ADB's Agriculture, Food, Nature and Rural Development

Challenges, opportunities and future direction – Pakistan Context

19-23 August 2024| ADB Headquarters, Philippines

Food security and rural development

ADB operations support agriculture and rural development in Asia and the Pacific since 1966

ADB strategies in 2009 and 2015 aimed at driving ADB's support for sustainable agriculture and food security in response to previous global food crises

ADB continues its support through Strategy 2030 Operational Plan for Priority 5: Promoting Rural Development and Food Security, 2019–2024 (OP5) endorsed in October 2019.

ADB raised its ambition on food security in 2022, aiming to deliver at least $14 billion for 2022–2025 to ease a worsening food crisis

- **Guiding Principles** OP5 + the International Financial Institution Action Plan to Address Food Security.

- Food security as multidimensional and multisectoral with **AFNR as a major contributor.** At least $10.6 billion commitments are targeted through ANR operations during 2023–2025.

- Food security investments ambition of about **$3.5 billion annually represents** – a significant increase from $2 billion since 2009

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Investing in Nature, Building Food and Water Resilience, and Vitalize Rural Economy

Tracking method of ADB-wide food system financing

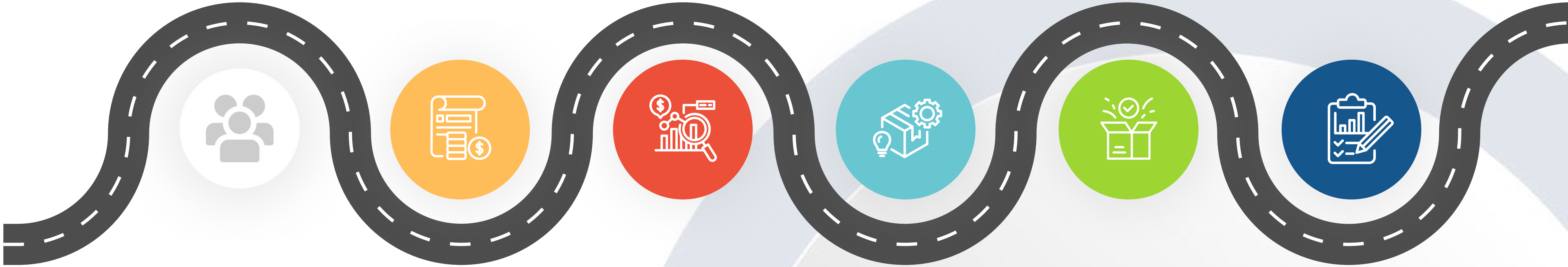
Promoting **sustainable and inclusive agricultural value chains**

Scaling up **investment in natural capital**

Mainstream nutrition in ADB investments

Landscape approach to **integrated river basin management**

Integrated **rural development** including through sustainable tourism



To ensure long-term food security and resilience, we need to transform our food systems

Five components of food systems transformation

1. Agriculture and value chain development
2. Climate change and environment
3. Infrastructure for food systems
4. Social Protection (including emergency food assistance)
5. Nutrition and health

- AFNR Sector → Availability of Food
- AFNR and TRA Sector → Stability of Food System
- AFNR and HSD Sector → Access to Food
- AFNR and HSD Sector → Utilization of Food

Four dimensions of food security

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Approach to Modern Market-based Value Chains

Traditional Agricultural Marketing

Key Characteristics:

