



COUNTRY FACT SHEET ON FOOD AND AGRICULTURE POLICY TRENDS

Socio-economic context and role of agriculture

Pakistan is a lower middle-income country located in South Asia. With an estimated population exceeding 195.4 million people,<sup>1</sup> Pakistan is the sixth most populous country in the world. Most of the population (118 million) reside in rural areas. In July 2010, Pakistan experienced unprecedented flooding nationally that affected approximately 20 million people, damaging or destroying more than 1.9 million homes, displacing about 7.5 million people, and deteriorating food

security.<sup>2</sup> This flooding had a substantial impact on the pace of real gross domestic product (GDP). Despite impressive and continuously growing amounts of agricultural production, the country is struggling with significant levels of food insecurity and undernourishment, poverty, and gender inequalities, which have all been exacerbated by natural disasters. In fact, Pakistan has not achieved any of the Millennium Development Goals; in 2014–2016, the proportion of undernourished

Selected indicators		2007	2011	2015	
SOCIO-ECONOMIC	GDP (current billion US\$) *	152.4	213.7	251.6	
	GDP per capita (current US\$) *	953.8	1 230	1 560 (2016)	
	Agricultural value added (% of GDP) *	21	26	19.8	
	Agricultural value added (annual % growth) *	(average 2007-2014)	2.4		
		(2015)	-0.19		
	Total population (thousand)	160.9	180.71	195.4 (2016)	
	Rural population (% of total)	66.2	63.8	60.9	
	Employment in agriculture (percent of total employment)*	44	45	42.3	
Human Development Index **	(2015)	0.538 (Ranking 147)			
AGRICULTURAL PRODUCTION & TRADE	Per capita cultivated land (ha)	0.19	0.17	0.16	
	Area equipped for irrigation (ha)	20 200 000 (2013)			
	Value of total agriculture (current million US\$)	2 367 874	3 395 381	2 683 038 (2013)	
	Value of cereals production (current million US\$)	707 727	1 254 723	1 191 813 (2013)	
	Yield for cereals (hg/ha)	2 744 000	2 722 000	2 747 400 (2014)	
	Cereal import dependency ratio (%)	(2007-2009)	-5.4		
		(2009-2011)	-12.2		
	Top 3 commodities	Production quantity	Sugar cane; Milk, whole fresh buffalo; Wheat (2012)		
		Production value	Milk, whole fresh buffalo; Milk, whole fresh cow; Wheat (2012)		
		Import quantity	Palm oil; Rapeseed; Cake of Soybeans (2011)		
		Import value	Palm oil; Cotton lint; Rapeseed (2011)		
		Export quantity	Wheat; Flour of Wheat; Potatoes (2011)		
		Export value	Wheat; Cotton lint; Flour of Wheat (2011)		
	Top 3 trade partners (2011)	Import value	Malaysia; India; Canada (2011)		
Export value		Afghanistan, Bangladesh, Unspecified (2011)			
FOOD SECURITY & NUTRITION	Top 3 commodities available for consumption	Wheat and Products; Milk (Excluding Butter); Sugar (Raw Equivalent) (2011)			
	Dietary energy supply (kcal/capita/day)	2 420	2 426	2 440 (2013)	
	General (g) and Food (f) CPI (2000=100)	150.3 (g), 158.8 (f)	249.7 (g), 306.7 (f)	316.2 (g), 385.3 (f)	
	People undernourished (million)	(2008-2010)	37.2		
		(2011-2013)	39.2		
		(2014-2016)	41.4		
	Prevalence of undernourishment (percent)	(2008-2010)	21.8		
		(2011-2013)	21.9		
		(2014-2016)	22.0		
	Prevalence of underweight among children under 5 years of age (%)	NA	30.9	31.6 (2012)	
Prevalence of stunting among children under 5 years of age (%)	NA	43.0	45.0 (2012)		
Prevalence of wasting among children under 5 years of age (%)	NA	14.8	10.5 (2012)		
Global Hunger Index ^	(2015)	33.9 (Serious)			
Access to improved water sources (% of population) *	90	91	91		

Source: FAOSTAT; \*Source: Economic Survey of Pakistan (2015-16); Source\*\*WB; \*\*\*Source: UNDP; ^ Source: IFPRI; ^^Source: WITS. (accessed on the 8th of July, 2016)

