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# Putting the Constraints to Agriculture Growth within the Poverty Reduction Agenda for Pakistan

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PSSP Third Annual Conference - Islamabad

April 14, 2015

# Poverty and Agriculture in Pakistan

## – Some Stylized Facts

- **Poverty in Pakistan is high and increasing.**
- **Poverty is higher in rural areas.**
- **Rural Poverty is heavily concentrated in the predominant non-farm and small farm categories.**

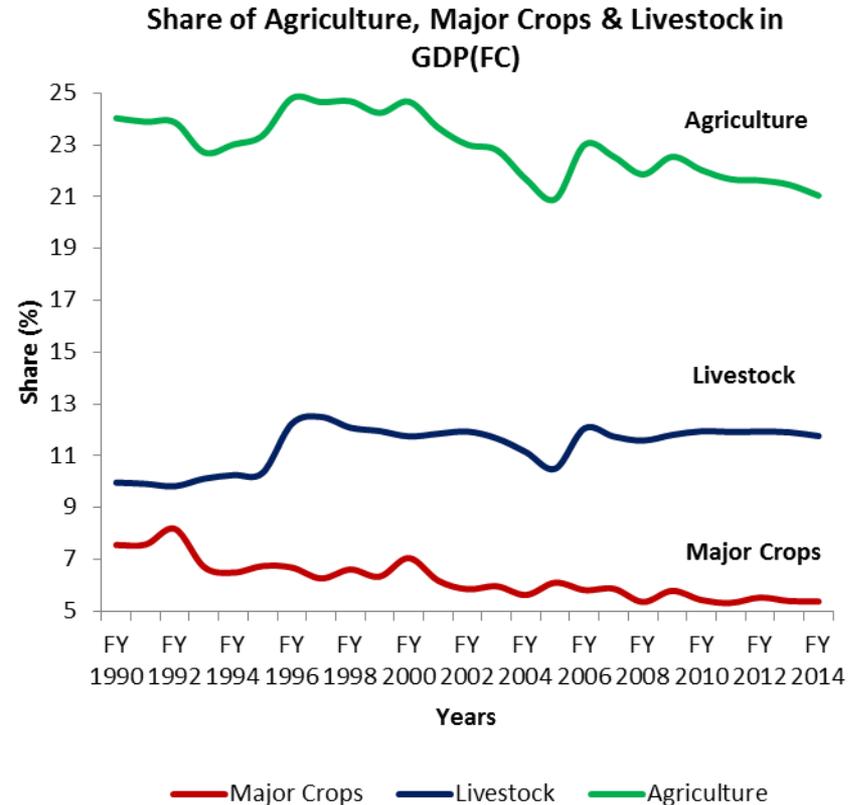
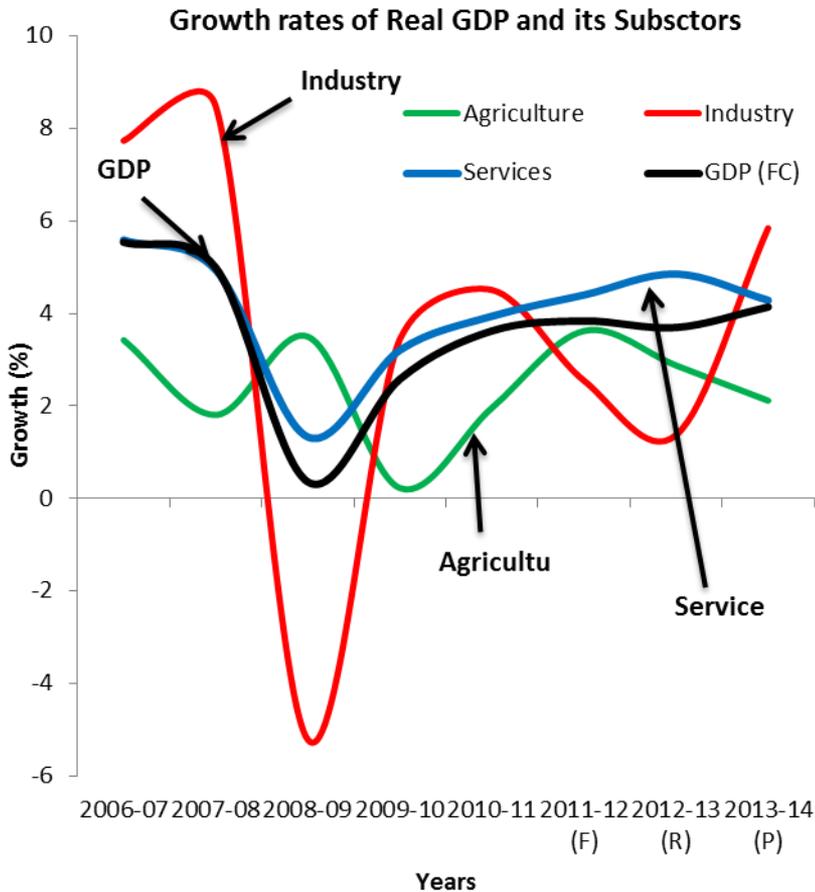
***Agriculture Growth can ensure increased employment and incomes for effective poverty reduction***

