (Japan, Korea, USA, etc) are under implementation in Nepal.

The initial years' projects under external assistance might have focused on production aspects with little attention on post-harvest aspects. But post-production aspects have been considered adequately in the recent years. These all have contributed to the development of human resources and created a base for commercialization of agriculture.

One of the shortcomings till today is the absence of clear cut foreign aid policy. This has implication on identifying areas and sub-sectors that need external funding (as domestic investment might be inadequate). We are also making blanket decision in terms of the size of assistance and sub-sectors. There is also a need to assess the areas where we have comparative and competitive advantage and need of external support to promote them. Hence, we should be selective in availing foreign assistance needs by sub-sectors (in agriculture) – in technology development, infrastructure development and human resources development (HRD). The external assistance should support in implementing our policies and strategies in terms of HRD. We should get the services of expatriate in critical areas where we have deficit, as Nepal has large mass of experts in different fields of agriculture. Also we should seek funding commitments from development partners in implementing perspective plans and strategies in agriculture considering the importance of this sector, like ADS.
Comments from the Chair
Dr. Rishi Raj Adhikari
Executive Director, IFA
Commercialization of Nepalese Agriculture and External Cooperation.

I would like to extend my thanks to the paper presenter, Mr. Deependra Bahadur Kshetry, former Vice Chair of the National Planning Commission for his eloquent presentation and richness of the analysis on the subject. I also thank Dr. Ganesh Raj Joshi, Secretary of the Ministry of Forest and Soil Conservation for his candid comments on the paper. I also thank all the participants for their active engagement in the deliberation of the seminar and for contributing towards refinement of the paper.

The theme of the paper was very crucial and important for Nepal’s development through modernization, commercialization and industrialization of her agriculture as it has potential of economic revolution, through employment enhancement, poverty eradication and peace and stability in the country.

The paper mentions about government realization of the importance of commercialization and industrialization of agriculture and accordingly the budget has been doubled recently and new agriculture policy as ADS has been initiated. It talks about government’s emphasis on coming up with Foreign Aid Policy for its efficient utilization for improved agriculture including commercialization and industrialization. Government plans including the 13th Approach paper emphasizes on competitiveness and business oriented agriculture by supporting the youth, especially from rural areas and women through tax rebate and other measures etc.

It recommends for policy shift from production to processing and value addition in agriculture. The plans and programs must mention direct support to commercialization and industrialization of agriculture not indirect. There must be harmonization of foreign assistance by fulfilling legal and physical needs. There must be intra- and inter-ministerial coordination in management
of international cooperation in agriculture and Paris Accord in management of international aid must be adhered to. Government farms must demonstrate the commercialization of agriculture to instill confidence amongst the general farmers.

Role of private sector needs to be enhanced through PPP. Government's initiative of projects like PACT, MEDEP and the example of facilitating FNCCI towards OVOP and ODOP is in the right direction. It should also step-up its support to the initiatives of some of the innovation of the citizens, especially the returnee migrants, in their endeavor towards commercialization of agriculture such as ostrich farming, tunneling vegetables, dairy, fisheries etc.

Government farms and other faculties must be strengthened and equipped to be able to conduct research adequately for commercialization and industrialization of agriculture. International standards in exporting agriculture goods should be maintained and there is need to register the enterprises to get access to government facilities.

However, there are some pertinent issues such as:

International cooperation comes not only directly for agriculture development but a substantial portion also comes in the form of technical and management support which goes back to donor country. There is dearth of infrastructures and management, including godowns, cold storage facilities along with information and experience sharing in commercialization and industrialization of agriculture. Registration of Agriculture enterprises is herculean task and disappoints the potential young entrepreneurs.

However, there is need to emphasize more on the following:

The paper needs to recommend clear cut action plan for obtaining and using the external support in agriculture. The external support must be an integral part of our foreign policy through making our missions abroad active on economic diplomacy. The government must plan other sectors such as infrastructure development in tandem with commercialization and industrialization of agriculture.

Lastly, the international cooperation must be based on our own planning and requirements not on donors' plans. I once again thank you all for your active participation.

Thank you very much!
1. Background

Nepal a small landlocked South Asian country sandwiched between India in the south, east and west and China in the north Nepal is richly endowed with natural resources such as land, water, forests, diverse climate and biodiversity. Nepal is predominantly a mountainous country with elevations ranging from 64 m above sea level in Kechana located in southern plain area of eastern Terai of Jhapa district to 8,848 m Sagarmatha the world’s highest peak. Such wide variation in ecological structures, all offer tremendous opportunities for agricultural development in the country.

Agriculture is the backbone of the Nepalese economy because it is the single largest contributor (35.1%) to Gross Domestic Product (GDP) (MoF, 2012), employs 66 percent people directly and a means of livelihoods of about 74 per cent people. Despite such an important role of agriculture sector in the Nepalese economy, public sector investment in this sector has been low at about 2.0-2.5 percent annually. Thus, the Nepalese agriculture has still remained a subsistence type with low level of commercialization and industrialization.

Agricultural commercialization and industrialization have been important elements to sustain and enhance human life and a key to unlock the door to modern-day human civilization in the world and a remarkable shift has occurred in technological innovations and in the world market development after the advent of commercialization.
In most developed countries, traditional farming are now replaced by industrialized farming - organized according to industrial management techniques, which can more efficiently and economically adapt to new and ever-improving technology, specialization of crops and animals, birds, and the fluctuating farm prices whereas in developing countries, small farms are still using traditional techniques, farmers are struggling hard to sustain agriculture as a profitable profession for better livelihoods and this very much applies in Nepal.

In Nepal, widespread poverty coupled with unavailability of required agriculture inputs and heavy exodus of youths from rural areas has further aggravated the situation. Food insecurity (about 33 out of 75 districts are still food deficit) and malnutrition (around 40 per cent of children under five suffer from malnutrition) are major issues. These hint the need to analyze the issues in-depth then develop strategies for commercialization and industrialization of agriculture sector.

This paper has attempted to review the agricultural policies, relevant long-term perspective plans, define commercialization and industrialization, agriculture sector and foreign aid in agriculture and identify the constraints. Finally, the paper has put forward some policy suggestion for consideration.

2. Concept of Commercialization and Industrialization  

Commercialization is the process by which a new product or service is introduced into the general market. Commercialization is broken into phases, from the initial introduction of the product through its mass production and adoption. It takes into account the production, distribution, marketing, sales and customer support required to achieve commercial success. As a strategy, commercialization requires that a business develop a marketing plan, determine how the product will be supplied to the market and anticipate barriers to success (Investopedia, 2013a).

It further explains 'commercialization' as a funnel. The widest part of the funnel represents many ideas that a company might have for launching a product. As the funnel narrows, the company weeds out ideas based on logistics and costs, consumer and economic trends, and feasibility. Commercialization is part of a larger feedback loop for a product, as the ultimate introduction of the product into the market may require adjustments to the process.

Commercialization is often confused with sales, marketing or business development. The commercialization process has three key aspects:
• The funnel: It is essential to look at many ideas to get one or more products or businesses, which can be sustained, long-term.
• It is a stage-wise process, and each stage has its own key goals and milestones.
• It is vital to involve key stakeholders including customers.

Wikipedia (2013b) defines commercial agriculture as a large-scale production of plants for sale, intended for widespread distribution to wholesalers or retail outlets. Commercial farming is most commonly found in advanced industrialized nations. The harvested crop may be processed on-site or transported to a processing facility and then sold to a wholesaler as a complete-product, or it may be sold as-is for further processing elsewhere. Commercial agriculture differs significantly from subsistence agriculture, as the main objective of commercial agriculture is achieving higher profits through economies of scale, specialization, introduction of capital-intensive farming techniques, labor-saving technologies, and maximization of crop yields per hectare through synthetic and natural resources (fertilizers, hybrid seeds, irrigation, etc). Subsistence agriculture is an economic model in which most members of a population work in agriculture to feed themselves with limited need for trade.

Thus, commercial agriculture is a type of agriculture suited to industrial or post-industrial economic models in which most members of a population do not work in agriculture, are fed by others (the few who do work in agriculture), and purchase their food and fiber as consumers, with currency.

**Industrialization**

The process in which a society or country (or world) transforms itself from a primarily agricultural society into one based on the manufacturing of goods and services. Individual manual labor is often replaced by mechanized mass production and craftsmen are replaced by assembly lines. Characteristics of industrialization include the use of technological innovation to solve problems as opposed to superstition or dependency upon conditions outside human control such as the weather, as well as more efficient division of labor and economic growth (Investopedia, 2013b).

Industrialization is the period of social and economic change that transforms a human group from an agrarian society into an industrial one (Wikipedia, 2013c). There are several factors that facilitate industrial modernization and enterprise development. Key positive factors range from favorable political-legal environments for industry and commerce, through abundant natural
resources of various kinds, to plentiful supplies of relatively low-cost, skilled and adaptable labour.

Industrial farming is a form of modern farming that refers to the industrialized production of livestock, poultry, fish, and crops. The methods of industrial agriculture are techno scientific, economic, and political. They include innovation in agricultural machinery and farming methods, genetic technology, techniques for achieving economies of scale in production, the creation of new markets for consumption, the application of patent protection to genetic information, and global trade. These methods are widespread in developed nations and increasingly prevalent worldwide. Most of the meat, dairy, eggs, fruits, and vegetables available in supermarkets are produced using these methods of industrial agriculture (Wikipedia, 2013d).

Council on Food, Agricultural and Resource Economics (2013) defines industrialization in agriculture as follows.

“Industrialization in agriculture refers to the increasing consolidation of farms and to vertical coordination (contracting and integration) among the stages of the food and fiber system. The emerging system is expected to be highly competitive in global markets, more efficient, more responsive to consumer demands, less dependent on government assistance, and able to more rapidly adopt new technologies”.

Traditional versus Value-Added Agriculture

Some have suggested that industrialization has resulted in two types of agriculture: traditional and value-added. Traditional agriculture refers to the production of bulk commodities, in which large quantities of undifferentiated, broadly graded products are sold in anonymous spot markets. Price, quantity, and broad quality parameters are the key types of information needed. In traditional agriculture, the different steps of the production system can operate relatively independently from one another.

Value-added agriculture refers to the vertically coordinated production system that designs agricultural production to meet the needs of a specific customer market. Specific product attributes is a key item of information. The focus is always on the final food product rather than the initial bulk commodity. In such a system, the production steps are interdependent. The shift towards value-added agricultural products is evident in the area of U.S. export growth (www.umanitoba.ca/afs/agric_economics/ardi/industrial.html, 2013).

