

# PAKISTAN | BACKGROUND

<b>Population<sup>1</sup></b>	177 million
<b>Of which in agriculture<sup>1</sup></b>	~76 million (43%)
<b>Of which smallholders<sup>2</sup></b>	~30 million (1.3% of global total)
<b>Funding flow % world</b>	2.7% of total funding captured
<b>% Asia</b>	8.0% of total Asia funding captured

Total Funding Captured 2009-onward:

**\$328M**

Total Number of Projects Captured:

**24**



## Overview of Pakistan's agricultural sector

Pakistan's agricultural sector is **the main income- and employment-generating sector** of its economy. It accounted for 22% of GDP and employed about 45% of the country's workforce in 2005. Agro-industries account for two thirds of industrial output.<sup>3</sup>

At 2.4% annually, Pakistan has one of the highest population growth rates in the Asia-Pacific Region.<sup>3</sup> In order to **maintain food security** for its **growing population** food production needs to grow at a comparable rate. According to the International Food Policy Research Institute, agricultural output must grow at least 5-6% annually in order for Pakistan to reduce its poverty level. Since both land and water resources have become relatively scarce, the increase in production will need to stem mainly from increased productivity and crop intensification. Today, Pakistan suffers from **low crop yields due to soil erosion, salt-affected soils, and low-yielding plant varieties**.<sup>3</sup> The government is therefore faced with the challenge of disseminating new technologies, and enhanced farming inputs on a large scale. Investments in agricultural R&D are also necessary.

Due to its variety of agro-ecological zones ranging from coastal areas in the south to the Himalayan Mountains in the north Pakistan has the **capacity to produce a wide range of food commodities**. The country's **main staple food**, and its largest food crop in term of production volume, is **wheat**.<sup>3</sup> Pakistan produces more wheat than all of Africa and almost as much as all of South America annually. **Cotton**, which contributes around 2% to GDP, is one of Pakistan's main export crops. Other cash crops include **sugarcane** and **rice**. Together, wheat, sugarcane, cotton and rice account for over 75% of total crop output.<sup>3</sup> Much of Pakistan's fruit and vegetable production, including mangoes, is not fully utilized for consumption or export – due to poor harvesting, handling and other postharvest practices.<sup>4</sup>

Accounting for half of the value of the agriculture sector, the **livestock sector is larger than the crop sector**. It contributes almost 11% to GDP.<sup>3</sup> Pakistan is the world's fifth-largest milk-producing country by volume.<sup>3</sup> Cattle are raised throughout the country, while buffaloes are kept mainly in the irrigated plains. The country also raises sheep (mainly in the Western and Northern dry mountain regions) and hosts large goat herds. In addition, Pakistan has a vibrant poultry sector. Fisheries contribute 0.3% of GDP and are the main source of livelihood for communities inhabiting the coasts of Sindh and Balochistan.<sup>3</sup> Fish exports have increased in recent years.

## Challenges and opportunities of the agricultural sector

Despite progress in some areas, Pakistan's agricultural sector remains constrained by several challenges:

- Since most of Pakistan is classified as arid or semi-arid, agriculture is **highly dependent on water supply** through either irrigation or water harvesting. Pakistan has the largest network of irrigation canals in the world, distributing water from the three major basins in Punjab province. In 2003, 72% of Pakistan's agricultural area was irrigated.<sup>3</sup> Nevertheless, a lack of water persists and remains a major constraint to agricultural growth. Further, the **recent flooding has wreaked havoc** on the water system and wiped out crop and livestock farms and infrastructure for years to come.
- **Agricultural growth and poverty reduction is constrained by poorly functioning factor markets** and limited access to key assets such as land, capital and water. Due to land shortages, many of the rural poor cannot pursue farming activities. **Incomes from non-farm activities**, including the processing of agricultural products, trade, construction, and transport services account for **63% of total rural incomes**.<sup>5</sup>
- Pakistan is characterized by a **strong inequality in the distribution of assets**. 2% of the households control more than 45% of the land area. Subsidies in water and agriculture as well as credit schemes have mainly benefited large farmers.<sup>5</sup>
- **Liberalized markets** and increased integration into global markets could offer new opportunities for growth if the Government adopts an effective **diversification strategy**.
- Pakistan has taken **important steps to devolve authority to local governments** to improve service delivery.<sup>5</sup> Roles and responsibilities in all levels of government have been clearly defined and accountability strengthened. Enhancing service delivery and increasing civic participation will be critical for the development of the non-farm sector, the rural investment climate, and improved governance.
- **Dairy farming** remains a **smallholder-dominated industry with potential for development**. According to the Dairy Hub Initiative, presently 97% of raw milk produced in the rural economy is not linked to markets. Further, there is untapped productivity with potential for 30% annual growth in the coming years.

