

High Food Prices in Pakistan

Impact Assessment and the Way Forward



**The UN Inter Agency Assessment Mission
FAO/UNDP/UNESCO/UNICEF/WFP/WHO**

Prepared at the request of
Ministry of Food, Agriculture, and Livestock Government of
Pakistan Islamabad

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Acronyms

ADB	Asian Development Bank
AKF	Aga Khan Foundation
CERF	Central Emergency Response Fund
CPI	Consumer Price Index
DAP	Di-Ammonium Phosphate
DFID	Department for International Development
EQ	Earthquake Affected Areas
EU	European Union
FANA	Federally Administered Northern Area
FAO	Food and Agriculture Organization
FATA	Federally Administered Tribal Area
FCGs	Food Consumption Group
FCS	Food Consumption Score
FEWSNET	Famine Early Warning System Network
FFW/FFT	Food for Work/Food for Training
FY	Financial Year
GDP	Gross Domestic Products
GER	Gross Enrolment Rate
GFRP	Global Food –crises Response Programme
GIEWS	Global Information and Early Warning System
GMP	Guaranteed Minimum Price
GOP	Government of Pakistan
GPI	Gender Parity Index
HIES	Household Integrated Economic Survey
IFAD	International Fund for Agricultural Development
ISFP	Initiative on Soaring Food Prices
MDGs	Millennium Development Goals
MINFAL	Ministry of Food, Agriculture and Livestock
MMR	Maternal Mortality Rate
MoE	Ministry of Education
MSP	Minimum Support Price
MT	Metric Ton
NADRA	National Database and Registration Authority
NDMA	National Disaster Management Authority
NER	Net Enrolment Rate
NGOs	Non Governmental Organizations
NSNP	National School Nutrition Programme
NWFP	North West Frontier Province
OECD	Organization for Economic Cooperation and Development
PAK	Pakistan-Administered Kashmir
PASSCO	Pakistan Agricultural Storage and Supplies Corporation
PBM	Pakistan Baitul Mal
PDMA	Provincial Disaster Management Authority

PR	Pakistani Rupee
U5MR	Under 5 Mortality Rate
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIC	United Nations Information System
UNICEF	United Nations Children's Fund
UNRCO	United Nations Resident Coordinator Office
USA HRW	United States of America Hard Winter No. 2
USAID	United States Agency for International Development
USC	Utility Store Corporation
USDA	United States Department of Agriculture
VAM	Vulnerability Analysis and Mapping
VGf	Vulnerable Group Feeding
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization

Executive Summary

Food security in Pakistan has significantly worsened as result of the recent food price hikes. Rural households, particularly in the western provinces who share a border with Afghanistan, and food deficit districts are most affected. The total number of households in Pakistan falling into this category was estimated to be seven million.

At the request of Ministry of Food, Agriculture, and Livestock (MINFAL), Government of Pakistan (GOP), the UN system in Pakistan fielded an inter-agency mission during 9 June and 13 July 2008, to assess the impact of price spiral and food shortages on the livelihoods and general welfare of households, particularly vulnerable and marginalized ones. Following this a subsequent inter-agency mission will be commissioned to make recommendation for medium and long term measures and assistance needed by the development partners. This report presents the main findings of the assessment and recommends course of action for immediate and short term relief and measures to be adopted by the GOP and documents the planned donor support. The assessment is based on consultation with the stakeholders, assessment of impact based on partial equilibrium simulation modelling using Household Integrated Economic Survey (HIES) PSLM data for 2005/06, and rapid assessment household surveys and traders survey.

The main findings indicate that more than half of the surveyed households experienced high food prices as a shock. Most households have tried to cope with the high food prices by reducing non-food expenditures. The high food prices is undermining the poverty reduction gains, as food expenditures comprises a large share of the poor's total expenditures and food price hike has severely eroded their purchasing power. The field assessment suggests that households who cannot afford to obtain medical assistance when sick increased from six percent to 30 percent. Similarly there is a serious risk of massive school drop out and thus loss of the gains in primary school enrolment achieved in past years. Without an urgent intervention Pakistan will seriously miss MDG targets and, more immediately, face deteriorating child malnutrition (pre-crisis 38 percent of children under five years were malnourished) and increased child mortality (about 50 percent of child mortality in Pakistan is food related).

The poorest households now need to spend 70% or more of their income on food and their ability to meet most essential expenditures for health and education is severely compromised. In addition, the diminished purchasing power has severely impaired the capacity of the poor households to seek health care, and children education, particularly girls. This situation has further exasperated by the falling nutrition level, particularly for already malnourished children. High food prices affect urban and rural households differently, as income, food sources, expenditure patterns as well as coping strategies vary. The survey further indicates that more than 40 percent of households reported no change in income since last year, while a larger share in urban areas observed a decrease than an increase in income. For farmers, the main determinant is the farm gate price they are able to get for crops, while for the 45 percent of the population who are working as employees, it is the change in the real wages, eroded by inflation.

The survey also shows that as a result of higher food prices, food expenditure increased disproportionately to total expenditure compared to base year 2005-06. In relative terms, the increase is more pronounced in rural areas, where food expenditure rose by 10 percent and total expenditure by 4 percent, though in absolute figures the increase has been higher in urban areas. As indicated earlier, the poorest have been severely and disproportionately affected by higher food prices. Simulation results show that the poorest quintile spends 13 percent more on food than two years ago, while the richest quintile spends only 5 percent more.

The Simulation results show an increase in the share of severely food insecure population, from 23 percent in 2005-06 to 28 percent in 2008. The share of moderately food insecure people, who consume more than 1,700 but still less than the international minimum

threshold of 2,100 kcal per capita per day, changed only slightly during the same period. Even among the population who manage to reach the minimum kcal intake, a significant share is likely to still have an inadequate diet in terms of nutrient intake.

The high food prices has also led to an adverse impact on health and nutrition in various ways: i) poorer food consumption increases malnutrition, which in turn heightens susceptibility to disease; both may lead to higher mortality rates; ii) greater workload (to increase income) negatively influences care and feeding practices, resulting in poorer health and nutrition status; iii) reduced expenditures on health lead to less adequate treatment of disease and higher morbidity and mortality rates. Similarly, the survey indicates that households are coping with the price crisis by taking children out of school, sending children to work and moving them from private to public schools. The price hike seems to have a relatively worse impact on girls' education than on boys.

In response to the recent unprecedented price hike, the GOP undertook immediate inclusive policy and trade related measures to keep food prices from further escalating and to provide wheat at affordable prices. These include: i) import of about 2.5 million mt of wheat; ii) vigilance on informal flow wheat of across the borders; iii) removal of import duty on wheat; iv) imposition of minimum export price on rice; v) subsidy on DAP, vi) wider coverage of wheat flour distribution at subsidized rates through Utility Stores Corporation; and vii) various social protection instruments such as cash transfer schemes, such as Benazir card with an estimated outlay of about PRs.34 billion covering 6-7 million poor household in addition to Baitul Mal scheme and Zakat and Ushr schemes.

There is little prospect that the food price situation in Pakistan will ease in the next 12 months. An increasing share of wheat will need to be imported at higher international prices and the fuel price-induced increase in the cost of production will exert strong upward pressure on domestic wheat prices. Moreover, western provinces will continue to be exposed to demand from neighbouring countries with a significantly higher price level.

A National Task Force that reports to the Prime Minister was also setup to review the situation, and make recommendations to provide relief to the vulnerable population and combat the negative impact on the economy. The Task Force concurred with the preliminary findings of the UN assessment and used it for planning national safety net interventions. Budgets were allocated for cash transfer programmes that will target 5.2 million food insecure households. However, capacities and resources are uneven. While Punjab province has plans to assist 3.5 million households, other provinces will face a resource gap and up to 1.8 million households will remain without assistance unless more resources become available. Unfortunately the national response capacity is weakest in the provinces that were identified by the UN assessment as most affected by the food crisis.

Following the Declaration by the High Level Conference on World Food Security, adopted 5 June 2008, donors were called upon to increase assistance to developing countries, in particular the least developed countries and those most negatively affected by high food prices. Responding to this call, various Governments, multilateral and bilateral agencies have formulated respective strategies and responses to provide immediate support to countries hit by the food price crisis. This included the consideration of immediate support to Pakistan to mitigate the adverse impacts of price hikes.

Several UN agencies have commenced with preparing for interventions in response to the food crisis. The major development partners, namely, Asian Development Bank, IFAD, WFP, FAO; UNESCO; UNICEF; USAID, WHO, and the World Bank have developed assistance packages to provide immediate relief to the worst affected people. FAO and IFAD are considering assistance to small farmers through distribution of seeds, fertilizer and input credit. UNICEF and WHO have developed plans for nutrition and health interventions targeted at vulnerable mothers and children. WFP developed relief intervention that would focus on 20 most food insecure districts in NWFP and Balochistan and a pocket area in Sindh province reaching nearly half a million households. This operation is designed for

quick and reliable delivery, building on WFP's on-going school feeding and food-for-work programmes.

The overarching goal of the recommendations vis-à-vis response actions is to insulate over 7 million severely food insecure households or 45 million people that are vulnerable to a price spiral and food shortages, in the immediate short run, i.e. in the next 12-18 months. The other guiding principles include: i) targeted, transparent, and coordinated social assistance programmes; ii) productivity enhancement of food crops, particularly of poor farmers; iii) preventing deterioration of the nutritional situation; iv) protecting educational gains and ensure continued schooling; and v) implementation of medium and long-term food security action plan.

The specific recommendations by the mission are:

- Expanding social assistance schemes and safety nets through cash or food transfers to the worst affected households;
- Transparent targeting of and coordination between various schemes to ensure complementarity and avoid duplication;
- Scaling up of health services to the poor, particularly scaling up existing mother and child health schemes and treatment of acute malnutrition;
- Upscaling the national school nutrition programme, with a focus on primary schools;
- Providing incentives for farmers to increase wheat production through reducing the gap between domestic price and the import parity price, and the timely announcement of the guaranteed minimum price; and provision of targeted agricultural input subsidies to the small farmers.
- Ensuring an enabling environment and level playing field to the private sector in cereal trade;
- Maintaining a strategic wheat reserves, but reducing the operational reserves over time, making them equivalent to the requirements for targeted food subsidies for vulnerable groups;
- Quarterly sentinel based monitoring of the changes in i) the prices of food commodities; ii) household income and expenditure and any adverse impact on health and education related non-food expenditure; and iii) transparency and efficacy of the implementation of the social protection programmes.

Table of Contents

I.	INTRODUCTION	1
	A. BACKGROUND	1
	B. OBJECTIVES	2
	C. METHODOLOGY	2
	1. Approach	2
	2. Primary Data Collection and Sample Frame	3
	3. Simulation/Modelling	4
	D. ASSESSMENT LIMITATIONS	5
	1. Primary data collection	5
	2. Secondary data analysis and simulation:	5
	E. REPORT LAYOUT	5
II.	COUNTRY CONTEXT AND SOCIOECONOMIC IMPACT OF PRICE RISES	7
	A. RECENT MACRO ECONOMIC PERFORMANCE	7
	B. CEREAL AVAILABILITY	8
	C. WHEAT MARKET ANALYSIS	10
	D. DISRUPTION OF THE WHEAT MARKETING SYSTEM	11
	E. WHEAT BALANCE 2008/09 MARKETING YEAR (MAY/APRIL)	13
	F. MAGNITUDE OF DOMESTIC WHEAT PRICE CHANGES AND CAUSES	14
III.	HOUSEHOLD IMPACT AND PROFILE OF MOST AFFECTED POPULATION	16
	A. PRE CRISIS VULNERABILITY	16
	B. HOUSEHOLD FOOD ACCESS	18
	C. HOUSEHOLD INCOME SOURCES	19
	D. HOUSEHOLD EXPENDITURE	22
	E. HOUSEHOLD FOOD CONSUMPTION	24
	F. IMPACT ON HEALTH AND NUTRITION	25
	G. IMPACT ON EDUCATION	28
	H. FOOD SECURITY STATUS	29
IV.	LIKELY FUTURE SCENARIO OF FOOD AVAILABILITY AND PRICES	33
V.	ONGOING AND PLANNED RESPONSES TO PRICE RISE	35
	A. RESPONSE BY THE GOVERNMENT OF PAKISTAN	35
	1. Assessment	35
	2. Wheat imports	35
	3. Increased border surveillance to curb wheat smuggling	35

4.	Removal of Import Duty on Wheat	35
5.	Timely announcement of Minimum Support Price (MSP) or Reference Price for Wheat	35
6.	Rice export policy	36
7.	Subsidy on Agricultural Inputs	36
8.	Administrative Measures	36
9.	Social Protection	36
	a) Cash transfer through Baitul Mal Scheme	37
	b) Cash transfer through Zakat and Ushr Scheme	37
	c) Cash transfer through proposed Benazir Card	37
B.	RESPONSE BY THE INTERNATIONAL AND BILATERAL AGENCIES	37
1.	Asian Development Bank	37
2.	IFAD	37
3.	WFP	38
4.	FAO	38
5.	UNESCO	39
6.	UNICEF	40
7.	WHO	40
8.	The World Bank	40
9.	Other Bilateral Agencies in Pakistan	40
VI.	RECOMMENDATIONS	41
A.	OVERALL RECOMMENDATION	41
B.	SPECIFIC RECOMMENDATIONS	41
1.	Upscale Social Assistance and Safety Nets	41
2.	Protect livelihoods of most affected households in medium & long term	41
3.	Prevent deterioration of the health and nutritional situation	42
4.	Protect educational gains and ensure continued schooling	42
5.	Provide incentives for farmers to increase wheat production	42
6.	Provide an enabling environment for the private wheat sector	42
7.	Streamline wheat procurment, milling and distribution system	42
C.	TYPOLOGY OF PROPOSED INTERVENTIONS THEIR LIKELY IMPACT AND IMPLEMENTATION ISSUES	43
D.	MONITORING AND EVALUATION	45
E.	TERMS OF REFERENCE FOR THE MEDIUM AND LONG TERM FORMULATION MISSION	45

List of Annexes

Annex I: Attachment Tables and Figures	47
Annex II: Field Survey Teams	55
Annex III: Terms of Reference (UN Inter-agency Study)	57
Annex IV: List of Participants at first Stakeholders' briefing – 14 June, WHO Building	62
Annex V: List of Participants at Second Stakeholders' Meeting on 27 June, WHO Building	63
Annex VI: Meetings Organized with Partners	65
Annex VII: List of districts by level of vulnerability	66
Annex VIII: Computation of the Food Consumption Score (FCS) and the Grouping of Food Consumption Groups (FCGs)	69
AnnexIX: Caloric Contents of Main Food Items	70
AnnexX: Brief description of social protection systems in Pakistan	71
Annex XI: Proposed WFP Food Relief Support Programmes	73
Annex XII: Recommended Specific Interventions By UNESCO	75
Annex XIII: Programmes Suggested and Under Consideration By UNICEF in Pakistan.....	76
Annex XIV: TOR for medium and long term reponse formulation mission	78
Annex XV: Vulnerability to Price Shocks (MAP)	91

List of Tables

Table 1: Sampling frame	3
Table 2: Provincial wholesale and retail prices of wheat, rich and labour wages	4
Table 3: Pakistan's Trade Balance (2003-08 in US\$ Million).....	8
Table 4: Wheat Supply/Demand Balance, May 2008/April 2009 ('000 tonnes)	13
Table 5: Sensitive Price Indicators.....	17
Table 6: Income sources for rural and urban populations in Pakistan	19
Table 7: Terms of trade: wage labour and wheat flour	21
Table 8: Number of newly severely food insecure People	29
Table 9: <1700 kcal/capita/day in '000 people (pre crisis vs. 2008)	31

List of Figures

Figure 1: Analytical frame	3
Figure 2: GDP Growth between 1996 and 2007	7
Figure 3: Impact of various items on inflation rate	8
Figure 4: Annual wheat production	9
Figure 5: Pakistan wheat and rice production	9
Figure 6: Wheat production and shortfall by Province	10
Figure 7: 2008 Wheat prices in nearby countries	11
Figure 8: Wheatflour prices in Pakistan – May 2006-2008	14
Figure 9: Wheat wholesale prices in Pakistan and rest of the world.....	15
Figure 10: Rural / urban population by province	16
Figure 11: Change in income reported by households	18
Figure 12: Increase in wage rates and wheat prices - May 2007- May 2008	21
Figure 13: Food as share in total expenditure in 2005-06 and 2008	22
Figure 14: Change in per capita total and food expenditure between 2005- 2008 by district	23
Figure 15: Household Expenditure Increases since 2007	23
Figure 16: Population with inadequate food intake	24
Figure 17: Change in monthly health expenditure	27
Figure 18: Increase in undernourished people 2005-06 and 2008	29
Figure 19: Population by province consuming less than 2100 kcals a day.....	30
Figure 20: Share of undernourished population by rural/ urban area 2005-06 and 2008	30
Figure 21: Severely food insecure population by livelihood group in 2005-06 and 2008.....	32
Figure 22: Food price forecast	33
Figure 23: Proposed wheat procurment, storage, milling and distribuion system	43

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Field Survey Teams

Please see Annex II

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I. INTRODUCTION

A. BACKGROUND

1. The unprecedented global food price spiral witnessed during the last decade has many prime movers. These include general global inflation mainly due to the recent surge in fossil fuel/ oil prices and the imbalance in the supply and demand of food commodities, particularly cereals. The increase in oil prices has led to enhanced production, transportation and farm inputs and output costs. Increased demand for bio fuels, high value vegetables, fruits, unprocessed and processed livestock and dairy products, have also stressed cereal production resulting in a price hike. Climate change is also affecting cropping patterns and production.

2. The main impact of the price hike has been seen in developing and underdeveloped food deficit countries, where the majority of the world's poor live. It is understood that this may severely hamper past investment in poverty alleviation made in order to meet the millennium development goals (MDGs). The inability of the poor to access food results in malnutrition and has severe consequences for social indicators, particularly those related to health and education. To mitigate the situation, the international community and national Governments are adopting various coping strategies in order to bring immediate relief to the severely affected, and to deal with the situation in the medium and long term.

3. Though reasonably insulated from exogenous shocks, Pakistan is no exception where the price hike has negatively impacted the general household welfare of a sizeable proportion of the population; particularly with regard to nutrition, health and education. The main reasons for the price hike in Pakistan include; i) increases in the cost of production due to constantly increasing farm inputs/ energy costs; and, ii) shortage of wheat, the main staple, due to the shortfall in production and cross border informal outflow/ trade with the neighbouring countries, particularly Afghanistan, due to the price differential.

4. Realizing the extent of this crisis, the response of the international global community in assisting severely affected countries is encouraging. Development partners in Pakistan have extended their support to provide immediate relief as well as providing assistance with medium and long term initiatives to ensure the sustained availability of food at affordable prices. These measures include social protection programmes for the most vulnerable.

5. In Pakistan, the Government (GOP) has adopted measures to ease the impact of price hikes on the general public, in particular, the most vulnerable and marginal communities. GOP has also solicited support from development partners in assessing the impact of the food price spiral, and to recommend and support measures to provide immediate relief to the most vulnerable population, and to formulate a medium and long term plan to improve the food security of population at large, as well as marginalized and vulnerable populations. The UN system in Pakistan is well positioned to support the Government to deal with the impact of soaring prices on food security and to seize the opportunities offered by higher demand to expand agriculture and fight rural poverty. Responding to the request, and on the initiative of FAO, IFAD, and WFP, the UN Country Team set up a UN inter-agency Task Force on the food price impact and agreed to initiate an assessment and recommend short term measures. This assessment will be followed by another follow up mission to prepare a medium and long term plan to improve the food security situation and combat increasing poverty levels caused by the price hike.

6. The assessment took place between 9 and 27 June and was supported by six UN agencies, WFP (lead), FAO, UNICEF, UNDP and UNESCO. The detailed Terms of Reference (TORs) of the mission are at Annex III. Primary data was collected in the field between 16 and 22 June. Two large country level stakeholder meetings - involving the GOP, UN, donors, NGOs,

ADB and World Bank - took place during the course of the assessment. The mission briefed stakeholders on the assessment approach on 10 June, and then again on the preliminary findings and recommendations on 27 June. List of participants is given in Annex IV and V. In addition to this meetings were held with various bilateral and multilateral agencies. The list of persons met is given in Annex VI.

7. A National Task Force that reports to the Prime Minister was also setup to review the situation, and make recommendations to provide relief to the vulnerable population and combat the negative impact on the economy. The Task Force concurred with the preliminary findings of the UN assessment and used it for planning national safety net interventions. Budgets were allocated for cash transfer programmes that will target 5.2 million food insecure households. However, capacities and resources are uneven. While Punjab province has plans to assist 3.5 million households, other provinces will face a resource gap and up to 1.8 million households will remain without assistance unless more resources become available. Unfortunately the national response capacity is weakest in the provinces that were identified by the UN assessment as most affected by the food crisis.

8. This report presents the main findings of the assessment and recommends a course of action for immediate and short term relief. It also presents suggested measures to be adopted by the GOP and documents the planned donor support. The report also presents terms of reference for the UN Country team to prepare medium and long term plans.

B. OBJECTIVES

9. The objectives of the inter agency assessment were to: i) assess current and foreseen socio-economic impact of high food prices at macro level and on households' short and medium term food and nutrition security; ii) draw recommendations for immediate and short term response actions by the GOP and the donor community in Pakistan; iii) suggest monitoring arrangements to capture changes in household food and nutrition security over time, and implement various programs; and, iv) draft terms of reference for a follow up study to recommend medium and long term response options. (See Annex III)

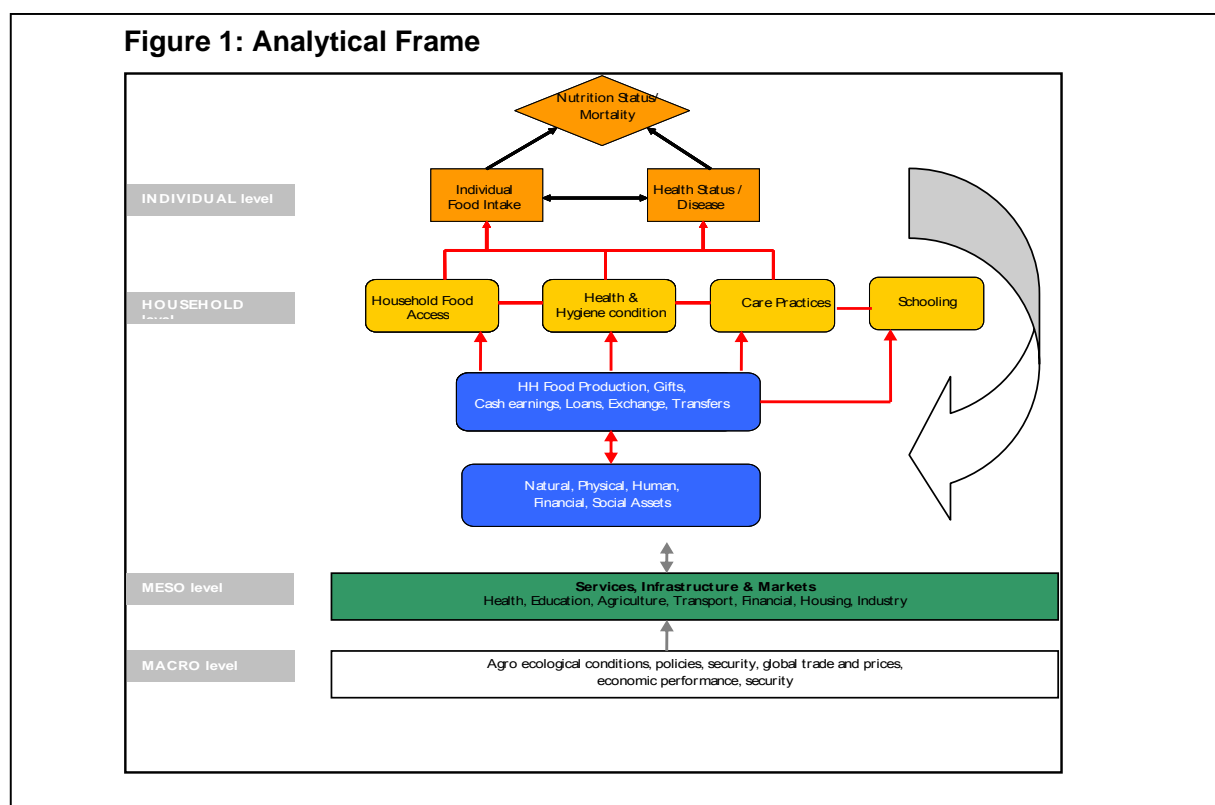
10. During the discussions with the stakeholders, the following six questions were addressed: i) how vulnerable is the country to global food price rises, and why? ii) how are global prices translated into changes in domestic prices? iii) how do high domestic food prices translate into changes in the food and nutrition security of households, particularly the poor and vulnerable? iv) what is the response by government and partners' (current and planned) to the price shock, and how effective is it? v) are specific appropriate responses required, If so, what, when, where, by whom and for whom? and, vi) how should the situation be monitored to ensure a timely response to protect livelihoods from the impact of food price rises?

C. METHODOLOGY

1. Approach

11. This assessment is based on: i) discussions with key informants from the GOP, UN agencies, donors and NGOs; ii) analysis of available secondary data; iii) simulation/ modelling based on HIES 2005-06 dataset; iv) primary data collection on household income, and post price increase impact on expenditures for food, health, education, and other necessities; and, iv) trader survey to assess the impact on prices and the retail trade.

12. The conceptual framework below was used to develop assumptions about the probable effects of soaring prices, i.e. how current and foreseen food price increases worsen or improve the food security situation. These initial hypotheses constituted the basis for defining information requirements and were tested during the course of the assessment. (Figure 1)



2. Primary Data Collection and Sample Frame

13. Primary data collection included household and trader surveys, focus group discussions, interviews with health service providers and food price data collection. The household survey covered 322 households in rural and urban areas, while the trader survey only focused on urban areas. In rural areas, market food prices were collected and 28 male/ female focus group discussions were carried out (See Table 1).

14. A mixed purposive and random sampling approach was applied for the urban and rural assessments. Sampling in rural areas was based on the five strata (district groups) used to analyse HIES data. Two indicators were used from the 2003 WFP Rural Food Security Study to group districts: Average per capita income; and, cereal balance (production – requirements). In each of the five strata, two districts were purposively selected to ensure regional spread. In each district, three villages were randomly selected from a list, and in each village, 6 households were identified through interval sampling. In addition, one focus group discussion with either men or women was conducted by the survey team leaders.

15. In urban areas, cities were stratified by size and average per capita kcal consumption, to ensure a wide coverage of urban settings. There are 499 cities in 112 districts of Pakistan.

Table 1: Sampling Frame

	Urban	Rural	Total
HH survey	144	178	322
Trader survey	39		39
Focus Groups		28	28
Health workers	14	18	32
Rural markets (prices only)		30	30

Almost half of the cities are in Punjab and another third in Sindh. For the purpose of sampling, the cities have been divided into three groups based on size (large/ medium cities and small towns). The HIES 2004/05 provides data for the urban population at district level for the base year 2005, which allows the classification of urban areas by levels of food consumption. Thirty-nine districts are classified as very low food consumption areas (< 1800 kilocalories/capita/day); 50 districts are grouped as low food consumption areas (1800-2350 kcal/capita/day), while 23 districts are considered having adequate food consumption (>2350 kcal/capita/day). List of districts by level of vulnerability is given in Annex VII.

16. Eight cities have been purposively selected, taking into account differences in population size and average per capita kcal consumption. In addition, regional spread and acceptable travel distances were considered. As there is no city with more than 200,000 people that is located in a district with very low per capita kcal intake, only 2 large cities are included in the sample (see Attachment Table 2)¹. In each city, the teams visited the 'poorest' and 'medium' areas (not the better off) and interviewed 9 randomly selected households in each area, or 18 households per city. In addition, interviews were conducted with at least 5 traders per city.

17. The trader survey covered 39 traders - both wholesalers and retailers – in urban areas of all the four provinces. The vast majority of traders were operating locally (97 percent) within their district, with trade being their main source of income (90 percent). The distribution of traders sample is given in Attachment Table 3.

3. Simulation/Modelling

18. Modelling was used to estimate the number of people who have become severely or moderately food insecure due to price rise increases. The profiling of these groups is based on the HIES 2005-06 data. Primary data was collected to fill information gaps and to contextualize and triangulate findings from the secondary data analysis. The primary data is not statistically representative and thus findings are not used for extrapolation to the wider population.

19. For the modelling, HIES data of 2005/06 was used for a partial equilibrium analysis. Cereal (wheat and rice) price increases between 2005/06, 2006/07 and 2007/08 were calculated based on province level retail prices. Table 2 below gives provincial wholesale and retail prices of wheat, rice and labour wages used in the modelling exercise.

Table 2: Provincial wholesale and retail prices of wheat, rice and labour wages

Province	Retail wheat price	Retail rice price	Wholesale wheat price	Wholesale rice price	Wages
Punjab	28.20%	92.10%	5.70%	24.40%	5.90%
Sindh	39.80%	85.10%	10.90%	22.20%	10.60%
NWFP	55.20%	98.70%	8.20%	36.10%	12.30%
Balochistan	59.70%	80.20%	14.70%	39.70%	30.50%

Source: Federal Bureau of Statistics and VAM Analysis

20. The HIES provides data on the quantity of different food items consumed per capita. These quantities were translated into kcal using Attachment Table 4, based on detailed information on nutritional values of food items consumed in Bangladesh. This information was found to be sufficiently relevant to Pakistan.

