



Leveraging Agricultural Growth for Poverty Reduction

By

Ministry of Food, Agriculture & Livestock

Agriculture and the Economy



Agriculture is 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 agriculture, is key element of Government overall strategy to reduce poverty

Size and Composition of Past Agricultural Growth & their Implications

average annual % growth

- **Declining agricultural growth in recent years impeded the overall strategy for growth and poverty reduction**
- **Growth of crop agriculture and fisheries stagnated during 2000-04. During this present year crop agriculture has had an impressive growth of 5%**
- **Livestock growth also declined**
- **The recent growth record underlines the importance of the need for addressing the factors responsible for stagnating agricultural growth and leveraging agricultural growth for poverty reduction**

Sector/Sub Sector	Years	Pakistan
Agriculture	1980-90	5.4
	1990-00	4.4
	2000-04	1.15
Major Crops	1980-90	6.87
	1990-00	4.08
	2000-04	-0.76
Minor Crops	1980-90	4.05
	1990-00	3.84
	2000-04	0.1
Livestock	1980-90	6.25
	1990-00	6.30
	2000-04	3.2
Fisheries	1980-90	5.43
	1990-00	3.48
	2000-04	-2.5



Potential and Likely Scenarios of Future Agricultural Growth

After green revolution, agricultural growth has to come through a major shift in strategy.

Agriculture must orient toward market demand - - domestic and international - - and toward higher value products

Sustained Four to Five percent Annual Growth possible through:

- Faster Livestock Growth

- Improved Productivity of Crop Agriculture

- Faster Growth of high Value Agriculture

- Faster Growth of Agribusiness

Poverty in Rural Areas

Proportion of Population Under Poverty Line

	1986-87	1987-88	1990-91	1992-93	1993-94	1996-97	1998-99	2000-01
Pakistan	29.1	29.2	26.1	26.8	28.7	29.8	30.6	32.1
Urban	29.8	30.3	26.6	28.3	26.9	22.6	20.9	22.7
Rural	28.2	29.3	25.2	24.6	25.4	33.1	34.7	38.9

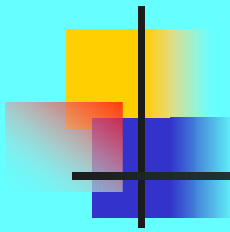
Source: Planning Commission, GoP

Location of the Poor in Pakistan

Agro-climatic Zones	Poverty Headcount	% Poor	% Population Total
Rice-wheat Punjab	38.27	12.17	15.32
Mixed Punjab	48.93	13.61	13.40
Cotton-wheat Punjab	55.51	20.13	17.47
Low intensity Punjab	54.17	10.88	9.67
Barani Punjab	26.43	3.09	5.63
Cotton-wheat Sindh	56.81	13.21	11.20
Rice-other Sindh	53.07	9.28	8.42
NWFP	46.90	13.86	14.24
Balochistan	39.06	3.77	4.65
Rural Pakistan	48.17	100.00	100.00

Source: Computed from HIES (2001-02)

Agriculture-Poverty Linkages

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- Poor are mainly dependent on agriculture for their food and livelihood security
 - Farm productivity is linked to coping capability of the poor to external shocks and threats
 - Poverty leads to environmental degradation and vice versa
 - Agricultural growth contributes most to poverty reduction
 - Through forward and backward linkages, agriculture also contributes to rural economy (farm & non-farm) and creates livelihood for poor in the non-farm sector

Leveraging Agricultural Growth for Poverty Reduction

Overall Policy Framework and Reform Program

- Policy Goal is to Create Incentive structure to make agriculture profitable and demand driven
 - a) Inputs - prices, availability & quality
 - Policy is to let market operate freely to ensure availability and provide regulatory framework to ensure quality
 - Selective intervention to help farmers adjust to sudden price increase or shortage in the market (such as urea import by public sector during this year)
 - b) Output prices
 - Allow market prices send signals and create incentives for production
 - Policy is to guarantee minimum price (GMP) for wheat and this year GMP was increased substantially to provide incentive to wheat growers.
 - Policy is to announce indicative support prices for other crops and intervene selectively to ensure reasonable price for growers as done recently for sugarcane.

