

**PROJECT INFORMATION DOCUMENT (PID)**  
**APPRAISAL STAGE**

Report No.: PIDA1129

<b>Project Name</b>	PK: Sindh Agricultural Growth Project (P128307)
<b>Region</b>	SOUTH ASIA
<b>Country</b>	Pakistan
<b>Sector(s)</b>	Animal production (30%), Crops (30%), Agro-industry, marketing, and trade (20%), Agricultural extension and research (15%), Rural and Inter-Urban Roads and Highways (5%)
<b>Theme(s)</b>	Rural services and infrastructure (55%), Other rural development (15%), Rural policies and institutions (15%), Rural markets (10%), Nutrition and food security (5%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P128307
<b>Borrower(s)</b>	Government of Pakistan
<b>Implementing Agency</b>	Sindh Department of Agriculture, Department of Livestock and Fisheries, Sindh
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	23-May-2014
<b>Date PID Approved/Disclosed</b>	28-May-2014
<b>Estimated Date of Appraisal Completion</b>	26-Sep-2013
<b>Estimated Date of Board Approval</b>	07-Jul-2014
<b>Decision</b>	

## I. Project Context

### Country Context

Starting in the late 1960s, the Green Revolution introduced unprecedented technological and economic transformation and growth in Pakistan's agriculture sector; however, that growth has steadily declined for the past two decades—from 5.4 percent in the 1980s to 3.2 percent in the 2000s. The aggregate numbers hide extreme volatility—e.g., 6.5 percent growth in 2004 compared to only 0.6 percent in 2010. Agriculture in Pakistan has reached a point of diminishing marginal returns from the technologies and resources at its disposal, and insufficient investment in agriculture research and extension has left the sector ill-equipped to cope with climate shocks, reduce rural poverty, or compete in the marketplace.

In recent decades, agriculture's contribution to Pakistan's GDP has declined; however, it still accounts for 21.6 percent of value added. Agriculture GDP consists of 32.8 percent major crops, 11.1 percent minor crops, 53.2 percent livestock, 2.9 percent fisheries and forestry.[1] Through its

production, agriculture contributes 60 percent to the country's export earnings, and, despite strong urban growth, 64 percent of the population still lives in rural areas and 45 percent of the nation's labor force still work in agriculture. Despite declining productivity growth, Pakistan is among the top 20 global producers in over 48 different agricultural commodities. The country produces over 108 million tonnes of agricultural commodities worth over US\$13 billion annually.

In July 2011, the 18th Amendment of Pakistan's Constitution introduced devolution of many government services, including agriculture, to the provinces. With this, many national programs either ended or moved to each province, as did the responsibility for areas like policy development and food security. The provinces now face significant challenges in taking on additional roles that were previously under federal responsibility in addition to the research, extension, and marketing support challenges they already managed.

[1] Major crops include cotton, wheat, rice, maize, sugarcane; minor crops include fruits, vegetables, barley, pulses, tobacco, and oil seeds.

### **Sectoral and institutional Context**

Sindh Province has 23.8 percent of Pakistan's population, 18 percent of its land area, and 14 percent of its total cropped area.[1] Landholding patterns in Sindh are highly skewed from national norms, with a median farm size of around 11.33 hectares, as compared with 2.83 hectares in Punjab. According to one estimate in 2005, wealthy landlords in Sindh, who held farms in excess of 100 acres and who accounted for less than 1 percent of all farmers in the province, owned 150 percent more land than the combined holdings of 62 percent of small farmers with landholding less than 5 acres. Large landowners dominate production of the four major crops in Sindh—rice, wheat, sugar cane, and cotton. These crops are heavily regulated and receive extensive government subsidies through price support structures that often favor one segment of the value chain over another. There is currently no overall sectoral strategy, however the Government has developed some sub-sector strategies and plans and have held a series of dialogues with development partners including the Bank for preparing its sector strategy.