¹ All attachment tables are included in Annex 1

21. Changes in income were estimated using time series of provincial wage rates and cereal wholesale prices. The latter helped to calculate increased income from cereal production. Expenditure changes are based on income, own price and cross price elasticities. All changes are adjusted by the Consumer Price Index and are expressed in real terms.

22. The price and cross elasticities that were applied to estimate the impact of a change in income and prices on household expenditure and consumption of wheat and rice are i) wheat Income elasticity: 0.26; ii) wheat own price elasticity: - 0.31; iii) cross price elasticity rice price - wheat consumption: 0.05; iv) cross price elasticity wheat price – rice consumption: 0.09; v) rice Income elasticity: 0.44; and vi) rice own price elasticity: - 0.53.

D. ASSESSMENT LIMITATIONS

23. This assessment was tasked to identify short to medium term responses to the food crisis. The examination of longer term interventions, including structural changes in the agriculture and wheat sector, is left to another study that will be conducted later in 2008 over a period of several months. This assessment touches only slightly on some root causes of the crisis, and does not provide in-depth recommendations on how to address them.

4. Primary data collection

24. Considering the size of Pakistan and the huge variations in living conditions across regions and livelihood zones, the sample size of the households and traders interviewed was very small. Only 8 out of 125 districts were visited. It is important to note that primary data was collected to understand possible differences between various urban and rural population groups, to pick up trends and different livelihood stories, without aiming at a representative sample. Thus, no extrapolation to a wider population can be done on the basis of this data; neither is the quantification of observed trends possible. Two districts that were purposively selected for the rural assessment could not be visited due to security restrictions and were replaced with other locations. Thus, conflict affected parts of NWFP and FATA were not included in the sample. Some survey teams, though mostly composed of Pakistanis who spoke at least two local languages, faced language difficulties in some remote parts of Sindh and NWFP. This may have affected the quality of the data collected. Traders were reluctant to provide information on costs and margins and thus results have to be treated with caution.

5. Secondary data analysis and simulation:

25. The HIES dataset used for the simulation covers 15,000 households, but only from four provinces, Punjab, Sindh, NWFP and Balochistan, which comprise almost 95 percent of the total population. No simulation could be done for FATA, PAK and Northern Areas. As the simulation was done using a partial equilibrium model, only the demand side was changed. This means the simulation does not capture any increase in supply over time. Changes in income are based on only one type of wages, as it was difficult to get time series of different wage rates for e.g. government employees, skilled/ unskilled agricultural labour and non-agricultural wage rates in various sectors. This limits the accuracy of the simulation on the income side.

E. REPORT LAYOUT

26. Section above provides an overview of the background of the assessment, and approach and methodology adopted to make a rapid assessment, and the limitations of the study. Section II reviews the country context and a situation analysis of socioeconomic impact of price rise; while section III presents the salient findings of the study, with a profile of most affected people, and the impact on food consumption, health and education related expenditure. Section IV describes the likely future scenario of food prices and availability. Section V summarises the ongoing and planned response to the price hike adopted by the GOP, and development partners. Section VI presents the recommendations for the consideration of the

GOP and other international agencies contemplating support to the GOP to assist in addressing the issue in the immediate, medium and long term. This section also presents terms of reference for the medium and long term formulation mission, and proposed monitoring and evaluation framework.

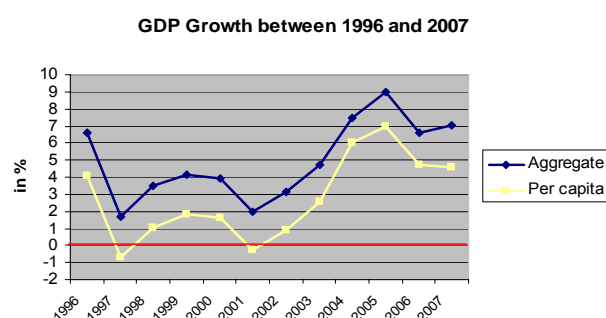
II. COUNTRY CONTEXT AND SOCIOECONOMIC IMPACT OF PRICE RISES

A. RECENT MACRO ECONOMIC PERFORMANCE

27. Pakistan has recently experienced a slowdown in economic growth. The recent food and fuel price hikes may likely accelerate this negative trend and further weaken the economic stability of the country. It may also affect past development gains, such as the declining trend in the incidence of poverty. Measures to protect consumers and domestic markets from high global prices are expensive and in the long run financially unsustainable.

28. Pakistan's economy grew at around seven percent for four consecutive years during 2004-2007 (see Figure 3). This trend increased per capita income and consumption levels and reduced poverty incidence by more than 10 percent between 2001 and 2004. In the financial year (FY) 2007/08 (July 2007 to June 2008) GDP growth was 5.8 percent—significantly lower than in previous years and the government predicted an even lower GDP growth of 5.5 percent for the FY 2009. Reasons for the economic slowdown include ongoing power and gas shortages, slow production and constrained domestic and foreign investment.

Figure 2: GDP Growth between 1996 and 2007



Source: *Economic Survey of Pakistan 1996 & 2007*

29. Notwithstanding its declining share in GDP, agriculture is still the single largest sector, contributing 21 percent to GDP. Crops account for roughly 48 percent of the value added of the sector, livestock contributes about 50 percent, and forestry and fishery each about one percent. Agriculture growth over the last six years has been volatile, ranging from 1.5 - 6.5 percent. Fluctuations are mainly caused by the crop sector, which is vulnerable to weather related shocks, pest attacks, adulterated pesticides etc. In 2007/08 the sector performed poorly, growing at 1.5 percent against a target of 4.8 percent, mainly due to low production of wheat and cotton and the less than satisfactory performance of rice. The five major crops – rice, wheat, maize, cotton and sugarcane - account for 7.1 percent of GDP.

30. Both the fiscal balance as well as current account balance has come under pressure because of high food and oil prices. The fiscal deficit of 4.7 percent of GDP in FY 2008 clearly exceeded the Government target of 4 percent. As an election took place at the beginning of 2008, the Government deferred the pass-through of the higher international oil prices to consumers until 1 March. But as this was small relative to the international oil price rise, the subsidy expanded to an estimated US \$920 million (0.6 percent of GDP) in the first half of FY2008. The food subsidies of the entire fiscal year amounted to US \$690 million. The current account deficit widened to over US \$13 billion or 7.5 percent of GDP by end June 2008 for FY 2008, compared to a target of 4.5 percent. Higher oil and food import bills and deteriorating income and services accounts are the main reasons for this trend, which was not offset by the moderate growth in exports and continued strong receipt of remittances.

31. Pakistan's trade deficit has increased more than 10-fold during the last five years. The steep increase in the total value of imports resulted from higher costs of petroleum, raw materials and food imports. The total value of food climbed from US \$1.6 billion in 2003/04 to US \$3.5 billion in 2007/08. Wheat and edible oils account for more than 60 percent of the food

import bill. It will be difficult for the government to sustain these import levels. Within the last year foreign exchange reserves declined from 7 ½ months worth of imports to 4 ½ months. (Table 3).

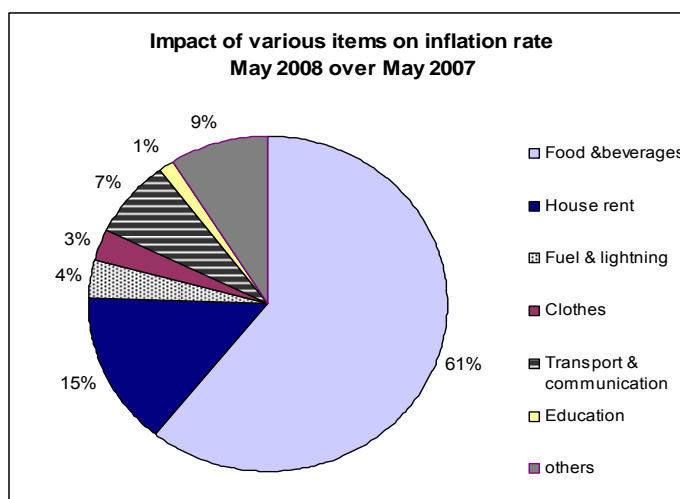
Table 3: Pakistan’s Trade Balance (2003-08 in US\$ Million)

	2003-04	2004-05	2005-06	2006-07	2007-08 (July-April)
Exports (f.o.b)	12,396	14,401	16,388	17,119	15,991
Imports (f.o.b)	13,604	18,753	24,624	26,614	28,586
Trade balance (Exports-Imports)	-1,208	-4,352	-8,236	-9,495	-12,595

Source: GOP 2007. Pakistan Economic Survey 2007-08. Finance Division

32. The increase in food and crude oil prices coupled with the depreciation of the US dollar against major currencies led to higher costs of imported goods and amplified inflation in Pakistan. The CPI-based inflation during July-April 2007/08 averaged 10.3 percent as against 7.9 percent in the same period last year. Between May 2007 and May 2008, CPI based inflation reached 19.2 percent. The single largest component of the CPI is the food group, which accounted for 61 percent of the inflation increase. Food inflation in turn, is predominantly based on an increase in prices of a few essential items such as wheat, rice, edible oil, meat, pulses, tea, milk and fresh vegetables (Figure 3).

Figure 3: Impact of various items on inflation rate

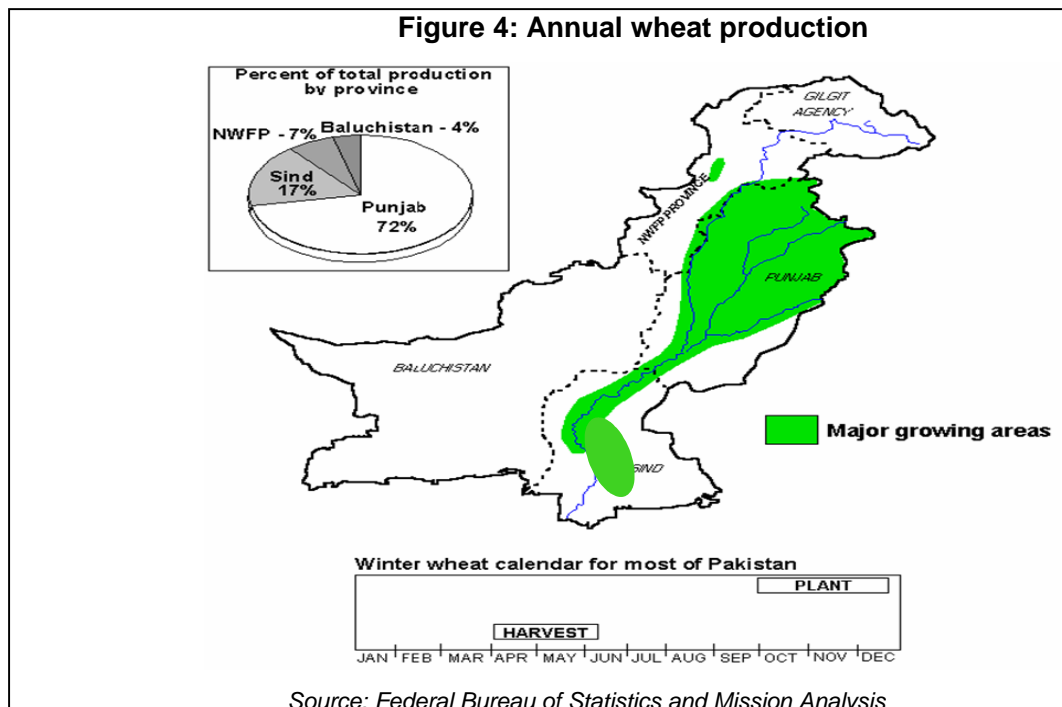


Source: Federal Bureau of Statistics and Mission Analysis

B. CEREAL AVAILABILITY

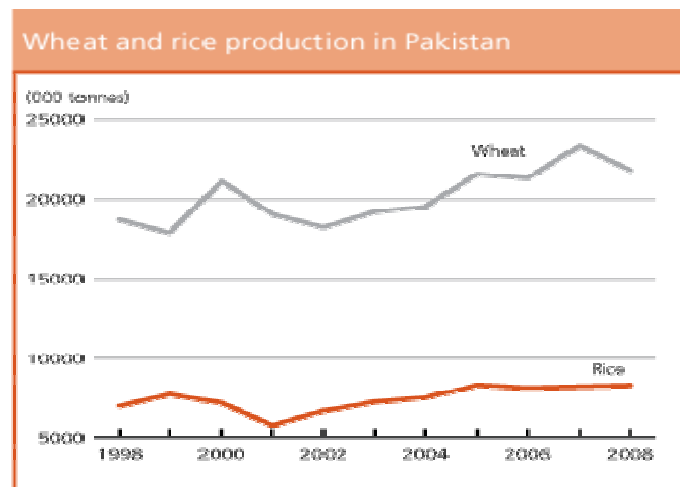
33. Wheat is the main staple in Pakistan, providing about 35 percent of the energy requirement, while rice, the second major staple, accounts for about 6 percent. Wheat occupies two thirds of the total area under crop (8.5 million hectares). Most of the wheat area is irrigated. Wheat is a grown in winter (rabi season), which commences on 15 November and ends on 15 April. Paddy is grown in summer (kharif season). It is planted in May/ June, and is harvested in October/ December (see Figure 5 below).

34. Wheat production has been fairly stable in the past five years, oscillating around 21.5 million metric tonnes (MT) and reaching a record level of 23.3 million MT in 2007. The province of Punjab is the breadbasket of Pakistan, accounting for about 80 percent of total annual wheat production (see Figure 4).



35. Pakistan has been a net exporter of wheat since 2000. The main destination for formal and informal exports is Afghanistan, with whom Pakistan shares a large, well connected and porous border (2,640 km). In bad harvest years or when there are larger than usual informal outflows, Pakistan is a net wheat importer, however. This was the case for the past marketing year 2007/08 (May/ April), when international wheat and wheat flour prices in Afghanistan were much higher than in domestic markets. The outflow of wheat into Afghanistan in 2007/08, is estimated to be around 1.8 to 2.0 million MT against an estimate of 0.6 million MT.

Figure 5: Pakistan wheat and rice production



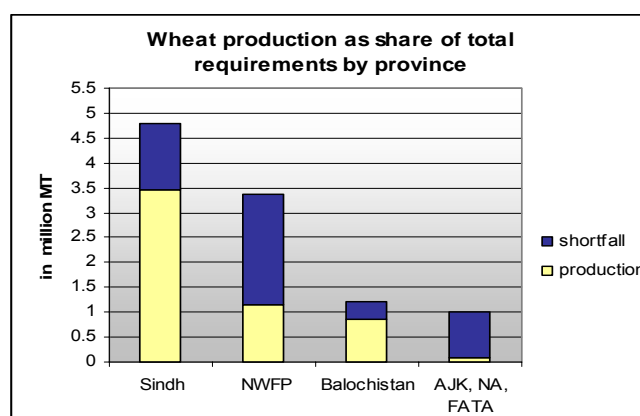
36. Paddy output has been increasing at sustained rates since 2002, and production has exceeded 8 million MT in the past three years. Consumption of rice is relatively small compared to wheat and the country has an exportable surplus equivalent to almost half of the domestic production. Thus, rice is a significant source of foreign exchange with volumes exported ranging between 2.5 and 3.5 million MT of rice (milled terms) in recent years. As with wheat, the major rice growing area is in Punjab. Maize is a secondary crop, although production has almost doubled in the past five years, reflecting substantial increases in yields. Maize is mainly used for feed. (Figure 6).

C. WHEAT MARKET ANALYSIS

37. The wheat market is small and highly influenced by complex government interventions. It is estimated that only one-third of domestic production goes into the market (about 8 million MT) with the remaining two-thirds consumed on the farms. The Government, through federal and provincial organizations, procures wheat at fixed prices for strategic and operational food reserves and to provide wheat flour to the general population at stable prices. Procurement targets are set at federal level, in consultation with provincial governments, according to the supply situation in the country. In the four marketing years (May/ April), prior to last year's market disruption (2003/04 to 2006/07), government procurement averaged about 60 percent of the crop available in the market ranging from 3.5 to 5 million MT.

38. The procurement price of wheat or "guaranteed minimum price" (GMP) is fixed each year before the planting season based on production costs. It aims to support farmer incomes with adequate returns and at the same time stabilize prices at levels affordable to consumers. Wheat is mainly purchased in Punjab and Sindh, by the provincial Food Departments, and the parastatal PASSCO (Pakistan Agricultural Storage and Supplies Corporation), a federal food handling organization. Punjab produces 16 to 17 million mt of wheat every year, against the consumption requirements of the province of 12.5 million MT. Sindh has a wheat production shortfall. Its provincial capital Karachi is the main port where imports arrive. Urban households in Karachi are the primary consumers of wheat imports (see Figure 6).

Figure 6: Wheat production and shortfall by Province



Source: VAM Unit and Mission Assessment

39. Wheat deficit provinces buy wheat from either PASSCO, or the Punjab Food Department according to allocations specified by MINFAL. NWFP has the largest wheat deficit and requires the highest allocation of all provinces (almost 2.3 million mt in 2007/08). The province is highly vulnerable; not only because any changes in domestic wheat marketing policies immediately affect the supply situation, but also because it borders Afghanistan and a large share of the allocated wheat ends up in the neighbouring country rather than reaching intended consumers.

40. The role of the private sector, primarily wheat traders and flour millers, is limited. Traders and millers may buy from farmers, but only after the procurement target is achieved; usually after June. Millers buy from the market to supplement quotas given by the government and ensure operations run. Quantities and geographical locations (usually marginal wheat growing areas) are strictly regulated. The private sector purchases not more than 2 million mt of wheat each year, i.e. they handle less than 10 percent of wheat produced, or one fourth of marketable surplus. Traders do not have adequate storage facilities (less than 1 million mt) and usually supply the market from May to August, after the harvest. From September onwards the government releases wheat to the flour mills.

41. A FEWSNET study noted an exceptional growth of flour mills in Pakistan (especially in provinces neighbouring Afghanistan) due to the incentives of the wheat quota system available to new and existing millers². This has created over capacity in the milling industry as a large number of mills operate only when they are able to purchase subsidized wheat from government stocks.

42. The entire wheat marketing system entails high subsidy costs at all stages in the process from procurement, storage, transport, and handling. It curtails private sector initiative and creates excess milling capacities that result in high processing costs. It benefits millers and some larger traders as well as consumers, in general.

43. In addition to this universal subsidy, the Government, through the “Utility Store Corporation” (USC) sells wheat flour, and other basic foods, at prices that are 10 to 20 percent below those in the market. USC has some 4,500 outlets in urban (33 percent) and rural (66 percent) areas around the country. While these outlets do not specifically target sales, it is expected that because the locations and limited amounts allowed (5 kg per family per month) the subsidized food is channelled to the poor. Effectively this year, the Government has developed a “card system” aiming to target the poorest of the poor. About 1.6 million tonnes of wheat, or one quarter of the tradable wheat, is marketed through the USC. The subsidies for wheat flour and other food products have substantial weight in the national budget.

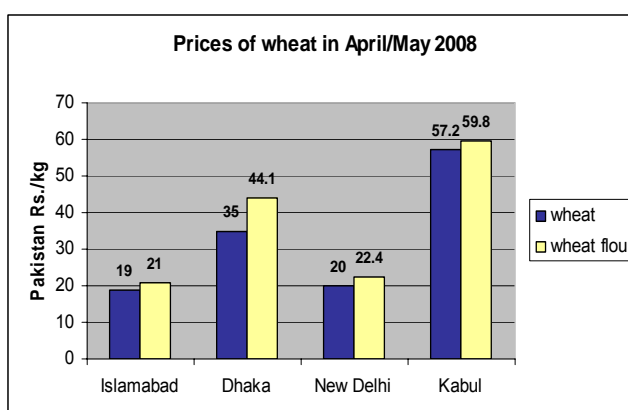
44. The Government is virtually the sole importer and exporter of wheat. It formally exports to Afghanistan at the fixed domestic price, usually to turn over reserve stocks. Millers can also export without controls, however. Millers are getting supplies for operations from the Government and the market at different prices. This is a serious problem, as it is difficult to control the selling price. Likewise, large amount of the wheat bought by traders goes to Afghanistan as informal trade. From the last marketing season (2007/08) the government has initiated a partial trade liberalization allowing private traders and millers to import wheat and has encouraged them to do so making available loans through the Bank of Pakistan. In addition, it has recently removed a 10 percent tariff on wheat imports.

45. The Government’s wheat policy includes also a series of other instruments, most notably the imposition of inter-provincial restrictions on the movement of wheat until fulfilling its procurement targets, import tariffs, export taxes, as well as limited subsidies for fertilizer, particularly di-ammonium phosphate (DAP).

D. DISRUPTION OF THE WHEAT MARKETING SYSTEM

46. The current food crisis is a crisis in relative terms, as domestic wheat prices have remained significantly lower than international prices. While high prices were not fully passed through to domestic markets, price differentials with neighbouring countries, especially Afghanistan, Iran, and India became the core of the problem (see Figure 7).

Figure 7: 2008 Wheat prices in nearby countries



² In 2007, there were 600 registered flour mills in Punjab, 275 in NWFP, 325 in Sindh and 65 in Balochistan Province.

47. In the past, the GMP for wheat oscillated around international and regional prices and differentials between the procurement price and market prices were limited. Although with a bias towards urban consumers, the price system assured predictable and stable returns to producers. The sharp increase in the international price of wheat since mid-2007 has destabilized the complex system of Government interventions, creating large price differentials with neighbouring countries and providing strong incentives to traders, farmers and millers to export formally and informally in the marketing year 2007/08 (May/April).

48. The GMP for the 2006/2007 wheat crop was set in late September 2006 at Pakistani Rupees (PR) 425/40 kg or US \$177/ MT, and at that time it was only about 12 percent lower than the international price for USA HRW No 2. After the harvest, international prices increased at sustained rates reaching a peak of US \$480/ MT by March 2008. In Mid-April 2008, the Government announced the new GMP of PR 625/40 kg or about US \$232/ MT. Large quantities of wheat were informally exported in marketing year 2007/08 (May/April), particularly to Afghanistan, where prices of wheat flour were substantially higher, but also to India and beyond. It is estimated that some 1.8 to 2.0 million MT of wheat left the country, which in turn resulted in domestic shortages and higher market prices. Despite a record harvest of 23.5 million MT of wheat, normally sufficient to cover domestic requirements, the government had to import 1.7 million MT of wheat at very high international prices and sell them at subsidized prices to maintain stable supplies. Between September 2007 and March 2008, the Government released about 4.8 million MT of wheat into the local market. As a result, it was able to reduce the impact of international price increases, but at high fiscal cost.

49. The output of wheat in the 2007/08 crop year is estimated at 21.8 million tonnes, about six percent below the record crop of the previous year, but still above the average level of the past five years. The lower production reflects a decline of two percent in the area planted as farmers' investment decisions in 2007/08 were negatively influenced by the fact that the government did not announce the new GMP as usual before the planting season. Yields were also depressed due to a delayed announcement of the GMP, a sharp decrease in the use of fertilizers, following an increase of some 60 percent in DAP fertilizer prices, about 30 percent shortages in irrigation water supplies, and crop damage due to frost in some wheat growing areas.

50. The wheat market remains tight with consumer prices on the rise. It is expected that the government will set a significantly higher GMP for marketing year 2008/09 to close the gap with international prices. The current GMP represents an increase of 47 percent from the previous year, but is still below international (USA Hard winter No. 2 averaged US \$ 358/ MT in June 2008), and regional prices.

51. The current retail price for wheat flour in Pakistan is cheaper than in most countries in the region. In May 2008, the flour price in Islamabad was one third of the price in Kabul, half of the flour price in Dhaka. However, the price difference with New Delhi narrowed to just 7 percent. Farmers are selling less surplus to the public sector, or are not selling at all, as the fixed procurement price is either not remunerative or not in line with the perceived market price. The significant differences in domestic and international/ regional prices suggest that unless the market distortions are reduced, leakages and illegal smuggling will continue. In particular, exports to Afghanistan could be higher than anticipated as a poor 2008 wheat crop has been gathered following unfavourable weather conditions, and import requirements in 2008/09 are estimated to be higher than in the previous season.

52. By late June, the Government completed the purchase of wheat. The provincial and central organizations managed to procure only 3.9 million tonnes (compared to 4.4 million

tonnes last year), missing the 5 million target by more than one million tonnes, despite massive efforts such as the closure of Punjab's borders. The Government plans to import 2.5 million MT and waive the ten percent import duty on wheat to encourage the private sector to import. However, as the import parity price is above the domestic wholesale price, there is hardly any incentive for commercial imports. Private traders are asking the Government for import subsidies, but so far it is unclear what their response will be.

E. WHEAT BALANCE 2008/09 MARKETING YEAR (MAY/APRIL)

53. There is a vast amount of information on agricultural production and food security in Pakistan but data accuracy is low and official sources often contradict each other. This limits the use of food balances as instruments for supply and demand analysis and food planning. Parameters used in the construction of the wheat balance for the 2008/09 marketing year (May/April) are derived from historical data maintained in FAO GIEWS from official and non official sources (such as exports by destination reported to FAO by main exporters) (Table 4).

Table 4: Wheat Supply/Demand Balance, May 2008/April 2009 ('000 tonnes)

Domestic Availability	21,900
Production	21,800
Stocks draw-down	100
Utilization	24,650
Food use	20,070
Feed use	400
Seed use	765
Losses	1,415
Exports (formal and informal)	2,000
Total Import Requirements	2,750

Source: Mission Assessment

54. Three factors might change the above wheat supply demand balance: i) human consumption requirements may increase as per capita consumption increases due to substitution of rice for wheat. Rice prices have experienced even higher rises than wheat; ii) given the uncertainty about informal exports, import requirements may well be much higher depending on variations in market prices both in Pakistan and in neighbouring countries; and iii) additional imports may be needed if the government's reserves are to be replenished.

55. The assumptions and justifications for the above estimation is presented below.

- **Population** – There are several series of population in Pakistan showing different estimates and growth rates. A 2008 population estimate of 163.328 million persons has been used in the balance, based on information from the Pakistan Economic Survey 2006-07 projected with a growth rate of 1.82 percent.
- **Stocks** - The Government maintains one million MT of wheat as a strategic reserve. Stock variations refer to carry-over stocks from the previous season in the hands of Government institutions, farmers and traders. Government stocks are reported at low

levels and no significant change is expected. However, following large imports of wheat and higher procurement in 2007/08 than in the current season, as well as the record harvest last season, a small decrease in stocks is assumed.

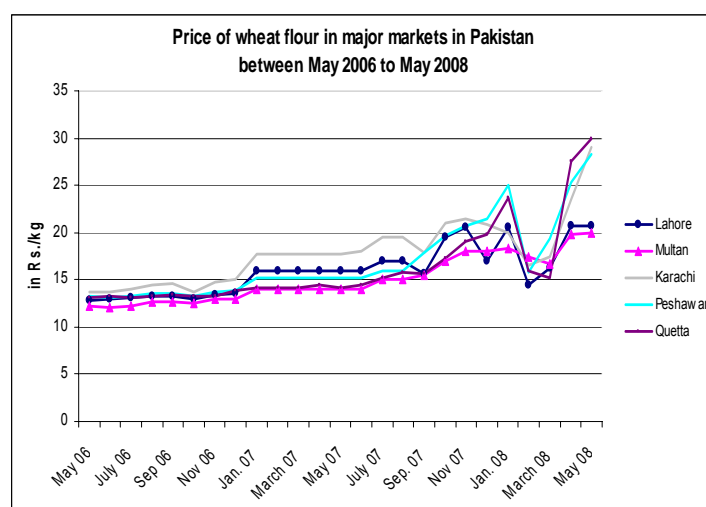
- **Human consumption** – Several rates of per capita wheat consumption are applied in Pakistan ranging from 120 kg to 124 kg used by MINFAL. Based on FAO GIEWS cereal balance methodology, deriving apparent consumption from historical data, annual wheat consumption per capita in the country averages 122.9 kg. This rate has been used in calculating import requirements in this report.
- **Feed use** - Use of wheat for animal feed is quite limited. The feed industry mostly uses maize, production of which has increased significantly in past years. An total of 400,000 MT, representing less than 2 percent of total production is assumed to be fed to livestock.
- **Seed use** – Seed requirements are calculated using a seed rate of 90 kg per hectare.
- **Post-harvest losses** – These are assumed at 6.5 percent of production, including wheat kept by farmers in basic storage conditions, as well as those in Government storage facilities. This percentage is based on old data. A technical study is needed to determine the exact extent of losses under various conditions.
- **Exports** – Considering the prevailing wheat price differentials with neighbouring countries, particularly with Afghanistan, and estimates of 2 million MT exported last season, exports in 2008/09 are conservatively projected at the same level.
- **Cereal import requirements**- Import requirements to maintain food consumption at historical levels are estimated at 2.75 million MT. The government plans to import 2.5 million MT, leaving an uncovered deficit of 250,000 MT. Given current market distortions, it is unlikely that this deficit will be covered by private traders on full commercial basis.

F. MAGNITUDE OF DOMESTIC WHEAT PRICE CHANGES AND CAUSES

56. Consumer prices of wheat flour have increased sharply in all provinces of Pakistan since July 2007. In food-deficit provinces, prices of wheat flour in May 2008 had more than doubled compared to a year earlier. The lowest increases in flour prices were registered in the main wheat surplus province of Punjab where average quotations in May were about one-third higher than their correspondent levels last year.