# Putting Pakistan's Agriculture in the Overall Economic Context

- Inequitable Unjust Distribution of Resources and Power
- Rapidly growing population – majority with little or no education, skills or access to productive resources
- Energy Crises – Fully Blown
- Water Crises – Looming around the corner
- Poor Governance
  - Rampant Corruption
  - Rapid deterioration in ethical norms
  - Poor Policy, Non-existent Analyses, Poorer Data, Rapidly Diminishing Domestic Capacity to formulate or Implement Reform
  - False Bravado
  - Increasing Reliance on Donors for analyses and support
- Circumstances out of our control
  - War on terror – domestic terrorism
  - Earthquakes – Floods
- An attitude of Waiting for Allah – Manna from heaven or from Kerry Lugar or from the IMF? No independent foresight and action

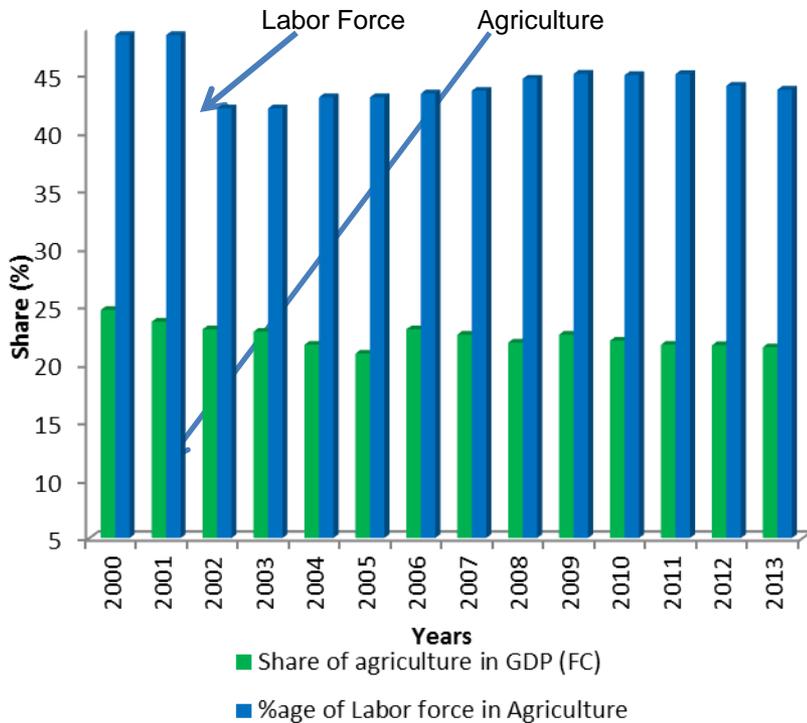
***These Constraints have Driven the Economy to the Precipice – And Agriculture functions as a neglected sector in this depressing scenario***

