actionaid

Last five Years Budget trend analysis of Provincial Government on Agriculture in ADP

Submitted by:

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Executive Summary

The report addresses the outlay for the last 5 year budgets for the Agriculture in KP. The focus of the report is to analyze the developmental and non developmental budget. The report will look into the trends of allocation and utilizations against the budgets. The purpose is to highlight the gaps in allocation and respective utilization and the impact of these gaps on the overall agricultural outlook in KP.

To achieve the objective the consultant carried out a two step approach. Firstly, a desk review was conducted to get a snapshot of layout of agricultural budgets in current context and in the second phase the budgets which were gathered from the respective departments were examined to identify the key challenges and opportunity areas. During the data collection process two Key Informant Interviews (KIIs) were also conducted as a primary source of information gathering.

During the desk review, the major challenges like limited modern private sector, instability in market prices, poor financial position of farmers and subsistence farming, lack of credit and agricultural-finance, illiteracy and lack of technical knowledge, improper crop rotation, low cropping intensity, defective land tenure system, inadequate agricultural research and development, lack of irrigation facilities, inadequate supply and cost of agricultural inputs, old methods of production, uneconomically viable land holdings size, inadequate infrastructure, water logging and salinity and soil erosion, low per hectare yield and limited cultivable areas are highlighted and mitigating approaches are also discussed.

During the budget analysis it was observed that the overall allocation of budgets in agriculture especially the developmental budget is less than desired as there are many issues which require considerable attention to accommodate the small farmers to achieve the objective of mitigating food security threat. Further, it was observed that the utilization of allocated budgets over the past five years have been low as well. The Agriculture Department will have to ensure that the efficiency of budget utilization is increased so that the efficacy of the current programs can be achieved fully.

1 Context of the study

1.1 Background

ActionAid is an international organization promoting the rights of underprivileged and marginalized communities, for the betterment of the right holders by holding the duty bearers accountable to ensure effective utilization of national resources and government machineries, through the rights consciousness and empowerment of the community. Action Aid's working approach is revolving on the Human Right Based Approach (HRBA) wherein partnerships are developed to advance the rights of rights holders through different policy advocacy engagements at different level.

ActionAid Regional Office Abbottabad (Provincial Office) is focusing and working with six long term partners, local right programmes (LRP) in areas of Charsadda, Mardan, Mansehra and Peshawar in KP & Muzafarabad and Bagh in AJ&K. Sustainable Agriculture, Quality Education, Women Economic Empowerment, Governance and DRR are focused thematic areas of work; based on the geographical and demographical conditions of the areas managed by Regional Office Abbottabad.

1.2 Rationale of the study

Pakistan is an agriculture country and about 67% of its population is directly or indirectly committed with agriculture. Pakistan's principal natural resources are arable land and water about 25% of Pakistan's accounts for about 21.2% of GDP and employs about 33% of the labor force but still as per Global Hunger Index (GHI) it is ranked 57th [1]and about 50% [2]of its total population is food deficits.

KPK blessed with fertile land and natural resources, but it is facing severe issues of militancy, natural disasters and weak governance over the years which have made it the most vulnerable province in Pakistan. Like other provinces of Pakistan major part of the province is committed with agriculture but the situation of small farmers is deteriorating day by day due to the poor policies of the government. The role of agriculture ministry is very limited to support the small farmers and cope up with the challenges, although government did establish diverse department of agriculture but their development activities are very limited.

Agriculture budget is always a question for development in this sector because if there is not sufficient budget in said sector then how department can make a plan for small framer. In light of the insufficiency of resources in agriculture sector there is an increased need on part of the government to be critically conscious of approaches that address the small farmers'

[1] *International Food Policy Research Institute (http://www.ifpri.org/node/8839)*
[2] *World Food Programme (WFP)- 2008*

right and review the budget trend so that the department can develop some program for small farmers. By the Investing in resilience and sustainable agriculture sector government can secure the food security of small farmers and make more effective the practices of sustainable agriculture through the implementation of these practices at government level.

1.3 Objectives of the study

1.3.1 Short term/specific objectives

- ✓ Data collection around 5 years budgetary allocation in Agriculture
- ✓ Analysis of trend of budget allocation (Developmental and non-developmental segregated)
- ✓ Spending trend of allocated Funds (Developmental and non-developmental segregated)

1.3.2 Long term goals

- ✓ Better understanding of the provincial budget and allocation in agriculture sector
- ✓ Understand the Annual Development Plan (ADP) around food security and sustainable agriculture.
- ✓ Mobilizing the duty barriers for the transparent implementation of the development projects and increase the yearly budget in agriculture sector.