1 Economic Survey of Pakistan, 2015-16 (available at [www.finance.gov.pk/survey/chapters\\_16/02\\_Agriculture.pdf](http://www.finance.gov.pk/survey/chapters_16/02_Agriculture.pdf)).  
 2 The 2010 flood caused the loss of 2.4 million hectares of unharvested crops, and damages estimated at US\$5.1 billion. The flood devastated a large portion of Pakistan's most fertile land, including the breadbasket province of Punjab. See [www.fao.org/fileadmin/user\\_upload/emergencies/docs/PakistanFloods1yrBrochure.pdf](http://www.fao.org/fileadmin/user_upload/emergencies/docs/PakistanFloods1yrBrochure.pdf).

people in the total population was 22 percent, meaning that more than 41.4 million people are still undernourished in Pakistan.<sup>3</sup> During the last few decades Pakistan has undergone a considerable shift from an agrarian to a service-led economy, and the agricultural share of GDP has experienced a declining trend over this period. Nonetheless, agriculture is still the mainstay of Pakistan's economy, contributing 19 percent of GDP and employing approximately 42.3 percent of the labour force in 2015.<sup>4</sup> Livestock plays a significant role in the economy of the country; in fact, the dairy sector contributes 58 percent to the agriculture value addition and 11 percent to GDP.<sup>5</sup> Wheat is Pakistan's dietary staple. Wheat flour currently contributes 50 percent of Pakistan's daily caloric intake with per capita wheat consumption of around

124 kg per year, one of the highest in the world.<sup>6</sup> Pakistan is a major rice exporter and annually exports about 2 million tonnes, or around 10 percent of world trade. Approximately 25 percent of domestic exports consist of renowned basmati rice, being the second leading source of export earnings. Furthermore, Pakistan is one of the biggest producers of cotton in the world, with the bulk of the crop feeding the factories of the textile industry – the country's largest. Cotton lint is an important export. However, Pakistan is a net food-importing developing country. Overall, the main challenge for agriculture development in Pakistan is the rural sector, which suffers from increasing poverty and other social, economic and technological factors.

## 1. Government objectives in agriculture and food and nutrition security

In 2014, the Government of Pakistan (GoP) adopted a long-term development strategy, which aims at transforming Pakistan into an upper middle-income country by 2025 and a top ten economy by 2047. The vision focuses on macroeconomic stability through the promotion of inclusive growth, and envisages a hunger-free Pakistan by adopting innovative and cost-effective strategies. Most of the goals of Vision 2025 are being implemented through the Federal Public Sector Development Programme (FPSDP) 2014. The GoP developed the **11th Five Year Plan (2013–2018)** for the implementation of Vision 2025. The plan aims at improving agricultural productivity, profitability, competitiveness and environmental safety on a sustainable basis. Its main objective is to achieve a stable growth rate during the plan period in order to ensure national food security, reduce rural poverty, and support the overall growth of the country.<sup>7</sup>

In 2013, the GoP drafted the new **Agriculture and Food Security Policy (2013)**, which sets out a vision and goal for agriculture and food security, with the objective of halving malnutrition by 2030 and bringing food insecurity down to zero by 2050. An essential part of this policy is to achieve food security and to raise overall rates of economic growth for the benefit of all social classes of society. In 2015, the Ministry of Food Security and Research (MNFSR) drafted the **National Agriculture and Food Security Action Plan (2015)**, which will be a part of the comprehensive National Agriculture and Food Security policy.<sup>8</sup>

To alleviate food insecurity, in 2013 the GoP launched the **National Zero Hunger Action Plan (2012–2017)**, which is a five-year plan aimed at targeting 61 million food-insecure Pakistanis. The strategy is based on granting access to food, and aims at strengthening family farming, with US\$16 billion allocated by the government for its implementation. Some of the major interventions foreseen include: providing support to food-insecure households through cash or food distribution of nutritious and fortified commodities in disaster-hit areas; expanding farm outputs and market access; implementing targeted social safety nets such as school feeding programmes; rationalizing market prices of food commodities; and increasing diet diversification.

In view of Pakistan's high vulnerability to the adverse impacts of climate change, in 2013 the GoP formulated the **Framework for the Implementation of Climate Change Policy (2014–2030)**, which was developed for mainstreaming climate change concerns into decision-making so that it creates enabling conditions for integrated, climate-compatible development processes.

3 FAO, *State of Food Insecurity in the World, 2015* (available at [www.fao.org/3/a-i4646e.pdf](http://www.fao.org/3/a-i4646e.pdf)).

4 See [www.finance.gov.pk/survey/chapters\\_16/02\\_Agriculture.pdf](http://www.finance.gov.pk/survey/chapters_16/02_Agriculture.pdf).