<sup>1</sup> World CIA Factbook

<sup>2</sup> Estimate extrapolated from "Small farms: current status and key trends", Oksana Nagayets, IFPRI, 2005

<sup>3</sup> IFPRI: "Agricultural Research & Development in Pakistan"

<sup>4</sup> ACIAR: "Optimising mango supply chains project description"

<sup>5</sup> World Bank: "Pakistan: Priorities for Agriculture and Rural Development" (World Bank Website)

# PAKISTAN | SMALLHOLDER FUNDING TRENDS

## Funding trends by focus area

**Irrigation investment, at the farm level and in larger scale water management projects, accounts for much of the smallholder-focused funding flowing into Pakistan, with 10 out of a total 24 projects, and nearly 75% of funding, involving irrigation development as all or part of the project, either on-farm or large-scale. As mentioned on the previous page, access to water is a challenge for many farmers as large proportions of land are arid, semi-arid or rugged and water sources often scarce.**

In both the inputs/training and the markets/finance categories, projects are focused on **dairy, citrus, and mangoes**. For example, Australia's Optimising Mango Supply Chains project aims to address key constraints currently limiting the efficiency, effectiveness and competitiveness of supply chains for Pakistan mangoes. IFAD's **Microfinance Programme** aims to bring financial services and products to people in remote communities and to overcome cultural and religious barriers relating to traditional credit, as well as gender bias and inappropriate delivery systems. Finally, FAO is supporting the development of **fisheries**.

The **World Bank's Poverty Alleviation Fund Project** forms part of a WB contribution to the Pakistan Poverty Alleviation Fund (PPAF), of which a small percentage directly concerns smallholder agricultural development. The PPAF is a not-for-profit private company, funded by the Government of Pakistan and the World Bank. Besides funding microfinance institutions, it also provides grants for small-scale community infrastructure: in this case in irrigation and drainage.

Three **Rural Support Programmes** are currently operational in Pakistan, established by the state governments of Baluchistan and Sarhad, as well as the national government. These are highly involved in many multi- or bilateral projects, and tend to focus on capacity development of community organisations (with particular attention to women), and on microfinance services. Initial involvement in technical support services and extension did not prove effective and has been replaced with training for regional and local line agency staff.

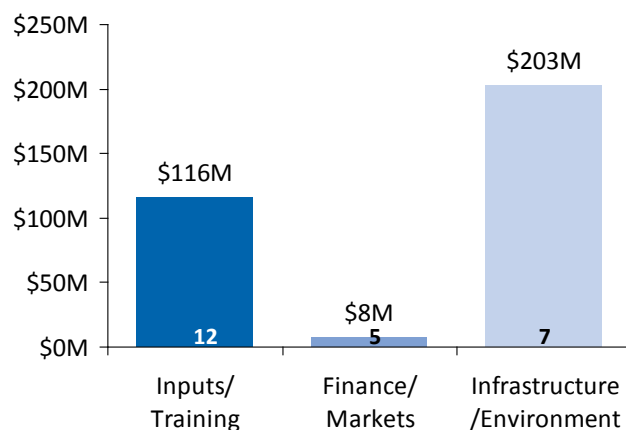
The projects captured that have a particular geographical focus are concentrated in the **south of the country**, in the arid and semi-arid Sindh, Baluchistan and Punjab regions.

## The donor landscape

Unusually, a higher proportion of the smallholder funding captured for Pakistan originates from **bilateral agencies** than from multilaterals; principally due to several large projects funded by **JICA**. Australia, through **AusAID** and the **ACIAR**, is also active in smallholder development in the country. About 90% of the multilateral funding is from the **World Bank**. Of the projects in Pakistan captured for this analysis, none were funded by private foundations.

The US recently announced a new \$21 million commitment (*not included in the figures*) to **USAID**-supported projects to boost Pakistan's agricultural productivity and to open new market opportunities, especially around **dairies and mango exports**.

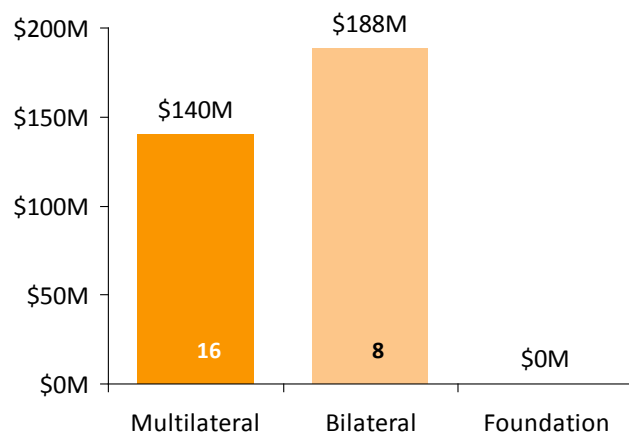
Funding & number of projects by main focus area



### Representative projects

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|---|---|--|
| <ul style="list-style-type: none"> <li>Community Development project for Rehabilitation of Salt Affected &amp; Waterlogged Lands, UNDP</li> <li>Sindh On-Farm Water Management Project, WB</li> </ul> | <ul style="list-style-type: none"> <li>Microfinance Innovation and Outreach Programme, IFAD</li> <li>Optimising Mango Supply Chains, ACIAR</li> </ul> | <ul style="list-style-type: none"> <li>Punjab Irrigation system improvement project, JICA</li> <li>Rural Roads Construction Project, JICA</li> </ul> |
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Funding & number of projects by funder type



### Active funders

World Bank	AusAID	---
FAO	JICA	