57. The sustained increase in prices has been accompanied by a higher volatility and disconnection of markets. In previous years, prices of wheat flour were relatively stable with price changes mainly determined by variations in Government's procurement price. Similarly, markets were well integrated and price disparity between markets was relatively small. As presented in Figure 8, since mid-2007 prices have become volatile showing marked

Figure 8: Wheat flour prices in Pakistan – May 2006 – 2008



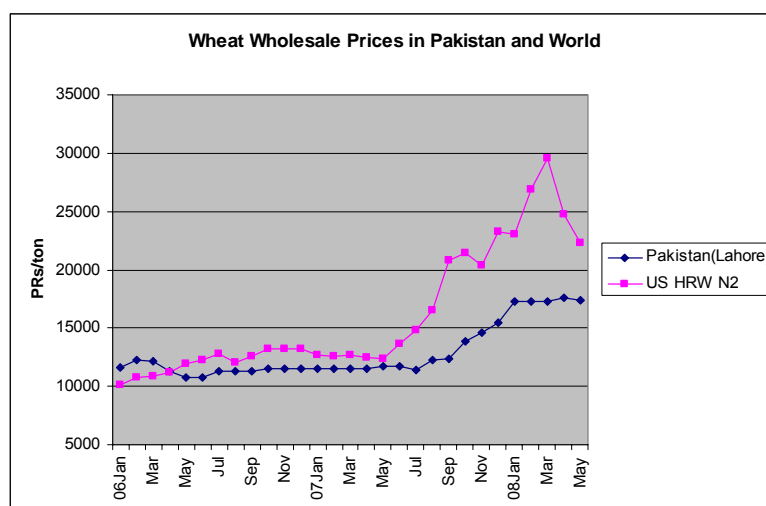
Source: Federal Bureau of Statistics and Mission Analysis

variations that reflect the lack of stability of supply. At the same time, market integration became diluted with price differentials between wheat surplus and deficit areas reaching up to 50 percent and prices not moving in the same directions anymore. Since March/April 2008, there is growing gap between prices in Punjab (Lahore and Multan) on one hand and NWFP (Peshawar), Balochistan (Quetta) and Sindh (Karachi) on the other. This can be explained by the border closure of Punjab during the harvest period; a measure that facilitated the procurement of wheat at low prices by the Provincial government and PASSCO, while it caused prices in the wheat deficit provinces to shoot up.

58. The less than perfect integration between international and domestic markets as a result of the numerous government interventions has collapsed since the start of the price surge in international markets. The graph compares international wheat prices (US Hard winter No 2) with domestic wholesale prices in US \$ in Lahore/Punjab and illustrates well the dissimilar trends in international and domestic prices in the past year (see Figure 9).

59. The causes for the rise in domestic prices of wheat flour and the lesser connection among domestic markets, and between domestic and international markets, appears to relate more to Government market interventions mentioned above (including large public procurement and distribution, price fixing for producers and consumers, imposition of inter-provincial restrictions to movement of wheat, regulation of private traders operations, formal exports of wheat at subsidised prices, and control of most of the wheat imports) than with direct price transmission from international markets. Soaring wheat prices in international markets have influenced the sharp rise in domestic prices indirectly, by disrupting the complex wheat market system that had maintained prices stable in past years.

Figure 9: Wheat wholesale prices in Pakistan and the rest of the world



Source: Federal Bureau of Statistics and VAM Report

III. HOUSEHOLD IMPACT AND PROFILE OF MOST AFFECTED POPULATION

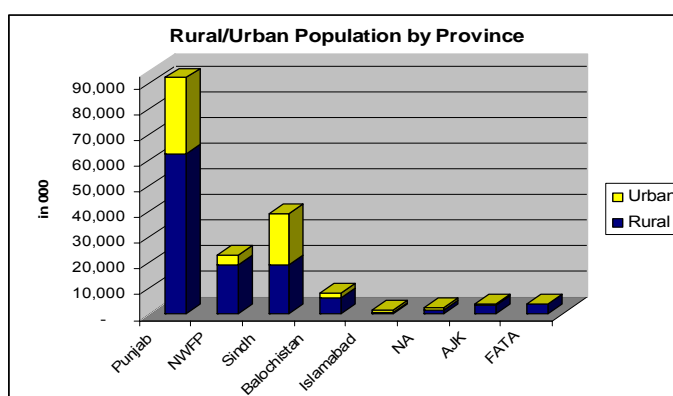
60. High food prices undermine poverty reduction gains and will make the achievement of the MDGs difficult. Food expenditures comprise a large share of the poor's total expenditures and food price inflation seriously erodes their purchasing power. In addition, diminished purchasing power could be a major barrier for poor households to seek health care, due to the high cost of health services. Furthermore, poor families may withdraw children from school, due to their inability to pay school fees and/or the need to use children in income-generating activities (the opportunity cost of school attendance) and care for siblings. Rising food prices, while not the principal cause of malnutrition, will affect nutritional outcomes (particularly acute malnutrition and stunting) both due to the change in food availability and in food choices. Poor households may reduce their dietary diversity in order to maintain their staple food intake. As a consequence, vitamin and mineral deficiency rates may increase, which can lead to increased morbidity and mortality and reduced work output and learning performance.

61. More than half of surveyed households experienced high food prices as a shock. High food prices affect urban and rural households differently, as income, food sources, expenditure patterns as well as coping strategies vary. The following paragraphs will analyse these differences and will highlight geographic areas and livelihood groups that are most vulnerable.

A. PRE CRISIS VULNERABILITY

62. The current population of Pakistan is around 165 million, of which more than half live in Punjab. The urban population comprises roughly 35 percent. Almost half of all 499 cities in Pakistan are in Punjab and another third in Sindh. Only 6 percent of cities have more than 200,000 inhabitants, while more than two thirds have a population of less than 50,000. Approximately 37 million people, almost one quarter of Pakistan's population, live in the 29 largest cities (see Figure 10).

Figure 10: Rural/urban population by province



Source: VAM Unit population projection

63. The poverty rate declined substantially in the first half of this decade, from 34.4 percent in 2000-01 to 24 percent in 2004-05. This fell further to 22.3 percent (34 million) in 2005-06, a change of 12 percentage points within five years³.

64. There is a huge discrepancy between urban and rural poverty and between wealth groups. Poverty is more widespread in rural areas, where 27 percent of the population fall below

³ The poverty line is calculated in adult equivalent consumption expenditure that corresponds to an adult equivalent intake of 2350 kcal. The latest estimate of inflation-adjusted poverty line is Rs.944.47 per adult equivalent per month, up from Rs.878.64 in 2004-05. This approach renders different results than the calculations of average per capita kcal intake done in this assessment.

the poverty line compared to 13 percent in urban areas. In urban areas, poverty rates are lower and are declining faster. Between 2004-05 and 2005/06 the improvement in poverty headcount in urban areas was nearly twice that of rural areas.

65. The decline in poverty between 2000-01 and 2005-06 was accompanied by rising inequalities, especially in urban areas. Income distribution deteriorated with the Gini coefficient growing moderately from 0.28 in 2001 to 0.30 in 2005. Inequalities are likely to have further increased as price rises disproportionately affect the poorest. The price for the food basket of the poorest increased by almost 30 percent within the last year, compared to a 23 percent increase in the food basket of the wealthiest, as measured by the Sensitive Price Index (see Table 5). ADB⁴ estimates that an increase in food prices by 10 percent will increase the Gini Index by 0.39 percentage points in Pakistan. That means that the actual food price increases during 2007-08 might have worsened inequality by more than 1 percent, up from 0.30 in 2005-06.

Table 5: Sensitive Price Indicators

Sensitive Price Indicator (2000-01= 100)

INCOME GROUP	Average of month			%change May, 2008 over	
	May. 08	Apr. 08	May. 07	Apr. 08	May. 07
I Lowest	200.42	190.14	154.27	5.41	29.92
II Lowest but one	198.16	188.44	153.45	5.16	29.14
III Highest but one	193.46	184.97	152.53	4.59	26.83
IV Highest	189.45	182.57	153.76	3.77	23.21
V (COMBINED)	191.49	183.29	151.74	4.47	26.20

Source: Federal Bureau of Statistics and Mission Analysis

66. Interestingly, income, food and non food expenditures are significantly higher in urban than in rural areas, but actual kilo calorie intake is lower. In 2005/06, one third of the urban population (17.6 million) consumed less than 1,700 kcal per capita/day compared to 27 percent (27.5 million) in rural areas. This could be explained by the fact that urban households have a more diversified and expensive diet, comprised of meat, fruit/vegetables and dairy products, however in small quantities. Rural households eat more wheat with a considerable share coming from own production at lower costs. Furthermore, greater inequalities in urban areas lift average income and expenditure figures and hide destitution, while differences in kcal intake are smaller as there is a natural limit to what a person can eat, irrespective of wealth. Women headed households clearly have a poorer diet than male headed households, in both rural and urban areas (see Attachment Table 5).

67. To understand better which geographic locations are most vulnerable to price hikes, the 125 districts in Pakistan were divided into five groups based on two indicators⁵: average per capita income and cereal balance (production minus consumption = balance). The assumption is that the poorer the population in a district and the more dependent on cereal imports, the more vulnerable they are to price rises.

68. Five groups of districts can be distinguished with differing levels of vulnerability to food price shocks ranging from extremely vulnerable to least vulnerable. The most vulnerable districts (group 1 = extremely vulnerable and group 2 = highly vulnerable) are located along the western border to Iran and Afghanistan and in the south eastern part of Sindh, along the border to India. Most districts in Punjab and Sindh are less vulnerable, which is not surprising considering that these are the major wheat surplus producing regions and comprise centres of

⁴ ADB Food Price Inflation

⁵ Food Security in Rural Pakistan, WFP Islamabad 2003

economic growth. Roughly 63 million people live in the highly and extremely vulnerable districts (54 percent) in rural areas (see Attachment Figure 1).

69. Analysing HIES 2005/06 data for the rural population in these five strata reveals an interesting pattern. While income and expenditure are considerably lower in the more vulnerable districts than in the less vulnerable, little variation is found in terms of kcal intake. A significant difference exists only between the extremely and the least vulnerable districts. This implies that even the poorest households try to maintain a basic diet by squeezing non food expenditures and that the impact of high prices on food consumption may be rather evenly spread across rural areas. However, the impact on non food expenditure is likely to be worse in the districts with lower income levels.

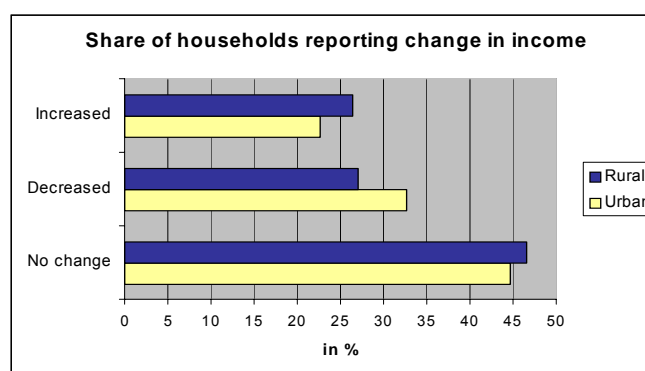
70. The above pattern describes pre-crisis vulnerability to price shocks, which has to be analysed in conjunction with the actual wheat price increases. In this regard, provincial boundaries are important, as wheat markets and wheat quota allocations are influenced by the provincial governments. As mentioned above, the relative increase and the current nominal prices of wheat flour are particularly high in NWFP, FATA and Balochistan, and to a lesser extent in Sindh. As depicted in Map 1 (at Annex XV), the western provinces have been hit hardest by recent price increases, whereas in Punjab both the level of vulnerability as well as of price increase is modest (see Attachment Figure 2).

B. HOUSEHOLD FOOD ACCESS

71. The impact of high food prices on households lessens with the extent to which households produce their own food or their income has increased at the food inflation rate. The survey indicates that urban food production is insignificant, while even in rural areas households purchase more than 60 percent of their wheat requirements from the market. For rice the percentage is even higher. The high share of wheat purchased from markets is remarkable as the survey was conducted in June after the harvest, when farming households are expected to rely more on own production. Only in case of dairy products, eggs and milk, is own production a more important source than purchases (see Attachment Figure 3).

72. To understand whether and to what extent the purchasing power of households has been reduced due to price increases, one has to look at changes in income. According to survey findings, more than 40 percent of households reported no change in income since last year, while a larger share in urban areas observed a decrease than an increase in income. For farmers, the main determinant is the farm gate price they are able to get for crops, while for the 45 percent of the population who are working as employees, it is the change in wages (see Figure 11).

Figure 11: Change in Income reported by household



Source: Rapid Household survey June 2008

73. To gauge the perspective of traders and their response to the crisis, and their capacity to make food accessible to their regular clients, a trader survey was conducted in eight urban cities in Pakistan. Traders reported that the prices at which they purchase 14 major food commodities have gone up by more than 30 percent compared to 2007, with the highest increase observed in Balochistan (about 50 percent) and NWFP (about 47 percent). Commodity-wise analyses show that the average price increase was more than 100 percent in Broken-Basmati rice and Irri-6 rice, while it was around 50 percent in wheat flour and Dal Channa (gram). In NWFP and Balochistan, the wheat flour price rose steeper than the national average, by 70 percent and 60 percent respectively. Similarly, the price increase in Broken Basmati rice was 207 percent and 144 percent in NWFP and Balochistan, compared to 106 percent at national level. In the case of rice, Sindh shared the burden by registering a 152 percent price increase.

74. It appears that food sales declined markedly due to lower demand and lack of credit. The price hikes led to a decline in purchases by consumers, while at the same time the demand for credit – both by consumers and retailers - increased. This demand was not met, even worse, overall credit availability declined compared to last year with the exception of Punjab. Less than half of retailers reported being able to purchase on credit, compared to two thirds a year ago. In turn, the ability of retailers to extend credit to their clients fell, especially in NWFP, where consumer credit decreased sharply by over 50 percent. Traders' profit margins seem to have gone up, despite higher transport costs. However, with lower turnover, it is unclear whether this resulted in higher income.

C. HOUSEHOLD INCOME SOURCES

75. Two-thirds of Pakistan's population live in rural areas and their livelihood continues to revolve around agriculture and associated activities. The agriculture sector alone employs 44 percent of the national workforce. The most important income source in rural areas is crop sales, amounting to over one third of total income. Around 18 percent of rural households' income comes from wheat production alone. Another 10 percent of rural income is derived from livestock (see Table 6). This sub-sector is highly labour intensive and a good source of job creation; thus it has emerged as a major alternative source of income, particularly for the landless rural poor. About 30-35 million people in rural areas depend directly or indirectly on livestock and dairy production⁶.

Table 6: Income sources for rural and urban populations in Pakistan

INCOME SOURCES	2001-02			2005-06		
	Urban	Rural	Total	Urban	Rural	Total
Wage and salaries	43.91	26.33	33.46	48.81	25.57	35.33
Crop	1.90	22.94	14.41	4.45	34.08	21.63
Livestock	1.28	13.53	8.56	1.05	10.56	6.56
Non-agr. Activities	25.42	13.49	18.32	17.92	6.89	11.52
Property	3.17	2.70	2.84	4.19	3.29	3.67
Owner occupied dwelling	14.66	6.52	9.82	15.76	5.89	10.04
Social insurance benefits including Pension	2.41	1.44	1.83	1.82	0.90	1.28
Gift and assistance	1.99	3.16	2.69	0.49	1.34	0.98
Foreign remittances	3.12	3.13	3.12	3.51	5.08	4.42
Domestic remittances	1.83	5.43	3.97	1.75	5.34	3.84
Other income	0.31	1.40	0.96	0.23	1.08	0.72

Source: Federal Bureau of Statistics/HIES 2005-2006

76. Pakistan's agriculture sector is characterised by skewed land distribution and a

⁶ Economic Survey 2008

dominance of smallholders in agricultural production. It is estimated that almost 60 percent of farmers have less than five acres (2.02 ha), and the percentage is increasing. A small share of farmers (2 percent) own around 44 percent of the land.

77. The vast majority of farmers are net wheat buyers, and even self sufficient farmers sell parts of their harvest for cash income and to buy back wheat during the lean season. The prices at which farmers can sell their crops increased at a much lower rate than retail prices. Over the last two years retail prices for wheat increased by 28 percent in Punjab to 59 percent in Balochistan, while wholesale prices rose only by 6 percent and 15 percent respectively. The same trend can be seen for rice prices. Farmers are unable to benefit from higher prices in international markets, while at the same time they are exposed to rapidly rising prices of inputs such as fertilizers and fuel. Fertilizer prices in Pakistan have shot up in the past 2 years from PR 850 for a 50 kg bag of DAP fertilizer to currently PR 2,800.

78. Despite the importance of agriculture, the World Bank⁷ classified Pakistan as a transforming economy, not based mainly on agriculture and not yet fully urbanized. Alongside agriculture, the rural non farm economy plays an important role in the life of rural people, though it is only at a rudimentary stage⁸, consisting of family based micro-enterprise in trade, with an average of two workers⁹.

79. Overall, the largest share of the working population – 45 percent - are employed, while only 27 percent are self-employed and just one percent are employers (see Attachment Figure 4). The share of self-employed persons in rural areas (30 percent) is considerably higher than in urban areas (22 percent). Similarly, many more rural than urban income earners work in the family business. Almost one third of income earners in rural areas are unpaid family workers. In urban areas almost 2/3 of the labour force are employed¹⁰; working mostly in trade and service sectors. The HIES 2005-06 analysis reveals that employees have an inadequate diet, with one third consuming less than 1,700 kcal/capita/day, compared to 20-25 percent of employers, family workers or the self-employed.

80. Wages play an important role in household income. In urban areas almost half of household income comes from this source, whereas it is one quarter in rural areas. Remittances (domestic and foreign) and livestock production account each for roughly 10 percent. Social insurance (including pensions) account for 1.8 percent of income in urban areas and even less (0.9 percent) in rural areas.

81. Labour rates went up since mid 2007, yet at different paces and by not as much as wheat prices. In June 2008, the daily wage rate for unskilled labour ranged from PR 225/day in Peshawar (NWFP) and Multan (Punjab) to PR 350/day in Karachi (Sindh). In Lahore and Quetta (Balochistan) the rate was PR 300/day. Figure 14 shows changes in wage rates and wheat flour prices since May 2007. While wheat increased by 30 to 112 percent, the change in wage rates during the same period ranges between zero in Balochistan and 27 percent in Karachi. There is even an inverse correlation between these two variables: Punjab experienced the lowest wheat price increase but the second highest labour rate increase, while in Balochistan and NWFP, the labour rate increase was minimal.

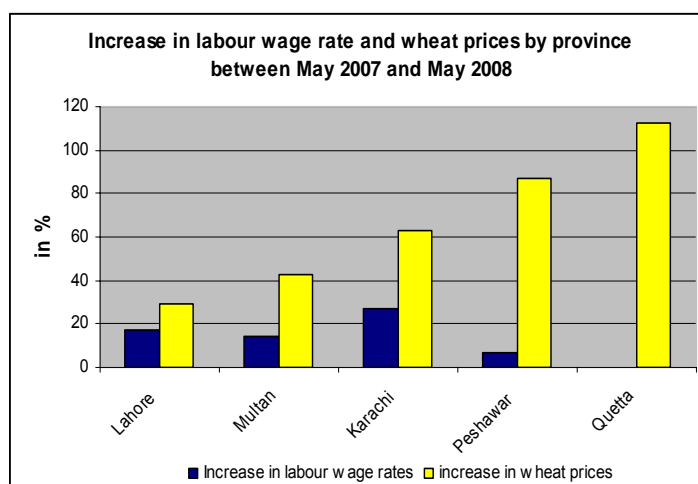
⁷ World Development Report 2008, WB 2007

⁸ National Agriculture Sector Strategy, May 2008 (Draft)

⁹ An average household comprises 6.8 members⁹, of which 2 are earning an income.

¹⁰ HIES 2005-06

Figure 12: Increase in wage rates and wheat prices – May 2007-May 2008



Source: Federal Bureau of Statistics/VAM Unit

82. As a result of these trends, the terms of trade between wage labour and wheat flour worsened. In June 2008, daily labourers in Lahore were able to get 14.5 kg of wheat flour for one day of work, while labourers in Peshawar would get only half that amount. (A household of 6 requires roughly 60 kg of wheat flour per month. See Table 7).

83. The reported monthly household income of most wage labourers, petty traders and small farmers is very low. An income of Rs 6,000 for a family with 6.7 members is less than half one US dollar per capita/day. Among surveyed households, only salaried employees, small business men and livestock producers appear to be better off (see Attachment Figure 5).

Table 7: Terms of trade: wage labour and wheat flour

Terms of Trade	
	W heat flour in kg/ one day wage labour
Lahore	14.5
Multan	10.0
Karachi	12.1
Peshawar	7.4
Quetta	10.0

Source: Mission Assessment

84. As purchasing power deteriorates, households react by seeking additional income, reducing non food expenditures or changing food consumption. If the situation gets worse, some households resort to selling assets, although survey findings imply that only a small share of households (<5 percent) currently apply such a drastic coping strategy. In FATA, where livestock production is an important means of income, it has been observed that more animals are sold than usual. Livestock prices however, have not (yet) fallen below normal levels; i.e. the terms of trade between livestock and wheat should not have deteriorated beyond the increase in wheat flour price.

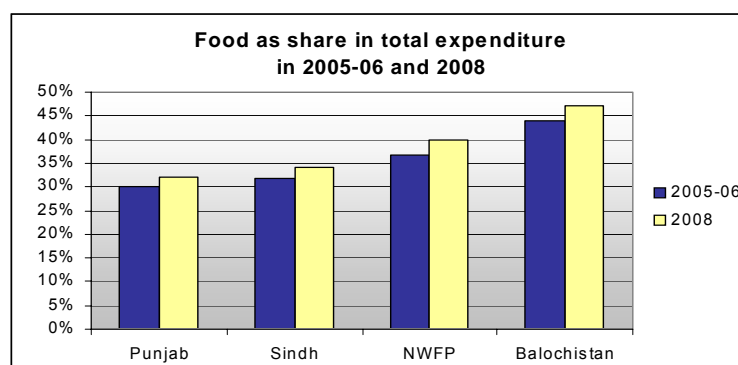
85. Survey and focus group discussions revealed that many households seek additional income, by increasing the number of income earners in their families. This often means sending children to work. According to HIES 2005-06, between 5-8 percent of 10-14 year old children

are employed in rural areas, with Balochistan having the highest share. In urban areas, child labour ranges between 2-3 percent, and is highest in Punjab. Increased child labour and school drop-outs as a result of price hikes are likely to impact on enrolment and attendance in all education sub-sectors.

D. HOUSEHOLD EXPENDITURE

86. The share of food in household expenditures has been declining for years, while expenses on transport, medical care, education and housing are rising. This trend has changed recently due to higher food prices. To maintain a basic diet, many households are forced to increase their food expenditures at the expense of non food expenditures. In 2005/06, households spent on average 40 percent of their total consumption expenditures on food followed by 14 percent on rent and 6-7 percent each on transport and clothes. Expenditures on medical care (5 percent) and education (3 percent) were relatively low (see Figure 13).

Figure 13: Food as share in total expenditure in 2005-06 and 2008



Source: HIES 2005-06 and Mission Assessment

87. There are notable differences between urban and rural populations, though food has clearly the largest share in overall expenses of both groups. Urban households allocate 37 percent of their expenditure on food and one fifth on rent. In rural households, food accounts for 41 percent expenditure, while only 10 percent is allocated for housing. These shares hide huge differences in absolute levels of expenditure between urban and rural areas. Average monthly per capita expenditure in urban areas is PR 2400, twice as high as in rural areas (PR 1,200). Total food expenditures are 56 percent higher in urban areas compared to rural, despite the smaller share in total expenditures (see Attachment Figure 6).

88. As a result of higher food prices, food expenditure increased disproportionately to total expenditure compared to base year 2005-06. This has been corroborated by survey findings that indicate – though they are not representative – that all households spend now more on food than a year ago, while non food expenditure rose as well but at a lower pace (see Figure 16). In relative terms, the increase is more pronounced in rural areas, where food expenditure rose by 10 percent and total expenditure by 4 percent, though in absolute figures the increase has been higher in urban areas. As indicated earlier, the poorest are disproportionately affected by higher food prices. Simulation results show that the poorest quintile spends 13 percent more on food than two years ago, while the richest quintile spends only 5 percent more.

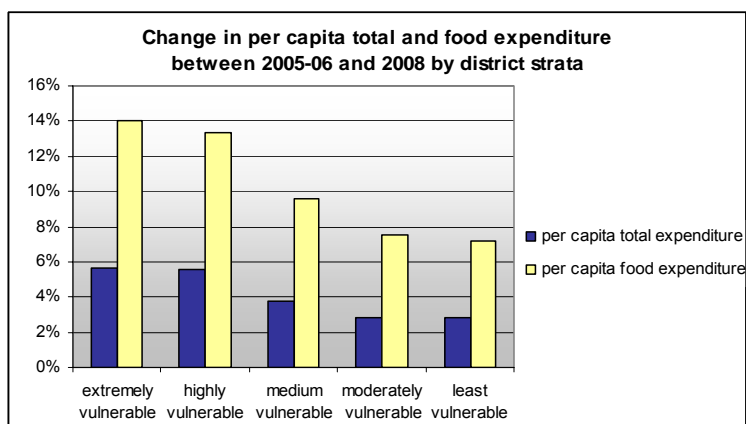
89. Since 2005-06, the share of food in total household expenditure increased on average by 2 to 3 percent in all four provinces. The past and current share is highest in Balochistan (44 percent to 47 percent) and lowest in Punjab (30 percent to 32 percent).

90. Within the provinces, it is the most vulnerable district strata that observed the greatest increase in food as well as total expenditure in real terms. In these districts, food expenditure rose by 13 to 14 percent while overall expenditure only increased by 5 to 6 percent. That means households were not able to maintain their share for non food expenses, and had to struggle to cover their food needs. Despite the higher expenditure, food consumption decreased more in the extremely vulnerable districts than in the least vulnerable district strata.

91. The stress on households is amplified by significant non food inflation. Around 70 percent of surveyed urban and rural households reported higher health expenditures. In urban areas, the second most important increase in expenditure after food is for transport. In rural areas, 2/3 of households mentioned higher energy, health and transport expenditures. Around one third of urban and rural households mentioned higher education costs (see Figure 15).

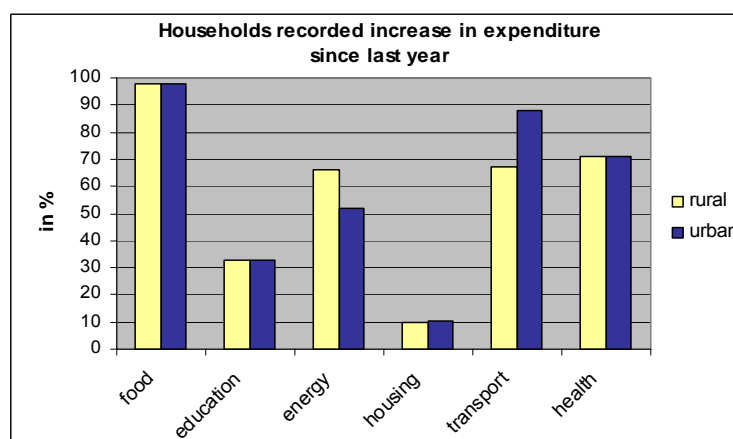
92. Illness of a family member leads to loss of income. One fifth of surveyed households had at least one sick household member over the last six months, and 80-90 percent required some form of medicine during the last 3 months. Most drugs are bought at private pharmacies, while only 6 percent are acquired for free from public facilities. More than half of households who bought medicines paid more than PR 1,000 (US \$15).

Figure 14: Change in per capita total and food expenditure between 2005-2008 by district



Source: Rapid Household Assessment Report June 2008

Figure 15: household Expenditure Increases since 2007



Source: Rapid Household Assessment Report June 2008

93. To cope with tight household budgets, many households seek support from relatives. Family support systems appear to be much stronger in rural than in urban areas. More than 70 percent of rural households can rely on help from relatives, compared to a little over 40 percent of urban households. Around 55 percent of rural households received support from relatives and one third provided support in the first half of 2008, while the respective shares in urban areas are considerably lower (see Attachment Figure 7).

E. HOUSEHOLD FOOD CONSUMPTION

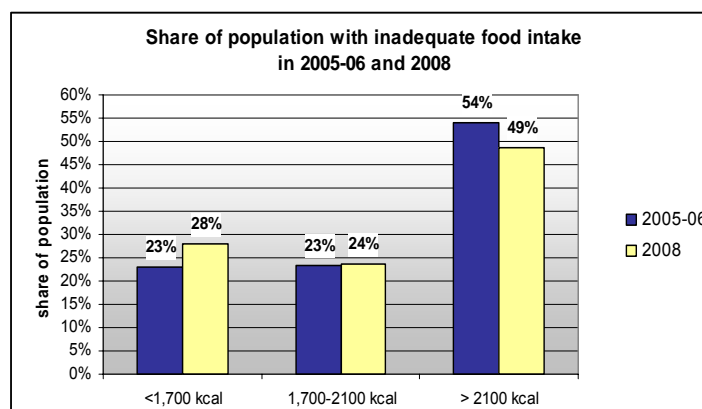
94. On average a Pakistani consumes 2,372 kcal daily (HIES 2005/06). The diet is dominated by cereals, and particularly by wheat. Wheat accounts for 35 percent of kcal intake, while protein consumption is less than 9 percent of kcal intake, below internationally recommended levels (10-12 percent). The urban population consumes slightly less kcal (2,335kcal/ capita/ day) than the rural population (2,397 kcal), however the diet is more diverse. The share of cereals in overall kcal intake is 45 percent in rural areas, compared to 38 percent in urban areas (see Attachment Figure 8).

95. Households cope differently with price shocks, however most widespread are changes in the quality and quantity of food consumed. The survey shows that 40 percent of interviewed households shifted consumption to less preferred food, (shifting from rice to wheat). More harmful, one fourth of households reported limiting portion size at meals. In rural areas, adults seem to reduce their food share for the benefit of their children (see Attachment Figure 9).