Industrialization of agriculture means the movement to larger scale production units that use standardized technology/management and are linked to the
processor by either formal or informal arrangements (Boehlje and Doering, 2013). Size and standardization are important characteristics in lowering production costs and in producing products that fit processor specifications and meet consumers’ needs for specific product attributes, as well as food safety concerns. Smaller operations not associated with an industrialized system will have increasing difficulty gaining the economies of size and the access to technology required to be competitive, except perhaps in niche markets. Access to input and product markets will be especially critical.

3. Trailers of the Past

The industrialization in agriculture more or less coincides with that of the industrial revolution in general. Identification of nitrogen, potassium and phosphorus (generally referred to by the acronym NPK) as critical factors in plant growth led to the manufacture of synthetic fertilizers, making possible more intensive types of agriculture.

The discovery of vitamins and their role in animal nutrition, in the first two decades of the 20th century, led to vitamin supplements, which in the 1920s allowed certain livestock to be raised indoors, reducing their exposure to adverse natural elements. The discovery of antibiotics and vaccines facilitated raising livestock in concentrated, controlled animal feed operations by reducing diseases caused by crowding. Chemicals developed for use in World War II gave rise to synthetic pesticides. Developments in shipping networks and technology have made long-distance distribution of agricultural produce feasible.

With the commercialization and industrialization the number of people engaged in farming and number of farms has decreased tremendously and their ownership is more concentrated.

Agriculture has been a vocation of the Nepalese people since centuries. The necessity for agriculture development was realized almost 90 years ago with the establishment of Agriculture Office in 1921. Four years later it was elevated to the status of Department of Agriculture (DoA). The major undertakings of the department then were the introduction and testing of different suitable plant varieties, agriculture education, and livestock and arboriculture development.

The idea of bringing outside technical support from developed countries was initiated since 1924 when one Japanese Advisor was invited to transfer technology in agriculture. After about four months study on agriculture practices in Kathmandu valley the Advisor reported that the technological
know-how of the Nepalese farmers is better than technicians and there is nothing new to teach them. Then he left Nepal.

Similarly, during 1960s the productivity of cereals in Nepal was higher than that of our neighbouring countries. Fifty years later the scenario reversed. Despite vast potentiality the agriculture sector development is still trailing behind. This indicates the sluggish development of agriculture sector in Nepal.

4. Current Scenario - An Indication

Productivity and competitiveness of agricultural sector is low, in the same line adoption of improved technology is limited. Production growth of staple cereals has not taken pace with the present demand. Agricultural trade is degenerating. Agricultural export was US$ 248 million whereas import increased from US$ 157 million in early 1990s to US$ 621 million in 2013 (ADS, 2013). About 182,000 metric tons of food grains were imported in the year 2010/11 alone.

Annual GDP growth is also lowest among SAARC countries. It is 3.7 percent in Nepal and 7.8 percent in India. The foreign assistance in agriculture sector has remained at the level of US$ 2,000s million during the last decade. Development in number of agricultural education institutions, quality of education and number of trained human resources has increased but not to the level of expectations.

The twenty year Agriculture Perspective Plan (APP) was implemented in 1997 with the endorsement of all major political parties. Then APP was seen with full hope that it will transform the subsistence agriculture into a well-managed commercial and industrialized agriculture system. After 16 years of APP implementation several expected outcomes has not been seen. It seems that had there not been APP the agricultural situation would have in worst condition. Though not in large scale yet, small sector dairy, fisheries, poultry, tea and vegetable seed enterprise development has been achieved.

The decade long conflict in the country compelled thousands of rural households move to urban areas mostly to Kathmandu and abroad leaving agriculture in a labour scarce situation. So, during the past decade and till now the government has remained unstable and the focus is more on peace process and bringing political stability. In such situation, as usual the agriculture development was in least priority and it still valid.

5. Review of long term plans from Policy Perspective

Historically, eight long-term perspective plans have been prepared with
the technical and financial assistance from the development partners since 1940s. Although these plans were not been able to transform the status of subsistence agriculture to a competitive and vibrant one but these efforts at least kept agriculture moving and struggling hard to transform subsistence agriculture to a commercialized and industrialized one. Highlights of such plans are presented below.

- A 15 years long-term plan was prepared before the peoples’ revolution for democracy in 1950. About 17 Nepalese agriculturists, irrigation engineers, botanist and veterinarians were in the team for the formulation of the plan. The main aim of this plan was to make Nepal self-sufficient in food production to keep the people (about 9,500,000 populations) healthy and fit for hard work. Development of cash crop was also proposed in this plan document. In 1951, agriculture development was initiated under Point-4 Program with the support from US Government. The vision and action plan of the document was appreciated and adopted in the US supported projects. This was the first foreign aid assistance initiated in Nepal’s agriculture sector. Later, Government of India also started providing technical support for agriculture development programs.

- In 1970, a 20-year Perspective Plan for Agricultural Sector was prepared by FAO in consultation with government. Major emphasis of this plan was on improving cropping intensity, productivity enhancement, rapid expansion of ground water irrigation, and horticulture and livestock development program in mountains and hills. The plan could not be put into action because then government neither endorsed nor implemented this plan instead an exercise to develop 10-year plan was done by forming a special task force team of Nepalese experts.

- In 1972, Ten Year Agriculture Development Plan was prepared. The achievement through the implementation of this plan was only in the area of organizational reform of DoA. The actual action plans of this document could not be taken into the field. The plan emphasized more on the regional specialization viz. livestock development in mountain region, fruits in the mid-hills and cereals in Terai. General policies and strategies for each sub-sector were laid out. Focus on agriculture credit, market and soil fertility management were the major elements of the plan. At grass root level, extension and research workers did not own the program rather they felt it as a burden. There was lack of well-defined operational strategies.
• In 1982, Agricultural Sector Strategy was prepared. This strategy identified weaknesses in institutional and organizational arrangements as the main reasons for low agricultural growth rate. The strategy focused mainly on land use planning and environmental issues without considering the legal aspects for its implementation. Hence, this strategy was also not endorsed by the government.

• In 1985, National Planning Commission (NPC) authorized then Agriculture Project Service Centre (APROSC) to prepare ‘Perspective Plan for Land Use, Agriculture and Food Grains’. The plan was full of projected targets based on mathematical calculations with full of figures and statistics. Targets were fixed for each commodity. But the mechanism for making or availing the required inputs was missing.

• In 1986, government prepared basic needs program which emphasized on six basic needs items such as food, clothes, shelter, health, education and security. Similar to previous plans it was also an ambitious plan. Targets to increase the cereal production at district level were fixed. Separate programs were prepared for agriculture and irrigation. This was a supply-oriented program with the target fixed for specific production and inputs but this plan was also stopped after 1990.

• In 1995, a 20 year long-term Agricultural Perspective Plan (APP) was prepared. This plan is an agriculture-led growth strategy for poverty eradication and overall economic development of the country. It has identified the priority areas of focus in agricultural sector. It aims at increasing the agricultural growth from the level of 2.5 to 5 percent and reducing the poverty proportion from 49 to 14 percent over the 20-year time frame. It was a strategic plan and could have been a turning point in the history of agriculture had it been able to get seriousness in its implementation. APP has expected 4-5 percent annual agricultural growth rate to be catalytic to stimulate at least double the non-agricultural growth in employment generation and services providing sectors which would open up job opportunities for the poor, particularly poor women, and thereby help reduce the number of rural poor.

APP has been in implementation for its full-proposed life. Based on APP, several policies, periodic plans, programs and projects have been formulated since its implementation in 1997.
APP also suffered in its implementation mainly due to unavailability of resources because available national resources were diverted more towards conflict management from 1999-2006. Government and development partners reduced investment on agricultural programs. Because of this the private sector also hesitated to invest in agriculture. Similarly, there were frequent changes in leadership of the key institutions and it made it even more difficult to resolve the coordination issues. (During the 16 years of APP, there have been 19 Prime Ministers and 18 Secretaries in MoAD). APP as a national plan, its ownership should have been taken by all the concerned. Unfortunately, APP became the document of MoAD alone.

In addition, withdrawal of subsidies on fertilizer and shallow and deep tube wells hampered the uprising development of irrigation sector. Such inconsistency in policy implementation leads to decreased credibility among the farmers. There was weak institutional capacity on project or program implementation and less attention was paid on improving it.

Mechanism for solving legal issues while implementing APP was missing. Similarly, the issues of social and geographic inclusiveness were not clearly mentioned. Human factors including farmers’ role and capacity were not considered duly. With changed national and international contexts such as trade with respect to WTO/SPS were not given due attention.

Most importantly, from the first year of its implementation, the investment both from public, private and development partners was not given due attention as envisaged in APP and some sector started debating on its recommendation.

However, achievement towards APP has been somewhat visible in roads, horticulture and community forestry but not in cereals, fertilizer and seed. In case of livestock and irrigation the performance was mixed. APP implementation in general was poor because of limited support in terms of resources allocation, action plans, and institutional arrangements needed to implement program as per APP vision.

- In 2013, Agriculture Development Strategy (ADS) has been prepared. The final draft has been submitted to MoAD and is in the process of making necessary arrangement as pre-requisite to its implementation. This strategy is carefully refined taking lesion from APP in terms of commercialization. It can be considered as the improved version of APP. It would be too early to comment on it practicality in view of the political situation in the country. The election for Constituent Assembly has just completed for the
second time to draft and approve the Constitution of Nepal. How the elected government view ADS is yet to be observed. But keeping these aspects aside for a while and reviewing it from technical and long-term vision in agriculture for commercialization perspective following observation can be made.

6. Few Observations in ADS in Relation to Existing Policy and Policy Gaps

ADS is prepared based on extensive consultation with a broad range of stakeholders in all five development regions and has recommended action plans. It has provision to include of new ideas and strategies required during the implementation period. Although ADS is a 20 year strategy but it includes a 10 year action plan and a roadmap. The lessons learned from APP experience have been incorporated in the formulation of ADS. Among these lessons are the need of ensuring governance, promoting effective participation of stakeholders, and decentralizing decisions. It is a rationale strategy based on the assessment of the current and the past performance of the agricultural sector in order to take it near to the reality.

ADS has also recognized some of practical issues and inconsistencies in human resource development (HRD) policy, subsidy policy, social and geographical inclusiveness, yield gaps in research station and farmers’ field and feasible options for minimizing such gaps.

As ADS has involved close development friends of agriculture right from designing it is expected that ADS should not suffer from lack of financial and technical assistance like APP.

ADS preparation was supported by Asian Development Bank (ADB), International Fund for Agricultural Development (IFAD), European Union (EU), Food and Agriculture Organization of the United Nations (FAO), Swiss Agency for Development and Cooperation (SDC), Japan International Cooperation Agency (JICA), Denmark Agency for International Development (DANIDA), World Food Program (WFP), United States Agency for International Development (USAID), Department for International Development (DFID), the World Bank, the Australia Agency for International Development (AusAID), and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women).