# Agriculture in Pakistan's Economy



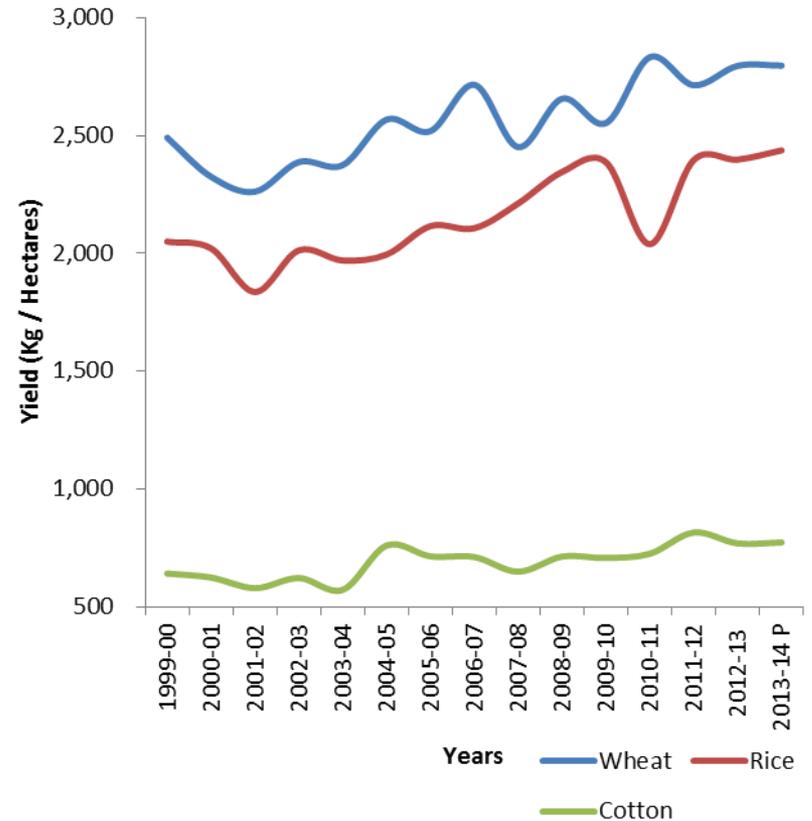
# Agriculture in Pakistan's Economy

Share of Agriculture in GDP and Share of Labor Force in Agriculture



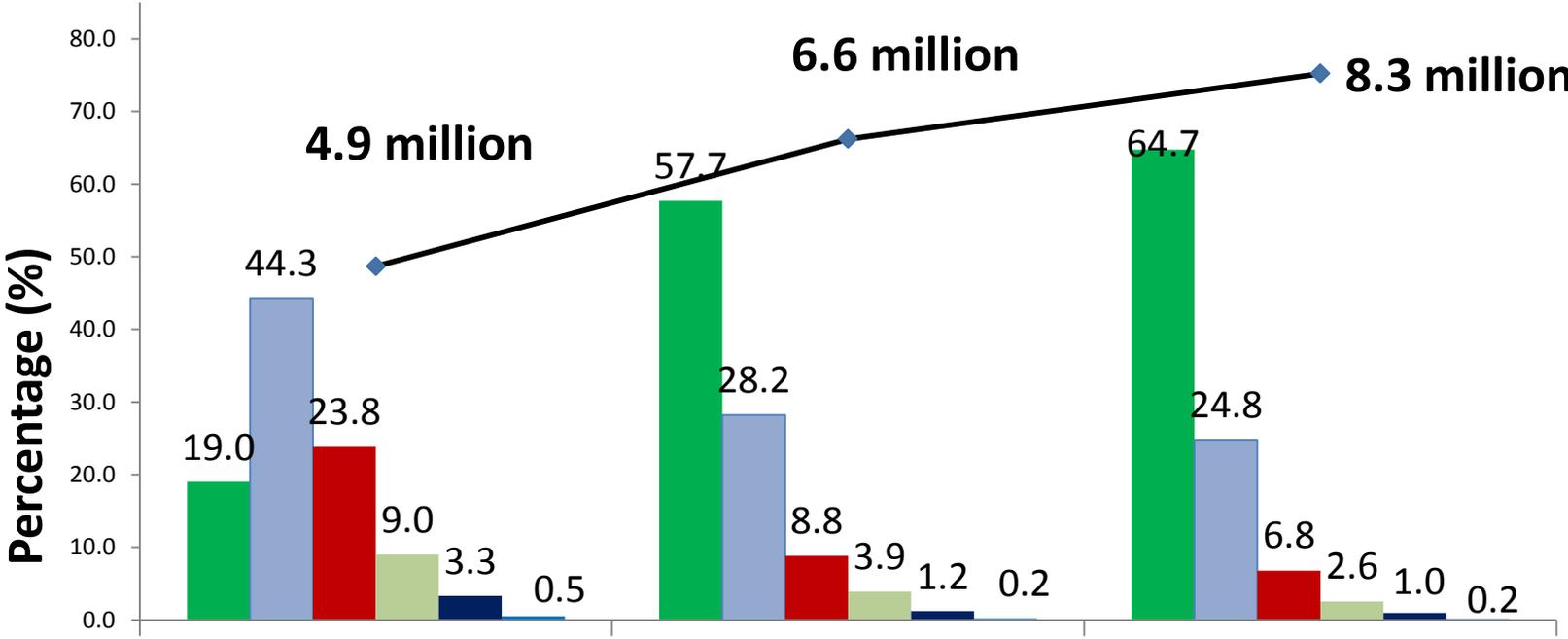
Source: Economic Survey 2013-14

Yield (Kg / Hectare) of Three Important Crops