Overall Policy Framework and Reform Program (continued)



- Investment in input delivery system (rural roads, markets, seed, fertilizer, electricity, water)
- National Agricultural Research System (NARS) - upgrading/strengthening
- Dissemination of technology through integration of research, extension and education
- Policy to promote corporate/commercial farming



Priority Actions for Agricultural Growth

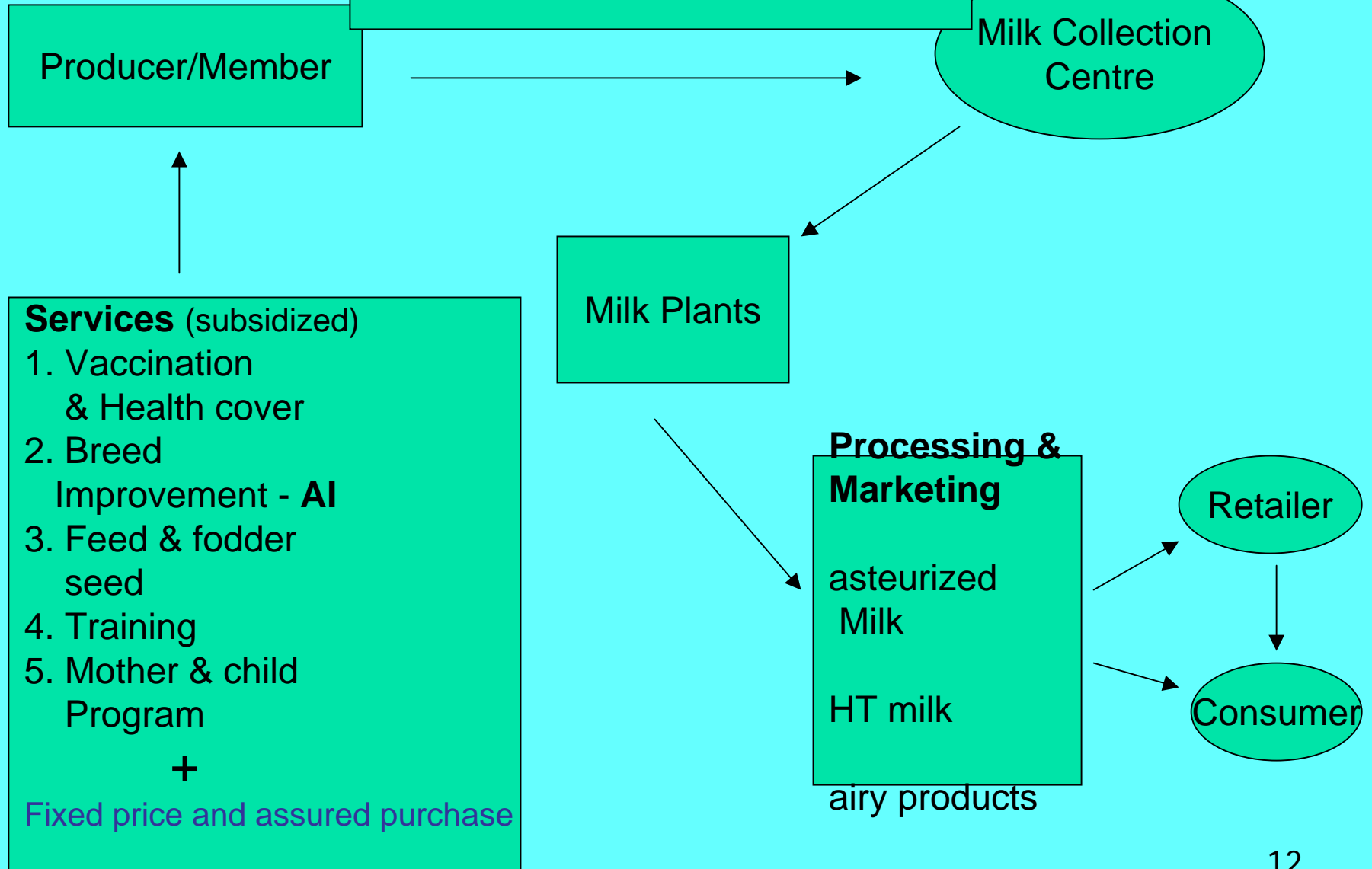
- a) Restructuring agriculture research system
- b) Expand crop maximization program (CMP) from 109 to 1000 villages in three years with FAO technical support
- c) Expand integrated pest management (IPM) program to 32 districts
- d) Improve rural finance availability with special focus on
 - Expanding formal credit to achieve production targets especially in livestock
 - Expanding micro financing network in all regions including self-help groups/women's groups
- e) Focused program for agribusiness and introducing value chain approach in livestock, fisheries and horticulture sub-sectors
- f) Strategy for WTO negotiations and actions to avail opportunities in external markets taking two actions in particular
 - SPS measures are taken to overcome restrictions by developed countries
 - Value-chain and SPS studies to help avail opportunities under WTO framework