96. The number of meals eaten per day has changed. According to survey findings, more than 10 percent of adults and children are eating fewer meals per day than six months ago. The majority of adults reported eating two meals per day, while ¾ of children have 3 to 4 meals per day. A worrying finding is that 1/5 of adults eat only once a day.

97. Simulation results show an increase in the share of severely food insecure population, from 23 percent in 2005-06 to 28 percent in 2008. The share of moderately food insecure people, who consume more than 1,700 but still less than the international minimum threshold of 2,100 kcal/capita/day, changed only slightly during the same period. Even among the population who manage to reach the minimum kcal intake, a significant share is likely to still have an inadequate diet in terms of nutrient intake (see Figure 16).

Figure 16: Population with inadequate food intake



Source: Mission Assessment

98. The household survey sheds some light on dietary diversity. Households were asked to recall what food items they consumed over the last seven days. Dietary diversity is a good indicator of the adequacy of food intake. Overall, more than one fourth of households were found to have an inadequate diet in terms of quantity and quality. This percentage translates into 40 million people, if extrapolated to the population of Pakistan, and is very similar to the HIES simulation result of 27 percent below 1,700 kcal. The percentage of households with poor

food consumption is slightly higher in rural areas, whereas the HIES results show a higher share with poor food consumption in urban areas. This difference can be explained by the fact that the survey method (food frequency and diversity measurement) captures diet diversity, whereas the HIES data only analyses actual kcal intake, which is slightly better in rural areas.

99. Almost two thirds have a borderline diet that is inadequate in terms of quality, but not necessarily in terms of quantity or kcal intake. In urban areas, the share goes up to $\frac{3}{4}$ of households. Only a small share of interviewed households (<10 percent) consumes an adequate diet that provides not only energy, but also macro and micronutrients required for a healthy life (see Attachment Figure 10).

100. Attachment Figure 11 shows how dietary intake changes with increasing frequency and diversity of food items consumed. The amount of cereals (wheat flour) hardly changes, which hints towards a low elasticity of demand for wheat, which remains almost constant even when income or prices change. Otherwise, the diversity of the weekly diet seems relatively good, though the amounts (number of days) of various foods consumed are very small.

101. Of particular concern are individuals with special nutritional needs, such as pregnant and lactating women and infants, who are more vulnerable than others to becoming malnourished. A study from 2000 illustrates that cereals and oil are eaten by almost all pregnant and lactating women, while a much smaller share of women consume protein. Infants are weaned early with a low variety of food groups. They are mainly given milk, followed by cereals. (Attachment Table 12). Few small children are fed micronutrient rich vegetables. Exclusive breastfeeding in the first six months of life is 37 percent, very low, as are the rates of early initiation of breastfeeding within the first hour after birth (NWFP 57 percent; EQ 45 percent; Sindh 30 percent; Balochistan 20 percent; and Punjab 15 percent).¹¹

102. The significant increase in milk and wheat prices is expected to have worsened the dietary intake of pregnant and lactating mothers and small children. Focus group discussions with women confirmed that children are now eating less milk, fruit and meat, and receive more tea and roti (bread) instead.

F. IMPACT ON HEALTH AND NUTRITION

103. High food prices impact on health and nutrition in various ways: i) poorer food consumption increases malnutrition, which in turn heightens susceptibility to disease; both may lead to higher mortality rates; ii) greater workload (to increase income) negatively influences care and feeding practices, resulting in poorer health and nutrition status; iii) reduced expenditures on health lead to less adequate treatment of disease and higher morbidity and mortality rates (see Attachment Figure 13).

104. The health profile of Pakistan is characterised by high mortality rates and a high burden of communicable diseases. The under-five mortality rate (U5MR) is 97/1000 live births; this means that approximately 10 percent of children in Pakistan die before their 5th birthday¹². The average annual rate of reduction from 1990 to 2006 was an estimated 1.8 percent. This rate is not sufficient to meet the MDG4 target, for which an annual reduction of 9 percent would be needed between 2007 and 2015. Children in Pakistan are dying from preventable causes. The most recent data available (WHO 2006) show that for every 100 child deaths in Pakistan, 56 are due to neonatal causes, 19 because of pneumonia, 14 due to diarrhoea, 2 due to measles, 2 due to injury, 1 due to malaria and 6 due to other causes.

¹¹ Complementary Feeding Practices Survey draft report (Baig-Ansari, 2008)

¹² State of World's Children (SOWC, 2008)

105. The maternal mortality rate is equally high with 320/100,000 live births. Maternal morbidity and mortality is affected by the high fertility rate, insufficient spacing, low skilled birth attendance, illiteracy, malnutrition and insufficient access to emergency obstetric care services. Prevalence of anaemia - which is caused by iron deficiency - among pre-school age children is estimated at 61 percent and is considered a severe public health problem by the WHO. The proportion of pregnant women with anaemia is around 39 percent or 1.9 million, while roughly 28 percent of women of child bearing age are anaemic. The high prevalence of anaemia in pregnant women and prevalence of low birth rate is a consequence of maternal malnutrition and its impact on mortality, cognitive development and future maternal heights and complications.

106. No surveys are currently available that could ascertain the above impact and deterioration in health and nutrition outcomes. However, the previous chapters have described how food consumption has worsened, non food expenditures have been squeezed and additional income sources are needed. All these factors will have serious consequences if no preventive action is taken.

107. Malnutrition rates in Pakistan are stagnating at high levels in relative terms and are increasing in nominal terms. Stunting rates (chronic malnutrition) among children under five years of age were 37 percent in 2003, 5 percent lower than 11 years ago. Wasting rates (acute malnutrition) have fluctuated over the last forty years between 9 and 17 percent, without showing a clear trend of improvement. In absolute terms, the child nutrition is worsening. The absolute number of stunted children under five years of age rose from 7 million in 1992 to 8.7 million in 2003 (a 25 percent increase in the number of stunted children); similarly, the number of wasted children under five years of age rose from 2.8 million in 1992 to 3 million in 2003 (an 8 percent increase in the number of children with acute malnutrition), (see Attachment Figure 14 to 16).

108. A recent baseline survey¹³ shows that the rates of acute malnutrition are very high, especially among very young children. They are over the emergency thresholds (≥ 15 percent) in children 6-11 months in all provinces; in the 12-17 month age-group, in all provinces except Balochistan; and in the 18-24 month age group with the exception of Sindh, NWFP and Balochistan. Earthquake affected areas (EQ) have the highest rates in all age groups. It is assumed that wasting rates are caused mainly by inadequate care and feeding practices and to a lesser extent by inadequate household food access. Chronic malnutrition rates are usually closely correlated with food access; however no studies are available in Pakistan to confirm this.

109. Thirty two health care providers were interviewed in rural and urban areas, including general physicians and community health workers. Half reported an increase in diseases as compared to the last year and two thirds felt that there were more malnutrition cases. Only one fifth of health care providers had received specific training for the management of severe malnutrition. Thus half of them referred such cases to secondary facilities, while the rest said that they "cannot do anything" but counsel. However, these figures are anecdotal and have to be treated with caution.

110. While the provision of health infrastructure has improved over time, low quality and high medical care costs as well as limited access to health services are negatively influencing health seeking behaviour. As a result of increased health expenditures and higher transport costs, fewer households are likely to seek adequate treatment.

111. The field survey carried out during this mission suggests that due to the impact of rising food prices on health, the rapid security assessment of food prices should include a component

¹³ The Complementary Feeding Practices in Pakistan: A baseline survey of care and feeding practices and development of an intervention strategy (Baig-Ansari, 2008)

on health and nutrition. In-depth interviews with selected health care providers were conducted in each of the districts sampled. While the data was analysed according to district and province, the figures reported here are based on overall percentages unless significant differences exist

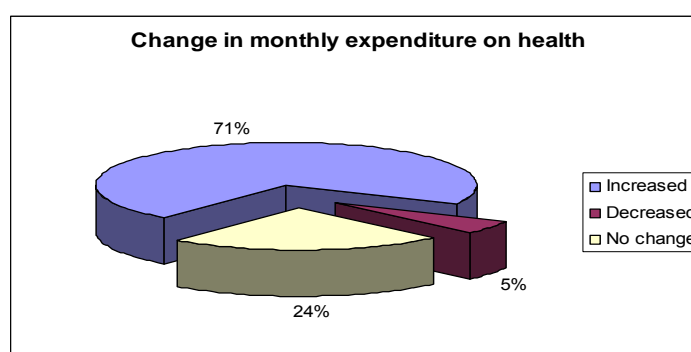
112. Out of a total of 322 households, 284 (88 percent) reported at least one family member as sick in the last two weeks. While reporters' bias may be a reason for the extremely high percentage reported, it is also plausible as the survey targeted the poorest households in the most vulnerable districts of Pakistan. A breakdown of household morbidity in the last two weeks prior to the survey is given in the table below. Three percent of households reported a death in the family during the last three months (See Attachment Figure 17).

113. Out of these 284 households reporting sickness, 202 (71 percent) sought treatment outside the home. This percentage was greater (58 percent) in rural areas as compared to urban areas (42 percent). The proportion was highest in Sindh province (31 percent) and Balochistan (21 percent) followed by NWFP (18 percent), Punjab (18 percent) and PAK (12 percent).

114. The main reasons for not attending health services were that "treatment not required" and lack of money. Lack of money was considered most important in Punjab (62.5 percent) and NWFP (25 percent) while transportation was mentioned by most in Punjab (50 percent) and Balochistan (50 percent).

115. On the whole, 88 percent of households required some form of medicine for a family member during the last 3 months. The majority of these drugs (94 percent) were brought at a private pharmacy with only 6 percent acquired for free from public facilities (see Attachment Figure 18).

Figure 17: Change in monthly health expenditure



Source: Rapid Household Assessment Report June 2008

116. Thirty percent of households had spent between one to three thousand PR on this medicine, 25 percent spent up to 500 PR and 24 percent spent over 3000 PR. Out of the total monthly expenditure, on average 7.1 percent is spent on health. Eleven households reported being in debt due to excess health expenses. Furthermore, 71 percent of all households reported an increase in health expenditures compared to last year. Five percent reported a decrease. While our basic assumption is that this change is associated with cost of living and food, this area warrants further in-depth exploration to identify specific causes (see Figure 16).

117. With regard to child feeding practices, 81 percent reported currently breastfeeding children less than 6 months with a wide variation between rural and urban areas at 64 percent and 36 percent respectively. Forty-five percent of children were given food and water other than breast milk, again with a wide discrepancy between rural and urban areas at 71 percent and 29 percent respectively. Among provinces the practice of feeding babies less than 6 months old children with foods other than breast milk was most prevalently reported in Balochistan (50 percent) and Sindh (36 percent).

118. With regard to the same child (aged less than six months old and receiving breast milk), 13 percent reported feeding other foods (including porridge and gruel) in the day prior to the survey. This was highest in Balochistan (75 percent) and Sindh (25 percent). The practice is most prevalent in rural areas (75 percent) as compared to urban areas (25 percent).

G. IMPACT ON EDUCATION

119. As food prices rise, parents are forced to make hard decisions regarding daily expenditures, including educational expenses. Households spend less than 4 percent of their total expenditures on education, which translates into 6-7 percent of their non food expenses. The share in urban areas is higher and it increases with wealth.

120. In addition to these direct costs, households bear opportunity costs of schooling, such as income earned by children and support with household duties and farm work. Also, the substantial increase in transport costs will make the choice whether to continue schooling or not even harder for poor households who live far away from schools. Observations from the field confirm indeed that households cope with the price crisis by taking children out of school, sending children to work and moving them from private to public schools (see Attachment Figure 19).

121. Pakistan's literacy rate (55 percent) and primary school enrolment rates are low when compared with other countries in the region. They have improved only at a modest pace over the last 5 years, while the gender gap in education remains of serious concern. If enrolment and attendance fall at primary level, this will have a knock-on effect in the middle and upper levels. Reduced enrolment, attendance and completion will impact adversely on Pakistan's development, undoing the recent gains made poverty reduction and increased literacy rates.

122. The Net Enrolment Rate (NER)¹⁴ in primary schools (8 years of schooling) increased slightly over the last years and reached 56 percent in 2006, compared to 52 percent in 2004. The rate is considerably higher for boys (60 percent) than for girls (51 percent). Interestingly, rural areas exhibit higher growth rates in comparison to urban areas. The Gross Enrolment Rate (GER) in primary schools showed a more remarkable increase from 86 percent to 91 percent between 2004 and 2006, while GER at middle school level (age 11-13) increased from 53 percent to 59 percent (see Attachment Figures 19 and 20).

123. In Pakistan, gender inequality remains pervasive. The country has the highest rate of female illiteracy in South Asia: 71 percent; and among the lowest percentage of girls enrolled in school. Female attendance and completion rates tend to be poor, particularly in remote areas where socio-cultural traditions against female education are deep-rooted. A good indicator for gender gaps is the Gender Parity Index (GPI), which is the ratio of female to male enrolment. A GPI of more than one indicates that for every male in school, there is more than one female. The GPI for Pakistan as a whole in 2006-07 is 0.63. Province-wise the GPI is lowest in NWFP and Balochistan, where only 3-4 girls are enrolled in school for every ten boys (see Attachment Figure 22).

124. High food prices are expected to have a worse impact on girls' education than on boys', as female education is less valued and girls are the first to be taken out of school. In some provinces, this situation is aggravated by a lack of schools for girls. According to Pakistan Education Statistics for 2007, one fifth of all educational institutions in the country are for girls, one fourth are for boys, and 53 percent are mixed institutions. The distribution of institutions by gender is almost the same in Sindh, FANA and PAK, while in other areas, male institutions are higher in number than female institutions. Balochistan and FATA lack sufficient number of girls'

¹⁴ Net Enrolment Rate (NER) refers to the number of students enrolled in primary school of primary school age divided by the number of children in the age group for that level of education

schools. To provide equal opportunities to women, more educational institutions are required to improve female participation and to reduce the gender gap.

125. Around 67 percent of educational institutions in Pakistan are State run. The share of public institutions is higher in rural areas (79 percent). Distribution by province shows a comparatively high share of private schools in Punjab and FANA. In recent years, the number of students enrolled into Pakistan’s public school system has fallen, while private education has flourished. Private schooling in Pakistan does not include Madrassahs, which fall under a separate category.

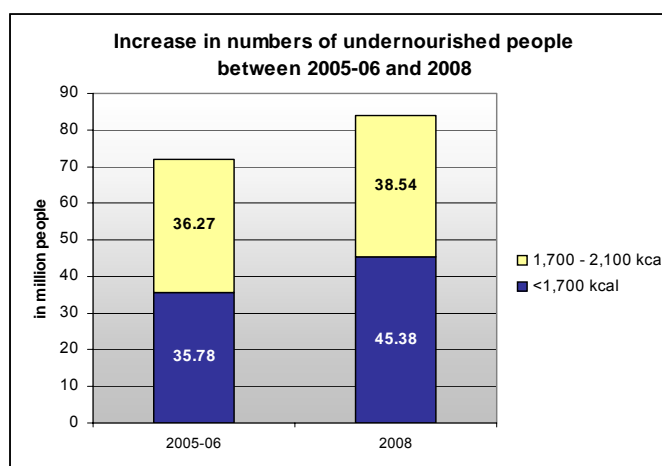
126. Those families sending their children to private schools pay seven times more than for the public school. However, private education in Pakistan is not the reserve of the rich. Instead it offers an opportunity for those parents who can afford it to send their children to what they regard as schools that offer a better quality education than the public system. In some areas, private schooling has simply emerged because there is no public alternative. Pakistan does not have sufficient government schools, particularly at the secondary level, and where schools are available; they may suffer with problems such as poor infrastructure or teacher absenteeism.

127. In areas where parents have no alternative than to send their children to private schools and bear higher costs, the risk of drop-out due to the food crisis is highest.

H. FOOD SECURITY STATUS

128. It is estimated that as a result of the food price increase, the number of people with inadequate food consumption (< 2,100 kcal/capita/day) rose from 72 million (45 percent of the total population) in 2005-06 to 84 million (51 percent) in 2008. (Figure 20). This was an increase of 12 million people or 17 percent. Of these additional 12 million people, 9.6 million can be considered severely food insecure, as they consume less than 1,700 kcal/capita/day. More than two thirds of these additional severely food insecure people are in rural areas: One fifth (2

Figure 18: Increase in undernourished people 2005-06 and 2008



Source: Mission Assessment

Table 8: Number of newly severely food insecure People

Number of new severely food insecure people			
Province		in million people	share of total
Punjab	urban	0.99	10%
	rural	2.00	21%
Sindh	urban	1.53	16%
	rural	1.66	17%
NWFP	urban	0.23	2%
	rural	1.24	13%
Balochistan	urban	0.18	2%
	rural	0.42	4%
AJK, FATA, NA		1.31	14%
TOTAL		9.56	

Source: Mission Assessment

million) are in Punjab, 1.6 million in Sindh and 1.24 million in NWFP. The largest urban caseload is in Sindh. It is not possible to determine where the 1.3 million in FATA, PAK and NA reside, but the population in FATA is likely to be more affected than the other two as price increases were higher. All three areas are mainly rural (Table 8).

129. The overall share of the severely food insecure population increased by five percent from 23 percent to 28 percent within two years, which translates into a total of 45.3 million people today. The situation of the 36 million people, who consumed less than 1700 kcal prior to the food crisis is

expected to have deteriorated further. Their food consumption and their ability to meet non food needs is likely to have declined to levels where not only their livelihoods, but also their lives are put at risk. Almost two thirds or 28 million of the severely food insecure population are in rural areas and 38 percent or 17 million are in urban areas. The vast majority are concentrated in Punjab and Sindh, where 80 percent of the urban food insecure and 70 percent of the rural food insecure live (see Figure 19).

130. If levels of food insecurity (<2,100 kcal per capita per day) are compared by province, Balochistan figures worst. The province has with 64 percent the highest levels of under-nourishment, followed by Sindh with 61 percent. In NWFP and Punjab around 45 percent are food insecure. There are no HIES data available for PAK, FATA and NA, however based on overall numbers and projections, the share of severely food insecure is likely to reach almost 50 percent.

131. Pre crisis, a larger share of the urban population (one fourth) was severely food insecure compared to one fifth of the rural population. High food prices had a slightly worse impact in rural areas, where today an estimated 27 percent consume less than 1,700 kcal/capita/day, compared to 30 percent in urban areas. All provinces observed a greater increase in rural food insecurity than urban food insecurity over the last two years. The crisis has, therefore, narrowed the gap between urban and rural areas (see Figure 20).

Figure 19: Population by province consuming less than 2100 kcals a day

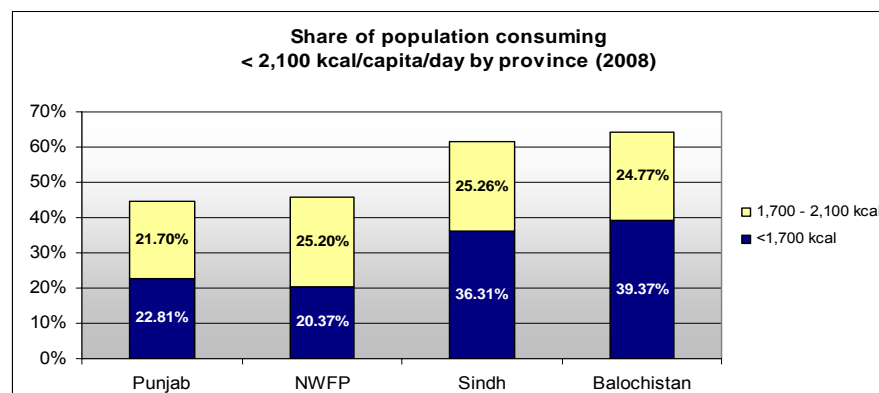
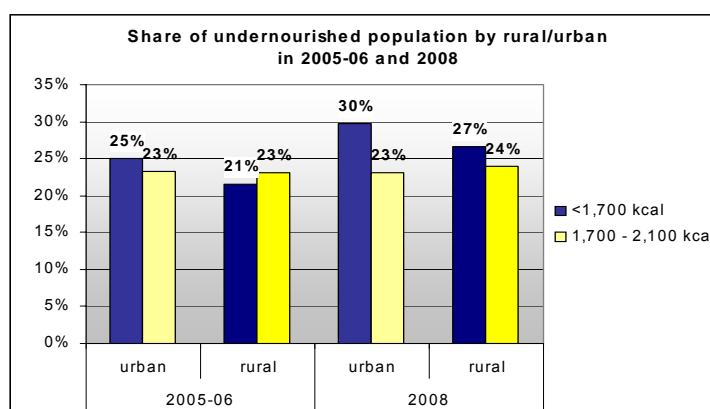


Figure 20: Share of undernourished population by rural/urban area 2005-06 and 2008



Source: HIES data and Mission Assessment

132. The share of moderately food insecure (1,700 - 2,100 kcal/capita/day) did not change at all in urban areas and increased only slightly in rural areas. An additional 2.4 million have become moderately food insecure, compared to an additional 9.6 million severely food insecure people. High food prices seem to have pushed many households who were already food insecure pre crisis into further destitution (see Table 9).

Table 9: <1700 kcal/capita/day in '000 people (pre crises vs.2008

<1700 kcal/capita/day					
in '000 people		pre crisis	2008	increase	
Punjab	urban	5,776	6,770	17%	
	rural	10,974	12,997	18%	
<i>sub-total</i>		16,750	19,767		
Sindh	urban	5,367	6,900	29%	
	rural	4,851	6,514	34%	
<i>sub-total</i>		10,218	13,413		
NWFP	urban	614	840	37%	
	rural	2,233	3,478	56%	
<i>sub-total</i>		2,847	4,318		
Balochistan	urban	751	933	24%	
	rural	1,614	2,032	26%	
<i>sub-total</i>		2,365	2,966		
AJK, FATA, NA		total	3,600	4,916	37%
TOTAL		35,780	45,380	27%	

Source: HIES data and Mission Assessment

133. Worst affected by the price hikes is rural NWFP. In rural areas, the number of severely food insecure people increased by 56 percent and in urban areas by 37 percent. Second worst affected was Sindh with an increase of 34 percent in rural areas and 29 percent in urban areas. The lowest impact is found in Punjab, where the increase is around 17-18 percent in both urban and rural areas. In Balochistan, the increase is around 24-26 percent and, as in Punjab, there is hardly any difference between urban and rural areas.

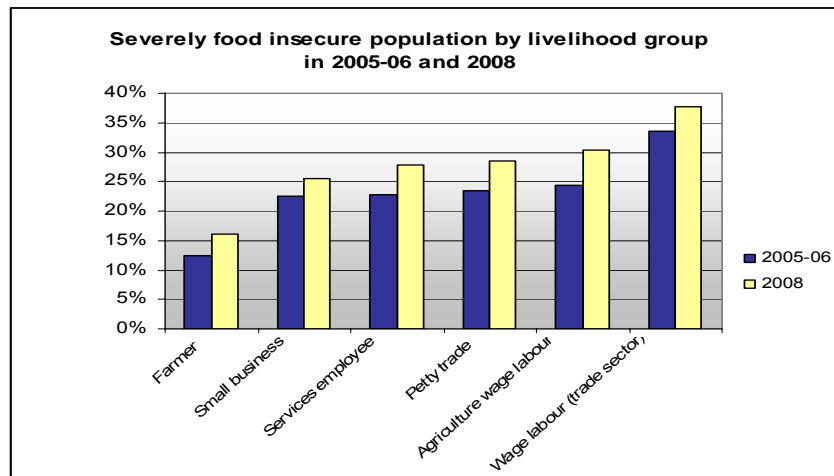
134. In urban areas, there is a significant difference between the better off areas and the poorer areas. For surveys, the government divides urban areas into enumeration blocks that are categorized as poor, medium and better off. In the poorest areas the share of severely food insecure people rose from 35 percent to 41 percent, while in the better off areas the share remained below 11 percent even after the price hikes.

135. Overall, rural non farming households are worst hit by the cereal price inflation as their food basket contains a larger share of wheat and rice than in urban households and they cannot rely on own production.

136. In rural areas, agricultural wage labourers, petty traders and small farmers are badly affected in terms of food consumption, though the situation is worst for wage labourers who were already highly food insecure prior to the shock. Livestock producers are less affected. The share of severely food insecure people rose also steeply among service employees that constitute a large share of the urban population, whereas the impact on small business people was much less pronounced (see Figure 21).

137. Apart from food consumption, the crisis seriously impacts on household ability to meet non food needs. Rural households in extremely vulnerable districts are likely to struggle most in trying to maintain their livelihoods, while having to spend an increasing share of their income on food.

Figure 21: Severely food insecure population by livelihood group in 2005-06 and 2008



Source: HIES data and Mission Assessment

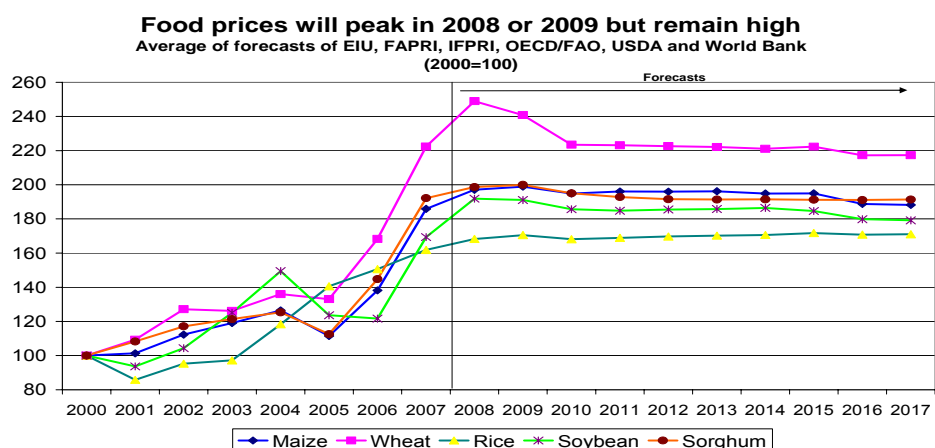
Women and children suffer most from reduced education and health expenditures. Special attention needs to be paid to the 960,000 Afghan refugees living in camps in Balochistan and NWFP. Their access to property and income sources and thus their ability to cope with high food prices is limited. The basis for computation of the food consumption score and the grouping of food consumption groups is presented in Annex VIII while the caloric contents of main food items are presented in Annex IX.

IV. LIKELY FUTURE SCENARIO OF FOOD AVAILABILITY AND PRICES

138. Factors that will influence how the food crises will evolve are i) international cereal prices; ii) wheat supply situation in India and Afghanistan; iii) domestic wheat policies and prospects for next rabi wheat harvest (March-May 2009); iv) effectiveness of planned assistance to affected population groups.

139. According to projections of various international organizations (USDA, FAO, OECD), the wheat price is expected to remain high in the medium term. In the short run the current tight global cereal supply situation could ease. World cereal production in 2008 is forecast to increase by 2.6 percent to a record 2,164 million MT, while rice production is expected to increase slightly, reflecting production incentives in several Asian countries (see Figure 23)

Figure 22: Food Prices Forecast



140. India's wheat harvest is expected to reach an all-time high of 78 million MT. This has come as a great relief to the Indian Government, which is facing 11 percent inflation and plans to release stocks to the markets to lower domestic wheat prices. The Government Food Corporation of India has purchased 22 million MT of wheat from domestic farmers in 2008. This favourable supply situation in India might lead to a review of wheat export restrictions, which could significantly reduce pressure on neighbouring countries.

141. Afghanistan's wheat harvest is likely to be poor again this year due to continued drought, resulting in high import requirements. Particularly affected by this are the wheat deficit provinces that border Afghanistan, namely NWFP, FATA and Balochistan. The situation in these provinces is expected to get worse, starting with the lean season in October/November. The provincial governments of NWFP and FATA raised concerns about the fact that they had to start allocating this year's district quota already in June, when the situation became tense because of Punjab's border closure.

142. There are indications that the GOP plans to announce a higher procurement price for wheat prior to the planting season. This would reduce price differentials with international prices and therefore limit large informal exports, while stimulating production, a trend that would be accelerated by increased subsidies for agricultural inputs.

143. In summary, it is expected that prices will rise further towards the end of the year, especially in the provinces bordering Afghanistan, leading to localised shortages, a worsening food security situation and possible outbreaks of civil unrest in urban areas.

V. ONGOING AND PLANNED RESPONSES TO PRICE RISE

144. This section mainly focuses on the immediate response of the Government of Pakistan (GOP) and the international community at global level as well as at country level to provide immediate relief to the affected and vulnerable population. At the request of GOP, a separate study is being initiated by the UN in Pakistan to recommend a medium and long-term response to ensure that food prices remain stable, the vulnerable population is not food secure and a cushion is provided to absorb the external shocks.

A. RESPONSE BY THE GOVERNMENT OF PAKISTAN

145. In response to the recent unprecedented price hike, the GOP undertook immediate inclusive policy and trade related measures to keep food prices from further escalating and to provide wheat at affordable prices. In addition, the GOP plans to launch various social protection instruments to bail out vulnerable and poor people from the adverse impacts of price hikes. The following is a brief description of various undertaken and planned measures.

1. Assessment

146. The GOP constituted a high level task force in June 2008 to review the situation and make recommendations to combat the negative impact on the economy and the vulnerable population. Prior to this, the Ministry of Food, Agriculture, and Livestock (MINFAL), had already requested the UN system to field this inter-agency mission to assess the impact of ongoing price increases and food shortages on the food security of vulnerable and severely affected people, and to formulate and support an immediate relief programme. Following this mission, a larger study will be launched to prepare medium and long-term responses to the food crisis.