5 See [www.finance.gov.pk/survey/chapters\\_16/02\\_Agriculture.pdf](http://www.finance.gov.pk/survey/chapters_16/02_Agriculture.pdf).

6 See [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual\\_Islamabad\\_Pakistan\\_4-3-2015.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Islamabad_Pakistan_4-3-2015.pdf).

7 Additionally, in order to accelerate agricultural growth and meet food security needs, the government, in collaboration with FAO, has formulated the Pakistan Agriculture Research Council's Business Plan (2013–18), which aims at improving the enabling environment for the national research system. See [www.parc.gov.pk/files/parc\\_pk/BP\\_FINAL-22-10-13.pdf](http://www.parc.gov.pk/files/parc_pk/BP_FINAL-22-10-13.pdf).

8 Some provinces have also developed agriculture policies (e.g. Balochistan and Khyber Pakhtunkhwa), which are also pending approval. The Federally Administered Tribal Areas (FATA) is in the process of formulating an Agriculture Policy/FATA Agriculture Action Plan, which is being prepared with technical support from FAO. The Government of Sindh has recently formulated a Draft Food Security Policy, which is now in the process of multistakeholder consultations and will be submitted for approval in late 2016; it has also requested that FAO draft a Nutrition Sensitive Agriculture Policy/Agriculture Strategy. Further, in 2013 the government designed an Intersectoral Nutritional Strategy, which is currently in its implementation stage.

## 2. Trends in key policy decisions (2007-2016)

### 2.1 Producer-oriented policy decisions

The agricultural sector is pivotal in sustaining food security; hence, the government has made it a priority for the economy. PRs1 706 million (US\$16.286 million) have been earmarked for the agriculture sector in the Provincial Annual Development Programme 2015-16.<sup>9</sup> Following the enactment of the 18th Constitutional Amendment by Parliament in 2011, responsibilities for a number of sectors, including agriculture, have been devolved from the federal to the provincial governments. The responsibilities of the provinces with regard to agriculture now include the allocation of public expenditure, as well as the management of development projects/programmes, and the passing and implementation of relevant laws and regulations in coordination, as necessary, with the federal government. In order to play the enhanced role envisaged under the 18th Amendment, each of the provinces needs to articulate a vision of developmental goals for the agriculture sector.

#### *Enhancing access of small and marginalized farmers to formal credit*

Credit facilities have been identified by the government as an integral part of the process of commercialization of the country's rural economy, including the agriculture sector. The State Bank has decided to enhance overall credit to 32 percent for the year 2015/16, and for 2016/17 the GoP is targeting a 20 percent increase.<sup>10</sup> In 1991, the GoP established the National Rural Support Programme (NRSP) with the aim of enhancing the access of small and marginalized farmers to credit. NRSP offers training, institutional support, microcredit, infrastructure development and natural resource management, and is currently benefitting more than 2.9 million poor households. In 2015, the government announced the Credit Guarantee Scheme for Small and Marginalized Farmers, which became operational in 2016. The objective pursued is to encourage banks to finance small-scale farmers who previously did not have access to banking facilities. Under the scheme, the GoP (through the State Bank of Pakistan) guarantees up to 50 percent of loans made by financial institutions to farmers having up to 5 acres of irrigated and 10 acres of non-irrigated land holdings.<sup>11</sup> The scheme is expected to benefit 300 000 farmer households. In 2015, the GoP announced the Prime Minister's Agriculture Package through which farmers will be provided with PRs341 billion (US\$3 billion) in subsidies, grants and loan advances from the government, with the goal of introducing progressive agriculture on scientific lines, reducing the production cost of crops, and making small-scale farmers prosperous.<sup>12</sup> Additionally, in order to help farmers who own up to 12.5 acres of land and who are facing irrigation costs associated with reliance on fuel- and electric-powered tube wells, the GoP is providing credit incentives to enable agricultural producers to substitute them for solar tube wells.<sup>13</sup>

#### *Strengthening disaster risk management*

Farming is one of the most vulnerable occupations, confronted by natural calamities, climate change and plant diseases. In light of this, in 2010 the GoP adopted the National Disaster Risk Management Framework (NDRMF), aimed at mainstreaming disaster risk reduction into development, enhancing emergency response systems, and strengthening capacity development for post-disaster recovery; this was followed by the National

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Nearly 20 million people have been affected by the floods in Pakistan and many of them still live in camps for internally displaced persons (IDP).

9 See [www.pc.gov.pk/wp-content/uploads/2015/06/Ch20-Food-security-agricultural-development.pdf](http://www.pc.gov.pk/wp-content/uploads/2015/06/Ch20-Food-security-agricultural-development.pdf).