2. Approach/Methodology

To achieve the objective the consultant carried out a two step approach.

2.1 Desk review:

Firstly, a desk review was conducted to get a snapshot of agricultural budgets layout in current context. Literature review was done in order to develop a background understanding of the situation and identify the core challenges and opportunities .

2.2 Data collection:

In second phase the data (budgets) which were gathered from the respective departments were examined to identify the key challenges and opportunity areas. During the data collection process two Key Informant Interviews (KIIs) were also conducted as a primary source of information gathering.

3. Analysis and findings

3.1 Desk Review

Pakistan's principal natural resources are arable land and water. Pakistan's agriculture accounts for about 21% [3] of GDP and employs about 43% of the labor force. Pakistan is one of the world's largest producers and suppliers of Chickpea (3rd), Apricot (6th), Cotton (4th), Milk (5th), Date Palm (5th), Sugarcane (5th), Onion (7th), Kinnow, mandarin oranges, clementine (6th), Mango (4th),Wheat (7th),Rice (4th) according to different sources i.e. Food and Agriculture Organization of The United Nations and FAOSTAT but still Economist Inte0lligence Unit (EIU) has placed Pakistan on 77th position among 109 countries in the Global Food Security Index 2014.The picture of food insecurity might not be that bleak in current context but considering the factors like climate change and changes in agro-cycles this issue needs serious consideration for future, as in 1950 the contribution of agriculture sector contributed to 53% to the GDP and 80% to exports[4] but today contributes around 21% to the GDP. “The trends are pointing towards the fact that if drastic measures are not taken then food security will become a chief challenge for the country especially considering the population growth rate”.

In KP the outlay of agriculture is almost the same as national level. Agriculture engages 48 percent of the total labor force and contributes 40 percent to the GDP of province (Nazir and Jalely, 1992:4).

KP and FATA constitute 16 percent of the population of Pakistan. Total reported agricultural land in the province is 13.89 million acres. Of this 22.23 percent is forested and 23.90 percent is under crop cultivation in addition to 22.49 percent cultivable land that is not utilized for want of water[5]. The province has a unique distinction of highly diversified agriculture. The diversity of agriculture of this region is reflected in the map of agro-climatic zones of Pakistan prepared by Agricultural Research Council, where 6 out of 10 zones appear in the Province KP[6]. Moreover, the province is capable of producing varieties of crops, fruits, vegetables, sericulture, floriculture, and medicinal herbs which are quite rare in the country.

The present yield in province is only 23 percent of its potential due to a number of constraints faced by the farmers (Khan, 1994: 38). These all trends point to the fact that agriculture system and production is declining which would lead to food insecurity in future.

Some of the major challenges faced by the agricultural sectors are as follow:

[3] *http://www.bookhut.net/problems-of-agriculture-in-pakistan/*
[4] *http://prr.hec.gov.pk/Chapters/2613H-2.pdf (Economic Growth in Pakistan an overview)*
[5] *MINFAL and JICA, 2002:2*
[6] *PARC, 2002*

Limited Cultivable Area

The total area of Pakistan is about 79.6 million hectares, out of which only 23.7 million hectares (27%) area is used for agricultural purposes[7]. About 8 million hectares area is idle and un-utilized. There is vast sub-division and fragmentation of land holdings, as a result modern technology cannot be applied in agriculture sector. Over the last few decades there has been a shift toward industrial and commercial projects due to which much of lands have been used for other commercial purposes and agriculture is now low on priority list.

Low per Hectare Yield

The most important problem of agriculture is its low yield per hectare for almost every major crop. 45.0% of labor force is engaged in this sector in Pakistan while it is less than 5% in developed countries. But, other countries of world are getting higher yield per hectare due to use of modern technology and trained labor. Pakistan is way behind in per hector yield wheat, rice, sugarcane and pulses production, both globally and regionally. According to the report Pakistan is among the top ten producers of wheat with around 24 million ton output in 2010, but its per hectare yield of 2.6 ton pales in comparison China with per hectare yield of 4.7 ton, India obtains 2.8 ton wheat per hectare, United Kingdom with yield of 7.7 ton per hectare[8]. Furthermore, owing to traditional methods of cultivation and harvesting, Pakistan has low yield per acre that means the average crop in Pakistan is just 1/4th of that of advanced states[9]