> ADS has acknowledged the changed context in relation to APP specially in terms of both national (out-migration of agricultural labor, food security and nutrition, trade compliances etc.) and international changes (regional
Policy consistency and credibility have been highlighted as major governance factor to achieve the ADS outcome.

- Some of the innovative policy initiatives reflected in ADS includes four flagship programs viz. (i) Food security and nutrition, (ii) Decentralized research, extension and education, (iii) Value chain development program, and (iv) Agriculture innovation and entrepreneurship development program. Some important activities included are presented below.
  - Mainstreaming food security and nutrition program into existing agricultural education system.
  - Restructuring of Nepal Agriculture Research Council (NARC) for the decentralization of research.
  - Establishment of Community Agricultural Extension Service Center (CAESC) in each VDC for effective service delivery at the grassroots level and piloting of voucher system to enable and empower farmers.
  - Establishment of matching grants to promote agro-enterprises innovations. This also includes youth and women entrepreneurship program.
  - Inclusive value chain development of selected prioritized commodities.
  - Promotion of a Farmer’s Commission that can promote farmers’ rights and establishment and piloting of Farmers Welfare Fund.
  - Mechanisms to integrate sectorial ministries plan and programs (as reflected in ADS) in strategic plan and annual programs.
  - Farmer’s business school (to link farmers with market as well).
  - Land banks and tax measures to discourage keeping land fallow.
  - Policy monitoring and analysis system.
  - Establishment of a multi-donor ADS Trust Fund (ATF) with a flexible implementation modality with the objective of ensuring fund flow mechanism to overcome investment issue encountered in APP.
  - Joint monitoring of programs, joint evaluation (both government and non-government actors) and also independent evaluation to review and if needed revise the targets, outcomes, activities etc.
Some Missing Links in ADS

- Restructuring of NARC has been sufficiently addressed but restructuring of research program that would be more appropriate has not been properly reflected.
- Minor crops, underutilized crops and small animals, which form the source of livelihood and also important from nutrition perspective is not adequately addressed.
- Establishment of agricultural colleges in each region is a good proposal but agricultural graduates coming out of such colleges needs to be absorbed within the country to have positive impact of investment in agriculture education in agriculture sector. ADS fail to envisage such specific plan. In addition, proper O&M survey and subsequent human resource development plan is lacking. Current O&M (not approved yet) hasn’t accounted any of the changes proposed by ADS.
- Similarly, establishment of CASEC is also a challenge. Role of Ministry of Federal Affairs and Local Development (MoFALD) is very much critical in this respect.
- Multi-donor trust fund still lacks clarity in terms of management and modality.
- Value chain development of priority commodities and thrust is good but what and how these commodities to be prioritized may require further analysis.
- Integrating other relevant emerging policies and programs with ADS is crucial.
- Fallow land, land fragmentation and use of agriculture land for non-agriculture purpose and limited irrigation may critically constrain effective implementation of ADS. Although ADS has acknowledged but to effectively invest in irrigation through Department of Irrigation (DoI) and implementation of land use policy is still a huge challenge.
- Some aspects of APP, which needed legal back up, was not envisaged when APP was formulated. Even ADS now has also not sufficiently portrayed the legal aspects that need to be accounted during implementation. It has been sporadically and loosely mentioned in the document.
- Ownership and accountability by major stakeholders to implement policy is still vague.
7. Existing Policies

Before the promulgation of National Agricultural Policy 2004 (NAP), periodic plan directives, long term perspective plans, master plans and annual program plans used to be the written account of intended future course of action for the specific period. These documents mentioned targets to be achieved indicating what, how and by whom. After 1990, several relevant policies have been formulated and now the number of such policies exceeds more than 20 (MoAD 2013).


All the perspective plans and policies have the similar aim of agriculture development for poverty alleviation, and food securities but differ only in their methods. All the efforts in the struggle of preparing plan can be counted as merit to design next plan. Some formulation was poor, the targets were ambitious and the institutional capacity for implementation inadequate, both public and private investment has been limited and remained at low level. These perspective plans and strategies prepared before APP lack operational strategies and mechanisms for mobilization of resources. As said earlier, all these plans lack implementation guidelines, had low focus in agriculture research and technology development. The relationships among research, education, extension and farmer organizations were also neglected.

National agricultural policies and perspective plans have indicated the necessity of commercialization and industrialization of Nepalese agriculture. However, the methods to achieve this target are vague. All polices have attempted to make the developmental efforts transparent, simple and effective and to this direction these policies have been found useful.
The vision of NAP is to concentrate on commercialization of agriculture for improving the living standard of the people with an the objectives to ensure food security and poverty alleviation through increasing agricultural production and productivity along with strengthening development base to make agriculture competitive at regional and global levels without making adverse effect in the fragile environment. There are various clearly defined policy options regarding increasing the productivity, utilization of appropriate technology, wider adoption of scientific land use management system, promotion of organic farming, participatory research system, and regulation of GMOs. It has clearly indicated that all perspective plans and specific commodity policies should be formulated based on these policies. NAP is an umbrella policy. However, NAP fails to address alternatives for chemicals inputs; SPS related issues and agricultural insurance and agriculture trade related issue. It also silent on defining commercialization and industrialization in the Nepalese context but has kept enough flexibility to include the modern areas/disciplines of agricultural development as when necessary basis.

Based on the second objective of NAP the Agribusiness Promotion Policy 2063 (ABP) has been formulated to enhance agricultural commercialization and trade (MoAC, 2008). ABP is the major policy for the promotion of commercialization and industrialization of agriculture sector. Its first objective aims at supporting market-led and competitive production system, the second objective targets development of agro-industry and the third objective aims at commercialization of agriculture sector.

Based on objectives 44 policies have been formulated in ABP. Highlights of some important policies include establishment of Special Economic Zone as per Industrial Policy. Accordingly ABP highlights on the need for implementing production programs in three defined areas as given below.

a. Commercial Crop or Commodity Production Area
b. Organic or Pesticide-free Production Area
c. Agro-product Export Production Area

ABP also emphasized on the need for availing inputs, equipments, machineries, physical infrastructures and support services in an integrated way to promote production, processing and marketing of agriculture commodities (Clauses 3.3, 3.4 and 3.5). These mainly include: production inputs; technology and technical services; irrigation; agriculture road; rural electrification; agriculture credit; insurance; collection and market centres and market networks; market information; general, cold and frozen storage; cooling chamber; appropriate
agriculture tools, equipment’s and machineries for mechanization; processing equipment’s; transportation; laboratory testing services etc.

ABP also emphasises on the need for providing the custom tax rebate for the tools, equipment’s and machineries required for the agriculture enterprise development till the tenth year of their establishment (Clause 3.7). Such tools, equipment’s and machineries include thresher, sprinkler, weeding machine, harvester, chilling van, cooling vat, milk processor etc. Such provision is necessary for the commercialization and industrialization of agriculture sector.

Contract farming or leasing of land could be one of the best options to promote production in large scale and to attain economies of scale in production. Realizing this ABP has emphasized on the need for promoting and legalizing land leasing system (Clause 3.6) and enforcing no tenancy right for such land leasing system (Caluse 3.32). Since the production system in Nepal is dominated by smallholders these are the right policy measures for attaining large scale production in order to promoting commercialization.

The law on land ceiling has been one of the obstacles for ownership for large area of land. This has negatively impact on large-scale production especially for plantation crops like tea, coffee, areca nut and orchards. Realizing this, ABP stresses on relaxing land ceiling law (Clause 3.16). Similarly, the policy highlights on credit sanction by pledging agriculture project as collateral (Clause 3.8). There are several policy measures in ABP for promoting commercialization and industrialization of agriculture sector. However, implementation of these policy measures require legal, administrative and program formulation provisions in order to translate them into reality.

ABP has emphasized on the need for the larger growth centres, development of special economic zones, and concept of export zone support and subsidies on machineries and equipment, development of laboratory in the private sector. But regarding the subsidy and support facilities it has stated that these issues need to get approved through annual budget program.

Similarly National Fertilizer Policy 2058 is basically meant for supporting to improve the soil fertility for better production as well as for improving the availability of chemical fertilizers in the country. Towards commercialization the policy has indicated to maintain the reserve stock, it is open to promote foreign investment in the production of chemical fertilizers in the country and also to encourage cooperatives to purchase share of fertilizer plant in neighbouring countries to ensure the availability of the fertilizer in the country.

Role of year round irrigation is critical for commercialization of agriculture
sector. The Irrigation Policy 2003 fully supports it. This policy in general emphasizes on proper utilization of available water in the country and institutionalization of water users committees. The policy mentions that any agricultural land with irrigation facilities should be used only for agriculture purposes and one should get permission from GoN if intended for other use of such lands. This policy also supported the trans-basin water transfer and management system to divert water from big river to dry lands areas. The policy also mentions about development of skilled human resource. It has identified size of the irrigation projects, guidelines for site selection, implementation mechanism based on users’ participation, maintenance of water channel and stakeholders’ responsibilities, and water charges. But it does not give any mechanism for making year round water available to the farmers.

The Land and Utilization and Management Policy 2012 is found important policy among others aims at optimum use of available land resources and check its haphazard use in order to support the overall economic development of the country. It classifies the available land based on the soil structures, topography usefulness and need of country. It plans to develop all legal aspects regarding the policies within two years; land management, conservation, and land use planning are some of the aspects the policy has highlighted on. It classifies the lands for agriculture, residential areas, commercial areas, industrial areas, forestland etc. This policy will be very much useful in planning the commercialization and most importantly check the conversion of agriculture land to non-agricultural uses. Operational strategies for the execution of this policy have also been mentioned.

All the policies listed above are relevant and will be supportive in the commercialization and industrialization of agriculture sector in Nepal.

8. Public Sector Investment in Agriculture

The public sector investment in agriculture sector has been very low (with respect to contribution of agriculture sector to GDP) to bring a visible and rapid change towards commercialization and industrialization of agriculture sector in the country (Table 1). A large investment is needed for modernizing, commercializing and industrializing the traditional agriculture sector of Nepal. Policy alone is not a sufficient condition for commercialization and industrialization of agriculture sector. An investment plan and large investment is important for commercialization and industrialization of agriculture sector in the country.
Table 1: Government Expenditure in Agriculture and Irrigation Sectors.