10 Over the last three years, the volume of agriculture credit has been increased from PRs336 billion to PRs600 billion. For 2016/17, the volume of agriculture credit target is being increased to PRs700 billion. See [www.finance.gov.pk/budget/budget\\_speech\\_english\\_2016\\_17.pdf](http://www.finance.gov.pk/budget/budget_speech_english_2016_17.pdf).

11 The government is allocating PRs1 billion in 2016. See [www.finance.gov.pk/budget/budget\\_speech\\_english\\_2016\\_17.pdf](http://www.finance.gov.pk/budget/budget_speech_english_2016_17.pdf).

12 Key features of the Prime Minister's Agriculture Package (Kissan Package) included: 1) Direct cash support to the tune of PRs40 billion; 2) Subsidy of PRs20 billion on urea – which reduced the price of DAP by PRs500 per bag; 3) Subsidy on import of urea to keep prices low; 4) Concessional electricity tariff for agriculture tube wells. See [www.finance.gov.pk/survey/chapters\\_16/02\\_Agriculture.pdf](http://www.finance.gov.pk/survey/chapters_16/02_Agriculture.pdf).

13 Solar tube wells would be provided on mark-up free loans to the farmers who own up to 12.5 acres of land. A mark-up of seven years would be paid by the federal government at a cost of PRs14.5 billion. For farmers running tube wells on diesel for five hours daily or on petrol for the same duration, this would ensure a savings of PRs1 600 and PRs500 per day, respectively. See [www.finance.gov.pk/survey/chapters\\_16/02\\_Agriculture.pdf](http://www.finance.gov.pk/survey/chapters_16/02_Agriculture.pdf).

Disaster Management Plan (NDMP) 2012-22, designed for its implementation. The NDMP aims at enhancing the country capacity to develop resilience as well as prepare for and respond to disasters, by defining the measures necessary for disaster management and risk reduction. To further tackle environmental issues, the GoP ratified the National Disaster Risk Reduction Policy (2013), which provides an overall guiding framework for addressing the high levels of disaster risk in Pakistan. Its main objective is to create an integrated national capacity to identify and monitor vulnerability and hazard trends, including potential climate change impacts. In an effort to cover the risk to various crops, in 2008 the GoP introduced the Crop Loan Insurance Scheme (CLIS) for farmers with landholdings up to 12.5 acres. From this budget (2016), the scope of CLIS premium reimbursement is being enhanced up to 25 acres. All farmers obtaining loans for production of five major crops are eligible to benefit from this scheme. Furthermore, in order to mitigate the risk of losses for small livestock farmers and to incentivize farmers to engage in livestock development, in 2013 the GoP introduced the Livestock Insurance Scheme for all farmers obtaining financing for up to ten cattle. The scheme will cover livestock insurance in case of calamity and disease.

### **Scaling up fertilizer subsidies**

In 2015, the Federal Cabinet approved the "Support Package for Agriculture Sector" proposed by the Ministry of National Food Security and Research, which includes a subsidy of PRs20 billion (US\$190 million) on phosphatic fertilizers to be shared equally by the federal and provincial governments. The following mechanism has been developed for payment of the subsidy to the manufacturers and importers of phosphatic fertilizer: the federal government has deposited PRs10 billion (US\$95 million) in a special account, the Sales Tax Account of the State Bank of Pakistan, for adjustment of the subsidy.<sup>14</sup> Provincial governments will deposit their respective shares in this account, or authorize the federal government to deposit this amount on their behalf after making a source deduction from National Fertilizer Corporation transfers.

### **Ensuring wheat price support through public procurement**

Pakistan maintains a largely government-controlled wheat marketing system, as wheat is considered to be its key strategic commodity. Through provincial food departments, the GoP procures around one-third of domestic wheat production from farmers at the support price and then releases wheat to the flour mills at the fixed issue price.<sup>15</sup> Wheat stocks are held by the Pakistan Agricultural Storage and Services Corporation (PASSCO), a public company, and by food departments of provincial

governments. The GoP maintains a minimum guaranteed wheat price, which was PRs 1 300 (US\$12 410) per 40 kg in 2014/15 for procurement of wheat crop for 2015/16. In 2013, the GoP drafted the National Procurement Strategy (2013-16) with the aim to strengthen and harmonize public procurement systems at the federal and provincial level. In 2015, it procured around 5 million tonnes of wheat from the local harvest. The procurement target for the upcoming harvest has been set at 6.95 million metric tonnes.