Source: Economic Survey 2013-14

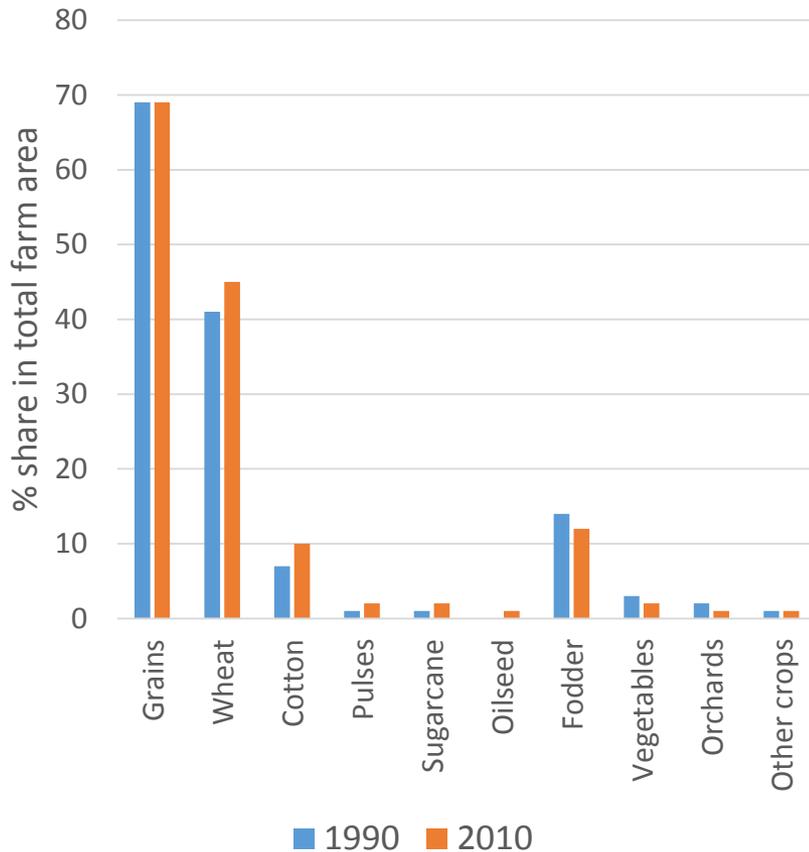
# Predominantly Small Farms - The Total Number of Under 5 Acres Farms has More than Tripled since 1960



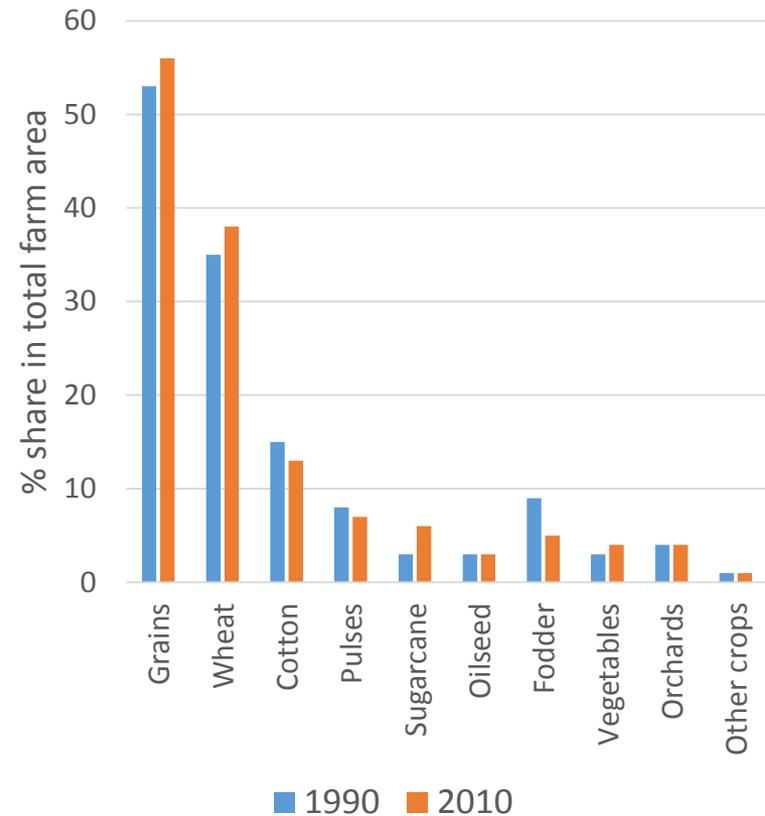
- under 5.0
- 5.0 to 12.5
- 12.5 to under 25.0
- 25.0 to under 50.0
- 50.0 to under 150.0
- 150.0 and above