Production-Oriented

Fragmented Production units

Multi-layered channels

Undifferentiated Products

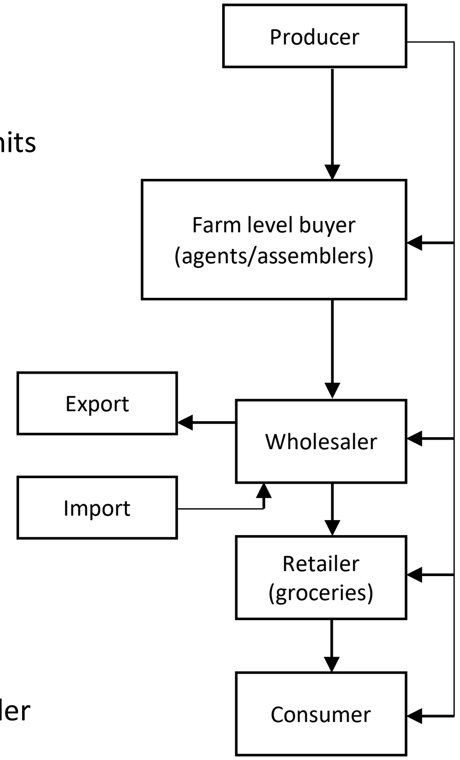
Focus on Distributive function

Minimal Grading

Minimal Value-added

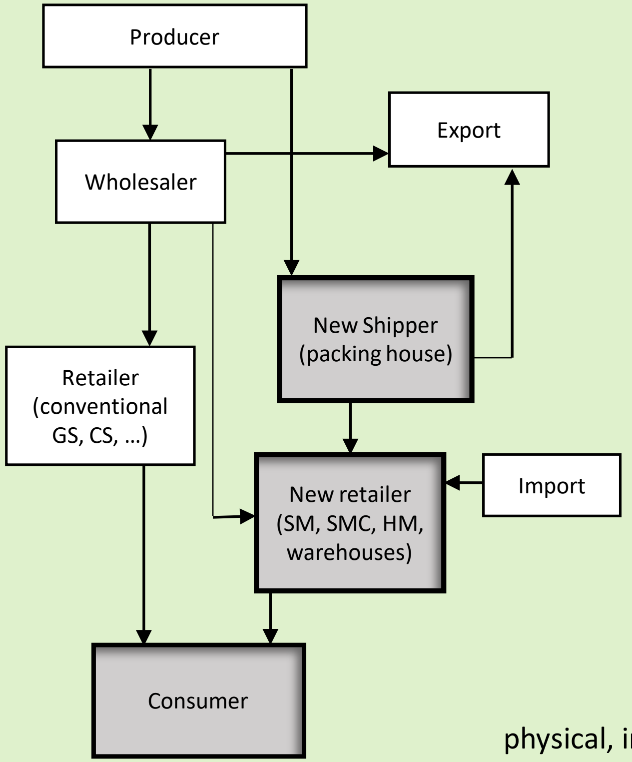
Predominance of wholesaler

Producer- Pushed Market



GS = Grocery Stores
CS = Convenience store
SM = Supermarket
SMC = Supermarket chain
HM = Hypermarket

Modern Value/Supply Chain



Consumer-Pulled Market

Key Characteristics:

Consumer - oriented

Focus on processes

Differentiated product

Grading and private labeling

Food safety

Traceability

Value creation

Predominance of retailer

Integrated structure, physical, information & control

Logistics as backbone

ICT as enabler

Global outsourcing

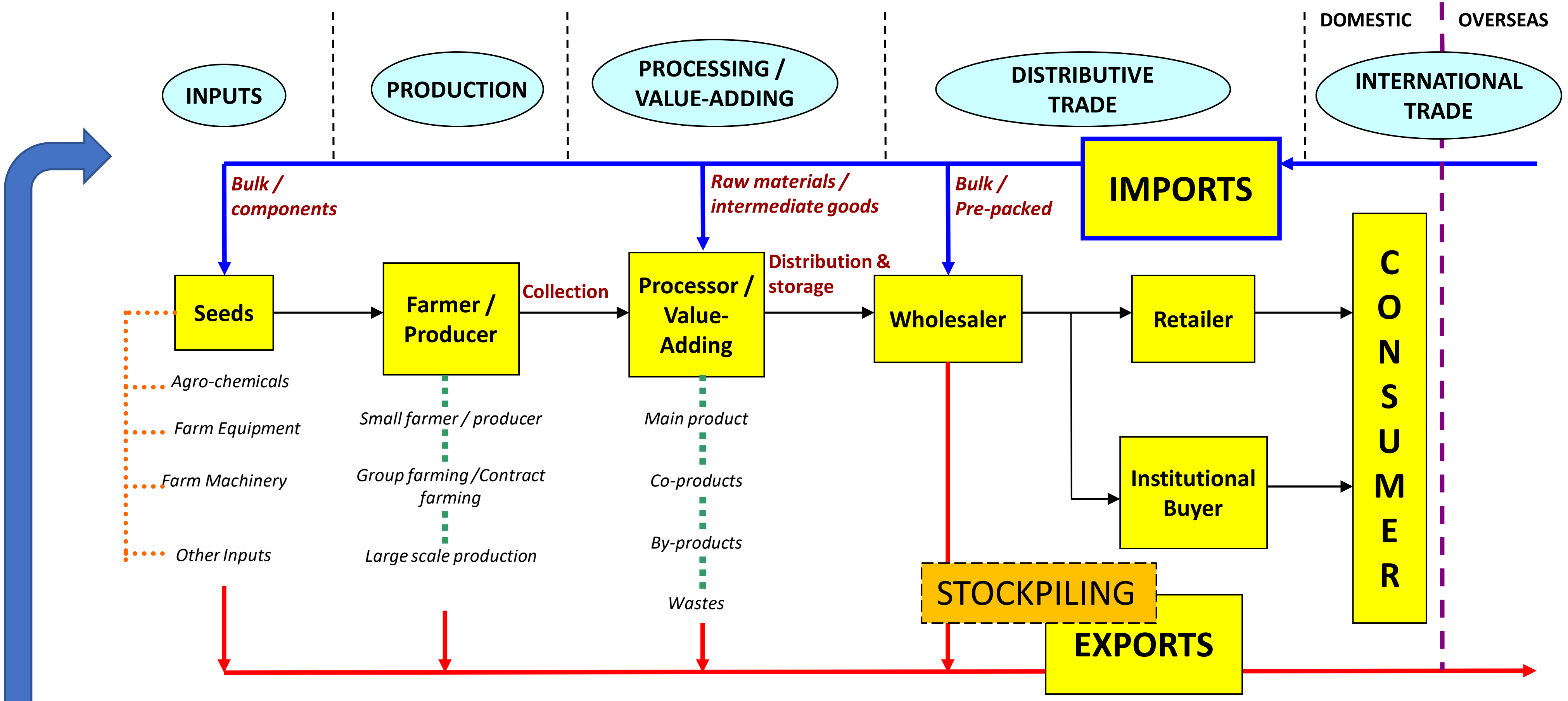
More private sector investment enabled for cluster business, aggregation, processing, and value-added services