2. Wheat imports

147. To bridge the gap between the domestic production of wheat and consumption requirements (domestic and for Afghanistan), GOP plans to import about 2.5 million MT of wheat. To ensure ample supply in the market, particularly during forthcoming Ramazan in September/October, GOP has already procured wheat in the international market to be delivered in September/October. GOP is also negotiating the import of wheat and edible oil under PL480.

3. Increased border surveillance to curb wheat smuggling

148. Based on last year's experience with large informal trade flows, and given that shortages continue and higher prices prevail in neighbouring countries, particularly Afghanistan, the GOP has taken measures to curb wheat exports to Afghanistan. In view of the large profits involved in wheat trade with Afghanistan, these measures have little chance of being successful.

4. Removal of Import Duty on Wheat

149. To encourage the private sector to import wheat in the provinces of Sindh and Balochistan in particular, the GOP has withdrawn, temporarily, an import duty of 10 percent. Nonetheless, despite removal of this duty the private sector still finds it unfeasible to import wheat given the high international prices, and has asked the GOP to provide import subsidies. It is unclear whether the GOP will act as requested.

5. Timely announcement of Minimum Support Price (MSP) or Reference Price for Wheat

150. One of the reasons for the decline in wheat production during 2007/08 was the delayed announcement of the procurement price. This year, GOP intends to announce the procurement

price in time (before planting starts in October). The GOP is also considering reducing the gap between the import parity price and MSP to provide an incentive for increasing production.

6. Rice export policy

151. Pakistan rice exports, both fine and coarse varieties, steeply increased during last year due to higher international than domestic prices. This led to a significant increase in domestic prices, as local demand was no longer met. To prevent large-scale export of rice, an initial export ban was imposed. Later, the private sector was allowed to resume exports subject to export price restrictions.

7. Subsidy on Agricultural Inputs

152. One of the reasons for soaring international food prices is the recent manifold increase in input prices, particularly for seed, agrochemicals, tractor power and tube wells, and post harvest handling costs. This has significantly dampened farm profitability and discouraged investment in inputs. During the last two years price and availability of phosphate fertilizer has been a cause for concern. To ensure steady supply of food crops, GOP intends to ensure the timely supply of agrochemicals, particularly phosphate fertilizers at affordable prices.

8. Administrative Measures

153. To keep prices low during the procurement period (April-June) and to avoid wheat hoarding and smuggling, the Provincial Government of Punjab resorted to administrative measures limiting the flow of wheat to other provinces. The measures included: i) enforcement of regulatory mechanisms to limit the inter-district and inter-provincial movement of wheat; ii) restriction on flour mills to stock wheat for not more than one month requirement; and iii) provision of wheat flour rather than wheat grain to other provinces and Afghanistan.

9. Social Protection

154. Pakistan implements a variety of social protection programmes ranging from safety net (e.g., cash transfer programmes and school feeding programmes) to social security programmes (e.g., pensions). Aggregate social protection expenditures are low, spread too thin across too many programmes, and biased toward social security. Approximately 80 percent of all resources allocated to social protection are devoted to social security, which tends to benefit the non-poor and those with access to formal employment. Coverage is insufficient given existing needs. For instance, 2 million households receive benefits from the two main cash transfer programmes, while the total number of households vulnerable to chronic poverty is 6-7 million. Benefits are small. Cash transfers are equivalent to 10-15 percent of average household income among programme beneficiaries, and actual annual payments frequently fall short of stipulated levels. Similarly, the average pension paid by private sector schemes is equal to 30 percent of the minimum wage. A brief description of social protection programmes in Pakistan is given at annex-X

155. To mitigate the impact of soaring food prices, GOP has planned to expand existing support systems and introduce similar larger scale measures. This will be funded by the national budget and support from bilateral and multilateral agencies. The GOP plans to expand the coverage of Utility Stores Corporation (USC) outlets, which are currently concentrated in urban areas, to semi-urban and rural areas. USC, in addition to wheat flour, deal in all food commodities and consumer items. At present there are 4,500 USC outlets. It is planned to increase the number of outlets to 6,000 by August 2008, and again double the number by the end of July 2009 to 12,000. The scheme is not targeted. However, it is assumed that only the poor would buy from these stores as queues, long waiting hours as well as unreliability of supplies would keep other customers away. Demand for cheap food from the USC has steeply

increased over the last couple of months, however, which is likely to have led to higher targeting errors.

a) *Cash transfer through Baitul Mal Scheme*

156. Baitul Mal Scheme implemented by the Ministry of Social Welfare has been providing cash transfers of PR 3,000 per year to about 2 million eligible poor families. During 2007/08 they disbursed PR 7 billion. The scheme is financed from the non-development budget. The budget for year 2008/09 has not been increased from last year's allocation; nonetheless, the Baitul Mal will continue to support the already registered households. This cash transfer, disbursed immediately after the wheat harvest season, facilitates recipients to purchase wheat when prices are lowest. Among existing safety nets, the Baitul Mal scheme is the most experienced and better organized in terms of coverage, distribution mechanisms, selection processes and database maintenance. Despite the need for improvements in targeting, oversight and monitoring mechanisms, this institution has still a comparative advantage compared to other safety net mechanisms implemented by the GOP.

b) *Cash transfer through Zakat and Ushr Scheme*

157. Similar to the Baitul Mal Scheme, Zakat and Ushr scheme, implemented by the Ministry of Religious Affairs, provides cash transfer support to eligible poor Sunni Muslim recipients. Shia Muslims, Christians, Hindus and other religious minorities are exempted. The size of disbursements depends largely on mandatory and voluntary collections.

c) *Cash transfer through proposed Benazir Card*

158. In the current budget, an allocation of PR 34 billion has been made to provide cash transfer support to roughly 3.5 million households affected by food price hikes. The modalities of this scheme vis-à-vis identification of beneficiaries, distribution mechanisms, etc. are still to be formulated. It appears that this scheme will use the database maintained by the National Documentation and Registration Authority (NADRA) for the identification of eligible recipients. However, there are serious concerns regarding the nature of the database and its appropriateness to target eligible households.

B. RESPONSE BY THE INTERNATIONAL AND BILATERAL AGENCIES

159. Following the Declaration by the High Level Conference on World Food Security, adopted 5 June 2008, donors were called upon to increase assistance to developing countries, in particular the least developed countries and those most negatively affected by high food prices. Responding to this call, various Governments, multilateral and bilateral agencies have formulated respective strategies and responses to provide immediate support to countries hit by the food price crisis. This included the consideration of immediate support to Pakistan to mitigate the adverse impacts of price hikes. The following is a brief description of some of the immediate response actions that are underway.

10. Asian Development Bank

160. The Asian Development Bank (ADB) has allocated \$5 billion to support severely affected economies in combating the negative impact of the price hike. ADB is considering providing budgetary support to the GOP to enable import of food commodities, particularly wheat, and supporting social protection schemes.

11. IFAD

161. IFAD, in addition to close collaboration with the inter-agency assessment mission, is also making an independent assessment of the impact on poverty and livelihoods. They are assessing the possibility of reallocating project funds to provide relief to the worst affected.

12. WFP

162. WFP plans to expand and intensify current activities and introduce new initiatives to support the GOP in its response to the current food crisis, in partnership with other UN agencies and NGOs. The salient features of these activities are briefly mentioned below and summarised in the table. Up to 4.4 percent of Pakistan's population would be covered under this scenario.

163. An Emergency Operation is planned to provide immediate relief assistance to 300,000 poor and food insecure households impacted by food price hikes by engaging them in food for work (FFW), Food for Training (FFT) and vulnerable group feeding (VGF) activities. Typically, FFW activities will be labour intensive and would include improvement of agricultural land through field terracing, plantation of trees, improving irrigation channels, improving access roads and walking tracks in hilly areas, soil protection activities, establishing kitchen gardens etc. Food for Training (FFT) would focus on capacity building, particularly women, in areas such as nurseries, kitchen gardening, poultry and livestock management. Social welfare departments are running centres for vulnerable and destitute persons with the support of NGOs. They will also be supported in targeted districts under Vulnerable Group Feeding (VGF). Each participating family on average will receive one 50kg bag of red winter wheat and a 5 litre tin of vegetable oil per month up to a period of 12 months.

164. WFP plans to expand and intensify the three activities under its current Country Programme, which are Safe Motherhood, FFW and School feeding. Similarly, the safe motherhood promotion programme covers currently 162,000 pregnant and nursing mothers, in 346 health care centres in 22 food insecure districts. WFP plans to extend this programme for another two years (October 2009 and December 2010). Mothers' visiting health care centres for pre and post-natal care receive oil as food support.

165. Households under the current FFW programme receive support in the form of food stamps. It is proposed to double the coverage to reach additional 60,000 direct beneficiaries in the 13 most food insecure districts where the programme is under way. From beginning of 2009, WFP is also considering to increase the value of food stamps by 50 percent of their current value starting from 2009, to mitigate the impact of the high food prices during the lean season. This would require additional US \$1.2 million annually.

166. Under the Girls Primary Education Assistance programme, WFP is providing assistance to about 400,000 girls in 3,000 schools located in the 30 most food deficit districts. Each participating female student receives 3.7 kg of edible oil to take home, based on school attendance performance. The proposed expansion programme will cover the boy's primary schools in the same locality. Intensifying the scheme involves adding a ration of 75 grams of fortified biscuits daily that girls will receive in schools. UNESCO proposes to consider broadening the scheme using UNESCO's Associated Schools Network, which serves an estimated 122,715 students nationwide. These education activities will be closely coordinated with the National School Feeding programme, which will be implemented in different locations. A detailed description of under consideration programmes is given in Annex XI.

13. FAO

167. On 17 December 2007, FAO launched the "Initiative on Soaring Food Prices (ISFP)" to assist member countries to put in place urgent measures to boost the supply response during the next agricultural campaigns and to give policy support to improve access to food in the most affected countries. With the aim of stimulating a global response, FAO has allocated US \$24 million to offer assistance to the most affected countries. FAO is using this funding to assist vulnerable farmers to have access to quality seed, fertilizers and other tools they need to boost

agricultural production, help governments to prepare appropriate actions and strategies to expand agricultural production and productivity.

168. The High-Level Conference on World Food Security: The Challenges of Climate Change and Bio energy convened by FAO, from 3-6 June 2008 in Rome, concluded with the acclamation of a declaration calling on the international community to increase assistance for developing countries, in particular the least developed countries and those that are most negatively affected by high food prices. There was general agreement that agriculture would once again play a prominent role on the international agenda, and that increased agricultural investment and enhanced agricultural productivity would be crucial. Many donors announced firm financial contributions (US \$10.2 billion) aimed at countries most affected by the world food crisis.

169. Following the Conference, the ISFP continues to expand - the Initiative now covers 54 countries. FAO Pakistan received 0.5 million under ISFP for a project titled "Input Supply to Vulnerable Populations under ISFP (Initiative on Soaring Food Prices)" to provide inputs to 8,000 – 10,000 vulnerable households (including small-scale farmers and women-headed poor households) having the potential to utilize provided inputs. Targeting a cropping area of 0.2 hectares, the project will distribute 600 to 750 MT of crops inputs (200 to 250 MT of wheat seed, urea and DAP each).

170. In addition, FAO Pakistan has a number of ongoing projects aimed at increasing productivity through supply of inputs, introduction of improved varieties, capacity enhancement of community members to sustain increases in agricultural productivity, development of sustainable seed production strategies and involvement of private enterprise in seed production activities. FAO is also planning to expand its ongoing project "Food Security/Poverty Alleviation through Arid Agriculture Development - Balochistan: Pilot Project Phase" to contribute to the GOP National Food Security Programme.

171. The "Joint FAO/WFP Emergency Assistance for Marginalized Farmers" will provide assistance to about 50,000 marginalized farmers, mainly in Shangla and Buner districts of NWFP, to cope with food shortages till the next harvest. The total outlay of the intervention is about \$12.2 million. The initiative is expected to be financed through a grant from the Central Emergency Response Fund (CERF). This one-year programme will be implemented during August 2008 and November 2009. Each participating family will receive assistance in exchange for the rehabilitation of productive infrastructure: a seed and fertilizer package by FAO and 400 kg of fortified wheat by WFP.

14. UNESCO

172. Enrolment and retention are equally affected by other factors such as quality of teaching and learning, pedagogy, teacher attendance and school conditions. Post project sustainability of any increase in enrolment and retention rates is crucial for the attainment of EFA and MDG goals. UNESCO therefore suggests a combination of the food incentive approach with non-food input interventions.

173. UNESCO and WFP are supporting the government in the development of a National School Nutrition Programme (NSNP) to be implemented by the Ministry of Education (MoE). In view of the current crisis, WFP and UNESCO help the MoE in speeding up the launch of the scheme in selected districts, covering 660,000 students. The objective is to provide safety nets to parents and students and to mitigate the negative effects of high food prices on schooling. Under this programme, early morning snacks of 75g biscuits will be given to primary school girls, and in addition they will receive 50 Kg wheat flour on a quarterly basis, conditional on school attendance. After one year, the programme will be merged into the NSNP.

174. In addition, UNESCO suggests to minimize the negative impact of high food prices on education by a) adapting the School Calendar, with the changes reflecting seasonal work, such as harvesting, b) offering cash stipends or other incentives to encourage attendance of students and their teachers, and c) implementing targeted non formal education programmes for youth, adults, mother circles, etc. The specific programmes that UNESCO is considering undertaking are given in Annex XII.

15. UNICEF

175. UNICEF plans to support the following activities: i) treatment for acute malnourished children, and malnourished pregnant & lactating women in the selected districts as immediate safety net interventions; ii) scaling –up management of acute malnutrition through the National Programme and Primary Health Care Services; iii) scaling –up infant and young child feeding practices and micronutrients supplementation for prevention of malnutrition in early childhood; iv) implementation of nutrition survey; v) scaling-up deworming coverage, measles vaccination and re-hydration therapy in collaboration with health; and vi) maternal nutrition. The proposed activities, especially the community-based nutrition interventions will be linked and coordinated with the interventions supported by WFP, FAO and WHO.

176. In addition, UNICEF stresses that there is an urgent need to carry out a national nutrition survey to better inform programming as well as provide up-to-date information for advocacy; and a baseline for the soaring food prices crisis. The last national nutritional survey was carried out in 2001/02. The details of the programme that are under consideration by UNICEF are listed in Annex XIII.

16. WHO

177. WHO proposes a number of activities, such as to: i) support the Government in assessing the health and nutritional situation using modelling techniques to draw up projections of the health and nutritional effects of reduced food access in order to identify vulnerable population groups and evaluate potential health outcomes using different scenarios; ii) establish a health and nutrition surveillance system; iii) strengthen Government capacity to monitor the health and nutrition situation; iv) help to scale up effective nutrition interventions, including management of severe malnutrition, promotion of exclusive breastfeeding and appropriate complementary feeding practices, improving access to specific micronutrient supplements, delivering primary health care services, promoting food hygiene and a safe food supply when distribution channels are disrupted; v) support the country in strengthening and implementing integrated national nutrition policies; and vi) support the development and scaling up of social protection activities, including support for advancing the agenda of social protection related to nutrition.

17. The World Bank

178. The World Bank has launched a Global Food-crisis Response Programme (GFRP) an umbrella facility of \$1.2 billion to provide accelerated financial and technical advice to countries severely affected by the food price crisis. The World Bank will extend support to Pakistan to mitigate the negative impact of the current food prices. They are reviewing the situation and the stress on the economy and are considering budgetary support to GOP to finance a well-structured and sustainable Social Protection System.

18. Other Bilateral Agencies in Pakistan

179. The bilateral agencies, particularly DfID, EU, and USAID have also shown concern and support to assist Pakistan combat the negative impact of the food price spiral. They are in the process of assessing the situation.

VI. RECOMMENDATIONS

A. OVERALL RECOMMENDATION

180. The overarching goal of the recommendations vis-à-vis response actions is the protection of lives and livelihoods support to over 7 million severely food insecure households or 45 million people that are vulnerable to a price spiral and food shortages, in the immediate short run, i.e. in the next 12-18 months. The other guiding principles include: i) targeted, transparent, and coordinated social assistance programmes; ii) productivity enhancement of food crops; iii) preventing deterioration of the nutritional situation; iv) to protect educational gains and ensure continued schooling; and v) implementation of medium and long-term food security action plan. The following is the summary recommended by the mission..

B. SPECIFIC RECOMMENDATIONS

1. Upscale Social Assistance and Safety Nets

181. Emergency assistance should be provided in the form of cash or food transfers to the worst affected households - mainly wage labourers and petty traders in rural and urban areas, as well as small farmers- during the forthcoming lean season between October 2008 and March 2009. The focus should be on Balochistan (3 million) and Sindh (13.4 million people), where the highest concentration of vulnerable people with less than 1,700 kcal per capita per day can be found, and on the food insecure rural population in NWFP (3.5 million) and in FATA, who suffered the worst impact. Female-headed households should receive highest priority.

182. Immediate support to the 2.3 million severely food insecure urban households, of which 80 percent are in Sindh and Punjab, might best be provided by the expansion and improved targeting of the Government's ongoing safety net schemes such as the utility stores and Baitul Mal. These schemes have good coverage in urban areas; however their efficiency and effectiveness could be improved by better targeting and coordination with other safety net schemes. In urban areas, priority should be given to the government enumeration blocks that are categorized as poor, as they show clearly higher levels of food insecurity compared to the medium and better off parts.

183. The new Benazir scheme should be implemented in such a way that it fills gaps and complements where necessary other transfers to households. It is planned that half of the beneficiaries under this new scheme - or around 1.8 million households - will be in Punjab. This would cover almost 2/3 of the 2.9 million needy households in this province.

184. Where possible, micro-finance schemes and income-generating projects should be implemented, including food-for-work, cash-for-work programmes, and small-business schemes to improve capacities of households to deal on their own with the crisis.

185. Food transfers to households are appropriate in the cereal deficit provinces or districts, in particular the ones bordering Afghanistan, where informal trade and insufficient wheat allocation shortages occur. If the government is not able to import at least 2.75 million tonnes of wheat until the end of the year, it is likely that supply problems will worsen, especially in rural areas.

2. Protect livelihoods of most affected households in medium and long term

186. As food prices will probably remain high or even rise further if the government decides to bring domestic prices closer to international prices, longer term safety nets are required for the most vulnerable households, who otherwise will not be able maintain their livelihoods and stay healthy.

3. Prevent deterioration of the health and nutritional situation

187. Existing Mother and Child Health schemes and treatment of acute malnutrition should be scaled up in all provinces. Higher investment is required in Punjab and Sindh, where the largest number of severely food insecure people reside and where pre crisis levels of acute malnutrition were highest. However, special attention has to be paid to rural NWFP where malnutrition rates are expected to increase significantly in line with the steep increase in numbers of severely food insecure people.

188. In view of the poorer quality and diversity of diets observed as a result of the price hikes, opportunities for micronutrient supplementation and de-worming should be seized in the context of existing and planned programmes such as safe motherhood, mother and child health, community based nutrition interventions, school nutrition programmes etc.

189. Better (breast) feeding practices for infants and small children should be promoted in the same target locations as above. Exclusive breastfeeding for six months and continued breastfeeding until 2 years would counter the negative impact of high milk prices on the quality of weaning foods for small children.

4. Protect educational gains and ensure continued schooling

190. The launch of the National School Nutrition programme should be accelerated, with a focus on girls' schools and on poor rural areas where only private schools are functioning. The negative impact of tighter household budgets on schooling is likely to be felt most in NWFP and Balochistan, where pre crisis enrolment rates were lowest, gender gaps greatest and income poverty most widespread. While no enrolment statistics are available for FATA, the situation is likely to be similar to NWFP. Of special concern are areas that are only served by private schools, as costs are usually significantly higher than for public schools. Targeted school stipends can help families to keep their children in school.

191. For better results and sustainability of gains of food for education programmes once the food inputs are withdrawn, one must incorporate non-food interventions from the very outset of the programme. Most importantly, it is essential to enhance students' learning achievement.

5. Provide incentives for farmers to increase wheat production

192. The most important signal for farmers that indicates whether it is worthwhile investing in wheat or not is the GMP. The gap between the fixed procurement price and world market prices should be narrowed, ideally by allowing the market to determine the prices.

193. To ensure a higher wheat harvest during the next rabi season, it is vital to provide targeted agricultural input subsidies to small farmers.

6. Provide an enabling environment for the private wheat sector

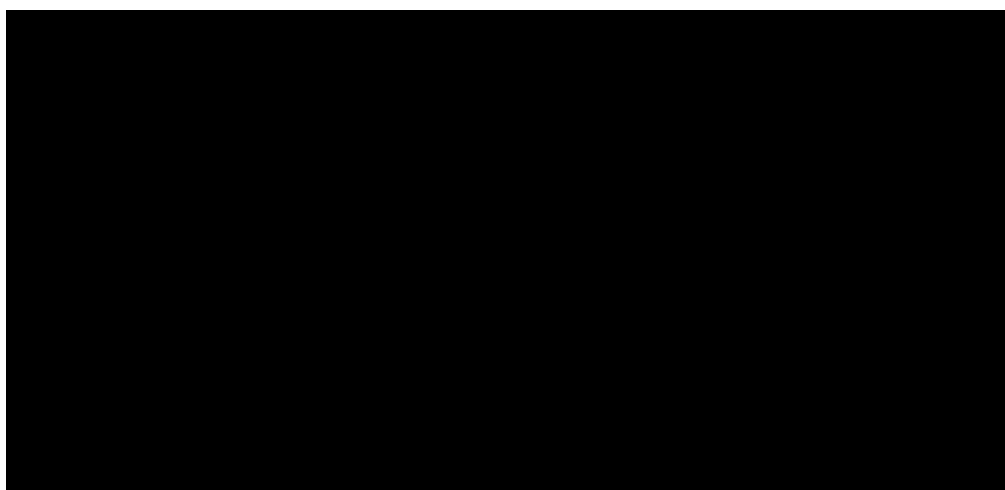
194. As the current regulations of the wheat sector proved ineffective in managing the crisis and financially unsustainable in the long run, it is recommended to loosen restrictions on the wheat trade and reduce government interventions in the wheat sector. In addition to this, i) allow free movement of wheat at inter- and intra-government levels; ii) allow free imports and exports of wheat; and iii) procure wheat at market prices;

7. Streamline wheat procurement, milling, and distribution system..

195. The GOP should limit its procurement to meet the strategic reserves and procurement should be made at open market prices. For providing subsidized wheat, an integrated procurement, storage, milling, and distribution system should be introduced. Each flour mill should be allowed to have pre-sowing contracts with the wheat farmers, through wholesalers, at

competitive price and allowed to store purchased wheat for their milling requirements. The participating flour mills will be required to sell the pre-contracted wheat flour to the designated utility store corporation, who in turn will have registered households. A graphic representation of the integrated wheat marketing system is presented below. The food department should monitor the quantity procured, stored, milled, and distributed through USC and other outlets.

Figure 23: Proposed wheat procurement, storage, milling and distribution system



C. TYPOLOGY OF PROPOSED INTERVENTIONS, THEIR LIKELY IMPACT AND IMPLEMENTATION ISSUES.

S.No	Instrument/ Initiative	Impact (Strength and Opportunities)	Issues for Consideration (Weaknesses and Threats)
A. Social Assistance and Safety Nets			
1	Cash Based non conditional transfers	Recipients will be able to allocate their household budgets and readjust household food budget without curtailing expenditure on other social needs. Pakistan has sufficient experience in implementing programmes such as <i>Bait-ul-Mal</i> and <i>Zakat</i> and <i>Ushr</i> . The recently announced <i>Benazir Card</i> will also provide relief to households not yet covered by programmes.	It has lower administrative cost. Despite reasonable performance of the past and ongoing initiatives in administering the SASN programmes, there is a need to improve the inclusion of vulnerable mechanism of the target population, and adopt best practices to minimize overlaps and leakages.
2	Cash Based conditional transfers	This approach will induce demand for social services and improve the social indicators. This initiative could also be extended to productive activities that are home-based.	This could be linked to health and education services. This also facilitates the easing of stress due to social obligations such as marriage of dependents, funerals, and special needs. This would, however, exclude households residing in areas with poor social services coverage. Monitoring of eligibility and compliance is cumbersome and costly.
3	Proxy Cash	This would provide relief and	This restricts the fungibility of the funds

S.No	Instrument/ Initiative	Impact (Strength and Opportunities)	Issues for Consideration (Weaknesses and Threats)
	transfers (Food stamps, vouchers, etc.)	encourage better nutrition.	and may encourage exchange of vouchers with cash. Monitoring of eligibility and compliance is cumbersome and costly.
4	Subsidy on Food Items and integrate production, processing, and distribution systems	It will ensure access to essential food commodities at affordable prices. Linking farm producers – flour mills – and Utility Store outlets through pre-sowing contracts will ensure monitored flow of commodities, particularly stocks.	Targeting very poor and marginal would be difficult to manage and monitor. It would need wider coverage of outlet in the smaller town and rural areas. This may distort the markets if is based on limiting producer prices, and encourage leakages.
5	School Primary Feeding Programmes	This will discourage school drop out rate, increased student and teacher attendance, and ensure better food availability of households sending their children to schools, specially female students.	Various development partners such as WFP, UNICEF, UNESCO, WHO etc. will continue to provide assistance. This will ensure wider coverage and is administratively easy to implement and monitor. There may be few ineligible cases, but these can be ignored.
6	Safe motherhood and Child nutrition programmes	This will have a significant impact on women's health at all stages of pregnancy, and help in reducing the malnutrition and micronutrient deficiency of women and children	Various development partners such as UNICEF, UNESCO, WHO etc. will continue to provide assistance. This will ensure wider coverage and is administratively easy to implement and monitor. There may be few ineligible cases, but can be ignored. However, it will not be accessible to areas that have poor coverage of social infrastructure
B. Encouraging Supply Response of Food Crops			
7.	Procurement of grains for operational and strategic reserves at market rates and timely announcement of minimum guaranteed price	This will encourage producers to increase area under wheat and other cereals, and invest more in inputs, mainly fertilizer. This will also remove distortion in the markets, bring the prices closer to the import parity prices and prices in the neighbouring countries, and hence eliminate informal cross border trade.	This would require political commitment and better administration of rationing of subsidized food through efficient distribution system, and wider coverage of outlets.
8.	Subsidy on Inputs such as: fertilizers, diesel, electricity, etc.	This will encourage farmers to increase input use and production.	Blanket subsidy will have a fiscal cost. Fertilizer subsidies need to be targeted to small farmers, but difficult to administer. However, utilization of diesel for non agricultural use will be difficult to monitor, however, it would be easy to have a seasonal tariff for electricity.
9.	Inputs 'in kind' support to small farmers	This will encourage small farmers to increase their productivity and food security	Targeting eligible farmers and establishing network for distribution of seed and fertilizer packages will have a high cost, unless managed through NGOs.
C. Public Works Programmes			
10.	Public Works Programme (Cash for Work)	This would provide livelihoods to the under- and unemployed and help them in financing food expenditures.	This would, however, exclude i) households without able-bodied persons, particularly women-headed households,

S.No	Instrument/ Initiative	Impact (Strength and Opportunities)	Issues for Consideration (Weaknesses and Threats)
			and ii) populations residing in areas with a poor resource base
D. Policy and Administrative Measures			
11.	Curb Smuggling	It will safeguard price hike due to shortages in other countries	This is only possible if the prices are set right and are not distorted due to price controls and restrictions on imports
12.	Removal of import restrictions and import duty	This will keep the prices low and competitive.	Importers may should not be discouraged through restriction on grain movement and price fixation
13	Removal of Inter-district and inter-provincial movement	It will ensure competitive prices to the producers.	This may restrict the ability of the GOP, particularly in the Punjab province, to monitor the flow of wheat that may be eventually smuggled out, unless smuggling is restrained. Given the porous borders, it would be difficult. However, if the domestic market is not subjected to price controls, the price differential between domestic market and cross border prices may not be enough to encourage smuggling.
14	Minimum Export Price Restriction	This will check export of cereals, particularly rice, significant increases in rice prices in the domestic market and stop shortages	The exporters may not transfer the prices and gains from export trade to producers.
15	Import of wheat	MINFAL to place order in international market to import about 2 million MT. GOP to further explore possibility of accessing PL480 facility.	This will ease the supply of wheat situation, and keep the prices in control, particularly in September 2008 (<i>Ramazan</i>) when demand will surge.

D. MONITORING AND EVALUATION

196. Given the likely changes in domestic and international food supply situation and its impact on food prices price, it is pertinent to regularly monitor these changes. This would require to be done at various levels, i) periodic monitoring of food prices in rural markets; and cross border wheat trade; ii) periodic monitoring of household income, expenditure (food and non food) and food consumption as well as any adverse impact on health (treatment seeking behaviour) and education (school retention); iii) periodic institutional monitoring of health/nutrition and education related indicators in affected areas; and iv) monitoring of transparency and targeting efficacy of interventions. It is recommended that the monitoring is based on sentinel sites that were covered by the assessment mission field survey.

E. TERMS OF REFERENCE FOR THE MEDIUM AND LONG TERM FORMULATION MISSION

197. Based on the above assessment, as planned the UN system is fielding an interagency mission, with FAO as lead agency to formulate medium and long term investment programme to mitigate the adverse impact of increasing prices and constrained availability on the livelihood and welfare of the vulnerable poor and to ensure that the progress made so far in achieving the MDGs. The mission will identify the priority medium and long term interventions mainly aimed at increasing the production and incomes of the poor and vulnerable, particularly in the rural areas. It is expected that this report will be available by end November for the consideration by the

GOP and the development partners for consideration. The detailed Terms of Reference of the formulation mission are given in Annex XIV.