# Limited Diversification in Crop Agriculture across all farm sizes

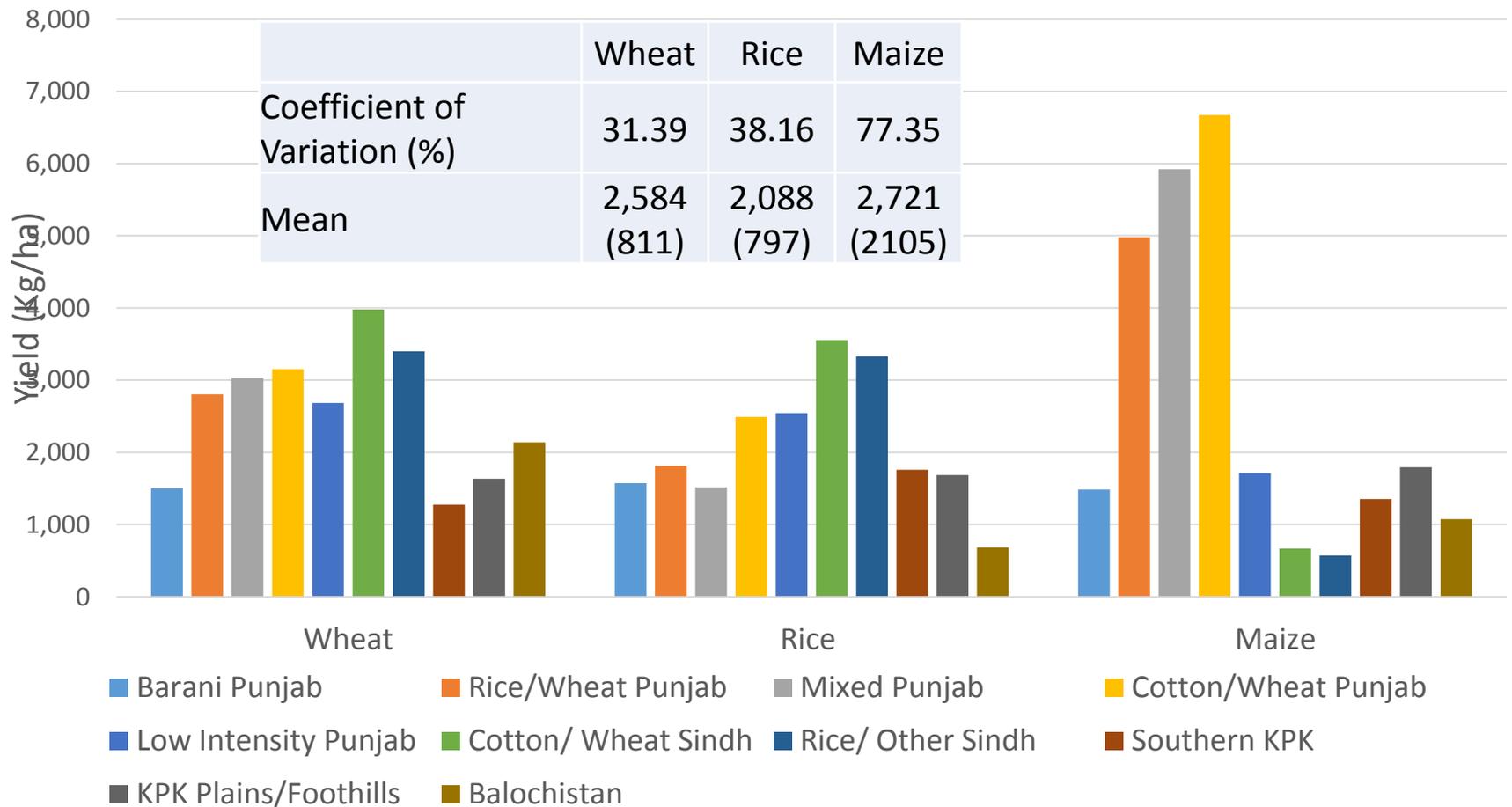
## Farms less than 5 Hectares



## Farms 20 Hectares and above



# Large variability of Crop Yields across Agro-climatic Zones in Pakistan 2010-11



Source: Computed from HIES (2010-11)