Increased profitability for farmers and agribusiness enterprises (due to lower transport cost (10-15%), higher crop yield (at least 10%), and lower post harvest losses (15-20%)

More local jobs created, purchasing power increased, and urban migration reduced

Government tax revenue increased and investment in human capital (health and education) enabled

Agricultural Value Chains: A Snapshot



PROSPECTIVE INTERVENTIONS FOR ENHANCING AGRICULTURAL VALUE CHAINS, MARKET LINKAGEs AND RESILIENCE

- Access and productive infrastructure
- Financial and operational capacity of agribusinesses and aggregators
- Product quality and safety standards (functional and internationally harmonized)
- Research and development, and efficient extension services
- Agricultural market information, branding and marketing
- Institutional and legal/regulatory frameworks for PPPs and innovative financing
- Other province-/region-specific factors

Opportunities for investment in Pakistan

Climate Shift

- Climate-smart agriculture
- Integrated water resources management
- River protection and flood risk management
- Disaster risk resilience and management
- Multi-purpose reservoirs to ensure water security
- Natural Capital Investment

PSD Shift

- Agriculture/agribusiness development and access to finance
- Deepen engagement in value chain development with increased private sector participation
- Identification of innovative and sustainable financing opportunities with upstream-downstream governments and private sector

Solutions Shift

- Supporting farming system approach with more environmentally sustainable and climate adaptive /low carbon agriculture farming practices suited to local conditions
- Infrastructure lifecycle management and digitalization
- Catalyzing use of high-level and digital technologies such as use of earth observations

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Challenges for preparation, readiness and implementation

choice of Modality: PBL, RBL, Project, MFF, PRF

- PBL modality. Unlocking enabling environment and supporting stagnant growth in agricultural productivity and food security
- RBL for government programs. Not tested in AFNR Pakistan
- MFF – only one in the sector Punjab irrigated agriculture 2007-2017

moving pipeline in water resources

- interprovincial water allocation challenges, missing basin and integrated water resources, large co-financing needs, safeguards challenges
- PRF, TA committed with downstream ensuing projects uncertainty

flood risk management, DRM

- major investment decisions, cost-benefits vs competing demand for non-FRM, ad hoc requests from provinces
- not-streamlined in strategizing and programming in government and ADB

climate smart agriculture, value chains, livestock

- leveraging sovereign financing with private sector, no good example
- no clear road map in the sub-sector, investments

