

**Agriculture for Growth and Poverty
Alleviation
Policies and Programs of
Government of Pakistan**

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Ismail Qureshi
Secretary
Ministry of Food, Agriculture and Livestock

Plan of Presentation

- Role and record of agriculture
- Emerging nature and composition of agriculture
- Government policies and programs for using agriculture as driver of growth and poverty reduction include:
 - Diversification to high value activities such as livestock, horticulture and fisheries
 - Narrowing yield gaps in major crops
 - Focusing on smallholders, who are increasing in number and importance
 - Extension, transformation and reform of irrigation [Extensive and intensive approach]
 - Compliance with WTO regulations, especially quality standards
- Role of government in agriculture – functions and Responsibilities of Federal, provincial and district Governments
- Government is restructuring institutions in line with reform of policy
- Overall approach and role of Government to continue to use agriculture for growth and poverty alleviation

Growth Record of Pakistan Agriculture

| Year | Growth rate (%) | |
|------------|-----------------|-----|
| | Agri. | GDP |
| 1980s | 5.4 | 6.4 |
| 1990s | 4.4 | 5.6 |
| 2001-04 | 1.1 | 4.3 |
| 2004-05* | 6.7 | 8.6 |
| 2005-06** | 2.5 | 6.6 |
| 2006-07*** | 4.5 | 7.5 |

Overall, trend shows declining aggregate growth rate of the sector and underlines a need to avail opportunities opened by WTO agreements reached and likely to be reached in the future.

Notes:

***Record production of cotton, wheat, maize and rice**

****Record growth rate of livestock**

***** These are preliminary estimates**

Comparative Growth Rates of Agriculture

| | <u>1980-2004</u> |
|-----------|------------------|
| China | 5.0 |
| India | 3.0 |
| Indonesia | 2.6 |
| Malaysia | 3.1 |
| Pakistan | 4.6 |
| Thailand | 2.7 |

Source: World Development Indicator 2003, The World Bank

World Development Indicator 2006, The World Bank

Pakistan's record of agricultural growth for last two decades have been quite impressive. In comparison to six countries noted only China does better than Pakistan

Agriculture and the Economy

Agriculture is still a crucial contributor to the National Economy:

- **Contributes a quarter to GDP**
- **Employs 47% labor force**
- **Over 50% of industrial production comes from agro business**
- **Earns (directly or indirectly) 70% of export revenues**
- **Provides livelihood to 67% rural households**

Accelerated growth of agriculture, especially of high value agricultural activities, will continue to be the cornerstone of Government overall strategy to reduce poverty

Agriculture-Poverty Linkages

As Evident in Pakistan or Elsewhere

- Vast Majority of poor live in rural areas (nearly 80% of all poor live in rural areas)
- Poor are mainly dependent on agriculture for their food and livelihood security. Livestock is an important source of livelihood for the poor.

Agricultural growth contributes most to poverty reduction

- Through forward and backward linkages, agriculture also contributes to rural economy (farm and non farm) and creates livelihood for poor in the non-farm sector.
- The Government, therefore, primarily will focus on the key driver of growth and poverty alleviation—agriculture—and will create enabling environment for non-farm growth.

Key Policy Goals for Agriculture

To make agriculture more competitive and reposition Pakistan agriculture, the Government is pursuing the following goals:

- Diversification to horticulture , livestock and fisheries
- Narrowing yield gap by enhancing productivity, especially of small farmers.
- Focusing on stallholders who are increasing in number and importance
- Demand driven research and new technologies
- Extending irrigation network and ensuring higher efficiency in irrigation
- Ensure fair price to farmers
- Market infrastructure development
- Compliance with WTO regulations, especially international quality standards avail more share in the global market.

The policy goals are reviewed from time to time especially in response to emerging challenges such as: climate change, growth of bio-fuel demand etc.

Emerging Key Sources of Future Agricultural Growth

Livestock is emerging a key sector of growth and there is still a huge unrealized potential of livestock and dairy. Government has Adopted Livestock Growth Strategy to address the key constraints such as:

- Inadequate feed resources (short by 30%)
- Unavailability of superior germplasm
- Epidemics of infectious diseases
- Poor marketing infrastructure
- Low investment by government (only 1% of PSDP in the past)
- Poor institutional infrastructure
- Outdated regulatory framework

Livestock and Dairy Boards have been set up.

The Government has started major investment projects under PSDP such as: Livestock production and development for Meat Production and Milk Collection Processing and Dairy Production and Development Program. Also, Prime Minister Special Initiatives for Livestock was launched. The total investment of these projects is about PR 10 billion.

The focus on livestock will help the landless poor, smallholders and women, who play an extensive role in livestock (in Pakistan women are responsible for 60-80% of the feeding and milking of cattle).

Emerging Key Sources of Future Agricultural Growth (continued)

There is also huge potential of horticulture and agribusiness such as:

- Dates, Mangoes, Citrus and Potatoes are high value potential horticultural crops
- Floriculture is fast growing sub sector, influencing domestic as well as export markets
- Remunerative opportunities exist for entrepreneurs in agri-business; identified high return agri-businesses include:
 - Livestock fattening
 - Milk collection and chilling
 - Cut flowers
 - Fruit processing

Again, the focus on horticulture will also help smallholders

Programs for Narrowing Yield Gaps with Focus on Smallholders

Yield gaps present the technological potential for growth in case of each crop without increasing area under the crop

Yield gaps in all provinces and all crops are large. Yield gap for smallholders are particularly serious. Area under small farms has increased from 43 percent in 1990 to 48 percent in 2000.