<table>
<thead>
<tr>
<th>Year/</th>
<th>Agriculture, million Rs</th>
<th>Irrigation, million Rs</th>
<th>Total, million Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Capital</td>
<td>Total</td>
</tr>
<tr>
<td>2000/01</td>
<td>1818.6</td>
<td>552.0</td>
<td>2433.6</td>
</tr>
<tr>
<td>2001/02</td>
<td>2190.9</td>
<td>505.4</td>
<td>2696.3</td>
</tr>
<tr>
<td>2002/03</td>
<td>1784.0</td>
<td>187.0</td>
<td>1971.0</td>
</tr>
<tr>
<td>2003/04</td>
<td>1856.0</td>
<td>160.2</td>
<td>2016.2</td>
</tr>
<tr>
<td>2004/05</td>
<td>2117.2</td>
<td>217.5</td>
<td>2334.7</td>
</tr>
<tr>
<td>2005/06</td>
<td>2437.5</td>
<td>265.4</td>
<td>2702.9</td>
</tr>
<tr>
<td>2006/07</td>
<td>2766.2</td>
<td>1374.2</td>
<td>4140.4</td>
</tr>
<tr>
<td>2007/08</td>
<td>3057.9</td>
<td>3211.8</td>
<td>6269.7</td>
</tr>
<tr>
<td>2008/09</td>
<td>4401.0</td>
<td>556.9</td>
<td>4957.0</td>
</tr>
<tr>
<td>2009/10</td>
<td>5950.3</td>
<td>638.6</td>
<td>6588.9</td>
</tr>
<tr>
<td>2010/11</td>
<td>8066.9</td>
<td>1069.6</td>
<td>9136.5</td>
</tr>
<tr>
<td>Total</td>
<td>36446.5</td>
<td>8738.6</td>
<td>45247.2</td>
</tr>
</tbody>
</table>


9. External Assistance in Agriculture - A General Assessment

Foreign aid continues to play an important role in Nepal’s economic development because it occupies about 26 percent of national economy and about 40 donors support Nepal in various sectors. The external supports in agriculture sector have been in terms of financial assistance, technical assistance, and commodity assistance (MoF, 2012). An analysis of external assistance in agriculture during the last decade shows that total foreign aid disbursement in agriculture sector was just Rs. 806 million in 2000/01 and Rs. 1143 million in 2010/11 (Table 2). If both agriculture and irrigation are considered the foreign aid disbursement does not seem encouraging.
Table 2: Foreign Aid Disbursement in Agriculture and Irrigation Sectors.

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture, million Rs</th>
<th>Irrigation, million Rs</th>
<th>Total, million Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grant</td>
<td>Loan</td>
<td>Total</td>
</tr>
<tr>
<td>2000/01</td>
<td>27.5</td>
<td>778.8</td>
<td>806.3</td>
</tr>
<tr>
<td>2001/02</td>
<td>289.5</td>
<td>607.2</td>
<td>896.7</td>
</tr>
<tr>
<td>2002/03</td>
<td>141.3</td>
<td>433.2</td>
<td>574.5</td>
</tr>
<tr>
<td>2003/04</td>
<td>193.8</td>
<td>381.1</td>
<td>674.9</td>
</tr>
<tr>
<td>2004/05</td>
<td>457.7</td>
<td>294.3</td>
<td>752.0</td>
</tr>
<tr>
<td>2005/06</td>
<td>460.3</td>
<td>365.5</td>
<td>825.8</td>
</tr>
<tr>
<td>2006/07</td>
<td>633.5</td>
<td>1419.8</td>
<td>2053.3</td>
</tr>
<tr>
<td>2007/08</td>
<td>568.2</td>
<td>2039.7</td>
<td>2607.9</td>
</tr>
<tr>
<td>2008/09</td>
<td>362.1</td>
<td>362.1</td>
<td>724.2</td>
</tr>
<tr>
<td>2009/10</td>
<td>492.2</td>
<td>460.7</td>
<td>952.9</td>
</tr>
<tr>
<td>2010/11</td>
<td>908.4</td>
<td>234.6</td>
<td>1143.1</td>
</tr>
<tr>
<td>Total</td>
<td>4534.5</td>
<td>7377.</td>
<td>12011.6</td>
</tr>
</tbody>
</table>


Analysis of trend of foreign aid disbursement shows that with the exception of 2006/07 and 2007/08, the foreign aid disbursement in agriculture sector is decreasing continuously (Figure 1). Same trend holds good for foreign aid disbursement in irrigation sector till 2007/08 and there has been nominal increment trend since 2008/09.

Figure 1. Trend in foreign aid disbursement in agriculture and irrigation sectors.
The poor resource base of the national economy does not permit bigger domestic savings to meet the resource gap. Hence, the need for the external support in agriculture is desired. The main thrust of the donor to the agriculture sector has been towards the improvement of agricultural production. It has been channelized mostly in irrigation, machinery, inputs, support services, infrastructures development, and to prepare institutional base in the field of extension, research, training and planning. In the past, foreign aid has mostly been spent on study tours, exchange visits, seminars, workshops, human resource development, procurement of goods, and expatriate consultants. A large part of such aids has been spent on expatriate consultants.

Generally, bilateral aid is in the form of technical and commodity assistance and it forms a grant portion of the aid whereas multilateral is in the form of loan for financial investment. The team leader designated by the donor generally controls bilateral aid. The same applies in the case of all UN agencies supports and the loan projects are generally administered by national project manager but with various terms and conditions.

Bilateral aid whether in the form of grant or loan, is generally tied-up with donors policy whereas multilateral with member countries. Commodity support from bilateral donor is generally linked with donor’s home country and the price usually inflated.

Both, bilateral or multilateral aid in agriculture sector from the point of view of sustainability of the achievement has not been very satisfactory in general. Permanent institutions have not been able to continue the spirit of the working modalities or technology transfer process after the exit of the project support. Usually, projects have been implementing without full involvement of existing institutions. These all indicate the need for an in-depth analysis on the effectiveness of and appropriateness of external assistance in the research and development and transfer of technology.

Similarly, external assistance lately in agriculture has been mostly on development wings whereas teaching and research aspects have been left out. Hence, coordination and linkage with the other two wings has misbalanced the tripod.

Donor supports in the form of a project are more focused on meeting the project target by any means without much considering the sustainability of project initiatives. Lately, the donor-funded project has been utilizing the CBOs for technology transfer or providing services, without full support and ownership from permanent institutions in the government. After the
termination of very successful project to continue the essence of the project, government will have to provide similar facilities and inputs for sustainability. If government cannot provide the similar facilities the benefit of the project output gets diminished.

Foreign investment in agricultural sector is low as compared to other sectors. Agriculture sector stands in sixth position out of 10 sectors for sector-wise allocation of foreign aid in 2011/12 (Table 3). Foreign direct investment increased from 1993/94 until 2002. After the cessation of conflict in 2006, foreign investment is increasing slightly. Among key subsectors, foreign investment remained high in irrigation until 2006. Then agriculture increased its share from 2006-2008.

Table 3: Sector-wise Allocation of Foreign Aid in 2011/12

<table>
<thead>
<tr>
<th>Sector</th>
<th>Disbursement, USD millions</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>229</td>
<td>26</td>
</tr>
<tr>
<td>Local development</td>
<td>153</td>
<td>17</td>
</tr>
<tr>
<td>Road transportation</td>
<td>117</td>
<td>13</td>
</tr>
<tr>
<td>Electricity</td>
<td>107</td>
<td>12</td>
</tr>
<tr>
<td>Health</td>
<td>85</td>
<td>10</td>
</tr>
<tr>
<td>Agriculture</td>
<td>46</td>
<td>5</td>
</tr>
<tr>
<td>Peace and reconstruction</td>
<td>43</td>
<td>5</td>
</tr>
<tr>
<td>Economic reform</td>
<td>35</td>
<td>4</td>
</tr>
<tr>
<td>Other - Social</td>
<td>34</td>
<td>4</td>
</tr>
<tr>
<td>Drinking water</td>
<td>27</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>876</td>
<td>100</td>
</tr>
</tbody>
</table>


10. Some Suggestions Towards appropriate utilization of external assistance:

- Understanding of the concept and level of its applicability in Nepalese condition in view of the existing institutional capacity and resources must analyze including the relevant policies and plans. How the commercialization and industrialization concept can be introduced to small farmers must be strategically considered. Analyse carefully whether the foreign assistance focuses on the poor small farmers.

- Legal, administrative and program provisions should be made for the implementation of policy measures of Agri-business
Promotion Policy 2065 in order to promote commercialization and industrialization of agriculture sector in the country.

- Legal, administrative and program provisions should be made for the implementation of policy measures of Agri-business Promotion Policy 2065 in order to promote commercialization and industrialization of agriculture sector in the country.

- Nepal’s Agriculture sector need strong external support to bridge the resource gaps required for commercialization and industrialization of agriculture sector. Such financing may be for the capital goods (including infrastructure development, machineries etc), inputs and HRD after developing clear and consistent national understanding about the areas where donor support is needed. Such supports should be based on agriculture sector wide development policies, strategies, plans and programs.

- Involve all concerned stakeholders in policy, strategy and program formulation, implementation, monitoring and evaluation. A mechanism for the joint regular monitoring of the programs and projects should be devised with a clear ToR of all the stakeholders.

- Program assistance rather than project assistance concept should be introduced with the clear terms and conditions in the agreement. Government should play active role for proper mobilization and utilization of assistance. In the past, foreign loans or grants were on the purchase of unnecessary equipment, experts as well as National Project Managers not competent for the assignment and technology recommendations, which are not appropriate, and not fit in the mainstream.

- Several donor-assisted projects have been concentrated in physical infrastructure development, equipment purchase overlooking the software aspects (knowledge and skill) of operation and maintenance of such equipment’s. This led to cessation of project initiatives after the termination of the project. All these made the outcome most volatile getting diffused or disappeared quickly. Avoid repetition of such cases.

- All assistance in agriculture sector should be coordinated by MoAD to avoid duplication. MoAD should expand its own capacity for designing, implementation and monitoring of programs and projects instead of depending on donors for such tasks. Some
projects in the past have been proved expensive to continue after their termination. Thus, a total aid requirement should be analysed with in-built project in the government system and with a strong contingency plan.

Thus, it would be prudent to strengthen the policy analysis division in MoAD with competent human and other resources to analyze, formulate, implement, monitor and advocate the policy providing special incentives.