rural development, natural capital, nutrition, food safety, non-AFNR

- not-streamlined in strategizing and programming in government and ADB

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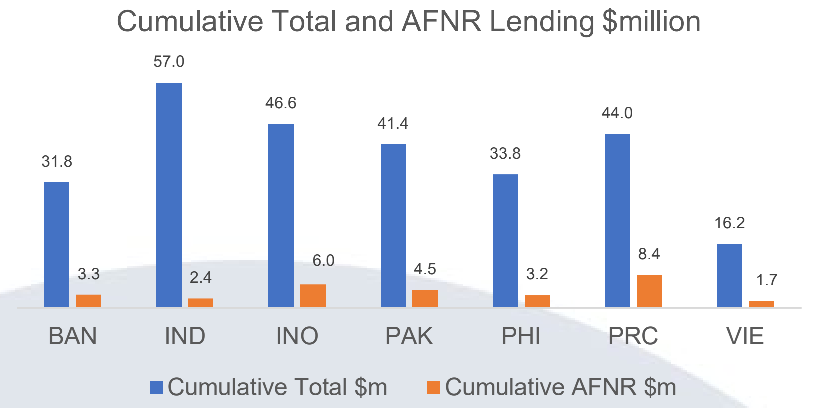
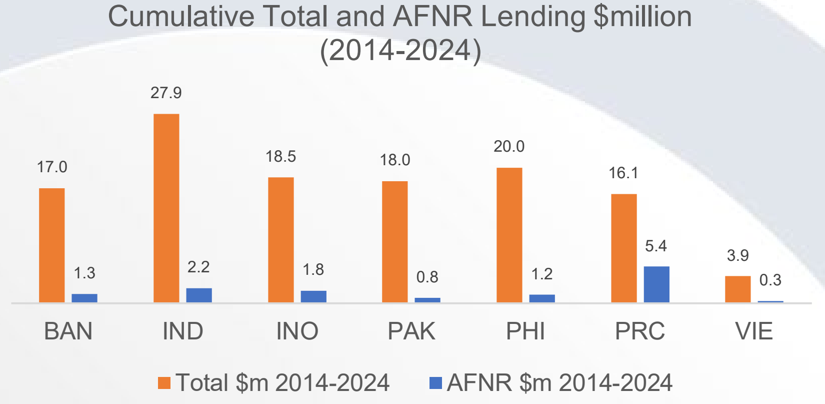
Outcomes and lessons learned in AFNR Pakistan

Historic Investments	• represents around about 10% of portfolio and approvals. Identical historic trends with six comparators. Pakistan AFNR financing stalled since 2018
Agri Sector Program 2001	• market-oriented agriculture sector, SHF, greater role for private sector. Rated unsuccessful
MFF Punjab	• infrastructure created. Reforms tried but not successful.
Preparatory support	• PRFs 4 in the sector, F-TRTA/TRTAs. Mix results
area based rural development programs	• longer period, small investments, successful, participatory
New large irrigated agriculture projects	• safeguards, longer duration, water allocation challenges, future uncertainty
FRM	• emergency assistance reactive, recurrent, successful. • DRM institutional challenges





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Ways forward and pipeline

2024-2027 Commitments

11	1.9 billion	+	250 million	+	65 million	+	185 Million
Projects	Volume		Co-finance		GCF + Others		Govt

Highlights

- PBL for climate and disaster resilience enhancement
- IFRM, natural capital, coastal and hill torrents
- Climate-smart agriculture, value chains, livestock
- Integrated water resources basin management

- **Hold AFNR sector diagnostic** for next 5 years **Country Partnership Strategy**
- **Hold continuous dialogue on 2028-2031:** Additional $1.2 billion potential pipeline including $600 million in co-financing
- **Focus** on IFRMs, agriculture value chains, and less problematic water resources projects

Pipeline

Project/Year	ADB $m	Co-finance, GCF, JFPR $m
2024		
Climate and Disaster Resilience Enhancement Program Sub-Program 1	500	
2025		
Balochistan Water Resources Development Sector (Additional Financing)	50	
Punjab Low Carbon and Adaptive Agriculture	120	5
Sindh Coastal Resilience Sector	125	140
2026		
Climate and Disaster Resilience Enhancement Program Sub-Program 2	500	
Integrated Management of Hill Torrents	150	
Khyber Pakhtunkhwa Resilient Irrigated Agriculture Livelihoods Development Project	100	
2027		
Balochistan Food Security and Resilient Livelihood	50	10
Khyber Pakhtunkhwa Food Security and Sustainable Livestock Management	40	10
Naulong Integrated Water Resources Development	100	150
Upper Jehlum Canal Water Productivity Improvement	170	
Grand Total	**1,905**	**315**