## **2.2 Consumer-oriented policy decisions**

Pakistan's social assistance system is significantly decentralized, with various state-level schemes run independently by the provinces.<sup>16</sup> The system is mainly cash transfer-oriented and therefore comprises three main federal cash transfer programmes (Zakat, Bait-ul-Mal, and the Benazir Income Support Programme). With the aim to provide an overarching policy and to create an integrated social safety net system, in 2007 the GoP enacted the National Social Protection Strategy. Since 2007, the government has significantly increased its allocations on social safety nets: PRs 149 million (US\$1 million) have been earmarked for FY 2015/16.<sup>17</sup>

### **Enhancing social assistance programmes**

In 1980, the GoP implemented the Zakat disbursement programme, which is entirely based on private, voluntary contributions, but is administered by the GoP. It provides support only to Muslims in the form of a subsistence allowance and rehabilitation grants for establishing small businesses. Additionally, in 1991 the GoP launched the Pakistan Bait-ul-Mal (PBM) Programme, a tax-financed safety net combining food subsidies and cash transfers, to assist destitute widows, orphans, the disabled, and needy and poor persons. The PBM's main programmes that directly assist individuals comprise the Food Support Programme (FSP), Individual Financial Assistance, and Prevention of Child Labour. Benefits granted through these programmes include residential accommodation, free medical treatment, stipends for education, and cash to sponsor self-employment schemes. Since its inception in 1991, the FSP has provided cash transfers to 1.46 million households. A cash incentive is also provided to the parents of children attending school through the Child Support Programme; likewise, free boarding and lodging, education, medical care and physical training are provided in a home-like manner through Pakistan Sweet Homes (Orphanage Centres). The Child Support Programme pays quarterly benefits to chronically poor households with children aged 5–12 who have been selected for participation in the Bait-ul-Mal Food Support Programme. Payments are conditional on the children enrolling in and attending school regularly. The

<sup>14</sup> See [www.finance.gov.pk/budget/budget\\_speech\\_english\\_2016\\_17.pdf](http://www.finance.gov.pk/budget/budget_speech_english_2016_17.pdf).

<sup>15</sup> The issue price is set at a rate that comprises much of the cost of buying and storing the wheat; however, there are implicit costs that are not fully captured.

<sup>16</sup> The decentralization of its social assistance system was carried out with the 18th Amendment to the Constitution in 2011.



scheme aims at short-term poverty alleviation and raising primary school attendance. Furthermore, in 2008 the Government of Punjab established the Sasti Roti (“cheap bread”) scheme, setting up ovens (tandoors) to give subsidized bread (rotis) to the poor. The programme received considerable funds but was stopped in 2010, and the funds were then diverted to help those affected by the flooding.

### **Scaling up cash transfer programmes**

In 2008, as a key element of the National Social Protection Strategy (2007), the federal government initiated the Benazir Income Support Programme (BISP),<sup>17</sup> which is a large-scale national cash transfer programme. The programme is targeted at the poor, particularly women, offering them cash assistance of PRs1 200 (US\$11 347) monthly. In order to be eligible for the programme, the woman of the household must have a monthly family income below PRs6 000 (US\$56 739). The BISP also provides the poor with a micro health insurance programme, which is a cash transfer programme offering primary education for children aged 5–12, extension of small loans to female beneficiaries, and vocational training for women. Until 2013, the programme covered 4.1 million families. However, it is expected to increase the number of beneficiary families to 5.3 million by the end of FY 2016/17. The budget allocation has been increased to PRs4 billion (US\$37 million) for 2015/16, which is a 100 percent increase; allowance amounts have also been increased.<sup>18</sup> In addition to the BISP, the Waseela-e-taleem programme was launched in 2012 to help achieve the 2015 MDGs on Primary Education. This programme encourages BISP beneficiary families with children aged 5–12 to send their out-of-school children to schools for primary education, with an additional cash transfer of PRs250 (US\$2 364) per month per child for enrolling their children in school. The programme was piloted in five districts and is now being scaled up, with 1.3 million expected beneficiaries in 2015/16. Furthermore, in an effort to mitigate the impacts of environmental hazards, the GoP has made extensive use of emergency cash grants targeting families affected by the 2010 floods. This emergency cash grant scheme, known as the Watan Card Scheme, was articulated in two phases. The first phase provided an emergency relief grant delivered through a cash card, which could be used at ATMs and point-of-sale systems. The second phase provided a rehabilitation grant to help people rebuild their homes and livelihoods. In response to the 2011 floods, a similar relief mechanism was also used. Affected households in Sindh were issued a Pakistan Card, which entitled holders to a cash grant paid in two equal instalments.