Water Logging and Salinity and Soil Erosion

Water logging and salinity are twin problems of agricultural sector due to salinity, deposits of salt in land have appeared on the surface of land and they have adversely affected the performance of agricultural sector. Water logging and salinity affect about 0.10 million acre of land in every year. It is not only waste of land but also reduction in productivity. KP is faced with the same problem. One being no mechanism has been adopted to eradicate the soil erosion and even after harvesting nothing is done to restore the soil energy. Therefore, the fertility of soil is decreasing day by day. The thickness of fertile layer of soil in Pakistan is more than 6 inches but the average yield is lower than other countries where the layer of fertile soil is only 4 inches[10]

Inadequate Infrastructure

[7] *http://www.pakissan.com/english/agri.overview/fao.agricultural.sector.pakistan1.shtml*
[8] *The Statistical Book 2011 of the United Nations Food and Agriculture Organization (FAO)*
[9] *http://www.agribusiness.com.pk/challenges-faced-by-pakistans-agriculture-sector/*
[10] *http://sekho.com.pk/Agriculture Sector in Pakistan Problems & Importance*

Rural infrastructure like, roads, storage facilities, transport, electricity, education, sanitation and health facilities etc. is inadequate to meet the requirement of growth of agriculture. Total length of farm-to-market road is not only shorter but their condition is also poor. Many villages have no metal-led road at all. Electricity is available to only 3/4 rural populations. This lack of infrastructure and resources affects the small farmers the most as they have very limited means to secure, transport and mobilized their crops.

Uneconomically viable Land Holdings size

Due to increasing population and division of land under the law of inheritance, landholdings are subdivided over and over again. The result is that very large numbers of farmers are left with less than 2 hectares of area. Moreover holdings are scattered which makes it difficult to use modern machinery on small pieces of land as it makes it economically unviable. This is one of the major challenges faced by the small farmers.

Old Methods of Production

No doubt, mechanization of agriculture is increasing in Pakistan, but in most of the areas, the old implements are still being used for agricultural production. Old and orthodox techniques of production cannot increase the production to the desired levels or according to international levels. It is a need of time that the methods of productions are improvised as per modern means.

Inadequate Supply and cost of Agricultural Inputs

The supply of modern inputs like high yielding variety (HYV) seeds, chemical fertilizers, pesticides, mechanized machinery etc. not only costly but also inadequate and irregular in Pakistan. Numbers of fertilizer producing units are just 14-16[11] in Pakistan. Further, the cost of the agricultural inputs becomes a major impediment for especially small farmers who have to buy inputs at credit mostly at higher rates. High yielding variety seed is not available at suitable price in Pakistan. So, farmers have to depend upon low quality of seeds that causes 20% reduction in total production. Government should provide HYV seed at minimum price in this case.

Lack of Irrigation Facilities

Shortage of irrigation facilities causes a serious limitation in the expansion of crop area in Pakistan. The lower water supplies, loses from water course in the fields are the serious problems of farm sector. Actual surface water availability is 91.8 million acre feet.

Inadequate Agricultural Research and Development

[11] *FAO Document Repository*

The average crop yield in Pakistan is very low as compared to the production levels of the advanced countries of the world. In order to raise the potential of agricultural production, there should be continuous improvement in areas of research and development for agricultural growth. Total agricultural universities and colleges are only 16 in Pakistan. Considering that every regional requirement are different, our agricultural scientists and Government needs to invest their efforts to ensure that research and development is done to increase the production levels. Policy makers, researchers, extension workers, and farmers are equally responsible for the inefficiency of agriculture. The overarching goal before them is to obtain self-sufficiency in food and fiber production. The existence of research station in each locale of the province is the responsibility of the government. In KP, there are more than a dozen research stations large and small at various places. Extension programs train farmers about new methods of tillage and inform them of latest development in farming technique. The existing extension programs are inefficient and poor in quality. The extension workers often lack adequate skills, development funds, and facilities, making their task of improving the management skill of farmers difficult. In KP small farmers prevail and small farmers are ignored in extension activities[12].