The SAGP will focus on horticulture—particularly chilies (92 percent of national production), onions (33 percent), and dates (about 50 percent)—and milk production because they have a small farmer focus, have significant involvement of women in production and processing, and, from a national perspective, Sindh enjoys the greatest competitive advantage in these pro-poor production value chains. Horticulture is largely unregulated, includes more private sector actors than the major crops, and has received little donor attention in the past. When donors have invested, they have focused largely on mangos and bananas—the two most profitable horticulture crops, which are often grown by large landowners. Investing in horticulture is seen to offer the best potential for increased small producer incomes, new employment opportunities in production and processing, improved resource productivity, and enhanced micronutrient availability in the market.[2] The one exception to this strategy is the planned intervention in the rice value chain, which will target a cluster of small and medium sized producers to help them reduce the post-harvest damage and loss from poor practices.

The first order constraint identified in the analysis of the targeted value chains is the quality of production and the high level of post-harvest losses, so SAGP will first focus on improving that

quality. The interaction between producers and other actors along a value chain varies by commodity. In milk, producers generally produce directly for processors. In horticulture, they may link with either traders or processors. In all of targeted value chains, there are several private sector actors (traders and processors) who are actively seeking high-quality products for domestic and international markets. Despite the presence of many value chain actors, 25 percent of Pakistan's fruits and vegetables produced annually go to waste between the farm and the consumer. Only four percent of Pakistan's total fruit and vegetables are exported and at far lower prices (less than 41% of the world average) due to poor quality and the reliance on traditional low end markets. In milk production, losses climb to about 30 percent in the summer due to lack of infrastructure and equipment. Since milk production declines by 50 percent in the summer, this lead to huge shortages and high prices.

The introduction of good agricultural practices and modest investments in relatively simple technology could substantially increase the quality of production and the potential for increased trade and higher incomes. For example, chili exports from Pakistan are banned by the EU due to unacceptable levels of aflatoxin. In dates, only 20-30 percent of the production is in high value table dates (khajoor) and only 10 percent of those are Grade A, 60 percent are Grade C. The majority of dates grown are dried dates (chuhara), the majority of which are exported to India to be used in religious ceremonies, where they are thrown into the Ganges. Improved tissue culture, orchard management, and harvesting practices, could increase the production of Grade A table dates, thus increasing income.

[1] Sindh's cultivated area is 3.1 million hectares.

[2] Dr. Muhammad Jameel Khan, Advisor for Agriculture Planning, Government of Pakistan Planning Commission. 2011. "Agricultural Growth and Productivity Enhancement". Presentation made at the Roundtable Dialogue on Agriculture and Water in Pakistan.

## **II. Proposed Development Objectives**

To improve the productivity and market access of small and medium producers in important commodity value chains.

## **III. Project Description**

### **Component Name**

Component A: Capacity Building and Institutional Development

### **Comments (optional)**

This will finance capacity building of producers through technology development, technology dissemination, training and exposure, institutional development and strategic planning.

### **Component Name**

Component B: Investment for Agricultural Growth

### **Comments (optional)**

This component finances specific investments in the horticulture and dairy value chains and a targeted investment to reduce post-harvest loss among small-holder rice growers and will finance a demand

### **Component Name**

Component C: Project Management and Monitoring and Evaluation

**Comments (optional)**

This component would finance the costs for Project Management Units (PMUs) and the Project Coordinator's office.

**IV. Financing (in USD Million)**

Total Project Cost:	88.70	Total Bank Financing:	76.40
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
BORROWER/RECIPIENT			12.30
International Development Association (IDA)			76.40
Total			88.70

**V. Implementation**

The project contributes to Result Area 2: private sector development - in particular to outcome 2.2 increased productivity in farms - in the 2015-2019 Pakistan Country Partnership Strategy. Under this Result Area, the Bank proposes to complement continued support for irrigation investment programs with investments to boost agricultural productivity and value addition. It also fits with the key principles of engagement, in particular focusing limited resources on strategic areas, engagement with the provinces, and leveraging partnerships for shared objectives. The project will complement the activities of the following on-going Bank-supported operations: Pakistan Poverty Alleviation Fund; Sindh Water Sector Improvement Project Phase I; Sindh On-farm Water management Project; Sindh Skills Enhancement Project.

**VI. Safeguard Policies (including public consultation)**

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

**Comments (optional)****VII. Contact point****World Bank**

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