### **Addressing malnutrition and pushing forward integrated nutrition interventions**

Pakistan suffers from high rates of micronutrient deficiencies (i.e. vitamins A and D, iodine, iron and zinc) due to low dietary diversity, affecting mainly children and women. Following the 2010 and 2011 floods, levels of global acute malnutrition increased significantly, and Pakistan is currently lagging behind in reducing undernutrition. With the objective to prioritize nutrition in the government agenda, in 2013 the GoP approved the provincial Nutrition Policy Guidance Notes and Strategy and Scaling Up Nutrition (SUN) roadmaps within the parameters of Vision 2025. In 2013, the Ministry of National Food Security and Research drafted the National Food and Nutrition Security Policy (NFNSP), aimed at halving malnutrition by 2030 and eliminating poverty and food insecurity by 2050. The draft NFNSP seeks to ensure that all Pakistanis have physical and economic access to enough nutritious food for an active and healthy life, and that this food is produced and distributed in an environmentally sustainable way. In 2015, the GoP started implementing the Nutrition Support Programme for Sindh (NSP), whose main goal is to improve the nutritional status of children under 5 years of age and that of pregnant and lactating women in nine districts. The Balochistan Nutrition Programme for Mothers and Children (BNPMC) will be implemented in 2016, with the overall goal of improving the nutritional status of children under 5 years of age and women of reproductive age, by improving the coverage of effective nutrition interventions in the selected seven districts. The Universal Salt Iodization (USI) Programme is also being implemented in 2016 with the assistance of development partners, targeting almost 174 million people with iodine deficiency. The National Food Fortification Alliance was re-established in 2015 at the Ministry of National Health Services, Regulation and Coordination to restart the food fortification programme, which was abandoned due to devolution. Hence, wheat flour fortification with iron and folic acid is being revitalized to overcome micronutrient deficiency disorders, with the support of UN agencies and nutrition development partners.

### **2.3 Trade-oriented and macroeconomic policy decisions**

Vision 2025 calls for an export-oriented policy led by the private sector. The government aims to improve export competitiveness and achieve a higher share in global and regional markets, as well as diversification of products and markets. Exports are targeted to reach US\$150 billion by 2025.<sup>19</sup>

17 See [www.finance.gov.pk/budget/mtbe\\_2015\\_18.pdf](http://www.finance.gov.pk/budget/mtbe_2015_18.pdf).

18 See [www.wto.org/english/tratop\\_e/tpr\\_e/g311\\_e.pdf](http://www.wto.org/english/tratop_e/tpr_e/g311_e.pdf).

19 See <http://121.52.153.178:8080/xmlui/bitstream/handle/123456789/13902/2015-2016.pdf?sequence=1&isAllowed=y>.

### **Productivity growth weakened by high-level tariffs**

During the 2007/08 global food crisis, Pakistan imposed export bans on wheat – then shifted to a quota and MEP (minimum export price) system combined with export taxes in 2010. In 2011, the GoP reintroduced import tariffs on rice. Since July 2014, Pakistan no longer has duty-free tariff lines. It has bound other duties and charges at zero, but “regulatory import charges” of 5 percent apply on some agricultural products. All exports are subject to an export development charge of 0.25 percent, while various products are subject to “regulatory duties” when exported. The domestic wheat market has been insulated from imports by a 40 percent regulatory duty. Despite cautious liberalization, overall tariff levels remain high, which weakens productivity growth and constitutes an impediment to efficient resource allocation and the integration of Pakistan into global value chains.

### **Stimulating export growth**

In 2015, the GoP announced its three-year Strategic Trade Policy Framework (2015-18), which creates an enabling environment for pursuing the industrialization process of Pakistan, and also aims at increasing annual exports to US\$35 billion.<sup>20</sup> Under

the framework, the GoP envisages increasing exports during the three-year period (2015–2018); making the export sector function as an engine of growth; and increasing Pakistan's export competitiveness in the short as well as long term.<sup>21</sup> To achieve its target, the GoP identified four main pillars: product sophistication and diversification; increasing existing market share; institutional development and strengthening; and trade facilitation. Furthermore, in 2014 the GoP established the EXIM Bank of Pakistan, which will be critical in enhancing export credit, supplier's credit and export credit guarantees in 2016. The GoP is currently implementing numerous measures aimed at subsidizing exports. In 2015, it approved an export subsidy to facilitate the export of 1.2 million tonnes of wheat from government-held stocks. The total subsidy budget in 2016 is US\$60 million and covers a set subsidy of US\$55 per tonne for wheat from Punjab, and US\$45 per tonne for wheat from Sindh. Moreover, in 2016, the GoP approved a sugar export subsidy of US\$124 per metric tonne to cover exports of up to 500 000 metric tonnes through March 2016. The subsidy is designed to reduce stocks, improve cash flow for sugar mills, and facilitate payments from mills to farmers.