Challenges from Commercialization and Industrialization Perspectives

- Commercialization involving the thousands of small farmers is itself a big challenge. It needs to be designed differently.
- Weak policy analysis, formulation, implementation, monitoring and advocacy as well as lower credibility of policies due to disruption of some policy measures within a few years time after policy being implemented.
- The policy should not be abolished or reformed at least for five years since its implementation in order to maintain the credibility of the policy measures being taken-up (except the policy which has negative impact in large scale). These mainly include policies such as subsidy on inputs, market development, farm electrification, irrigation, processing for value addition, farm mechanization, tools, equipment, machinery, insurance, credit, farmers’ social security support or safety-net measures etc. Donor assistance also should be harmonized in the same line.
- The land use and management policy should be amended with clear vision for commercialization and industrialization. Legal provision should be made for fixing lower instead of upper ceiling of agriculture land in order to promote modern or mechanized and commercial agriculture.
- Private sectors involvement in agriculture is not very encouraging. Attract business houses in agriculture commercialization creating conducive environment for private sector investment in agriculture.
- Implementation of development activities in public-private-people-partnership (PPPP) mode for commercialization and industrialization.
- Value chain concept should be introduced together with commodity prioritization.
- Cooperatives should be involved for agro-industry development and marketing of commodities.
- Appropriate mechanization should be promoted to address the labor shortage problem as well as to attract rural youths in farming.
• Underutilized and indigenous commodities should be explored both for internal consumption and for export.
• Organizational reform should be done from the perspective of commercialization and industrialization of agriculture sector.
• Agricultural programs and projects should be designed and implemented targeting rural youths as given below.
  ➢ Both on- and off-farm agriculture enterprise development programs should be introduced with donor support to retain the rural youths in agriculture together with mechanization, skill training and other incentive plans.
  ➢ Investment in agriculture research, education and extension should be increased in a balanced way.
  ➢ Incentive package should be developed for rural youths for agro-industry development and Agricultural mechanization.
  ➢ HRD plan of agriculture sector should be developed in order to address emerging issues and challenges especially for enhancing export, minimizing trade deficits, addressing climate change issues, commercialization and industrialization of agriculture sector.
  ➢ Bridge the growing gap between scientific know-how and field level do-how both in production and post-harvest phases of farming. Develop one woman and one man farmers’ facilitators through short term training, establishing Farmers’ field schools in the fields of outstanding growers, time to time organizing demonstrations in the areas of agricultural diversification, food processing, and value addition.
  ➢ Scientific strategies should include attention to both on-farm and non-farm livelihoods. Institutional structures of small holders' horticulture, poultry, and cereals estates can be promoted by stimulating the formation of self-help groups at the farm level.

11. Areas for Further consideration
• An in-depth analysis of sector-wide investment plan.
• Provision for extension services through educational institutions such as universities and colleges, professional organizations and community based organizations (CBOs), and private sector.
• Establishment of research and education institutions in each development region.
• Strengthen Agro-meteorology units to address the climate change, long-term weather forecasting mechanism.
• Development of irrigation grid.
• Implementation of farmers’ social security and support services system.
• Development of processing and export zones.
• Restructure agriculture curriculum and academic methodologies for enabling agriculture graduate to become entrepreneur.
• Introduce home sciences courses in agriculture Institutes.
• Set up Agriculture risk fund to insulate farmers from risk arising from weather aberrations.
• Lowering of interest rate for small and women farmers and formation of Small holders Estate.
• Involvement of existing farmer groups, cooperatives and CBOs as the development partners of government in implementing the projects and programs on cost sharing basis as in PACT grant commission system.

Acknowledgements:
I would like to express my special thanks to Dr. Shiddi Ganesh Shrestha, Former Deputy Director General Planning, DOA for his generous support in preparing this document by sharing ideas and going through the text. I highly appreciate his suggestions. Similarly, I am Thankful to Mr. Yogendra Kumar Karki, Project Director, and PACT for his encouragement technical recommendations for the paper. Finally, my thanks go to Dr. Rishi Raj Adhikari, Executive Director Institute of Foreign Affairs, for kind cooperation.

References


Comments on Paper Presentation

Existing Policy Gaps, Challenges and Way Forward for Effective Mobilization of International Co-operation towards Commercialization, and industrialization of Nepalese Agriculture

By Dr. Champak Pokhrel
Former Member
National Planning Commission

The paper presented by the writer is good with adequate review of previous plans and policies and is also rich in information with identification of various pertinent issues in the field of analysis. Some of the issues identified demand wider consultations for reaching to a practical solution and hope that this seminar will pave a way towards that. While I generally agree with the issues that the writer has traced out, attention to following aspects may further enrich the paper.

**Working definition of commercialization**

Let us not indulge too much on definitional aspects of commercialization. A fair understanding that ‘being able to produce individually or collectively on large scale and being able to sale with reasonable profit along with satisfactory development of value chains’ should be adequate to guide to policy formulation, in my view. None of the definitions in social sciences are robust. Basically, I would avoid quoting dictionary meanings or websites to indicate the definitions, as they provide generally intuitive sense, and the concept may not necessarily come from a credible source. The explanations that the writer has given for clarifying the meaning of commercialization seem to be adequate to make the essence clear. However, if the writer wants, I am not against quoting some authorities in the field to honor their richness of knowledge to guide a concept building.

**Thinly spreading of resources and too many priorities**

Nepalese agriculture programs suffer generally from too many priorities and thinly spreading of resources. Thus, when a review is done and recommendations are provided, many things have to be touched upon.
Consequently, recommendations and issues becomes a shopping list, often difficult to implement. In my view, the Government should be involved only in strategic area of high multiplier effects. I want to bring into attention the need of prioritization of the recommendation for building a focused framework to avoid thinly spreading of resources from the government sector. I do not think it is an easy task. It may call for a separate study. However, this issue has to be pointed out by the paper.

Investment growth in agriculture in the first decade of Agriculture Perspective Plan (APP) was negative

Public sector development expenditure in agriculture in the first decade of APP implementation was not only low as specified in the paper, but had a negative growth of about 3.6 % a year in real terms, even if it seemed somewhat increasing in nominal terms. Detail is found in ‘Managing Food Price Inflation in Nepal’, by Dr. C.P. Pokharel, published in ‘Managing Food Price Inflation in South Asia: World Bank, 2010’. I would suggest that the agriculture sector expenditure be shown also in real terms in the current seminar paper. This will help in showing the real trend of what had happened in the expenditure, in reality.

APP lacked political commitment and adequate international co-operation

There is a general feeling that APP has failed. This is not the case, in reality, as the plan did not get fully implemented based on the vision developed. I thank the writer for giving various illustrations supporting this, as it would benefit the future planning of the sector. In my view, APP did not fail but the task has remained incomplete not because of the lacuna in the strategy but because of our inactiveness or lack of seriousness in policy implementations and investment whether it be on the part of the government or donors, at large. APP was a strategic plan and not a detailed plan. Thus, it was not meant to offer a detail menu. This has been misunderstood by many. After APP formulation, sub-sector plans under broad agriculture had to be developed based on APP, in a periodic basis by putting the agriculture sector on front line in terms of investment and policy co-ordination. That did not happen. However, APP strategies were implanted in some components like road (e.g. agricultures roads), opening of agriculture to free market, closing loss making production farms of the government, promoting private sector, diverting ministry of agriculture (MOA) towards commercial thinking in planning and implementation, reframing extension approach towards grass
root based institutional participation, developing industrial entrepreneurship in agriculture, etc. Input deliveries were affected adversely, following donors’ conditionality than the APP recommendation.

Current ADS also is framed on the base of APP with a focus on the enhancement of the commercial components which did not get adequately developed during the time of conflict which had led to destruction of market opportunities and slackness in investment, thereby, constraining also the production growth. APP had opened the track of policies and strategies and given the rising high value production after conflict, it was learnt in the process that a special framework was needed for the commercialization of the sector. That’s how ADS came. There are many good ideas in ADS, as specified by the paper. I support the writer’s view on ADS as an improved version of APP in the current context, not an alternate.

Need of thinking agriculture from broad perspective

Thinking agriculture broadly is essential in analyzing expenditure on agriculture, than a focus only on crops, animal husbandry, irrigation and soft inputs. We should look at how much the broad agriculture has been supported by investment including agriculture road, irrigation, community/leasehold forestry, cash crops, animal husbandry, agriculture inputs, micro credit, agro enterprise promotion, agriculture research and extension, market promotion, development of the value chain, analysis of regional information, policy research, etc. Analyzing all those is out of the scope of the paper developed by the writer in absence of consolidated information source. MOAD should start developing data base by tracking such aspects to improve the future planning of agriculture.

Linkage with other sectors

Connecting agriculture with other sector is important, be it to industrial sector through agro enterprise development, trade sector or tourisms. A culture of a strong policy networking will be needed for this.

Allowing mechanization and opening avenue for larger area of cultivation

Small scale farming cannot boost the production and employment in the country, adequately. Contract farming or other market based approach of increasing the area of cultivation to make holding size suitable for commercial farming is needed. Though contract farming and co-operative approach have been followed, their implementation has been weak. Current arrangement is
not adequate. Legal framework to strengthen them has to be developed to increase the access to land for the entrepreneurs.

**Strengthening contract law**

Having a strong contract law based on open market framework is very important to give big push to Agriculture by creating the environment of increased access to land and commercial cultivation. Small holding of land does not alleviate poverty. It is good paying job that accounts than the ownership of a small piece of land that hinders the movement of the labor. The problem of land remaining fallow has already started indicating this. Again people don’t believe much in policies, psychologically, as the governments has not been implementing them with consistency. Wining people’s confidence at large has also been essential.

**Connecting laborers returning from foreign job market with agriculture commercialization**

Most of the Nepalese laborers going abroad are from rural areas. When they return back they come with money and skills. There is high potential to mobilize the returnees from the foreign job market in the commercialization of agriculture in the country. However, they should be supported by giving ideas of potential portfolios, access to production resources like land, additional finances and market connections. Agriculture planning should lead to this process. Currently the country has not been able to utilize effectively both the remittance revenue and skills gained abroad.

**Agriculture Sector deserves a separate and modern Act**

Agriculture is the key sector to drive the national economy of Nepal. Several agriculture policies have come. But, mostly they were of short lives or did not get implemented as rightly pointed out by the paper. Policies are approved by the cabinet but do not fall under legal binding for the continuity in implementation. A recent study under progress on a development sector of Nepal has argued that only about 40% of the policies approved get implemented because of the lack of funding, co-ordination, and support from other partners. Thus, in an important sector like agriculture, policy alone is not enough and there is a need for a separate Act by assembling vital aspects of the sector development including contract farming.

**Market research with SAARC desk in the Ministry of Agriculture Development**

Market prospect for agriculture of Nepal is directly linked to price and production structure of SAARC and China; with more connection to Northern
India and China (Tibet region). However we do not have official tracking of how the sector and market prospect is developing in the region and in those countries in medium and longer term. Without understanding the situation of the large and potential trading partners, we cannot have good policies. I propose that a SAARC desk be established in MOAD for market and policy analysis of the region with a focus to India and China.

**Promoting cultivation in using sky space**

Nepal being a land constrained economy, a thinking towards adopting land saving and sky using agriculture is important. Crops like mushrooms, and some otter vegetable, roof top gardening, poultry farming, animal husbandry with stall feeding and similar others could be such products where land required will be less and enterprise can be expanded vertically. There is need for technology enhancement and support to such programs.