# The Challenges to Agriculture Growth

**The Challenges to agricultural growth have been well known for several decades**

1. flat (low) yields and large yield gap relative to potential;
2. low productivity of water;
  1. non-reliability of water services;
3. under-performance of rural factor and input markets;
4. Rapidly declining investment - especially public investment - serious under-investment in research and technology development and dissemination/extension

**Many factors hinder Pakistan's agricultural growth**

(and hence employment and rural poverty reduction)

- Unequal land distribution – and resultant skewed distribution of power and policy biases
- Inefficient allocation and use of irrigation water
- government intervention in markets
- Neglect of agriculture in all policy decision making and resource allocation except decisions that lead to elite capture
- Serious disconnects between the center and the provinces in decision making and implementation – one size fits all policies - **overly focused on Wheat and fixated on 4 crops only**
- Regulatory environment that discourages investment and reduces market efficiency

**Challenges Well Documented  
but  
Recommendations too Aggregate**

- **Report of the National Commission on Agriculture (NCA) 1988**
- **The National Agricultural Policy 1991**
- **The Agricultural Perspective and Policy 2004**
- **The Draft National Food Security and Agriculture Policy 2013**

# **The Critical Constraints to Pakistan's Agriculture Policy Reform...**

## **Numerous Strategies over the decades...Same Issues... Same Recommendations .....Little Success**

1. Extremely elaborate strategies but poor translation and lack of attention to detail and implementation capacity and processes
2. Poor Policy, Poor Research and Inadequate Extension and the Disconnect between these
3. Lack of integration of agriculture policy with overall policy reform and within agriculture lack of integration of various input policies
4. One size fits all is not conducive to meet diverse sub-national requirements
5. Modernizing Agriculture is not seen as a policy priority - input policy merely for elite capture
6. Thin Markets and Weak Institutions – neglected in policy
7. Extremely poor governance and lack of accountability
8. Absence of M&E and lesson Learning - decade after decade same issues - same recommendations - no progress

# The Critical Constraints to transforming Pakistan's Agriculture are related to .....

- Weak and Fragmented Markets with substantial government intervention
  - Especially Non Performing Land Markets
  - Inefficient allocation and use of irrigation water
- Regulatory environment that discourages investment and reduces market efficiency
- Primitive Rural Non Farm Economy and Limited Interface with the Modern Business Practices
- Rapidly declining investment - especially public investment – with serious under-investment in research and technology development and almost non-existent extension and outreach

# LAND at the root

- Small (less than 5 acre) private farms have increased significantly – from **19 percent** of total in **1960** to **64 percent** in **2010**.
- Small size and high poverty **restricts the ability to take risks and diversify**. It also tilts the playing field against the **small farmer as a seller** and **small farmer as a buyer**.
- Issues connected to Land Titling/Records tie up a large proportion of the rural population in litigation and unproductive activity
  - **Lead to Disempowerment and reduced access to justice, credit, technology, services and markets etc.**