Annex I

Attachment Tables and Figures 1-22

Attachment Table 1: Rural sample sites for household survey

Province	Province Pop 2007	District	Cereal Surplus/deficit	Per capita income	Group	District Pop
Punjab	92,040,000	Khanewal	surplus	very low	4	2,559,000
		Bhakkar	surplus	high	5	1,330,000
Sindh	38,816,000	Khairpur	sufficient	very low	3	1,981,000
		Sukkar	low deficit	very low	2	1,142,000
		Badin	sufficient	moderate	4	1,358,000
NWFP	22,886,000	Peshawar	extreme deficit	very low	1	2,792,000
		Abbottabad	high deficit	moderate	3	1,023,000
Balochistan	8,136,000	Musa Khel	extreme deficit	low	2	159,000
		Killa Saifullah	low deficit	moderate	4	212,000
AJK	3,551,000	Rawalakot	extreme deficit	extremely low	1	477,000
Total	165,429,000	10 districts				13,033,000

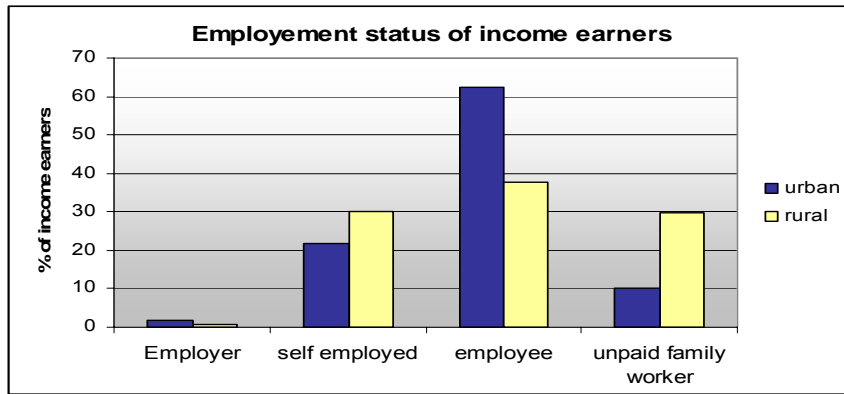
Attachment Table 2: Geographic per capita kcal intake (province and rural/urban)

Province	District	Per capita kcal intake	City with pop > 200,000	City with pop 50,000-200,000	City with pop < 50,000
Punjab	Bahawalnagar	low		Chishtian (124,000)	
	Sheikhupura	adequate	Sheikhupura (372,000)		
Sindh	Larkana	low	Larkana (373,000)		
	Umer Kot	very low			Umerkot (44,000)
NWFP	Swabi	adequate		Swabi (119,000)	
	Charsadda	low			Tangi (30,000)
Balochistan	Lasbela	very low		Hub (95,000)	
AJK	Mirpur	adequate			Islamagarh (12,200)

Attachment Table 3: Sample traders by location and type of market

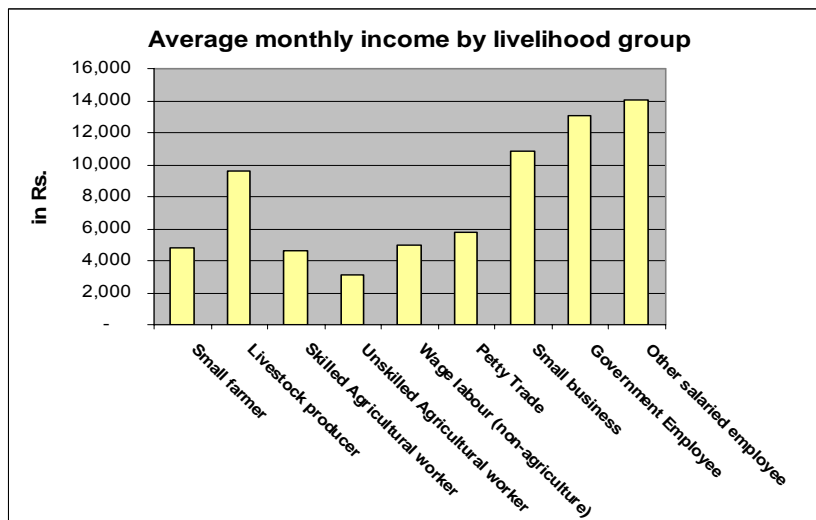
Market Type	Sindh	Punjab	NWFP	Balochistan	PAK	Total	%
Primary	2		1		1	4	10%
Secondary	6	5	7			18	44%
Retailer	2	5	2	4	4	17	46%
Grand Total	10	10	10	4	5	39	100%

Attachment Figure 4: Employment status of income earners



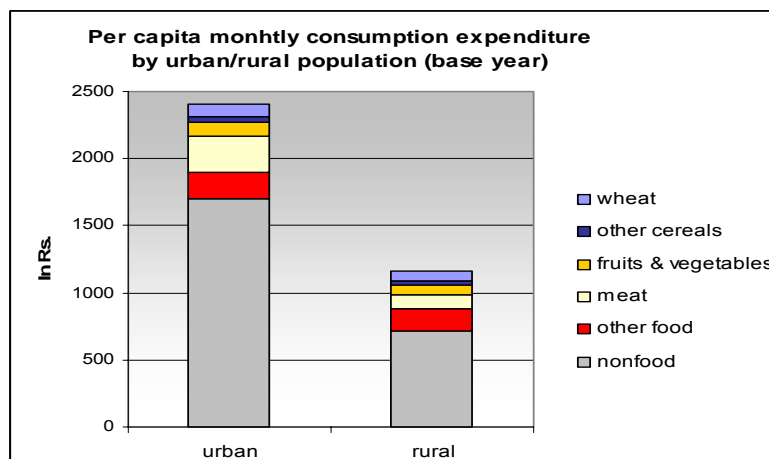
Source: Rapid Household Assessment June 2008

Attachment Figure 5: Employment status of income earners



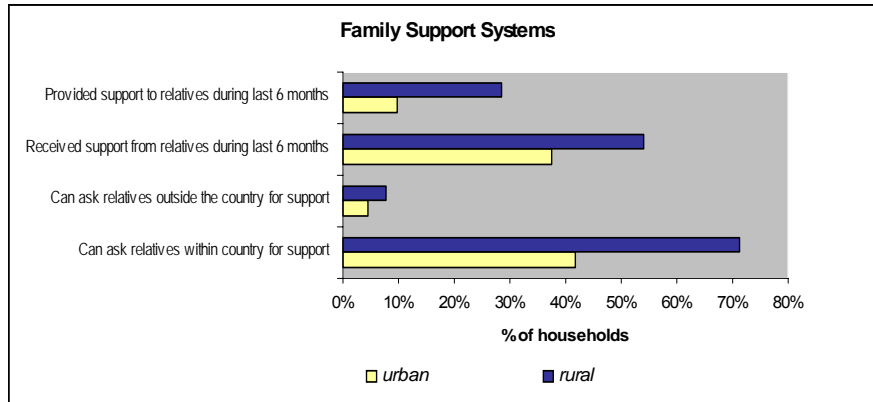
Source: Rapid Household Assessment June 2008

Attachment Figure 6: Per capita monthly income expenditure by rural/urban population



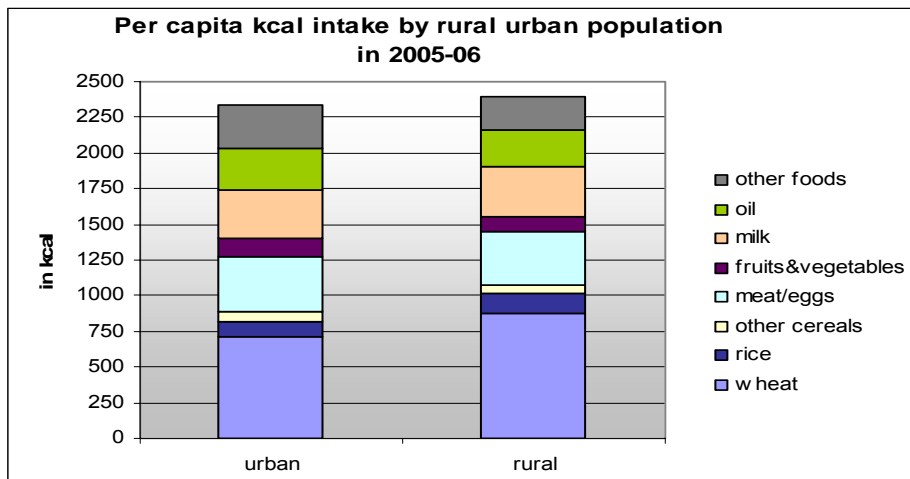
Source: Rapid Household Assessment June 2008

Attachment Figure 7: Family support in rural /urban areas



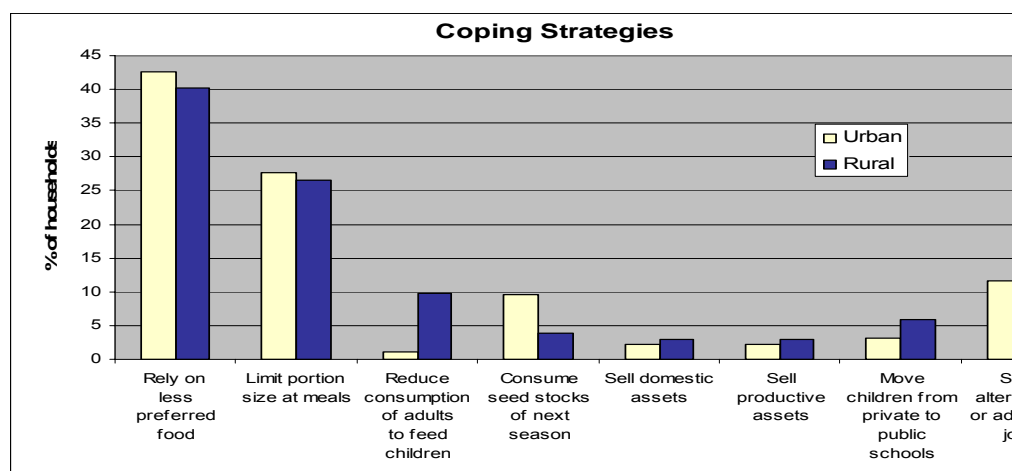
Source: Rapid Household Assessment June 2008

Attachment Figure 8: capita kcal intake in rural/urban populations



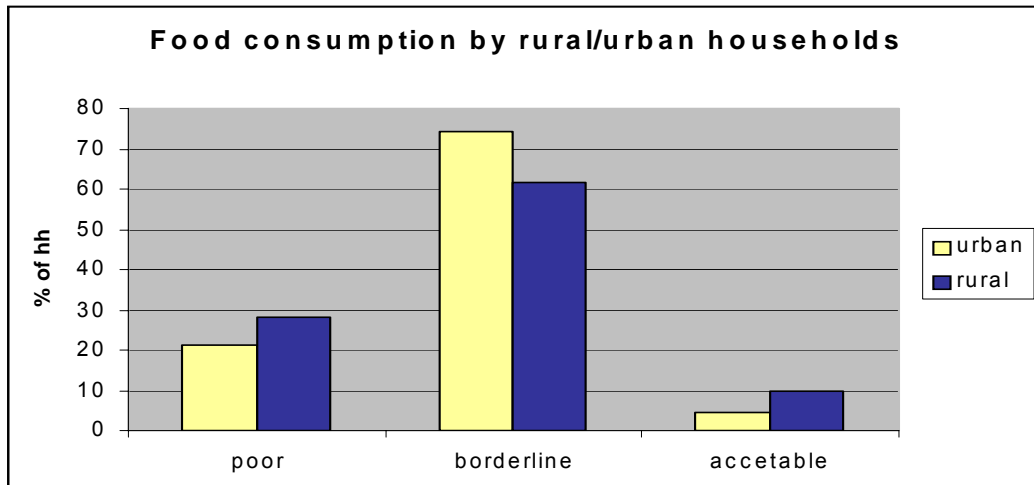
Source: Household Integrated Economic Survey

Attachment Figure 9: Coping strategies in rural/urban areas



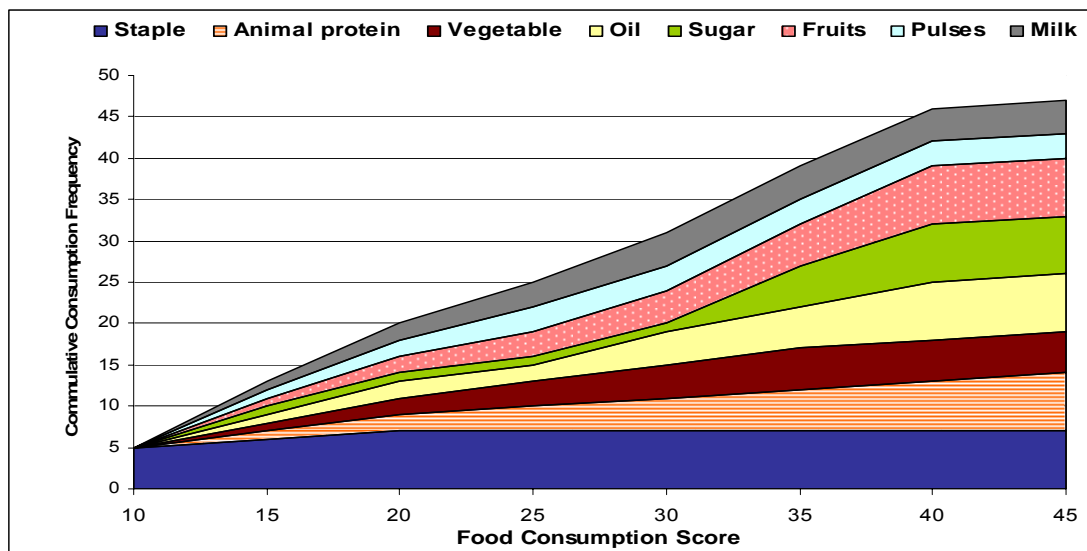
Source: Rapid Household Assessment June 2008

Attachment Figure 10: Food consumption by rural/urban households



Source: Rapid Household Assessment June 2008

Attachment Figure 11: Food consumption score

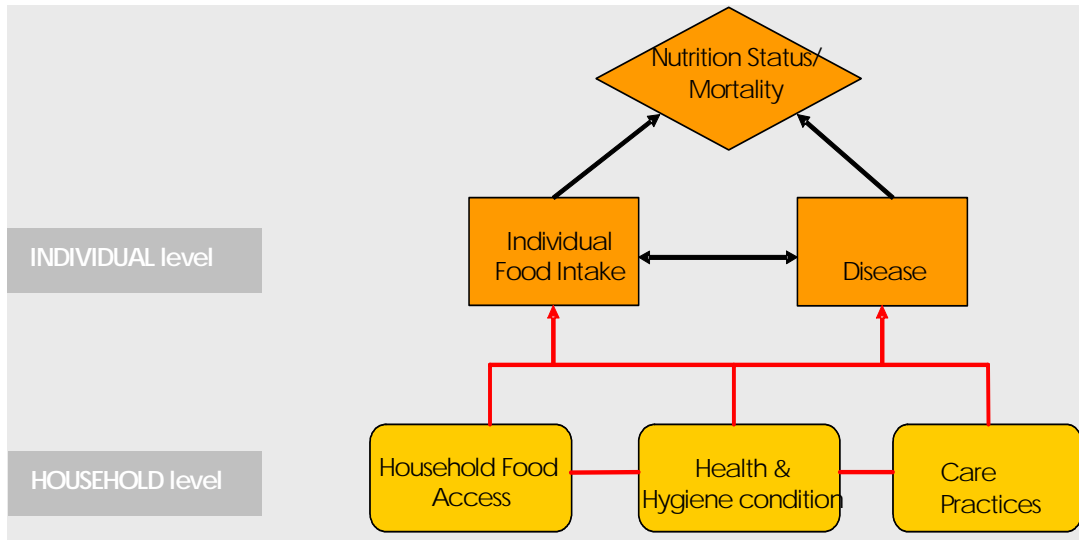


Attachment Figure 12: Pregnant/lactating women and infants kcal consumption

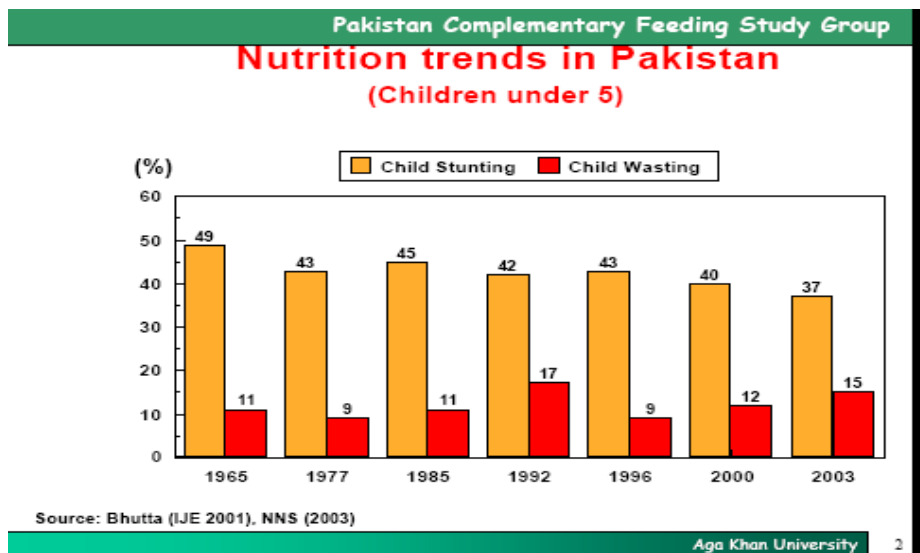
	Pregnant women	Lactating mothers	Infants 6-18 mon
Cereals	99	99	40
Milk	48	40	90
Roots	23	23	3
Pulses	26	30	30
Meat	31	32	10
Egg	7	9	30
Fish	3	4	1
Oils	91	92	30
Vegetables	47	41	8
Green LV	4	4	5
Fruits	8	6	20
Tea	78	80	30

Source: Aga Khan University

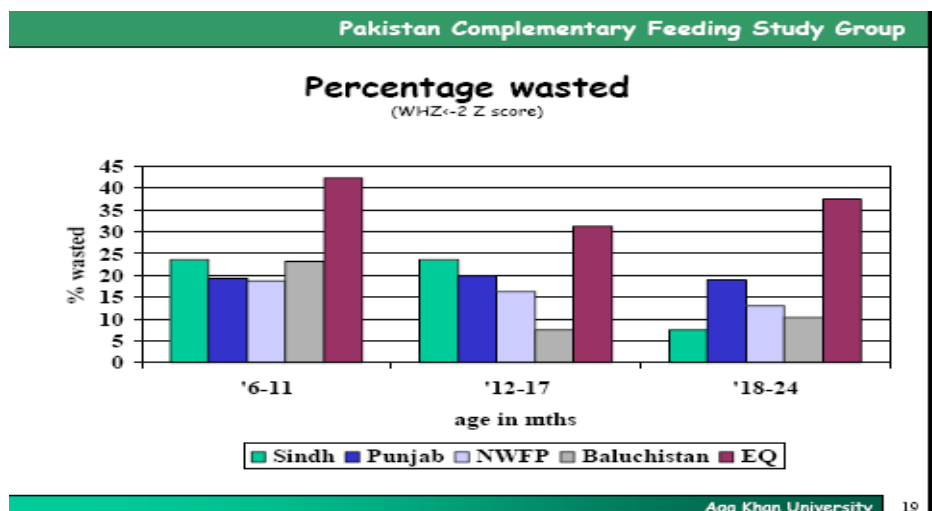
Attachment Figure 13: Household/individual food security and nutrition linkages



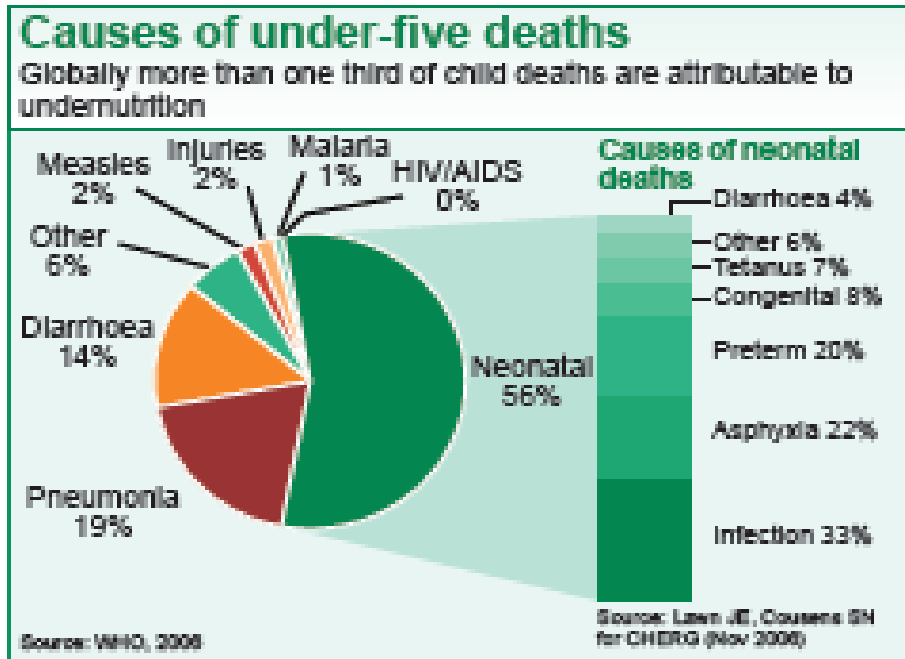
Attachment Figure 14: Nutrition trends in Pakistan



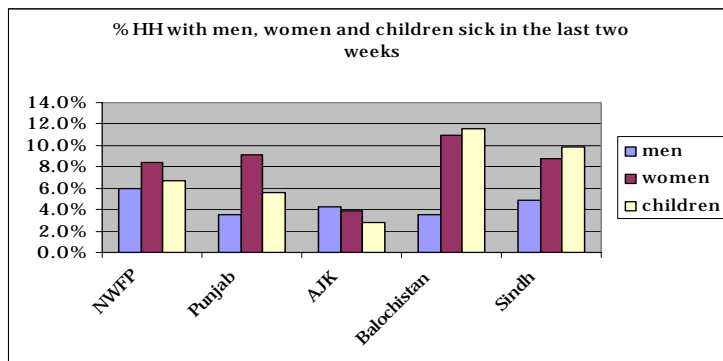
Attachment Figure 15: Percentage wasting in Pakistan



Attachment Figure 16: Under 5 years mortality causes

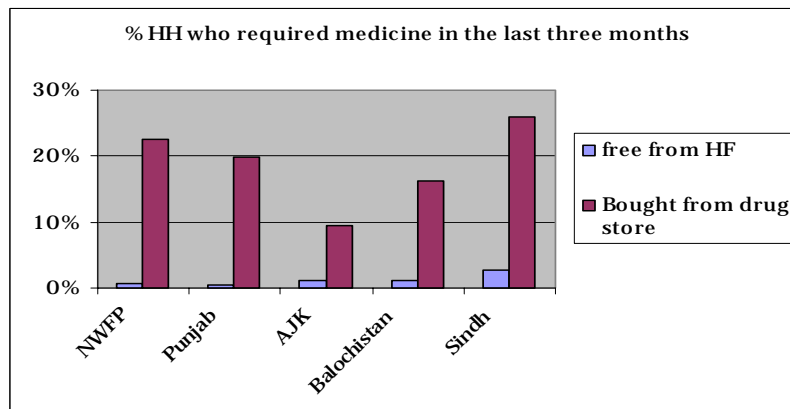


Attachment Figure 17: Households with sick members in last 2 weeks



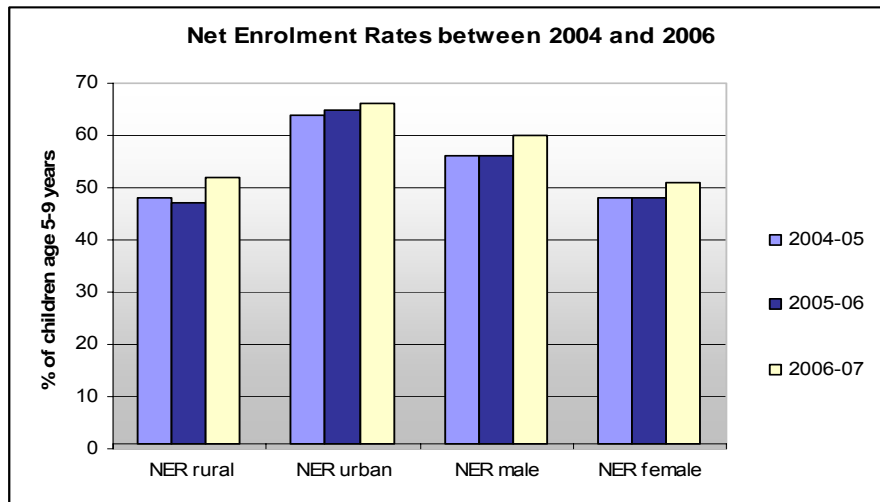
Source: Rapid Household Assessment June 2008

Attachment Figure 18: % Households who required medicine in last 3 months



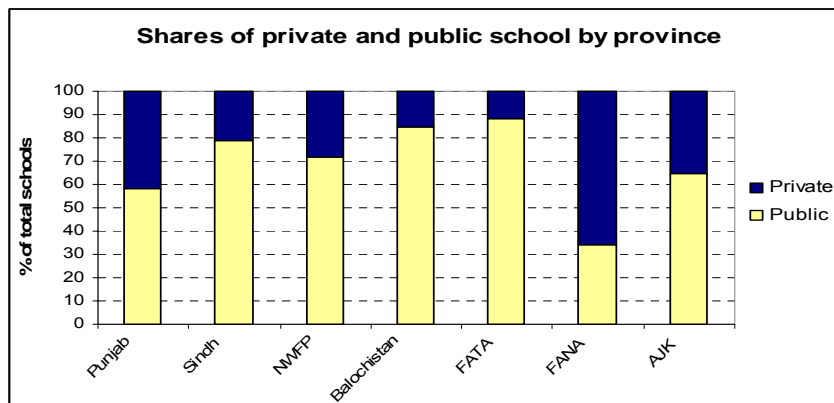
Source: Rapid Household Assessment June 2008

Attachment Figure 19: Net Enrolment Rates between 2004-2006



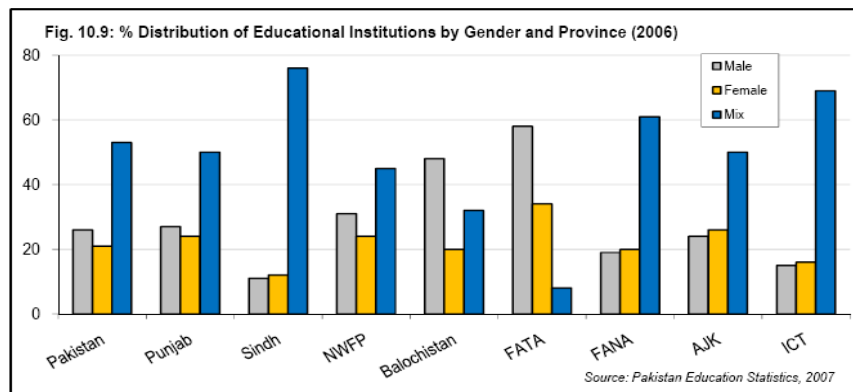
Source: Education Statistics of Pakistan

Attachment Figure 20: Public/private education by province



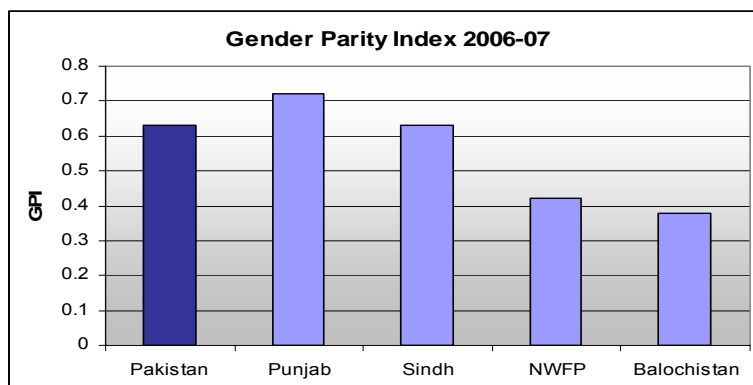
Source: Education Statistics of Pakistan

Attachment Figure 21: % Distribution of Educational Institutions by Gender and Province (2006)



Source: Education Statistics of Pakistan

Attachment Figure 22: Gender Parity Index 2006-2007



Source: Education Statistics of Pakistan

Annex II**Field Survey Teams****Team 1: District Thatta and Umerkot**

No.	Name	Title
1	Ms. Serita Neupane (UNICEF)	Team Leader
2	Mr. Abdullah	Enumerator
3	Mr. Faiz Ahmad	Enumerator
4	Ms. Arzoo Kanwal (WFP)	Enumerator

Team 2: District Khairpur and Sakhar

1	Dr. Soomar Khoso	Team Leader
	Ms. Sabyan Zaidi (OCHA)	
2	Mr. Saifullah	Enumerator
3	Mr. Kashif Ahmed	Enumerator
4	Mr. Hayat Afridi	Enumerator

Team 3: District Swabi and Charsada

1	Mr. Muhammad Farooq	Team Leader
2	Mr. Amir Khan	Enumerator
3	Mr. Kifayat	Enumerator
4	Ms. Irum (WFP)	Enumerator

Team 4: District Peshawar and Abbotabad

1	Ms. Rukhsana Shreen (UNICEF)	Team Leader
2	Mr. Tariq Mehmood	Enumerator
3	Mr. Shah Hussain	Enumerator
4	Ms. Nadia Begum	Enumerator

Team 5: District Bahawalnagar and Sheikupura

1	Ms. Shelina Kiyani WHO)	Team Leader
2	Mr. Ashiq Rasool	Enumerator
3	Mr. Saadat	Enumerator
4	Mr. Altaf Gohar	Enumerator

Team 6: District Khanewal and Bhakkar

1	Dr. Iqbal Kahut (WHO)	Team Leader
2	Mr. Fayaz	Enumerator
3	Mr. Fazli Rabi	Enumerator
4	Ms. Anisa Aslam	Enumerator

Team 7: District Lasbella, Musakher and Killha Saifullah

1	Mr. Irfan Gumman WFP	Team Leader
2	Mr. Amjad	Enumerator
3	Mr. Johar Ali	Enumerator
4	Ms. Saira Khan (WFP)	Enumerator

Team 8: District Mirpur and Rawlakot

1	Romana Haneef (WHO)	Team Leader
2	Mr. Mubarik Hussain	Enumerator
3	Ms. Saira Bano	Enumerator
4	Mr. Junaid	Enumerator

Terms of Reference - UN Inter-Agency Study

Assessment of Impact of Food Crisis in Pakistan and Recommendations for Short, Medium and Long Term Response

Background

International prices of basic food commodities have increased since 2006 and more rapidly in recent months. As of March 2008 wheat and maize prices were 130 and 30 percent higher than a year earlier. This situation poses a threat to food security in developing countries, and calls for urgent coordinated action by the international community and in particular by the United Nations. Without rapid and lasting action MDG 1 target for hunger reduction will be dramatically missed.