## **3. Emerging issues**

### **Mainstreaming climate change into the development agenda**

As the country has been experiencing severe weather-related disasters each year such as floods, droughts, and other hazards, environmental sustainability was identified as a major concern in the government agenda.<sup>22</sup> Temperatures are predicted to rise by 3 degrees by 2040.<sup>23</sup> Climate change is adversely impacting the agricultural sector and is amplifying and exacerbating existing patterns of gender disadvantage and water management practices, as mentioned below. In light of this, mainstreaming climate change into the development agenda needs to be prioritized by the government in order to contain the impacts of climate change and increase the country's resilience to future shocks. Ensuring that authorities are directly linked to community preparedness plans will also be critical in enabling better-coordinated disaster responses.<sup>24</sup> However, to build climate change resilience into Pakistan's agricultural system, the GoP should encourage farmers to diversify their crops by planting a variety of heat- and

drought-resistant crops, thus reducing the risk of crop failure. The GoP should also set up an agricultural surveillance system in vulnerable areas in order to assess their vulnerability to extreme climate change events.<sup>25</sup> The creation of early warning systems to predict floods, droughts, etc., would also help stabilize the agricultural growth rate at 5 percent.<sup>26</sup> Furthermore, the farming community should ensure that fertile land is not used for any other purpose than agriculture, and farmers should be persuaded to adapt their farming to their climatic setting. Curbing deforestation and increasing forest areas, through the implementation of a national-level mass reforestation programme aimed at preserving forests through sustainable forest management practices, will be pivotal in reducing carbon dioxide emissions.<sup>27</sup> Overall, the GoP should direct its efforts towards preserving biodiversity through the development of an action plan that increases the focus on adaptation and mitigation measures to enable sustainable growth in agriculture.<sup>28</sup>

20 A budgetary allocation of PRs6 billion has been approved to implement the trade policy initiatives for 2015/16.

21 See [www.commerce.gov.pk/wp-content/uploads/2016/03/STPF-2015-18-Documents.pdf](http://www.commerce.gov.pk/wp-content/uploads/2016/03/STPF-2015-18-Documents.pdf).

22 See [www.pk.undp.org/content/dam/pakistan/docs/Environment%20&%20Climate%20Change/UNDP%20Climate%20Report%20V10.pdf](http://www.pk.undp.org/content/dam/pakistan/docs/Environment%20&%20Climate%20Change/UNDP%20Climate%20Report%20V10.pdf).

23 See [https://cmsdata.iucn.org/downloads/pk\\_cc\\_agr\\_vul.pdf](https://cmsdata.iucn.org/downloads/pk_cc_agr_vul.pdf).

24 See [www.pk.undp.org/content/dam/pakistan/docs/Environment%20&%20Climate%20Change/Framework%20for%20Implementation%20of%20CC%20Policy.pdf](http://www.pk.undp.org/content/dam/pakistan/docs/Environment%20&%20Climate%20Change/Framework%20for%20Implementation%20of%20CC%20Policy.pdf).

25 See [www.pk.undp.org/content/dam/pakistan/docs/Environment%20&%20Climate%20Change/Framework%20for%20Implementation%20of%20CC%20Policy.pdf](http://www.pk.undp.org/content/dam/pakistan/docs/Environment%20&%20Climate%20Change/Framework%20for%20Implementation%20of%20CC%20Policy.pdf).

26 See [https://cmsdata.iucn.org/downloads/pk\\_cc\\_agr\\_vul.pdf](https://cmsdata.iucn.org/downloads/pk_cc_agr_vul.pdf).

27 In addition to the policies already implemented to mitigate the impacts of climate change, the Ministry of Climate Change has recently adopted the National Forest Policy (2015). The goal of this policy is to encourage the expansion of national forest coverage to restore ecological functions and maximize economic benefits.