Livestock Development including Milk Collection & Processing - Strategy and Action Plan



- Formulation of Livestock Policy and Strategy
- Up-scaling promising Hala Model (Idara-e-Kissan) in Punjab from 500 to 5000 villages
- Initiating milk collection & processing pilot project of LEADS (NGO) with IFAD funding and FAO technical back-stopping
- Also initiating establishment of autonomous Livestock & Dairy Development Board (LDDDB) to promote collection, processing & marketing of milk and dairy products

Hala Model by Idara Kissan



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Development of High Value Agriculture

Development of Horticulture Through:

- Agribusiness development project (Rs. 4.1 billion)
- Capitalization of Pakistan Horticultural Development & Export Board (PHDEB)
- Promotion of regional trade e.g. China
- Value Chain Study and the Implementing its Recommendations
- SPS Study and Implementing its Recommendations

Development of Fisheries Through:

- Formulation of Fisheries Policy and Strategy
- Institutional strengthening & capacity building
- Aquaculture development project
- Pilot project & technical assistance for coastal aquaculture - shrimp & prawn hatcheries
- Sustained exploitation of Extended Economic Zone



Micro Credit

Improving access of the small farmers and poor non farm households through:

- More flexible collateral arrangements through innovation like group lending;
- Enlarging the range of purposes for which credit is advanced (credit for consumption smoothing should be included);
- Expansion of PPAF and Khushali Bank lending to reach out the rural poor;
- Packaging credit with technology and appropriate marketing of inputs and outputs;
- Reducing the transaction and implicit costs of credit.



Making Land Markets More Efficient

Improving land markets to give access to land for its operation to those who till it efficiently. This objective may be achieved by:

- Distribution of Government owned land to landless families
- Land titling;
- Computerization of land records (pilot project in Punjab);
- Improving access to land records to eliminate corruption by revenue officials;
- Quicker resolution of land disputes through judicial reforms; and
- Implementing tenancy laws to give security to tenants for the rented land.



Growth Through Commercial Farming

Opening up the economy to commercial farming can provide an fillip to

- (i) Investment in agriculture;
- (ii) Improved quality standards for produce; and
- (iii) Increasing exports of high value crops.

Increased agricultural output through commercial farming can reduce poverty through more employment and income.



Water Infrastructure Development

Increase availability through increase in water reservoir and improved water use efficiency

- Building new dams and increasing height of Mangla dam
- Approval of inter-provincial water accord in consultation with provinces
- Major govt. program (of Rs 66 billion) for lining of irrigation channels
- Empowering water user associations
- Promoting drip irrigation system
- Harvesting of hill torrents

Resource Needs of Agricultural and Water Sectors (Expenditure Needed for 2005-10)

	Rs. In (million)	Rs. in (million)
1. National agricultural sector	Cost throw forward	Expenditure on new projects
a. ON-going	10984.2	8856.6
b. New projects	13809.0	10779.0
Sub-Total		
Federal	24793.2	19635.8
Provincial		9570.00
National		29205.00
Total		
2. Water Resources Sector		
a. Federal		258000.00
b. Provincial		58200.00
National		316200.00
3. Total National Agricultural and water		345405.6

Sources: Medium Term Development Framework

Summary

Agricultural growth contributes most to poverty reduction

There is a major shift in agriculture growth strategy – agriculture will be more oriented toward market demand

(domestic and international) and toward higher value products

Sustained 4 to 5 percent annual growth of agriculture is attainable through:

- Faster Livestock Growth
- Improved Productivity of Crop Agriculture
- Faster Growth of High Value Agriculture
- Faster Growth of Agribusiness

Priority Actions for Agriculture

- Restructuring agricultural research
- Expanding crop maximization program
- Improving rural finance
- Focused program of agribusiness development
- Availing opportunities opened by WTO
- Expanding IPM program

Priority Action for Livestock

- Formulation of policy
- Up-scaling hala model
- Setting up Dairy & Livestock Development Board

Priority Actions for Horticulture

- Value chain study
- SPS study

Priority Actions for Fisheries

- Fisheries policy
- Aquaculture development project

Increase irrigation facility and efficiency