Pakistan is listed among the 40 countries that are facing food price crises. This not only has the potential to drive a growing section of the vulnerable segments of society below the poverty line, it makes an increasing proportion of the population food insecure. An estimated 60 million population has been food insecure and about 17 million is feared to have joined the food insecure category during the current food crisis.

Soaring food prices have negative short-run effects on developing countries like Pakistan, where the vast majority of households, including in rural areas, are net food buyers. Hence, food prices have caused unrest among the masses. This highlights the importance of increasing food prices as a political as well as a developmental issue.

Having to deal with higher food and energy import prices is placing a heavy burden on developing countries, especially as they have to deal with existing problems of under-nourishment. Poor households for whom food represents 60-80 percent of expenditures, suffer most from the food price inflation. Risk analysis conducted by WFP in a number of countries suggests that the impact on household food security will be significant. It is likely that high food prices will make the fight against hunger and poverty an uphill struggle if no additional actions are taken to mitigate the impact. Simulations by FAO using household data indicate that a 10 percent increase in food prices leads to a 1.2 percent income loss for the poorest quintile in rural areas and a 2.6 percent income loss for the poorest urban quintile. According to this analysis, only the richest rural quintile gain from an increase in food prices.

Faced with this situation, many governments including Pakistan have tried to limit the increase in domestic food prices by raising subsidies, lowering import tariffs or imposing export restrictions. By keeping domestic prices below international levels those interventions provide short-term relief for distressed consumers, but could also have negative effects for three reasons. First, by maintaining farm-gate prices artificially low they discourage the much needed supply response and productivity increase that is required for long-term food security. Second, export restrictions lower supply on international markets, pushing prices higher and aggravating the global situation. Third, higher subsidies and/or lower taxes and tariffs increase the pressure on national budgets and reduce fiscal space and resources available for much needed public investment and other developmental expenditures.

The UN system in Pakistan positioned to support the Government to deal with the impact of soaring prices on food security and to seize the opportunity offered by higher demand to expand their agriculture and fight rural poverty.

FAO/WFP/IFAD gave a joint presentation to the UN Country Team on Food Price Hikes in Pakistan. The presentation led to the UNCT setting up a UN inter-agency Task Force on the food price impact. The Task Force agreed to initiate an assessment of the food price impact in Pakistan. FAO/WFP/IFAD also received a written request from Government for conducting such an assessment.

Objective

The assessment is expected to verify the current impact of the food price hikes (by geographic area, incl. rural/urban and by population groups) on food security and nutrition/health status; to develop likely scenario(s) for the coming months; suggest monitoring arrangements; identify any need for assistance – in particular in the short and medium term; suggest response options (incl. safety nets small farmers programmes, nutrition programmes for the most vulnerable, investment programmes aimed at increasing the production of poor rural producers) and review the policy options for strengthening agriculture and trade in the long term.

Scope of Work

As the assessment will have to produce findings and recommendations for immediate response to the food crisis but also analyse the underlying causes and options for medium and longer term strengthening of macro economic policies, agriculture and trade, a “ONE STUDY, TWO REPORTS” approach should be applied.

The report with focus on the short-term must be available within four weeks of the assessment. The report should compare the food security situation in Pakistan before and after the food price hikes, their impact on household debt, health, education and nutrition. Profiling of food insecure households should include rural/urban as well as any significant differences by geographic area and gender, as appropriate. The report should conclude with a forecast on the population which will need direct food assistance in the next six to twelve month and propose practical arrangements for tracking the evolving food security situation in Pakistan. An inter-agency assessment mission will have responsibility for the timely production of this report.

The report on underlying causes and recommendations for medium and longer-term response to the food crisis must be available within six months of the assessment. This report is likely to require several sub-studies in distinct areas such as macro-economic policies, strategies for agriculture, food industries, market development and international trade, as well as food security reserve and social protection policies. The responsibility for timely production of this report may be entrusted to an eminent researcher who acts as lead consultant.

Profile of study team

The assessment mission (impact and short-term response) should include the following expertise: Economist (UNDP), Food Security (WFP), Nutrition/Public Health (UNICEF/WHO), Agriculture (FAO).

The lead consultant for the causal analysis and medium and long-term response should be an eminent economist. A number of sector specific studies would contribute and be compiled in a final report.

Implementation Arrangements

The assessment will be conducted under the supervision of the UN Task Force on Food Crisis. Members of the Task Force include: FAO, IFAD, UNDP, UNICEF, UNIDO, UNIFEM, UNHCR, WFP and WHO. The food agencies FAO, IFAD and WFP will act as secretariat to the Task Force.

Outputs

There will be two independent outputs. The report of the inter-agency food crisis assessment mission - four weeks after commencement of mission work (tentatively 30 June 2008). The report on the medium and long-term strategies for addressing the food crisis in Pakistan - six months after commencement of work (tentatively by 30 November 2008).

Appendix A

ISSUES AND RESPONSE OPTIONS IN THE SHORT-, MEDIUM- AND LONG TERM**Short Term:**

The top priority should be to ensure access of the most vulnerable to food, which can be achieved through emergency assistance and expanded safety net programs. Those would include assistance in the form of food, vouchers or cash transfers, employment programmes (food or cash for work), school feeding and insurance schemes. Targeted programmes, addressing the nutritional status of pregnant and lactating women, children less than five years of age and other vulnerable groups such as people living with HIV/AIDS or tuberculosis, could be scaled up.

The object of the first phase of study is to enable formulation of short term policies and strategies, in particular to avert or ameliorate emergency situations that might arise from either high prices at the country level or localized scarcity of food. The survey will aim to compare beneficiary household expenditures on food before and after the recent price rises as well as their impact on household debt, health, education and welfare of the households concerned. The output of the first phase of the study will include:

- the profile of households and individuals affected by food price hikes in terms of impact on their food security and nutrition/health status, including their location and socio-economic characteristics;
- Identify geographical areas of higher prevalence of food insecurity and/or malnutrition and their main characteristics, with particular attention to the urban/rural categories.
- Forecast the evolution of the food security and nutrition situation in the next six to 12 months, and describe the groups most likely to be food insecure and/or malnourished in that period who would need assistance;
- Review underlying causes of current food price hikes including trade policies/restrictions, current and planned food, agricultural and other interventions and unmet needs;
- As required, recommend food, nutrition/health agriculture and non-food interventions for the next 3-12 months to meet unmet needs, including indications of the type of interventions, amounts/contents (as much as possible), and targeting criteria.
- Suggest community, household, market and other indicators that should be monitored to follow-up the evolution of the food security, agriculture and nutrition situation.

Medium Term:

Support needs to focus particularly on enabling poor rural producers – those least able to respond to changing market signals – to expand their production and seize the opportunity offered by higher commodity prices.

The UN System funds will support the government to finance their programmes and projects aimed explicitly at enabling poor rural men and women to increase their agricultural production and incomes. Part of the second phase of the study will consist of recommendations to the UN, GOP and other local partners/donors how to reorient existing investment programmes and shape those being developed to help meet the new challenges posed by soaring food prices and other related constraints with particular focus on small farmers, landless and the vulnerable groups.

Some commonly known medium-term strategies which have been part of the Government's policy discussions include the following

- Improvement of infrastructures including new dams and irrigation networks and adoption of better irrigation and agricultural techniques including better irrigation technologies (drip irrigation), and promotion of appropriate crop selection (sugarcane/sugarbeet) for increasing the availability of water and the productivity of the agri sector.
- Identify measures to reduce post harvest losses and better food packaging and processing.
- On the demand side, widening the tax base to provide fiscal space for rationing support during future price fluctuations.

Long Term:

For the long-term, recommendations should revolve around providing a policy framework based on the vision to make Pakistan not only a food secure country, but to enable it to capitalize on its wide agricultural base to become an exporter of agricultural commodities and products. The report could base its analysis in light of the existing international trade regime and also take into account the future international landscape for the allocation of food resources and global supply gaps. The international trend of converting to bio-fuels could also be highlighted in light of its future impact of food supply dynamics.

Other long-term interventions may revolve around the following and more:

- 1/ A new law catering a strong regulatory environment for agricultural markets.
- 2/ Tax incentives for increased production of food commodities and products.
- 3/ Food reserves for reducing intra-annual price fluctuations and emergency shortfalls.
- 4/ Modern and efficient food distribution practices and systems targeting inclusiveness of vulnerable groups.
- 7/ Social protection policies and systems that could ensure sustainability of results from crisis response emergency safety net interventions.
- 8/ Enabling the private sector to participate more fully in agricultural development and in particular play a critical role in trade of food and supply of agricultural inputs.
- 9/ Trade measures to deal with international price fluctuations.

The paper may also take into account the regional variations in food availability and the structural dimensions of poverty and food inflation including an examination of distribution and storage as well as government procurement, export and import of major cereals. Since any significant ameliorative efforts would need to involve provincial and local governments intervening at local levels, the study should be centered round a sample large enough to allow district level stratification.

Appendix B

General principles for the Inter-Agency Assessment

The assessment should:

- cover the whole country;
- capture both food access and food availability issues by analyzing households, communities, markets and macro-economic factors (incl. international and inter-regional trade);
- follow a purposive sampling approach based on well-defined criteria that enable valid extrapolation of results at geographical levels relevant for decision-making and programming;
- Pay particular attention to the relationship between household food insecurity and (i) child malnutrition (chronic and acute), and (ii) access and performance of markets.
- For programming purposes, the sample must enable extrapolations of results within each region and for urban areas with a reasonable degree of confidence on their validity.
- Secondary data review will enable the identification of zones as homogeneous as possible from a food security, agriculture and nutrition perspective. Multiple sources of information and data collection techniques (interviews, discussions) and tools (questionnaires, checklists) should be used to ensure that the data collected from households and key informants are reliable and reflecting the true situation on the ground.
- The assessment and study will be supplemented by the results of the on-going spot survey on the impact of food prices in different regions by IFAD partner organizations/projects.

Annex IV

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Annex V

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Annex VII

List of districts by level of vulnerability

Province	District	Cereal Surplus/deficit	Per capita income	Group
PUNJAB	Gujrat	low deficit	extremely low	2
	Rawalpindi	high deficit	extremely low	1
	Gujranwala	surplus	very low	4
	Lahore	extreme deficit	very low	1
	Sialkot	surplus	very low	4
	Multan	sufficient	very low	3
	Narowal	surplus	very low	4
	Attock	sufficient	very low	3
	Chakwal	sufficient	very low	3
	Rajanpur	surplus	very low	4
	Muzaffargarh	surplus	very low	4
	Sargoda	sufficient	very low	3
	Layyah	surplus	very low	4
	Khanewal	surplus	very low	4
	T.T.Singh	surplus	very low	4
	D.G Khan	surplus	very low	4
	Lodhran	surplus	very low	4
	Pakpattan	surplus	very low	4
	Vehari	surplus	very low	4
	Hafizabad	surplus	very low	4
	Bahawalpur	surplus	low	4
	Sahiwal	surplus	low	4
	Okara	surplus	low	4
	Mianwali	surplus	low	4
	Bahawalnagar	surplus	low	4
	Jhang	surplus	low	4
	Mandi Bahaud Din	surplus	low	4
	Khushab	sufficient	moderate	4
	Rahim Yar Khan	surplus	moderate	5
	Kasur	sufficient	moderate	4
	Jhelum	high deficit	high	4
	Sheikhupura	surplus	high	5
Bhakkar	surplus	high	5	
Faisalabad	sufficient	high	5	
SINDH	Tharparkar	extreme deficit	extremely low	1
	Umerkot	sufficient	extremely low	2
	Larkana	surplus	extremely low	3
	Jacobabad	surplus	extremely low	3
	Shikarpur	surplus	very low	4

Province	District	Cereal Surplus/deficit	Per capita income	Group
	Khairpur	sufficient	very low	3
	Sukkar	low deficit	very low	2
	Sanghar	sufficient	very low	3
	Noushero Feroze	surplus	very low	4
	Nawabshah	surplus	very low	4
	Thatta	sufficient	low	4
	Hyderabad	high deficit	low	2
	Karachi	extreme deficit	moderate	2
	Badin	sufficient	moderate	4
	Mirpurkhas	sufficient	moderate	4
	Ghotki	sufficient	moderate	4
	Dadu	sufficient	moderate	4
NWFP	Upper Dir	high deficit	extremely low	1
	Hangu	extreme deficit	extremely low	1
	Lower Dir	high deficit	extremely low	1
	Tank	high deficit	extremely low	1
	Battagram	low deficit	extremely low	2
	Shangla	low deficit	extremely low	2
	Kohistan	high deficit	extremely low	1
	Chitral	low deficit	extremely low	2
	Mansehra	low deficit	extremely low	2
	D.I.Khan	low deficit	extremely low	2
	Karak	extreme deficit	extremely low	1
	Malakand	low deficit	very low	2
	Swat	low deficit	very low	2
	Lakki	low deficit	very low	2
	Buner	sufficient	very low	3
	Bannu	high deficit	very low	2
	Peshawar	extreme deficit	very low	1
	Nowshera	high deficit	very low	2
	Mardan	high deficit	low	2
	Charsadda	high deficit	low	2
Swabi	low deficit	low	3	
Kohat	extreme deficit	moderate	2	
Abbottabad	high deficit	moderate	3	
Haripur	low deficit	moderate	4	
BALOCHISTAN	Dera Bugti	extreme deficit	extremely low	1
	Gawader	extreme deficit	extremely low	1
	Kharan	high deficit	extremely low	1
	Bolan	high deficit	extremely low	1
	Jhal Magsi	surplus	very low	4

Province	District	Cereal Surplus/deficit	Per capita income	Group
	Killa Abdullah	extreme deficit	very low	1
	Pishin	extreme deficit	very low	1
	Kohlu	high deficit	very low	2
	Sibi	low deficit	very low	2
	Awaran	sufficient	very low	3
	Barkhan	sufficient	very low	3
	Chagai	low deficit	very low	2
	Quetta	extreme deficit	very low	1
	Panjgur	extreme deficit	very low	1
	Zhob	extreme deficit	low	2
	Musa Khel	extreme deficit	low	2
	Khuzdar	sufficient	low	4
	Jafarabad	surplus	moderate	5
	Killa Saifullah	low deficit	moderate	4
	Turbat	extreme deficit	moderate	2
	Kalat	extreme deficit	moderate	2
	Mastung	sufficient	moderate	4
	Lasbela	extreme deficit	high	3
	Nasirabad	surplus	high	5
	Loralai	high deficit	high	4
Ziarat	extreme deficit	high	3	
NORTHERN AREA	Ghanche	extreme deficit	extremely low	1
	Ghizer	high deficit	extremely low	1
	Skardu	high deficit	extremely low	1
	Gilgit	high deficit	extremely low	1
	Diامر	sufficient	very low	3
AJK	Bagh	extreme deficit	extremely low	1
	Rawalakot	extreme deficit	extremely low	1
	Bhimber	extreme deficit	very low	1
	Muzaffarabad	extreme deficit	very low	1
	Kotli	high deficit	very low	2
	Sudhnoti	extreme deficit	very low	1
	Mirpur	extreme deficit	very low	1
FATA	N. Waziristan	extreme deficit	extremely low	1
	Orakzai	extreme deficit	extremely low	1
	Bajour	low deficit	extremely low	2
	Khyber	extreme deficit	extremely low	1
	Kurram	high deficit	extremely low	1
	S. Waziristan	extreme deficit	extremely low	1
	Mohmand	extreme deficit	extremely low	1

Computation of the Food Consumption Score (FCS) and the Grouping of Food Consumption Groups (FCGs)

Definition: The frequency weighted diet diversity score or “Food consumption score” is a score calculated using the frequency of consumption of different food groups consumed by a household during the 7 days before the survey.

Calculation steps:

Group all the food items into specific food groups (see groups in table below).

- ❖ Sum all the consumption frequencies of food items of the same group, and recode the value of each group above 7 as 7.
- ❖ Multiply the values obtained for each food group by its weight (see food group weights in table below) and create new weighted food group scores.
- ❖ Sum the weighed food group scores, thus creating the food consumption score (FCS) for each household.
- ❖ Using the appropriate thresholds (see below), recode the variable food consumption score, from a continuous variable to a categorical variable. These are the standard Food Groups and current standard weights used in all analyses by WFP.

	FOOD ITEMS (examples)	Food groups (definitive)	Weight (definitive)
1	Maize , maize porridge, rice, sorghum, millet pasta, bread and other cereals	Main staples	2
	Cassava, potatoes and sweet potatoes, other tubers, plantains		
2	Beans. Peas, groundnuts and cashew nuts	Pulses	3
3	Vegetables, leaves	Vegetables	1
4	Fruits	Fruit	1
5	Beef, goat, poultry, pork, eggs and fish	Meat and fish	4
6	Milk yogurt and other diary	Milk	4
7	Sugar and sugar products, honey	Sugar	0.5
8	Oils, fats and butter	Oil	0.5
9	spices, tea, coffee, salt, fish power, small amounts of milk for tea.	Condiments	0

- ❖ 6. Create the three Food Consumption Groups (FCGs), using the titles ‘poor’, ‘borderline’, and ‘acceptable’, based on the below cut-offs:

FCS Profiles:

Poor: 0-28

Borderline: 28.5-42

Acceptable : > 42 Adequate

Caloric Contents of Main Food Items

Food name	Energy per gram (kcal)
Rice and flour	3.46
Wheat	2.95
Flour	2.95
Suji	3.48
Lentil	3.43
Chicking vetch(Mug)	3.48
Green gram(Boot)	3.72
Shrimp	0.89
Dried fish	3.49
Hen egg	1.73
Duck egg	1.81
Beef	1.14
Mutton	1.18
Hen	1.09
Duck	1.3
Potato	0.97
Cauliflower/Cabbage	0.26
Tomato	0.23
Liquid milk	0.67
Powder milk	4.96
Curd(Dai)	0.6
Butter	3.48
Mustard oil	9.0
Soyabean oil	9.0
Ghee	9.0
Ripe banana	1.09
Mango	0.9
Melon/Bangi	0.17
Apple	0.76
Sugar/Misri	3.98
Fish	1.12
Green chilli	1.03
Salt	4.0
Ginger	0.67

Annex X

Brief Description of Social Protection Programmes in Pakistan

The Pakistan Poverty Reduction Strategy paper highlights the social protection programs as its fourth pillar of the strategy. Social protection covers both the safety nets and social security programmes. One of the constraints in estimating the aggregate total spending is its divisibility and implementation by different agencies. World Bank¹ in its recent publication has delineates the total spending on social protection in Pakistan into two broad categories, i) Safety Nets which includes cash transfers, social welfare services, human capital accumulation, and wheat subsidies; and ii) Social Security comprise of public sector spending on civil services pensions, and private sector sponsored workers welfare fund, and cost of employees social security institutions. ADB,² decomposes the social protection spending in much broader categories: i) labor market programs; ii) social insurance programs; iii) social assistance and welfare programs; iv) micro and area based schemes (community based); and v) child protection programs.

Given the context of this study – proposing a immediate response, a quick fix approach, (to be followed by another study on medium term and long term response to address the root causes and an exit strategy to reduce vulnerability of poor and marginal segments of population), the relevant component for immediate response are the social assistance and welfare program or the safety nets. According to the World Bank study the share of spending on safety nets in 2003.04 was about PRs.52.0 billion (0.92%) of GDP. Of the total spending on social protection, the share of spending on safety net was 33.9%. The ADB study however shows that the expenditure on social protection in Pakistan is about 1.6% of GDP, and Pakistan is amongst the lowest 10 countries in Asia. In terms of coverage it reaches only 7% of the reference or targeted population.

Pakistan has a number of safety net programs, implemented by various ministries. The main two cash transfer programs include i) Bait-ul-Mal implemented by Ministry of Social Welfare and Special Education, ii) Zakat and Ushr scheme administered by Ministry of religious Affairs. These two programs provide assistance to about 4 million household, with a total outlay of \$10-12 billion. The Bait-ul-Mal is funded out of annual non development budget, while Zakat and Ushr are financed out of a religious fief on Sunni Muslims.³ In addition to this, other programs that are implemented include school feeding, safe motherhood and child nutrition, etc. These are implemented by provincial education and health departments, with the assistance of WFP, WHO, UNICEF, and UNESCO. These programs provide assistance to about 2 million household. Recently, GOP has announced launching of a new instrument, the Benazir Card to be administered by Ministry of Finance. For this scheme the GOP has allocated PRS34 billion in the 2008/09 budget, while PRs.7 billion has been allocated for Bait-ul-Mal.

The abovementioned cash transfer programs follow different modalities for identification of beneficiaries, targeting mechanism, coverage and outreach, due diligence and monitoring mechanism. It is worthwhile to review the ongoing schemes/programmes so as to draw

¹ Social Protection in Pakistan: Managing Household Risks and Vulnerability. World Bank. October 2007

² Scaling Up of the Social Protection Index for Committed Poverty Reduction. Final Report. Volume 1. Multi Country Report, Halcrow China Limited. Prepared for Asian Development Bank.. November 2007.

³ As the Zakat and Ushr is paid by Sunni Muslims, and others are exempt, its access is limited to Sunni recipients, Shia Muslims, Cgriistians, Hindus, Zoroastrians, and other schedule caste are ineligible.

lessons, and plan better. Following are some of the conclusions and observations from the abovementioned studies.

- Most programs are fragmented, duplicative, and disjointed, and there is no coordination mechanism.
- *They are thinly spread and have poor coverage, and often exclude marginal and people in remote areas.*
- At present the main criterion used for identification of recipients is poverty. This excludes that are in transient poverty and vulnerable to shocks, particularly people with low human capital and access to productive assets.
- Absence of standardized eligibility criteria (operational definition) and lack of transparency in identification has lead to inclusion of ineligible and exclusion of needy and deserving.
- The payments are small, as they represent 10 to 20 percent of the consumption need of the household.
- *The disbursements are irregular and lumpy.*
- The annual payments are not adjusted to inflation or cost of living.

The modalities of Benazir card are yet to be formulated. It is reported that the data base maintained by National Database and Registration Authority (NADRA) will be the basis for identification of recipients of cash support. Women headed household (widows) will be sifted out from the data base, as primary eligibility. The NADRA data, due to its limitations cannot identify household that are poor, and are vulnerable. Moreover, it is proposed that the amounts will be disbursed through banks. This may exclude deserving cases in remote areas and areas particularly areas where bank branches do not exists within reasonable distance, especially for women.

To provide relief to poor, particularly during periods of high wheat process, the GOP provides subsidy on food items that are sold through Utility Stores Corporation at subsidized prices. As wheat is the main staple, the government procures and maintains operational and strategic reserves of wheat, and resells through flour mills after covering the cost of storage, handling, and other incidentals. The cost of subsidizing wheat on average has been over PRs. 6 billion annually. This intervention and price control discourages the farmers to finance adequate inputs and hence supplies are low. Moreover, the leakages in the procurement system, storage, and at the milling sector have significant hidden costs. Given these leakages, the benefit accrued to intended beneficiaries is not commensurate with the subsidy involved.

Proposed WFP Food Relief Support Programmes

Emergency Assistance to Most Food Insecure Households

This initiative comprises of Food for Work (FFW), Food for Training (FFT), and Vulnerable Group Feeding (VGF) components. The total outlay of the intervention is about \$81.8 million. It will provide assistance to about 300,000 vulnerable households in 20 most food insecure districts, particularly in the mountainous regions and earthquake affected areas. This one year program will be implemented during October 2008 and September 2009. Each participating family will receive assistance in kind.

Joint FAO/WFP Emergency Assistance for Marginalized Farmers

This FFW initiative will provide assistance to about 50,000 marginalized farmers, mainly in Shangla and Buner districts of North West Frontier Province (NWFP), to cope with food shortages till the next harvest. The total outlay of the intervention is about \$12.2 million. The initiative is expected to be financed through a grant from Central Emergency Response Fund (CERF). This one year program will be implemented during August 2008 and November 2009. Each participating family will receive assistance in lieu of self help to rehabilitate productive infrastructure. To each participating family will be provided in kind assistance in the shape of seed and fertilizer packages by FAO, while WFP will offer 400 kg of fortified wheat. The program will be implemented with the assistance of partners NGOs and will be coordinated by National Disaster Management Authority (NDMA) and Provincial Disaster Management Authority (PDMA).

Proposed Upscaling of Support for Creating Assets for Rural Women Programme

Currently WFP is providing assistance to rural communities in ensuring sustainable environment through appropriate management of natural resources. The household engaged in FFW and FFT activities receive programme support in the form of food stamps. The programme is being implemented with coordination of Baitul Mall who manage printing and disbursement of food stamps and its encashment at the local branches of the National Bank of Pakistan. It is proposed that the coverage is doubled benefitting additional 60,000 direct beneficiaries in the 13 most food insecure districts where the programme is under way. The additional cost of the programme is about \$4.8 million. This two year program will be implemented during October 2008 and December 2010.

Increase in value of food stamps in on-going programme for Creating Assets for Rural Women.

Beginning of 2009, WFP is also considering increasing of the value of food stamps by 50% of their current value to mitigate the impact of the high food prices and provide relief to the participating rural poor communities. This would require additional US \$ 1.2 million annually.

Education Support Programme

Expanding WFP Support to Girls School Feeding Programme to Boys School

Currently, under the Girls Primary Education Assistance program, WFP is providing assistance to about 400,000 girls in 3,000 schools located in 30 most food deficit districts. Each participating girl student receives 3.7 kg of edible oil for taking home, based on school attendance performance. The proposed parallel expansion program will cover the boy's primary schools in the same locality. The total outlay of the intervention is about \$62.1 million. This two year program will be implemented during October 2008 and December 2010. The program will be phased out once the food process has stabilized and the attendance has reached 50% level. It will also phase out from areas where national school feeding program is in place.

Upscaling of Existing Girls School Feeding Programme

The proposed upscaling consists of abovementioned Girls Primary Education Assistance Programme, involves provision of dry ration in the form of 75 gm fortified biscuits to the 400,000 girls already receiving assistance. The total cost of upscaling is about \$21.1 million. This two year program will be implemented during October 2008 and December 2010. The program will be phased out once the food process has stabilized and the attendance has reached 50% level. It will also phase out from areas where national school feeding program is in place.

Support to National School Nutrition Programme (NSNP)

The GOP has reformulated a National School Nutrition Programme formulated with the technical assistance of WFP. This is on the anvil for approval and implementation by the Ministry of Education. To speed up the program and provide relief to the food insecure household in the district where WFP

working, primary school girl students will be provided with fortified 75 gm biscuits, as early morning snack, and a quarterly allowance of 50 kg wheat, both linked to the attendance performance. The total outlay of the intervention is about \$78.0 million, providing assistance to 660,000 students. This one year program will be implemented during October 2009 and December 2010. The program will be phased out once the food process has stabilized and the attendance has reached 50% level.

Health Support Programme

Continuation of Support to Promotion of Safe Motherhood Programme in Pakistan

The WFP is currently implementing a safe motherhood promotion programme benefitting 162,000 pregnant and nursing mothers, in 346 health care centers in 22 food insecure districts. WFP plans to extend this program for another two years (October 2009 and December 2010). The mothers attending health care centers for pre and post natal care receive oil as food support. The total outlay of the intervention is about \$22.4 million, providing assistance to 162,000 women and children.