28 See <http://dailytimes.com.pk/islamabad/15-May-16/climate-change-badly-affecting-agriculture-in-pakistan>.

## Need to maximize the efficiency of water resource management

With less than 240 mm of rainfall annually, Pakistan is considered a high water-stressed region, which is headed towards becoming a water-scarce country if this is not timely addressed. The country's agriculture and hence the performance of the economy is highly correlated to the availability of irrigation water, which is currently inadequate. Waterlogging and salinity intrusion are hindering the sustainability of irrigated lands. Additionally, large amounts of agricultural production and the increasing population are placing high demands on Pakistan's water resources. In 2015, the Water and Power Development Authority of Pakistan drafted the National Water Policy, advocating an "integrated water resources management regime" implemented at the river basin level to fully exploit the country's water resources. The policy aims to promote the adoption of appropriate technologies for rainwater harvesting in rural and urban areas; control groundwater pumping; and reduce over extraction.<sup>29</sup> It also emphasizes the need to implement a water pricing mechanism for industrial and irrigation use of water in order to provide adequate incentives to use water resources efficiently. With improvements in water management, many rainfed areas could potentially be converted into high-value horticulture zones – if a package of technologies is also promoted. A threat to food security is the depletion of groundwater by farmers, as its use has been expanding rapidly in recent years. More than 50 percent of the country's irrigation demand is being met through groundwater extraction.<sup>30</sup> In fact, many farmers compensate for the lack of surface water by pumping groundwater at increasing rates, leading to aquifer depletion and soil salinization. Compounding this problem is the fact that Pakistan lacks a water recharge system. In order to increase its limited storage capacity and thus recharge groundwater, it is crucial to build artificial recharge structures to store excess water during the flood season, allowing the water to percolate into the soil.<sup>31</sup> For ensuring sustainability of irrigated agriculture, the GoP should direct its efforts towards enhancing the management of water resources, maximizing crop yields per unit of water through mobilizing more funds, and focusing on improving sustainable salinity management through intensifying the carrying capacity of drainage systems. Regulating indiscriminate groundwater extraction by establishing water protection zones and water-saving technology is also one of the issues the GoP should address.

29 See <http://www.thethirdpole.net/2016/01/21/pakistan-readies-national-water-policy/>.

30 See [http://research-repository.uwa.edu.au/files/4904943/Watto\\_Muhammad\\_Arif\\_2015.pdf](http://research-repository.uwa.edu.au/files/4904943/Watto_Muhammad_Arif_2015.pdf).

31 See <http://thediplomat.com/2016/04/pakistans-ticking-time-bomb-climate-change/>.

32 See [www.thenews.com.pk/print/91855-Model-Women-Empowerment-Package-drafted-for-provinces](http://www.thenews.com.pk/print/91855-Model-Women-Empowerment-Package-drafted-for-provinces)

33 In addition to these current initiatives undertaken by the government, in 2008 the Government of Sindh announced a major programme of land distribution among poor peasants in the province. As the land distribution programme aimed at minimizing gender inequalities, this was the first time in the history of Pakistan that land was being distributed mainly among the landless women of Sindh. See <http://unpo.org/article/10466>.

34 See [www.dawn.com/news/1140919](http://www.dawn.com/news/1140919)

## Leveraging national social programmes to minimize gender inequalities

Gender inequality is exacerbating food insecurity and malnutrition for women. Women are key drivers of household food security for determining diets. Thus, gender equality and the empowerment of women are critical to building a vibrant market economy and to ensuring effective and sustainable development. In Pakistan, sociocultural norms play a significant role in defining women's role in society, inhibiting them from accessing resources; therefore, there is an urgent need to mainstream gender equality into the development agenda. In 2012, the GoP drafted the Punjab Women Empowerment Package Policy (PWEP) to guide provincial governments in developing their own packages for women's empowerment.<sup>32</sup> In 2014, the FPSDP initiated the Skills for Market Training Programme, targeting 4 000 rural women in four districts. Along these lines, under the Youth Business Loan Scheme launched in 2013, 50 percent of loans are being granted to women. Women are also being trained in vocational skills through the Prime Minister's Youth Skill Development Scheme launched in 2013.<sup>33</sup> Despite these efforts, Pakistan ranked 141 out of 142 countries on the annual Gender Gap Index (2014). Some of the factors contributing to gender inequality include gender-based violence, lack of access to and ownership of resources and assets, lack of education, and limited access to social services.<sup>34</sup> To further tackle gender inequality, the GoP needs to focus on strengthening legislation aimed at protecting women's rights and ensuring increased access to education and justice, with the aim of raising women's incomes and their access to food. Investments in social protection programmes targeting women will also need to be substantially increased in order to revamp and expand the social protection system and rehabilitate girls' schools that have been damaged by natural disasters. Additionally, the GoP should also focus its attention on increasing access to and use of high-quality maternal, neonatal and child health services in an effort to minimize micronutrient deficiencies affecting women.



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