# WATER: Some Estimates indicate that Requirements will Outstrip Availability by 2015 [World Bank (2004)]

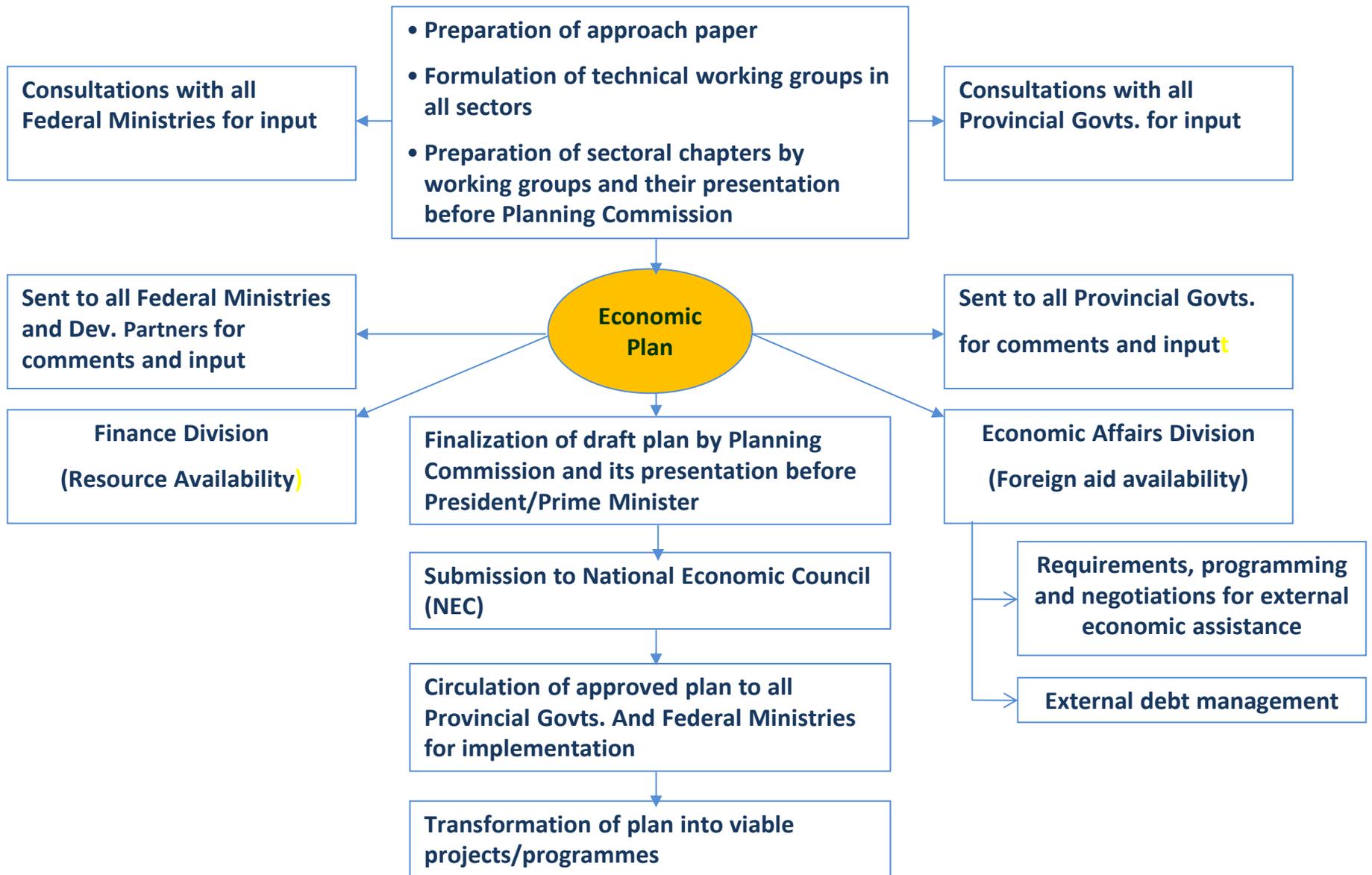
	MAF
<b>Water resources available to meet future needs</b>	
Average annual flow to the sea	38.0 (93% in Kharif)
Additional ground water	1-2
Saving from water conservation	5-10
Estimated total	<b>44-50</b>
<b>Projected incremental water requirements</b>	
Environmental flow requirements	10
Urban domestic and industrial demand	9
Accord deficit	11
Increase in irrigation water demand	5-30
System losses	5-10
Estimated total	<b>40-70</b>

# The Disconnects between Research, Policy and Implementation are most critical

- Weak Link between **Demand Driven Agriculture Research and Effective Extension Services**
- Absence of **M&E – feedback and dissemination** – extremely poor and deteriorating quality of data and analysis
- Need for a **holistic policy approach** – agriculture policy should be part of an integrated overall growth promoting policy framework
  - Agriculture should be seen as a system and not just four major crops
- Federal and Provincial Disconnects and lack of **capacity** at all levels especially at the **implementation** level
- **Budgeting and Expenditure Reform** Issues