Annex XII

Recommended Specific Interventions By UNESCO

The following specific interventions are recommended:

- Involvement of Parents Teachers Association (PTA)/School Management Committee (SMC) in monitoring children's school attendance will be supported by UNESCO.
- As the effect of rising food price is pervasive, it is important that middle and secondary schools of food deficit areas are also targeted. Pending this action, effect in middle and secondary enrollment and retention should be done for future policy, strategy and interventions.
- As teachers are poorly paid and are hard hit by the food crisis, food inputs should be used as incentive to motivate them to perform better by linking it to attendance/performance.
- A non-formal education to capture drop-outs, raises rural agricultural productivity by targeting women, and provides nutrition education to mothers.
- In-service training for teachers and head teachers of food input targeted schools to enhance teacher capacity to manage student size due to the increase in enrolment, strengthen their content knowledge and delivery methods, and improve the school administration and management including the accountability of the food and other inputs provided to the school.
- As most schools lack basic teaching and learning materials, the provision of basic consumable and reusable items should be included materials and teachers trained to produce the materials using locally available resources.
- Complementary interventions such as high impact advocacy and awareness programme via local media on the importance of education in food deficit areas focusing on food security, nutrition education, food production, health and hygiene and dissemination to teachers, children and parents.
- Support to increase class room space, repair and maintenance, and improvement of sanitation facilities to accommodate the increase in enrolment.
- Strengthen EMIS by linking the schools receiving food inputs to the existing EMIS or help the provincial and the district authorities to create EMIS to ensure improved planning, implementation, monitoring and analysis by the educational authorities of interventions.
- Strengthen the capacities of District Education Office to monitor the enrolment, drop-out, retention and the effects of teacher incentives.
- Review of school calendar/schedule and revision, as necessary, to facilitate maximum attendance in schools.

Programmes Suggested and Under Consideration by UNICEF in Pakistan

i. Support treatment of acute malnourished children, and malnourished lactating and pregnant women in the selected districts as immediate safety net interventions: The activities include the followings:

- To establish community-based nutrition interventions in the six extremely high food insecure districts for the treatment of severely acute malnourished children without medical complications. The children to be treated with Ready to Use Therapeutic Food (RUFT) and essential medicine. Moderate malnourished children and lactating and pregnant women to be provided with the fortified food (in collaboration with WFP)
- To continue support for the existing 9 TFCs and establish 2 TFCs to strengthen the facility-based management for severely malnourished children with medical complications in four major cities. Strengthen referral system and the community-based management for the severely acute malnourished children without medical complications in these four cities.
- Provide multi-micronutrients supplementation (sprinkles) and Vit.A capsules for children and multi-micronutrients tablets for pregnant and lactating women in the selected selected districts.
- Ensure un-interrupted supplies of F-75, F-100, RUFT, UNIMIX, Vitamin A, multi-micronutrients and deworming tablets.
- Promote early imitation and exclusive breast feeding practices up to six months and timely introduction of appropriate complementary food for young children. Provide key messages on hygiene and sanitation.

ii. Scaling –up the management of acute malnutrition in collaboration with WHO and WFP which include the following package of services:

- Facility-based management of children with severe acute malnutrition and medical complications (including UNICEF-provided therapeutic foods; F-75 and F-100)
- Community-based management of children with severe acute malnutrition without medical complications (including UNICEF-provided ready-to-use therapeutic foods) through the National Programme (Lady Health Workers) and Primary Health Care Programme.
- Community-based management of children with moderate acute malnutrition (including WFP-provided supplementary foods).

iii. Scaling –up of infant and young child feeding practices and micronutrients supplementation for prevention of malnutrition in early childhood: Currently the Infant and Young Child Feeding (IYCF) programme is implemented in the 17 focus districts through the Ministry of Health. The IYCF interventions will be scaled-up nationwide through the National Programme (Lady Health Workers) MoH and the Ministry of Population (already been agreed). The focus will be on the following:

- Promotion of improved breastfeeding practices focusing on early initiation of breastfeeding and exclusive breastfeeding in the first 6 months of life.
- Promotion of timely introduction of nutrient-rich complementary foods.
- Promotion of improved age-appropriate foods and feeding practices.
- Vitamin A supplementation – maintenance of the high vitamin A supplementation coverage **(full coverage already more than 90% through 2 annual rounds of polio NIDs).**
- Use of multiple vitamins and mineral powder (sprinkles) for children under-five to enrich and improve the quality of children's diets.

iv. Nutrition survey: UNICEF plans to support the implementation of a national nutrition survey in 2008. In view of the food crisis and price hikes it will be important to establish a baseline for nutrition to enable monitoring of changes in the situation. The results will also provide evidence for policy development and inform programme decision-making in nutrition.

v. Scaling-up deworming coverage, measles vaccination and re-hydration therapy in collaboration with Health:

- Deworming of children 12 months to 59 months to treat soil-transmitted worm infections. Deworming as part of Child Health Week initiated in the selected districts in 2007 and will be scaled up in all provinces in collaboration with other partners.
- Efforts are underway to build on the success of the supplementary measles campaign which took place in 5 phases from March 2007-April 2008. Increased efforts are being made to improve measles immunization coverage. The Government of Pakistan has also revised its schedule for measles immunization, adding a second routine dose at 18 months.
- Improvement of diarrhoeal disease management, including use of oral rehydration therapy and zinc (ORT+Z)

vi. Collaboration with WASH:

- Increase access to adequate safe water and/or promotion of household water treatment and safe storage
- Increase access to improved sanitation facilities
- Hygiene promotion with a focus on hand washing with soap

v. Maternal Nutrition: Prevention of low birth weight and Maternal anaemia control through:

- Ferrous/Folate supplementation (ongoing through the government)
- Use of multiple vitamin and mineral tablets in pregnant and lactating women
- Deworming.

Pakistan

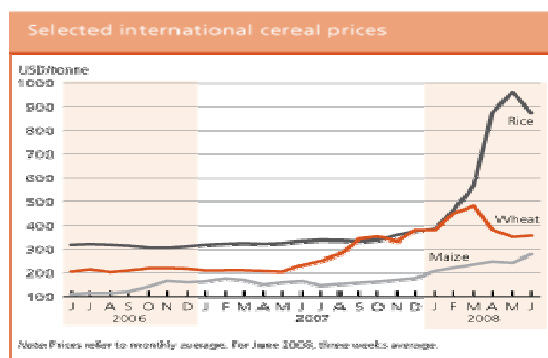
Initiative on Soaring Food Prices: Medium to Long Term Investment Programme

Terms of Reference for Programme Formulation

Background

1. International prices of major food commodities reached, in the first three months of 2008, their highest level in nearly 30 years (see figure 1). Projections suggest that food prices are likely to remain high in the next few years. Rising food prices are provoking social unrest across the developing world, resulting in a number of short term policy responses from governments in both exporting and importing countries, which risk exacerbating instability in world markets. In the short run, net food buyers in urban and rural areas would be pushed deeper into poverty. During the 1 year period ending in March 2008, wheat export prices increased by 130%, rice by 98%, and maize by 38%. In the last month of March, rice prices have doubled. Therefore, the price impacts have been most pronounced in import dependent countries. During the past year, domestic rice prices doubled in Bangladesh and Cambodia and increased by 70% in Afghanistan, 55% in Sri Lanka, and 40% in the Philippines; domestic wheat prices increased by 36–100% in Bangladesh, Mongolia, Pakistan, Kyrgyz Republic, Tajikistan, and Sri Lanka. Strong political and economic factors are at play in the food policy of most developing Asian countries, so that the effect of sharply higher international prices has not been fully transmitted to domestic prices.

Fig. 1: International Cereal Prices 2006-2008



Source: FAO-Global Information and Early Warning System (GIEWS), June 2008

2. Pakistan is listed among the 40 countries that are facing food price crises. According to the Ministry of Food, Agriculture and Livestock (MINFAL), during the last cropping season ending March 2008, rice prices have soared 88%; maize 49%; pulses 58%; and wheat flour 30%. Key contributing factors are: increased food production costs as a result of the rising petroleum prices; food price differentials with neighbouring countries that provide a strong incentive for informal trade; sub-national trade restrictions that lead to regional imbalances in food availability. All these developments have the potential to drive a growing section of the population below the poverty line and make them food insecure. About 17 million people are

feared to have joined the food insecure category (60 million) during the current food crisis, bringing the total to about half of the population in Pakistan¹.

3. The UN system is supporting the Government of Pakistan (GOP) to deal with the impact of soaring prices on food security and to seize the opportunity offered by higher demand to expand their agriculture and fight rural poverty. To this end and in the framework of the Initiative on Soaring Food Prices, the UN system has launched in June 2008 an "Assessment of the Impact of Food Crisis in Pakistan and Recommendations for Short, Medium and Long Term Response". The assessment will be conducted under the supervision of the UN Task Force on Food Crisis. Members of the Task Force include: FAO, IFAD, ILO, UNDP, UNICEF, UNIDO, UNIFEM, UNHCR, WFP and WHO. The World Bank would also interact with the Task Force. The UN Task Force will regularly report to the UN Country Team on its progress and ensure effective coordination with relevant related UN bodies such as the Disaster Management Team, the ONE UN Thematic Working Groups on ARP and DRM. The food agencies FAO, IFAD and WFP will act as secretariat to the Task Force.

4. By July 2008, the UN inter-agency assessment report will compare the food security situation in Pakistan before and after the food price hikes, their impact on household debt, health, education and nutrition. The profiling of food insecure households would include rural/urban as well as any significant differences by geographic area and gender, as appropriate. The report should conclude with a forecast on the population which will need direct food assistance, suggest appropriate and feasible interventions and propose practical arrangements for tracking the evolving food security situation in Pakistan. The assessment will specifically identify needs for assistance in the short term (for the first twelve and up to 24 months) and suggest response options (food aid needs, safety-nets interventions for small farmers, and nutrition programmes for the most vulnerable).

5. In parallel, an investment programme formulation exercise will be made to identify the priority medium and long term interventions mainly, aimed at increasing the production and incomes of poor rural producers. A Medium to Long Term Investment Programme preparation report is expected completed by November 2008.

Issues

6. Agriculture is considered to be the main engine of national economic growth and poverty reduction. It is indeed the largest income and employment-generating sector of Pakistan's economy, contributing around 22 percent to gross domestic product (GDP) and providing employment to 46 percent of the active population. Despite significant progress in terms of production particularly in major cereals, Pakistan is still a food importing country. The average poverty rate is still high at 33 percent. The country is struggling to maintain at 2400 Kcal the daily intake per capita. Around half of the caloric needs are met through cereals only (livestock products contribute 7 to 16 percent in daily diet of rural people). From a level of 1,754 calories per person per day in 1961 the intake had progressed to 2300 Kcal/person/day by end 1970s but then it stagnated without substantial improvement during the eighties and nineties. Major factors responsible include insufficient food availability tied to high population growth that has increased 411 percent (2.85% per annum) since 1947. In addition, small and further decreasing land holding sizes (32% less than 1 ha and 24% less than 2 ha) constrain adequate incomes and represent a real challenge for productivity enhancement. This entails as well that the bulk of the food output is managed internally by the farming community and only a smaller portion is commercialized and made available to the non-farming community. While in absolute terms the national cereal production is about

¹ The 2008 population is estimated to be 160 million, 65.9 percent of which is rural (FAO, IFAD).

in line with current consumption levels, trade trends and main cereal price interventionism coupled with a strongly uneven distribution of food availability (out of 120 districts, 74 districts are food deficient) and access are all vulnerability factors to any occurring natural, man-made or economic shock. Wheat is the main staple food crop of the country: any shortfall in wheat production adversely affects both household food security and the national economy.

Box: Wheat market in Pakistan

The wheat market in Pakistan is complex and not easily predictable. The MINFAL in consultation with the provincial food departments sets the overall wheat procurement targets. In April, just after harvest, Government starts purchasing wheat against its reserve targets exercising this privilege till 30th of June. Private sector can also purchase in this period but cannot release to millers. Typically, every year only about 25 – 30 percent only of the total wheat output (which amounts to 21-22 million tons) is reported commercialized by the farming community; the remaining is retained by the farmers for household consumption or for private enterprise. In this period there are administrative inter-provincial movement semi-restrictions. Wheat starts to be released to mills till August by the private sector, followed in September by provincial governments. In a normal year, out the quota of wheat that is commercialised, about 30-40% would be procured by the private sector while the remaining by the government. The mills' requirement in Pakistan needed to satisfy actual urban and rural non-farming wheat consumers i.e. 88 million people, is estimated to be 30,000 tons per day (or 11 million tons per year)¹. The government in the recent years has acquired about 5 million tons yearly, including strategic reserve. This year, not more than 3 million tons have been purchased giving autonomy of 100 days (including strategic stock). Remaining needs, and what not covered by the private sector domestic procurement will need to be met through imports. It appears that the quota that is normally available in the market (6.6 million tons) is not sufficient to satisfy consumer demand and thus the government has to meet the deficit through imports. In reality for a number of reasons, the actual quantity that is not on the records, that is not internally consumed because only the farmers in the surplus areas are able to make strategic choices, and that is actually exported may be much more than estimated. Anecdotaly, the wheat that is retained by the farming community and that is not consumed goes to export². This year the situation is different and even more complex as the national procurement system is in crisis due to the prices hike. Surplus farmers³ are selling less or not selling at all as even the indicative price fixed by the government (15.6 Rupees per kg) is not remunerative, not in line with the perceived market price, and because the farming community fears a food crisis, or wants to take advantage of the high prices (however, the storage capacity of the farming community is inadequate and they will not be able to store for long without heavy losses). Such a wheat market system (public procurement, prices fixation for consumers' benefit, formal exports at subsidised prices, other agricultural subsidies, and imports) reveals ineffective and in all cases imposes a heavy burden on the national economy.

Rationale for a medium to long term investment programme

7. The stagnating productivity levels coupled with a strongly uneven geographic food availability situation of Pakistan requires priority attention to address the food security of the growing population in Pakistan. In Pakistan food security is constrained by weak productivity, in-appropriate technological packages especially for high food deficit regions, quality of inputs supplied, land degradation, deteriorating irrigation and drainage system, poorly regulated markets, unskilled farm workers, and in-effective agricultural support services. Stagnation or fluctuations in wheat production mainly dictate food insecurity at national level. Poor infrastructure further imposes high costs for food to reach isolated areas. Low food production years place additional strain on domestic food prices and reduction in the income of poor consumers. Investments in agriculture sector to increase food production are vital for enhancing farm incomes, reducing food prices and making food more accessible to the poor. The exit strategy from the current situation is to facilitate an improved and broader purchasing power through economic growth (which means agricultural growth particularly in the endowed areas) and prioritising/diversifying investment, based on comparative advantages of each area account taken of specific constraints and opportunities.

¹ Total national wheat consumption is estimated at 55,000 t per day @ 124 kg per capita per year.

² One can calculate: 22 million tons of wheat produced minus 6.6 million tons made available by the farming community and procured by GOP or private sector, minus 8.9 million tons consumed by farming community equals to 6.5 million tons still available for the market.

³ Which are mainly in Punjab, and include even small farmers cultivating 1 ha of wheat @ 2.5 t/ha = 2500 kg / 6 family members = 416 kg per capita.

8. The GOP has put in place a number of strategy and policy documents, which have well framed the needs and priorities. These include the latest development policy document, Vision 2030 (indicating an efficient and competitive sustainable agriculture ensuring food security, and with the ability to contribute to the economic development of Pakistan ... improving productivity by increased use of quality seed, balanced fertilizer application, optimum use of water, integrated pest management); the Ten-year perspective Development Plan-2001-2011(indicating the need for the agricultural sector to be transformed from self-sufficiency to export of high value products); the Agricultural Perspective and Policy (2004, highlighting the goal to raise productivity and profitability of the farming community and to raise the living standard of rural masses with technologies and practices which also ensure environmental sustainability and health and safety for the consumers/producers). All such policy priorities have been confirmed in MINFAL's recent National Medium-Term Priority Framework (2007-2010), formulated with the assistance of FAO.

9. The provincial governments, rural support programmes and international institutions are pursuing different agriculture productivity enhancement programmes or strategies. In Balochistan improved water management practices and installation of high efficiency irrigation systems have become a recognized priority to arrest significant drop in aquifer. To cope with water shortages, focus is also on to harness local springs, streams, water diversions and other renewable water resources. In NWFP model Farm Service Centers (FSC) have been functioning at district levels to ensure timely delivery of quality seeds, fertilizer, machinery and mark-up free credit. Punjab is trying to combat water shortages through improving watercourses, precision land leveling and bulldozer land leveling for bringing more area under cultivation. In Sindh institutions are planned to be established to promote the production of quality seed. The efficient irrigation management technologies are also pursued in Sindh. The Farmer Association of Pakistan is persuading the government to establish Agricultural Malls as hub for development under public-private partnership arrangements. Rural support programmes are involved in developing local institutional/capacity building processes for ensuring local ownership and participation in rural development. The World Bank main area of support is irrigation and drainage through rehabilitation of irrigation infrastructure, improving water and natural resource management, improve irrigation services delivery and investment in on-farm services (i.e. land leveling, water course lining, introduction of new technologies).

Proposed Medium to Long Term Investment Programme Components

10. The GOP is making a major effort and this year about 270 million USD have been earmarked in the budget for agricultural development purposes. A number of investment programmes are on-going with the support of Development Partners trying to address the major issues (see Annex 1). Major supporters include the World Bank, the Asian Development Bank, IFAD, the European Union, UNDP and FAO. However, if programmatic gaps are fewer certainly more financial resources are required to fully launch the sector in a sustainable manner.

11. To this end, MINFAL considers that a set of closely interrelated programmes and projects is required. These include:

1. Policy and Regulatory Framework Strengthening Programme

12. In order to meet shortages in production deficit and urban areas and to protect consumers from high food prices, the GOP has been pursuing policies to support prices, storage, and distribution of wheat at a very high cost and burden on the national budget. In the face of crises, particularly those that are induced by external factors, all such measures are proving inadequate. At this point in time, the launch of a programme that strengthens the current wheat and overall food security policy and regulatory framework in Pakistan, should not be further postponed.

13. Such a programme should carefully analyse and recommend policy, and if required, legal amendments but mainly include improvements to the operational and institutional capacity that regard:

- An overall food market and trade regulatory framework;
- Mechanisms that ensure strategic food reserves, buffers for food security fluctuations and activations of effective and responsive food safety nets.

14. In addition, the need to ensure agricultural growth as a means to broaden the purchasing power of the population, and hence to create the conditions for a more sustainable food security situation, is closely tied with improved competitiveness of the entire sector. This among other instruments, requires that policy measures are adopted, institutional capacity is developed and mechanisms are put in place to increase Sanitary and Phito-sanitary Standards (SPS) and other international standards compliance. Specific investment lines include:

- Development of harmonised quality standards system through incentives/disincentives for agricultural producers and regulatory frameworks for consumer safety (for both export oriented and domestically consumed food items); and
- Implementation of an Intellectual Property Rights (IPR) system to ensure and protect national agricultural products.

2. Smallholder Productivity and Competitiveness Enhancement Programme

15. By and large, agricultural production in Pakistan is a smallholder business. Out of the total number of farms (6.6 million), about 86 percent have a farm size ≤ 5 ha but utilise 43 percent of the total cultivated area¹. In addition, the 74 districts which are considered to be food deficit include 7 (out of 26) in Punjab; 4 in Sindh (out of 17); 23 in North West Frontier Province (NWFP) (out of 24); 21 in Balochistan (out of 26); all 5 in Northern Areas; all 7 in Pakistan Administered Kashmir (PAK); and all 7 in Federally Administered Tribal Areas (FATA). In Punjab, the average situation is represented. In Sindh, all farms are ≤ 2 ha; in NWFP 94 percent of farms are ≤ 5 ha cultivating about 60 percent of the area, while in Balochistan 62 percent of the farms are small (≤ 5 ha) but cultivate only 18 percent of the land. It is thus quite apparent that in order to effectively turn around the agricultural productivity in Pakistan, priority must be given to smallholder farms starting from Sindh, NWFP and Balochistan; and that competitiveness must be addressed mainly in Punjab.

16. Priority productivity constraint areas to be addressed through investment projects include:

- Production of quality seed for the smallholder farming community. For instance, less than 20 percent of the wheat seed demand is met by the formal seed sector meaning that the smallholders do not use certified or even quality seed at all. A project investment ought to be made to substantially improve in a *sustainable* manner access to national quality seed (wheat, rice, maize, gram, cotton, oilseeds, fodder, and vegetables). Should availability of wheat seed be brought up to 50 percent it would improve current yields by about 25 percent.
- Reduction of post-harvest losses. Current losses are estimated to amount to about 20-25 percent of cereal production. Inadequate safe storage capacity also restricts farmers' marketing strategy and ability to sell at a more remunerative time. An investment project to reduce P-H losses and improve storage capacity among smallholders is considered a priority.

¹ Agricultural Statistics. 2005-2006. MINFAL.

- Up-scaling Good Agricultural Practices (GAP). Costs of production are becoming prohibitive for smallholders. As a consequence, small-scale farmers are reducing the use of inputs (fertilizers, agro-chemicals) and are obliged to minimize mechanical operations. The result is reduced yields, loss of soil fertility and decreased cropping intensity. On-going projects aiming at crop maximization through environmentally sustainable agricultural practices (IPM, Integrated Plant and Nutrient Management, Conservation Agriculture) are showing successful results. There is ample scope to broaden the coverage, up-scale the involvement of the farming community and further integrate with GAPs these experiences by expanding in Sindh, NWFP, Balochistan and also in Punjab. The three-fold objective would include productivity enhancement, reduced cost of production (mainly capital expenditures), and improved competitiveness (particularly in terms of food safety features).
- Establishment of a multi-stakeholder Knowledge Management System (KMS). The international organizations and financial institutions, and the GOP are all involved in several on-going programmes and projects aiming at addressing main production constraints and at favouring existing opportunities. Best practices and experiences being made constitute a wealth of knowledge that is however not sufficiently and effectively shared among both end-users (farmers) and service providers. For instance, the new National IPM Programme that is being implemented through a Farmer Field School (FFS) approach is demonstrating how farmers may become themselves knowledge brokers and GAP extension facilitators. At the same time, the bases of a sustainable and more responsive extension system are being put in place. Moreover, farmers acquire self-confidence and tend to improve their own organization and start networking. By doing so, they improve their marketing capacity and contractual power. Should a KMS be in place, farmers and service providers would have a powerful mechanism to share information and lessons. In such way, the up scaling and adaptation of best practises would be facilitated as well as farmers' networks expanded.
- Irrigation technologies and on-farm water management. Despite the existence of the largest contiguous irrigation network in the world, Pakistan suffers from wastage of a large amount of water in the existing irrigation schemes. In addition, as a consequence also of climate change, it appears the internal renewable water resources have decreased and are likely to continue on a negative trend. Development partners and particularly the World Bank are continuing to support what is a top priority for the GOP. Important investments have been made and more are required to raise existing dams and improve/re-instate reservoir capacity; and construction/extension of irrigation canals. An area of major interest for which there is ample scope for intervention is that of improved on-farm water management in terms of: i) more efficient and less water consuming irrigation methods; b) improved on-farm drainage; c) sustainable system operation and maintenance management through participatory approaches; and d) rehabilitation/recovery of saline/sodic (about 2.8 million ha of irrigated land are estimated to be affected by various types of salinity and sodicity, 2007 GOP) and waterlogged farms.
- Access to financial resources and services. Production and development loans are recognised as major facilitators of higher productivity. The supply system has indeed improved (Zarai Taraqiate Ltd., commercial and cooperative and domestic private banks) also to the benefit of the smallholders, who have relative access to credit for the purchase of primary inputs like fertilisers, seed, agro-chemicals and equipment. There is however a number of issues that need addressing in order to increase smallholder access to credit. On the supply side, these include a better geographical distribution of credit services (Punjab's share in 2006 was 83%); an adequate flow to non-farm sector (e.g. small-scale agri-businesses); a levelled playing field for all borrowing operators and improved institutional capacity. On the demand side, the viability of the borrowers needs to be shown (especially of those associated to the investment programmes) and related to

improved quality standards of their produce and better farm management knowledge. An investment project for improved smallholder access to credit should be prepared as an integral component of the Smallholder Productivity and Competitiveness Enhancement Programme.

3. Value Chain Development Programme

17. The transformation of the rural economy through an integrated agricultural growth process must necessarily include both the farming and the non-farming rural population. In Pakistan, the opportunity is represented by involving resource poor and village/community based organizations through capacity development and investment projects in partnership with the private sector in agri-businesses, agro-industries and food related enterprises. The development of value-added processing and agribusiness enterprises to increase income and profitability of smallholders would need to follow a value chain development approach encompassing:

- Agro-business oriented production system diversification (crops, livestock, fisheries) projects;
- Outgrower schemes and contract farming projects (cotton, sugarcane, vegetables, rice, organic farming);
- Market-oriented infrastructure development projects (storage, processing, packaging);
- Quality and safety management capacity building projects (quality monitoring and tracking systems following APHIS, EureGAP, etc.).

4. Crop Monitoring-Forecasting and Marketing Information System

18. GOP through SUPARCO¹ has launched a satellite technology-based crop monitoring initiative with FAO assistance. The initiative is in collaboration with the Pakistan Meteorological Department and with other providers of weather data (Irrigation Department). The objective is to provide improved forecasting information on availability of food supplies by developing reliable and timely crop acreage and production estimates through remote sensing-based area data (ground validated) which is integrated with crop yield statistical data (based on crop cut trials). The FAO assisted project is limited to one major producing province: Punjab. An investment project would need to be prepared to extend the system to the entire country so as to include all other provinces which have poor crop monitoring-forecasting systems. There is also need to expand the crops to be monitored; and integrate the database with a Marketing Information System, that could be developed based on current available information on prices of food and non food crops. Eventually, the system would evolve in an early warning and information system on food and agriculture that enable the determination of food surpluses/ deficit and nutrition status situations, and provides information also for market trend forecasts. The system would also enable in such a way improved analytical capacity on Crop Zoning/Cropping Patterns comparative advantages that would support effectively informed policy and strategy making by MINFAL and GOP.

Formulation Work Requirements

19. The formulation work of the four interrelated programmes and projects will require the engagement of four teams of national high profile experts. The teams would perform the formulation work during the period July to August, 2008. In late September, 2008 the teams would be joined for a period of three weeks by a team of 2 international experts from the FAO Investment Center (TCI). Overall, the national experts would each work for six to seven

¹ Space and Upper Atmosphere Research Commission.

weeks, including the joint period with the TCI team. The TCI team would eventually complete the preparation reports in about two weeks time in Rome. In summary the formulation and preparation work of the identified medium to long term programmes and projects would require:

Programme	Projects	Formulation Resources	P/weeks
Policy and Regulatory Framework Strengthening Programme	<ul style="list-style-type: none"> • Food markets and trade regulatory framework • Food reserves, food security fluctuations and social safety-nets mechanisms • Development of harmonised quality standards 	Policy specialist (group leader) Trade specialist Marketing specialist	4 + 3 weeks 4+ 3 weeks 4+ 3 weeks
Smallholder Productivity and Competitiveness Enhancement of Programme	Production of quality seed for the smallholder farming community <ul style="list-style-type: none"> • Up-scaling Good Agricultural Practices • Reduction of post-harvest and storage losses • Establishment of multi-stakeholder knowledge management system • Irrigation technologies and on-farm water management efficiency development • Smallholder sustainable access to financial resources 	Seed marketing specialist Agronomist Ag Services specialist Credit specialist Irrigation and Water Management specialist Economist (group leader)	3+3 weeks 3+3 weeks 3+3 weeks 4+ 3 weeks 3+3 weeks
<i>Value Chain Development Programme</i>	<ul style="list-style-type: none"> • Agribusiness development and diversification of production systems • Outgrower schemes and contract farming • Market-oriented infrastructure development • Capacity building of quality and safety management 	2 Marketing specialist Economist (group leader)	3+3 weeks (each) 3+3 weeks
<i>Crop Monitoring-Forecasting and Marketing Information System</i>	<ul style="list-style-type: none"> • Crop production monitoring and forecasting system • Marketing information systems • Crop zoning/cropping pattern comparative advantage analyses 	Crop Monitoring specialist (group leader) Market Information specialist Comparative advantage agro-economist	4 + 3 weeks 3+ 3 weeks 3+3 weeks
Total			95 person weeks
<i>FAO TCI preparation support</i>		Mission Leader Project analyst	3+2 weeks <u>3+ 2 weeks</u> 10 person weeks

Assignments and responsibilities

20. For each programme/project, the national experts under the coordination of a group leader would have to:

- Liaise and interact closely with the government stakeholders, donors, and key project stakeholder representative groups;
- review prevailing programme/project related policies and strategies, and regulatory frameworks;
- review the status of implementation of the on-going projects of relevance in order to integrate the lessons gained from the implementation of on-going projects into the design;

and identify all possible synergies and required integrations and complementarities with these;

- analyse in detail constraints and opportunities and outline the rationale for intervention;
- define the scope of the programme/project, priority geographic areas, location
- breakdown all required technical activities, and related target population;
- describe of the programme/project organization and management structure, and how the various components will be implemented (who are the implementing agencies, description of their role, description of coordination mechanisms, description of planning/ budgeting/ monitoring procedures);
- develop the cost tables of the programme/projects breaking down all identified activity items (see example form), including a financing plan that contemplates GOP contribution, beneficiary contribution and potential financing institution investment, in line with national budgeting principles;
- define benefits and beneficiaries and analyse the financial and economic viability of the programme/project;
- Analyse issues and risks.

21. Programmes and projects would be presented in a report format (outline example provided). This will be the responsibility of the Group Leader.

(Example Outline)

PAKISTAN

**Initiative on Soaring Food Prices: Medium to Long Term
Investment Programme**

Programme:

Project:

Introduction and background

Sectoral Context

Policies and Strategies

Review of Past and On-going GOP and Donor Supported Projects

Constraint Analysis

Challenges and Opportunities

Rationale and Objectives

Design Criteria (geographical targeting, partnerships, beneficiary categories)

Programme/Project Proposal Description (Activities)

Costs

Investment and Financing Assumptions

Institutional Framework for Programme/Project Implementation Organisation and Management

Monitoring and Evaluation and Key Performance Indicators

Expected Benefits and Beneficiaries

Economic and Financial Analysis

Impact on GOP Budget

Issues and Risks and Follow-up Activities

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Annexes