**Promoting agro-industries and linking with agriculture through micro enterprise development and micro finance access**

Promoting agro industries and linking agriculture with agro industries through micro enterprise development and micro finance access is very important. Presently, more convenient environment is developing to enhance access to micro finance resources to agriculture because of Central Bank’s policy directives to financial institution to invest part of their deposit in agriculture. Likewise, co-operatives have also been emerging as a good source in financing rural enterprises. However, dwindling political policies for cheap popularity of rebates and waivers in past have created problems in expanding the portfolio and financing agriculture for longer periods which should be avoided in future.

**Agriculture subsidy**

Agriculture subsidy in the country is good in the context of high subsidy in neighboring countries. But the subsidies in a small country with long open border like ours can work well only if it can be prevented of travelling in vehicle, on bikes or on foot, else it gets easily leaked out in several ways. Price differential on commodity subsidies can be practiced. But, it will have limited success due to mismanagement possibility of different kind. Alternate better approach would be to focus on providing plentiful agriculture friendly infrastructure like agric roads, shallow tube well, irrigation, market research, information building and dissemination, creating trading facilities, targeted extension etc. They reduce cost of production at the farm level and on transportation of inputs and outputs, significantly. Parallel subsidy in line
with the structure across the border is not necessarily a best option and an appropriately chosen cross subsidy scheme may be even more effective.

**Promote economic diplomacy in agriculture**

To enhance donors’ understanding of the importance of agriculture for economic growth and poverty alleviation in Nepal and to persuade them for a broader supports to this sector are important. About two third of the industries being agro industries in Nepal, development of the agriculture sector will also enhance industrialization in the country through the development of agro industries. Previous good plans in the sector have suffered due to weak mobilization of financial and technical support. In this context, Nepalese diplomatic missions abroad and even NRN association could be mobilized to promote economic diplomacy in the sector. For this, a good networking of MOAD with them should get due attention.
International Cooperation in Commercialization & Industrialization of Nepalese Agriculture...

Comments from the Chair

Existing Policies, Gaps, Challenges and Way Forward for Effective Mobilization of International Cooperation Towards Commercialization and Industrialization of Nepalese Agriculture

By Mr. Leela Mani Paudyal
Chief Secretary
Government of Nepal

Mr. Ganesh K.C., Former Secretary at Ministry of Agriculture Development presented his paper titled ‘Existing Policies, Gaps, Challenges and Way Forward for Effective Mobilization of International Cooperation Towards Commercialization and Industrialization of Nepalese Agriculture”. He said that agriculture was the largest contributor to Nepal’s Gross Domestic Product (GDP) employing 66% people directly and serving as a means of livelihood for about 74% of people. The wide variation in Nepal’s ecological structure offers tremendous opportunities for agricultural development. He compared the technologically advanced farming methods of developed countries to the more traditional approach employed by Nepalese farmers and also gave data on food deficit districts (33 out of 75) and malnutrition (~40% of children under 5). This kind of data hints the need to analyze and develop policies for issues such as industrialization and commercialization of agricultural sector.

He discussed the concepts of commercialization, industrialization, traditional versus value added agriculture, past and current scenarios in the sector and reviewed past long term plans from policy perspective. He also talked about the more recent Agriculture Development Strategy (ADS) that is awaiting approval by Ministry of Agriculture Development, its features and shortcomings.

He gave data on agricultural expenditures, disbursement of fund etc., suggestions on appropriate utilization of external assistance, the challenges Nepal faces in terms of commercialization and industrialization as well as areas for further consideration.
Mr. Lila Mani Paudyal commented that there are governmental efforts in the fields of land policy, contract farming that the paper presenters did not mention. He said that there were enough policies in place, what Nepal needs is new programs. He said that the inability to meet high volume market demands and lack of consistency has resulted in many missed opportunities for the country. He said that local plans by local people were needed, instead of the reliance on foreign aid and expertise. He said that the time had come for Nepal to focus on how to get things done, not merely what to get done.
Closing Remarks

Dr. Prem Bahadur Thapa
Chairperson
ACoS Nepal

Chair of the Session
Chief Guest, Special Guest and Other Dignitaries in the Dais
Distinguish Participants (Secretaries, His Excellency, Ex. Ambassadors, Joint Secretaries, Under Secretaries, Reps from Different Line Agencies, NGOs, INGOs, Private Sector Organisations),
Journalists, Ladies and Gentleman

It is my privilege to thank you all for your active participation on this great National Level Conference on “International Cooperation in Commercialization and Industrialization of Nepalese Agriculture: From Policy to Practice”. As we all know, highly experienced professionals commented on the comprehensive papers presented in the following areas and also discussed and collected feedback on various aspects;

1. Commercialization and Industrialization of Nepalese Agriculture and external cooperation by Mr. Deependra Kshetry, Former Vice Chairman National Planning Commission.

2. Existing Policies, Gaps, Challenges and Way Forward for Effective Mobilization of International Cooperation Towards Commercialization and Industrialization of Nepalese Agriculture - by Mr. Ganesh K.C., Former Secretary, Ministry of Agriculture Development.

The conference is found successful in achieving its objectives. It was found successful in highlighting different initiatives so far and way forward in this sector. A team of Rapporteur lead by Ms. Annie Acharya, IFA must have recorded the discussion points, which will be further analysed and an action plan would be prepared for future works and submission to the concerned authorities.

Agricultural Concern Society (ACoS-Nepal) is a volunteer network organisation of Nepalese agriculture professionals and aims to critically analyse the policies, programme, events and actions related to agriculture development and
research, which can help promote overall agriculture development and benefit to the general farmers of the country. It has implemented different advocacy and lobbying related activities on policy related issues and emerging issues which affect general farmers and overall agriculture sector, that ultimately should benefit both farmers and consumers. So, ACoS-Nepal in coordination with IFA and other organisations will also facilitate process to put forward the explored issues and options to address these issues into action.

We have plenty of reasons to be proud with the achievements that the conference had. So, once again, on behalf of organizer, I would like to thank paper presenters (Mr. Deependra Kshetry, Former Vice Chairman, National Planning Commission and Mr. Ganesh K.C., Former Secretary, Ministry of Agriculture Development); Commentators (Dr. Ganesh Raj Joshi, Secretary, Ministry of Forestry and Soil Conservation and Dr. Champak Pokhrel, Former Member, National Planning Commission); Session Chairs (Dr. Rishi Raj Adhikari, Executive Director IFA and Ex Embasador and Mr. Leela Mani Paudyal, Chief Secretary, Government of Nepal).

I would also thanks Minister for Ministry of Agriculture Development Mr. Tek Bahadur Thapa for accepting our invitation as chief guest and encouraging words during inaugural session; Mr. Yogendra Karki (Director) and Team in PACT for financial and other supports; Dr. Rishi Raj Adhikari (ED) and Team in IFA for all coordination and logistics; ACoS-Nepal Executive Committee and other members for coordination and logistics; participants, Journalists and all for your active participation.

Once again thank you all and wish you all the best and hope to see you again.

Thanks
A seminar on “International Cooperation in Commercialization and Industrialization of Nepalese Agriculture: From Policy to Practice” was organized by IFA jointly with Project for Agriculture Commercialization and Trade (PACT) and Agriculture Concern Society Nepal (ACoS-Nepal) on the 25th of November, 2013 at Hotel de l’Annapurna in Kathmandu. The program consisted of four sessions. In the inaugural session, the seminar was inaugurated by the Minister for Agriculture, Dr. Tek Bahadur Thapa Gharti, In the first session, Mr. Deependra Bahadur Kshetry (Former Vice Chairman, National Planning Commission) was the paper presenter and Dr. Ganesh Raj Joshi (Secretary, Ministry of Forestry and Soil Conservation) was the commentator. In the second session, Mr. Ganesh K.C. (Former Secretary at the Ministry of Agriculture Development) presented his paper and Dr. Champak Pokharel (Former Member, National Planning Commission) was the commentator. Executive Director of IFA, Dr. Rishi Raj Adhikari, chaired the first session and Chief Secretary Mr. Leela Mani Paudyal chaired the second session. In the closing session, Dr. Prem Bahadur Thapa (Chairman, ACoS-Nepal) delivered the closing remarks and the program was concluded.

First of all, after the formal inauguration of the seminar, Mr. Yogendra Bahadur Karki (Project Manager, PACT) delivered the welcome remarks. He said that the purpose of the seminar was to solicit ideas and share experiences and lessons learnt. He said that it was time to revisit and renew existing policies regarding commercialization of agriculture sector and the role that international sector could play to acquire this goal of commercialization. PACT project, he said, was the only developmental tool that had reached all 75 districts of Nepal. Agriculture is the engine of development for Nepalese economy that employs two-thirds of the labor force. He said that the competency of Nepalese farmers could be increased through the involvement of regional and international sectors.

Hon’able Minister Tek Bahadur Thapa Gharti delivered his keynote speech next. He very aptly quoted the saying, “If agriculture goes wrong, nothing
else can go right”. He said that agriculture was the backbone of the survival of a country. In Nepal, it affects the people both at a personal and community level since it is the key factor for development. He said that today’s state of agriculture was the result of previous planning and Nepal had definitely progressed in commercializing to some extent on various agricultural sectors such as poultry, milk, honey etc. Although some progress has been observed, he said that now, the past policies and efforts were not sufficient for driving agriculture based industrialization and transformation in the country; more efforts were needed.

Nepalese government through its policies emphasizes cooperation among the development partners of agriculture – government, scientific community, private sectors, farmers and their cooperatives. Public sector involvement, he said, had increased by 74% from the last fiscal year which was a good sign since agriculture is an uncertain sector because of its dependence on factors such as climate, which is beyond human control. Investment in agricultural sector had been decreasing since the 1950s up to 2008 when the world confronted a food crisis. This raised awareness about the agricultural sector. Mr. Thapa said that it was high time to utilize funds in the best possible way because we are already failing to feed the malnourished people today and by 2050, we would need food for nine billion people.

Agriculture has seen major changes within the last couple of decades across the globe due to rapid development in science and technology as well as revolution in information and communication technology. This led to an increase in consumerism in agrifood products as well. Small shops have been replaced by supermarkets even in developing countries. Agriculture has developed to industrial in nature for farmers and actors of the food value chain. The aim of investment in agriculture should be to make the recipient self-subsistent and help give back to the donors. Our development partners have shown similar interests in Agriculture Development Strategy (ADS), he said.

Dr. Rishi Raj Adhikari delivered the closing remarks for the inaugural session. He said that agricultural sector had the greatest potential for bringing Nepal out of the poverty trap by increasing the supply of food, increasing employment. Dr. Adhikari said that agricultural development would also be useful in discouraging migration to other countries for employment.