Actions taken include:

- Introduction of high yielding varieties
- Promoting balanced use of agriculture inputs and improved agronomic practices
- Improving agriculture extension services through active involvement of the local communities
- Removing market imperfections and safeguarding farmers' interests
- Encouraging commercial agriculture farming
- Increasing flow credit to the agriculture sector
- Accelerating institutional reforms supported by ADB funded ASPL II

A Major Project, Special Program for Food Security and Production Enhancement, which focuses on smallholders is being extended to 13,000 villages by 2015 in a phased program

Rural Finance Policy

- Significant lending has been done from commercial banks in recent year. However, ZTBL and micro-finance institutions; need to increase flow of rural credit.
 - During 2005-06 ZTBL disbursed Rs 48 billion credit and total credit 137 billion, meeting less than one third of the total demand for credit
- Access to credit remains limited and restrictive by lengthy processes and smallholders are generally left out
- Cumbersome legal process and lack of political will creates problem for loan recovery
- Limited mobilization of savings by finance institutions

These limiting factors are being addressed and recently State Bank has issued instructions for financing of agriculture and agribusiness activities. Also steps are being taken to:

- Organize potential borrowers in groups or professional associations to reduce risks and transactions costs for lenders
- Strengthen the institutional and regulatory framework for the enforcement of contracts, arbitration and conflict resolution

Programs for Demand Driven Research and Development of New Technologies

- Shift from green to gene revolution
- Improve total factor productivity and profitability
- Diversification in agriculture
- Integrated farming system approach for smallholders
- Participatory research and knowledge management and utilization
- Enhanced national and international partnership with stakeholders and agro-industry

A major restructuring of PARC and provincial research system are underway under ASPL-II

Programs for Extending Irrigation and Improving its Efficiency

- A. Increase water availability through increase in water reservoir capacity and water use efficiency:
- Building new dams and increasing height of Mangla dam
 - Approval of inter-provincial water accord in consultation with provinces
 - 2.0 million acres would be available through the development of Mangla Raising and construction of three canals – Kacchi, Rainee and Greater Thal
 - All the on-going and planned water development would provide additional irrigation facility of around 4 million acres and 2.0 million acres increase in cropped area
 - There is potential of developing around 5 million acres of land using floodwater of hill-torrents
- B. Improving irrigation efficiency through:
- Increase water use efficiency through lining of water courses
 - Judicious use of surface and tube well water
 - Employment of farmers organizations
 - Increased public investment
 - Experimentation with sprinkle and drip irrigation

A project called Water Conservation and Productivity Enhancement through High Efficiency Irrigation System has been launched

PSDP Allocations (Rs. In million) to Agriculture have Increased Substantially in Recent Years

| | |
|-----------|-------------|
| 1999-2000 | Rs. 200.6 |
| 2000-01 | Rs.248.3 |
| 2001-02 | Rs. 614.2 |
| 2002-03 | Rs. 797.0 |
| 2003-04 | Rs. 1500.1 |
| 2004-05 | Rs. 7289.8 |
| 2005-06 | Rs. 9135.9 |
| 2006-07 | Rs. 13629.1 |

Policy Measures Adopted by Government to Improve Market Access and to Face Export Competition

- Pakistan fully complies with commitment to AOA and has more liberalized-trade regime than neighboring countries
- Import foreign exchange materials liberalized
- No agriculture products is subject to any quota restrictions
- The existing maximum tariff is 25% on agricultural products and average applied tariff is only 14.8%
- Specific duties are being converted into ad valorem duties
- Tariffs are being used for non trade concerns
- Elimination of quota altogether is being considered
- TRQs administration are being improved by auctioning quota
- Significant reduction in MFN tariff
- Ad Valorem (%) limit on per unit subsidy on product basis (as a % of world price),
- Set up Rules to restrict consumer financed export subsidies.
- Significant measures have been implemented to improve SPS standards

Policies and Actions of Government for Agriculture Institutional Framework for Policies and Actions

The institutional framework comprises of the following elements

- **Federal Government** [MINFAL, Planning Division, State Bank of Pakistan and other relevant agencies]
- **Provincial Governments** [Agriculture Department, Irrigation Department, Food Department and other relevant agencies]
- **District Governments** [EDO Agriculture, F&P Department and other relevant agencies]

Institutional Reforms in Progress

The Government is making major institutional adjustment consistent with policy reforms

- I. Government has abolished a few institutions which have become redundant with greater reliance on private sector
- II. Government is restructuring some institutions such as:
 - APCOM – transforming it into Agriculture Policy Institute
 - Pakistan Agriculture Research Council (making it autonomous)
 - Provincial Food Departments
 - Provincial Agriculture Research and Extension System (make them results oriented)
 - Sindh Seed Corporation (public-private ownership)
- III. Government has established some private-public partnership agencies such as: Dairy Board, Livestock Development Board to create enabling environment for the private sector.

MINFAL's Overall Approach to use Agriculture as Driver of Future

The appropriate role of Government will be to become the enabler of smoothly functioning markets through institutional and regulatory reforms that facilitate private sector activities and market efficiency.

Where market failure is not an issue and where intervention in the past led to marked inefficiency, the strategy now will be to reduce the government's role through policy reforms and strengthening market liberalization.