# Development Policy Process in Pakistan

## Where is the Research??

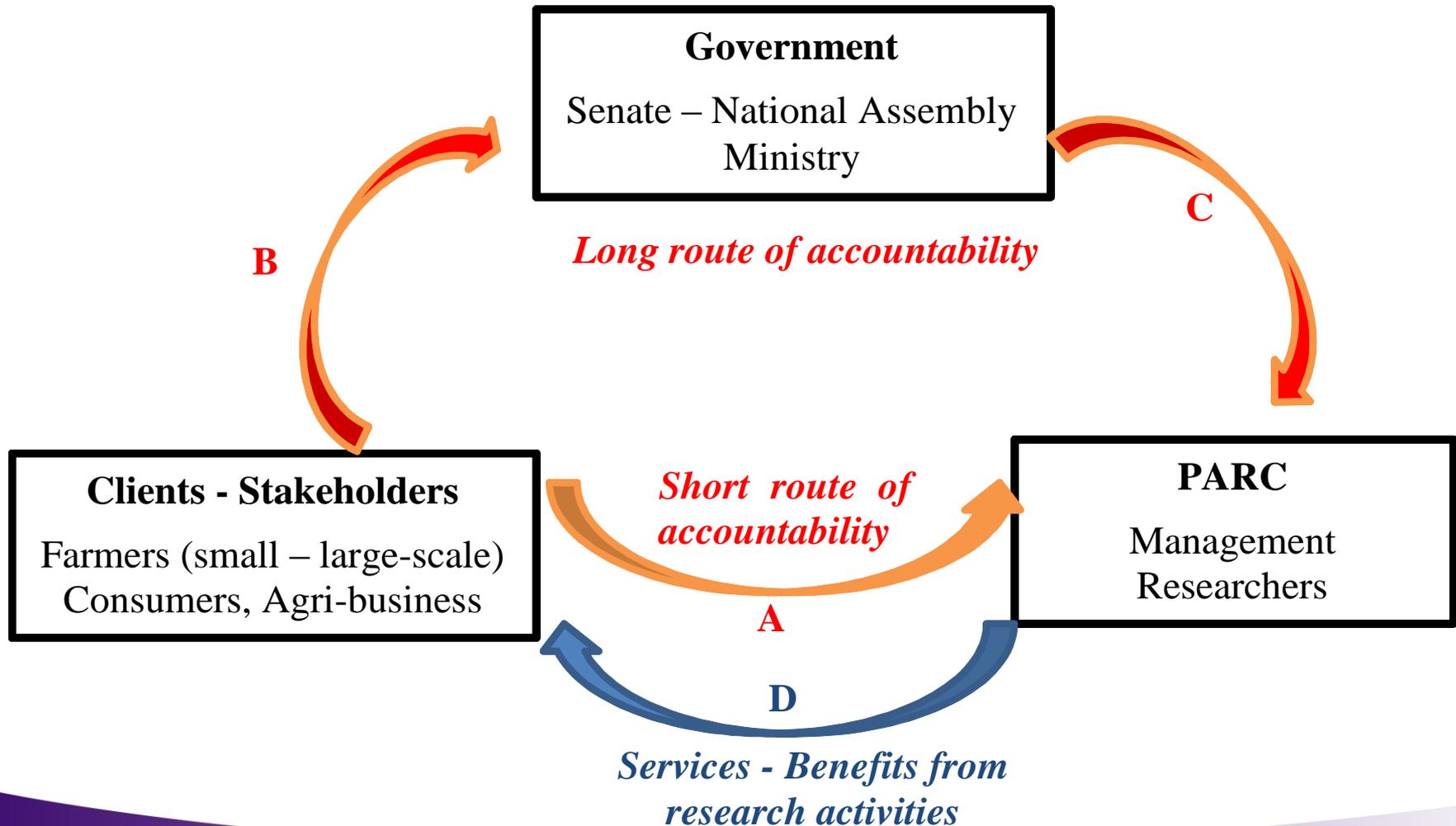


**The need for a client/stakeholder/private sector interface to enhance the accountability and demand responsiveness of the public research system – A Recommendation from the IFPRI/PSSP Independent Third Party Assessment of the Pakistan Agriculture Research Council**

# How to create accountability for performance?

## Recommendation from a recent IFPRI evaluation of the Pakistan Agricultural Council

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# Ensure Agriculture Growth – Let markets function

- Catalyze the system to generate and propagate **independent knowledge** that makes perverse decision making and rent seeking impossible
- Identify and clarify Incentives to ensure the market works for all
  - Connect the disconnects through highlighting private incentives and removing information asymmetries
- Unleash the forces of the market to ensure competition and efficiency
- Considerable research is already available – there are a lot of low hanging fruit at all levels

# The Path Forward: 1) Analysis 2) Reform implementation 3) Investments *in a conducive environment* and 4) skilled manpower capable of handling the modernization

**Four** essential steps need to be highlighted:

1. Increase **analytic capacity** to **provide** government, civil society and business the knowledge required to ensure policy reforms and informed decision making
  1. **Wise and profitable Investments** in key agricultural sub-sectors and value chains are made
2. **Strong advocacy and ownership for reform** that ensures the necessary conducive regulatory environment is created and sustained so that markets function properly and demand-based agricultural technology innovation institutions thrive
3. A **trained manpower** that can handle the requirements of a modernizing agriculture system

Thank You So Much