The seminar convened after a short break for the second session chaired by Dr. Rishi Raj Adhikari. Mr. Deependra Bahadur Kshetry proceeded to present his paper. He said that although Nepal has great agricultural potentialities,
its harnessing has been marred by mismanagement and faulty decision and neither external nor domestic investment has been attracted. Superstitious practices still prevail in this country where almost three fourths of the population is engaged in agriculture with an average size holding of 0.7 ha. Peasant proprietorship of small holdings predominate the agricultural households. Agriculture has a relatively low degree of commercialization and farm income is drastically declining. Agriculture farms run by government is lacking due attention. He also said that subsistence farming was weaning out slowly, not necessarily progressing towards commercialization, but losing important labor force to migration.

He talked about the efforts being made by different national organizations such as Federation of Nepalese Chamber of Commerce and Industries – FNCCI, PACT (under the Ministry of Agriculture Development) etc to promote commercialization of agriculture by making efforts to develop "One Village One Product" (OVOP), One District One Product (ODOP), improving competitiveness of small holders etc. External assistance from agencies such as United Nations Development Program – UNDP, USAID and other multilateral, bilateral and international non-government organizations comprise of the main source of Nepalese development expenditure. He said that grants and loans are being given to develop agri-sector but sometimes grants and loans are meaningless as the majority returns to the host country under the garb of expensive technical and human resource support.

Important aspects to consider while promoting commercializing are stimulating production and productivity of agricultural produce including horticulture, livestock, poultry and fishery, Dr. Kshetry said. Infrastructure needs to be in place for processing and marketing of surplus goods and storage. He gave figures on funds committed and provided by various external sources and said that the ground for commercialization and industrialization of agriculture is set and the next step is to provide momentum emphasizing infrastructure development and management skills to handle the issue.

There is a dearth of information on enterprise development as well as lack of facilities such as godowns and cold storages. The latter affects market price as well as income of farmers and maintenance of a steady market supply. He talked about the ways a nation could be ready for commercialization and industrialization of agriculture including the following measures to be taken by the government:

- Create a database of agri-sector focusing on the existing position and immediate tasks that could be done to create an environment conducive for commercialization
• Policy shift in processing, storage and marketing along with production enhancement
• Ministry of Agriculture Development should be equipped with technicians and laboratories for necessary research
• Compliance of international standard regulations
• Offer tax incentives in different agri-businesses

He concluded by saying that transforming Nepalese agriculture from subsistence level to a commercialized one is the most important tool to improve the living conditions of Nepalese people by ensuring food security. The daunting task is to use both domestic and international funding for commercialization of Nepalese agriculture and the responsibility of infrastructure development heavily falls upon the government.

Dr. Ganesh Raj Joshi, Secretary at Ministry of Forestry and Soil Conservation, was the commentator for Mr. Deependra Bahadur Kshetry's paper. Dr. Joshi congratulated the paper presenter on touching all relevant dimensions, specially commercialization of agriculture, and the support we have and are receiving to improve the sector. He appreciated the fact that the paper mentioned future directions to be taken as well. He said that he would have liked to see figures on foreign aids and how the focus has changed within the field of agriculture. Also, the numbers on shares of grants and loans, if given, could have shown the amount received and utilized in each sector. He requested the presenter to disaggregate bilateral and multilateral sources of funding as well. External assistance, he said, was a major component of government's agriculture related expenditure and talked about the receipt of funds for agricultural research and exterior projects such as Secondary Crops, Diversification Projects etc. While talking about progress made in the last ten years regarding commercialization, he said that there were many projects but most focused on production only. He said that we are thankful to our development partners and was positive about the prospects of industrial development based on agriculture and gave examples of East and South East Asian countries such as Malaysia, Thailand, Japan and other emerging countries like Cambodia and Vietnam.

He mentioned a few ways in which agri-technology could be implemented such as shifting the industry on becoming more labor intensive, acceleration of international trade, decentralization of government structure that has a more facilitating approach and finally, helping farmers generate cash and increasing their competitiveness on an international level. He gave various
reasons as to why Nepal needs to focus on commercialization now more than ever. It is a discouraging situation that although Nepal is an agricultural country, imports are greater than exports in this sector as well. There exists an enormous market within Nepal; we need to increase competitiveness by identifying crops and commodities that will help us maintain a comparative as well as competitive advantage. Due to the topographical variations in the country, he said, Nepal has a great agricultural advantage. Dr. Ganesh Raj Joshi also mentioned that although we get funding from donors and do not lack in planning, a major challenge for us has been implementation. External assistance, he said, should be supportive of our plans and policies and we should be more selective regarding our needs as well. Also, although grants may be lucrative since they don’t have to be paid back, we should assess the economics of getting loans as well, and invest in productive areas.

Hiranya Lal Shrestha, Former Ambassador, said that international cooperation is an important aspect of ago-diplomacy. Transportation should be developed and more passes should be opened in the north for easier market access to China. More Memoranda of Understanding should be signed with countries on agricultural matters. Units for processing agricultural produce should be established and Nepal should actively promote agro-diplomacy.

Chauyen Lai, Nepali Congress, said that greater than 70% of Nepalese population comprises of farmers and the issue of the seminar was very pertinent. He said that policies in Nepal are limited to paperwork. Agriculture in Nepal relies on natural phenomena and traditional ways of thinking. He suggested introducing pilot projects in villages, introducing hygienic ways of farming so that consumers’ health is not hampered and asked the government to take research initiatives and educate Nepali farmers on the type of farming that can be done in various regions of Nepal. This way we may be able to retain Nepalese labor force and prevent migration of our youth.

Dr. Bishnu Hari Nepal, Former Ambassador, said that it is a shameful subject that the majority people in an agricultural country do not have enough food. He said that in 1976, Nepal used to export food to Japan. There were markets beyond India and China as well, he said. He questioned why we were not able to motivate and encourage our human resources and letting them go and work in other countries.

Sunita Nhemaphuki, Chief Editor of the Nepali magazine, "Krishak ra Pravidhi" asked for the research paper to be updated with recent data. She said that we need to also focus on communicating with people the ideas generated as well as policies etc.
Tanka Karki, Former Ambassador, gave examples of success stories in agriculture such as farming of cardamom that was not a project developed by the government or any organization but by the farmers themselves. He said more individuals were eager to work in the agriculture field and the government should identify ideas and make efforts to communicate them to the general public.

Dr. Dinesh Bhattarai, Former Ambassador said that the higher level officials need to apply the best practices possible in the form of agricultural diplomacy and we need to make sure that donor agencies had the same interests in mind as the Nepalese government.

Deepak Dhital, Joint Secretary – MOFA, said that the paper presented needs to compare the past situation of agriculture in Nepal versus the present, and whether agriculture development is satisfactory. Nepal is turning into an agri-food importer from its past role as an exporter. Without attracting youth to the sector, there won't be much achievement in the field. Life pattern in Nepal today is moving from subsistence agriculture to subsistence remittance. He said that structural transition of agri-sector is needed – agriculture should be able to bring people cash income. This can be done by various methods such as identifying and utilizing the bioclimatic pockets for high value production while following WTO standards. Support from external sources is needed for packaging, processing, product pricing and distribution. Financial and technological support is also needed in the agri-sector. People in the field should be trained properly. Resources should be properly harnessed and research capacity of Nepal needs to be improved as well.

Dr. Ganapati Ojha said that Nepal has a huge internal market as well and we should approach agriculture from an import substitution perspective. An enabling environment in agriculture should be created and management skills should be improved or else the sector will never flourish.

Dr. Gopal Pokharel, former Executive Director of IFA, said that Nepalese have not set exact priorities and usually cater to those set by donor agencies. This mentality needs to stop and we need to be more objective in our goals.

Janardhan Adhikari said that we have enough resources; we need to figure out clear future directions.

Radheshyam Malla said that we need to think globally and act locally. He said we need to think about how we can attract the youth to agriculture.

Dr. M. P. Lohani, Former Executive Director – IFA, said that most grants go back to donor countries in forms of technology assistance, expertise etc. This situation that existed in Nepal 35 years ago still exists today.
Ms. Falkenberg suggested the Ministries of Agriculture and Forestry to work together to identify products that have a competitive edge in the foreign market. She said that 50% of Nepal's jute industry is idle and we are importing it from Bangladesh. On the issue of funds, she said that NRNs could also be an active source. She said the involvement of migrant workers is good but the expertise that can be brought in by NRNs should also be focused upon. Also, due to the high volume of emigration of men from Nepal, it is mostly women working in the agricultural sector and that should be taken into account while formulating policies, implementing programs etc.

Mr. Giri Raj Tripathi, Researcher in Agriculture Sector, gave examples of novel efforts made in Nepalese agriculture such as the production of truffles but said that no product can be commercialized without proper research and innovation.

Mr. Deependra Bahadur Kshetry said that he would accommodate the comments received from the audience in his paper.

The seminar convened after a short break for the third session chaired by Mr. Leela Mani Paudyal, Chief Secretary, Government of Nepal. Mr. Ganesh K.C., Former Secretary at Ministry of Agriculture Development presented his paper titled 'Existing Policies, Gaps, Challenges and Way Forward for Effective Mobilization of International Cooperation Towards Commercialization and Industrialization of Nepalese Agriculture". He said that agriculture was the largest contributor to Nepal's Gross Domestic Product (GDP) employing 66% people directly and serving as a means of livelihood for about 74% of people. The wide variation in Nepal's ecological structure offers tremendous opportunities for agricultural development. He compared the technologically advanced farming methods of developed countries to the more traditional approach employed by Nepalese farmers and also gave data on food deficit districts (33 out of 75) and malnutrition (~40% of children under 5). This kind of data hints the need to analyze and develop policies for issues such as industrialization and commercialization of agricultural sector.

He discussed the concepts of commercialization, industrialization, traditional versus value added agriculture, past and current scenarios in the sector and reviewed the past long term plans from policy perspective. He also talked about the more recent Agriculture Development Strategy (ADS), that is awaiting approval by Ministry of Agriculture Development, its features and shortcomings.

He gave data on agricultural expenditures, disbursement of fund etc., suggestions on appropriate utilization of external assistance, the challenges
Nepal faces in terms of commercialization and industrialization as well as areas for further consideration.

The paper presentation was followed by comments by Dr. Champak Pokhrel, former member of National Planning Commission. He said that the paper brought up a lot of issues with suggestions as well. After APP, there has been a decline in agri-investment but even in times of conflict, Nepal reported about 3% growth in the agriculture sector. He said that APP could not be called a failure, that there were other factors at work. Agriculture investment did not fall under Ministry of Agriculture. Agriculture, he said, was a politically misused sector. He strongly opined that an Agri-Development Act be established; a country where majority of people relied on agriculture for their livelihood deserved it. He said that policies are never binding, and research must be streamlined. The targets set for the development of agriculture must be mutually reinforcing to get maximum benefits out of it. Ownership and responsibility must increase among all parties concerned. He said that donors want to understand what really benefits Nepal and asked everyone to promote agricultural diplomacy.

The floor was opened for comments.

Mr. Yogendra Karki said that these days a paradigm shift is visible in agricultural investment – it is shifting from government and big sector investment to individual investment. He suggested that a matrix be included in the paper regarding policies, programs and implementation level data.

Dr. Bishnu Hari Nepal spoke next and said that Nepal's focus should be on land reform and management. Land management should be the agricultural sector's first priority and technology management should be the second.

Dr. Birendra Bir Basnyat said that speakers should have focused on the topic at hand i.e. industrialization and commercialization as the seminar seemed like an A.D.S. seminar. More evaluation is needed on our current situation and how we can progress as an agricultural nation. He said that goals of industrialization and commercialization could not be achieved without mechanization. There is a gap between policy and practice due to lack of legislation so an agriculture extension act should be formulated that reaches people directly.

Netra Prasad Osti talked about balanced development, nutrition and safeguarding agri-businesses. He said that more emphasis needs to be given on research for any progress.

Mr. Uttam Bhattarai said that food technologists need to be included in the agriculture development process. Pilot plants should be made in every sector.
Institutions and boards should be established to support farmers' efforts. Subsidies seem to have a positive effect like in the usage of fertilizers by farmers so it should be promoted.

Mr. Peter, an agri-investor of German origin, said that seminar mentioned international funding and donor agencies but marketing partners of other countries is also a helpful aspect to be considered because Nepalese farmers lack market access, know-how etc. One important fact he mentioned was that there is no respect for Nepalese farmers. This sector would be able to attract more people if there was more respect given to the profession of farming.

Ms. Pramila Acharya said that if agriculture was commercialized, it would help uplift mid-level businesses as well and promote Nepalese economy.

Mr. Buddhi Narayan Shrestha opined that government should introduce laws for planning such as zoning of land if industrialization of agriculture is to be promoted. Farmers should be given incentives for quality production of goods and fragmentation of land should be discouraged.

Dr. M. P. Lohani said that we should learn from our past mistakes and not repeat them.

Ms. Falkenberg said that Nepal's plan of increasing the threshold for foreign investment in agriculture to 2 million USD may result in loss of investors because of such a high figure.

Dr. Champak Pokhrel reemphasized the need of having an Agriculture Development Act and an act for subsidies for the agriculture field so that political changes may not affect it and Nepalese agriculture could have consistency.

Mr. Leela Mani Paudyal commented on a few concerns raised on the floor. He said that there are governmental efforts in the fields of land policy, contract farming that the paper presenters did not mention. He said that there were enough policies in place, what Nepal needs is new programs. He said that the inability to meet high volume market demands and lack of consistency has resulted in many missed opportunities for the country. He said that local plans by local people were needed, instead of the reliance on foreign aid and expertise. He said that the time had come for Nepal to focus on how to get things done, and merely what to get done.

Closing remarks for the program was delivered by Dr. Prem Bahadur Thapa, Chairman of ACos-Nepal.
List of Participants in the Seminar

Participants List:

1. Hon. Mr. Tek Bahadur Thapa Gharti
   Minister for Agriculture Development

2. Mr. Leela Mani Paudyal
   Chief Secretary
   Government of Nepal

3. Dr. Ganesh Raj Joshi
   Secretary
   Ministry of Forests and Soil Conservation

4. Mr. Deependra Bahadur Kshetry
   Former Vice Chairman
   National Planning Commission

5. Dr. Prem Bahadur Thapa
   Chairman
   ACos-Nepal

6. Mr. Yogendra Kumar Karki
   Project Director
   PACT

7. Dr. Champak Pokhrel
   Former Member
   National Planning Commission

8. Mr. Buddhi Narayan Shrestha
   Board Member, IFA
   Gyaneshwor.

9. Ms. Pramila Rijal
   Board Member, IFA
   SCWEC, Kamaladi.
10. Prof. Dr. Mohan P. Lohani  
   Former Executive Director of IFA Bansbari.
11. Prof. Dr. Gopal Prasad Pokharel  
   Former Executive Director of IFA Maitidevi, Kathmandu.
12. Dr. Anjan Shakya  
   Former Deputy Executive Director, IFA
13. Mr. Deepak Dhital  
   Joint Secretary & Spokesperson, MoFA
14. Mrs. Ambika Devi Luitel  
   Joint Secretary  
   North East Asia Division, MoFA
15. Mr. Dhan Bahadur Oli  
   Director, SAARC Secretariat
16. Mr. Mani R Sharma  
   Under Secretary  
   SAARC Section, MoFA.
17. Mr. Prem Raj Gautam  
   Section Officer  
   Department of Passport, MoFA
18. Dr. Dinesh Bhattarai  
   Former PR to UN, Geneva.
19. Mr. Tanka Karki  
   Former Ambassador to China
20. Prof. Dr. Bishnu Hari Nepal  
   Former Ambassador to Japan  
   Chairman, Dilli Raman Trust
21. Mr. Hiranya Lal Shrestha  
   Former Ambassador to Russia
22. Mr. Sundar Nath Bhattarai  
   Former Ambassador to Thailand
23. Mr. Santosh Chandra Kunwar  
   Agriculture Entrepreneurs
24 Mr. Nawal Kishor Yadav  
Senior Agri. Scientist of NARC

25 Dr. Dil Bahadur Gurung  
Executive Director, NARC

26 Mr. Naresh Dangi  
NARC

27 Mr. Netra Prasad Osti  
NARC

28 Dr. Bhim Khatri  
NARC

29 Mr. Bishnu Hari Adhikary  
Senior Scientist (S-4)  
Division Chief  
Communication publication and  
Documentation Division, NARC

30 Mr. Navin Hada  
USAID

31 Mr. Uttam Kumar Bhattarai  
Joint Secretary  
Ministry of Agricultural Development.

32 Mr. Rajendra Adhikari  
Joint Secretary  
Ministry of Agricultural Development

33 Dr. Prabhakar Pathak  
Joint Secretary  
Ministry of Agricultural Development

34 Mr. Vijoy Kumar Mallick  
Joint Secretary  
Agribusiness Promotion and Statistics Division, MOAD

35 Mr. Madhav Prasad Regmi  
Secretary  
Ministry of Commerce and Supplies
36 Mr. Lila Ram Poudel
   Director General
   Department of Agriculture

37 Dr. Nar Bahadur Rajwar
   Director General
   Department of Livestock Services

38 Mr Chauyen Lai Shrestha
   Foreign Relation Department
   Nepali Congress.

39 Mr. Anil Giri
   The Kathmandu Post

40 Mr. Chandra Shekhar Adhikari
   The Annarpurna Post

41 Mr. Bikash Joshi
   Kantipur TV

42 Mr. Ram Krishna Bhandari
   Kantipur TV

43 Mr. Harihar Parajuli
   Himalayan TV

44 Mr. Sushil Baskota
   Himalayan TV

45. Mr. Parshuram Kaphle
    Himalaya Times

46 Mr. Radhesh Shyam Malla
   Program Presenter
   Himalayan TV

47 Dr. Bishnu Chapagain
   ACoS-Nepal
48 Mr. Durga Prasad Dawadi
ACoS-Nepal

49 Mr. Prem Bahadur Thapa
ACoS-Nepal

50 Mr. Bharat Bahadur Pandey
ACoS-Nepal

51 Mr. Baburam Pathak
ACoS-Nepal

52 Dr. Hari Kumar Shrestha
Life Member, ACoS-Nepal

53 Mr. Rishi Raj Adhikari
CPDD

54 Mr. Sanjeev Bhatia
Embassy of India

55 Mr. Dhanapati Kharel
Baneshwor

56 Mr. Prakash Sapkota
Himalaya TV

57 Dr. Giri Raj Tripathi
Tribhuvan University

58 Mr. Binod Acharya
NTCDB

59 Mr. Uday Chandra Thakur
Department of Live Stock

60 Mr. Suresh Acharya
TUTA

61 Mr. Ganga Bahadur Thapa
Department of Political Science T.U.

62 Ms. Yamuna Ghale
SDC

63 Mr. Janardan Ghimire
HEADS, Nepal.
International Cooperation in Commercialization & Industrialization of Nepalese Agriculture

64 Mr. Kikuo UHNU
European Union German

65 Mr. B.K. Manadhar
European Union German

66 Mr. Baikuntha Bhandari
Agricultural News Society

67 Mr. Durga Prasad Adhikari
SEAN

68 Mr. Somsak P. Poppilyo
FAO Representative

69 Dr. Binod Saha
Assistant Representative, FAO

70 Mr. Ganesh Kumar Shrestha
PACT

71 Mr. Badri Prasad Dahal
PACT

72 Dr. Biredra Bir Bashnyat
Monitoring and Evaluation Expert
PACT.

73 Mr. Ganapati Ojha
COE

74 Mr. Rudra Pangeni
Republica

75 Mr. Bhola K. Shrestha
HELVETAS

76 Ms. C. Falkenberg
CIM
Nepal German Chamber of Commerce & Industry

77 Dr. Rishi Raj Adhikari
Executive Director, IFA

78 Mr. Khush Narayan Shrestha
Deputy Executive Director, IFA
79. Ms. Snayha Basnyat
Intern, IFA

80. Mr. Mahendra Joshi
IFA

81. Mr. Subhash Lohani
IFA

82. Ms. Binita Shrestha
IFA

83. Mr. Sanuraja Puri
IFA

84. Mr. Rajendra Magar
IFA

85. Mr. Nish Magar
IFA

86. Ms. Mina Magar
IFA.
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<td>1.</td>
<td>Report on the National Seminar on Nepal’s Foreign Policy</td>
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<td>Negotiations and their Implications of the Nepalese Economy</td>
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<td>(Report of the Seminar Organized in Cooperation with UN Association</td>
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<td>The SAARC Process and Poverty Eradication in South Asia (Report of</td>
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<td>Policy Study Series II (Security in South Asia)</td>
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<td>नेपाल-भारत स्थली सिमाना : सकारात्मक तथा ननकारात्मक पश्चात्तथ विषयक</td>
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<td>Policy Study Series V: Labour Issues and Foreign Policy</td>
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<td>New Life within SAARC in Cooperation with FES</td>
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<td>Report on Special Orientation Programme for Nepalese Foreign Service Officials (Deputed) working in different missions abroad</td>
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<td>A Report on Briefing-Cum-Interaction Programme for the Nepalese Ambassadors (Designate) to Different Missions Abroad.</td>
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<td>Summit Declarations of Non-Aligned Movement (1961-2009)</td>
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<td>From a buffer towards a bridge: Nepal’s new foreign policy agenda</td>
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<td>Role of NRN in Effective Mobilization of Economic Diplomacy in Nepal</td>
<td>2014</td>
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