Defective Land Tenure System

Defective land tenure system is also responsible for low yield per acre in agricultural sector. Landlords and feudal-lords live in posh urban areas while tenants and peasants have no or less incentive for their hard work. So, the productivity in agricultural sector remains low. There is a need for an establishment of a policy where the small farmers and working class is ensured of reasonable returns of their efforts. Some reformers have blamed imbalance in land ownership in Pakistan for playing a part in "maintaining poverty and food insecurity"[13]. According to the Pakistan-based NGO, Society for Conservation and Protection of The Environment (SCOPE), about one-half (50.8%) of rural households in Pakistan are landless, while 5% of the country's population owns almost two-thirds (64 percent) of its farmland. (The World Bank found that according to 2000 agricultural census 63.3% of rural households were landless. Of the remaining 37% of rural households, 61% of these owned fewer than 5 acres, totaling 15% of total land. Two percent of households owned 50 acres or more, accounting for 30 percent of total land area.[14])

[12] *Pakistaniaat: A Journal of Pakistan Studies Vol. 4, No. 1 (2012)*

[13] *Ghosh, Palash (October 11, 2013). "Give Me Land, Lots Of Land: Only 5% Of Pakistanis Own Two-Thirds of Farmlands; One-Half Of Farmers Are Landless". ibtimes.com. International Business Times. Retrieved 14 January 2015.*

[14] *Report No. 39303-PK Pakistan, Promoting Rural Growth and Poverty Reduction*

Low Cropping Intensity

Cropping intensity means the number of crops grown on a piece of land in one year. At the present stage of our development, there is low level of cropping intensity as compared to advanced countries. Cultivable area under double or multiple cropping is inadequate in Pakistan.

Improper Crop Rotation

Proper turning round of crops is essential to re-establish the fertility of the land. The constant cultivation of one crop or two; exhausts the fertility of the soil. Proper rotation of crops is necessary in order to restore the fertility.

Illiteracy and lack of technical knowledge

Most of the farmers, laborers and tenants in our country are illiterate. They are untrained and inefficient to boost up the agricultural productivity. Literacy rate is only 57.7 % in Pakistan. Economic Survey of Pakistan shows that literacy remains higher in urban areas (73.2 percent) than in rural areas (49.2 percent) and the level of education is even lower in the rural farmer communities. Due to illiteracy the issues like adaptation to modern techniques, use of updated technology, awareness about high yielding inputs remains low. There is a need to educate the farmers at least on the relevant needs which can in return increase the production. Trainings of the farmers should be done at large and intensive scale to build their capacities to equip themselves with the need of time.

Lack of Credit and agricultural-finance

Basically our farmer is poor and he has low level of income. Agricultural credit facilities are not common in Pakistan. Credit that can facilitate agriculture is not available easily. Moreover non-institutional sources are available but these are not reliable due to high rate of interest. About 50.8% poor borrow from landlords in Pakistan. According to State Bank of Pakistan data released in the mid-nineties; KP received only 4.9 percent of farm and 1.7 percent of non-farm loans, versus 81.9 percent and 88.9 percent of farm and non-farm loans received by Punjab[15]

Poor Financial Position of Farmers and Subsistence Farming

It is a common saying about *our farmer that he burns in debts, grows in debts and dies in debts.* It means that financial position of Pakistani farmer is weak and poor. According to "Pakistan Human Development Report 2003" about 57.4% poor are working for feudal-lords without wages. A large chuck of farmer is attached with subsistence farming; a huge of portion of production is consumed at farmer's own house to support large family. Hence, for

[15] *Frontier Post, 1996*

small farmer less portion of the production is available for market supply. It causes low income for the small farmers. Small farming is not conducted at commercial level in Pakistan.

Instability in Market Prices

The price market of agricultural goods generally remains unstable in the country. Cobweb theorem is very popular in case of market prices; it means that a price of one commodity is much high in this year and much low in the next year and vice versa. The farmers, do not get due reward from the sale of their productions. So, they remain unsatisfied.

A limited modern private sector

Modern private enterprise is relatively weak in KP as compared to other provinces of Pakistan. Peshawar ranks the lowest among the major cities of Pakistan for conducting business. Major reasons for the shortfall include uncertainty regarding government policy, weak infrastructure, and institutional impediments.

Government involvement in Pakistan's agriculture sector has benefited farmers very little so far. Reform of agricultural policies and institutions is required. For one thing, government policy has severely distorted agricultural incentives directly, through agricultural pricing policy, and indirectly until recently, through exchange rate policy. Although negative effects of the government's exchange rate policy have been eliminated, the indirect effects from giving certain industries heavier trade protection linger. Input markets have been distorted by subsidies. Those distortions dissipate most of the benefits directed at farmers. Public institutions have proliferated in almost every area of agriculture, with little benefit to the sector. The institutions in research and extension are particularly weak and need an upgrade both quantitatively and qualitatively.

Moreover, the under pricing of electricity and water has entailed hidden expenditures that make the continued provision of those essential inputs financially unsustainable. Basic reform is essential. The proper role of Pakistan's government should be to encourage the development of a smoothly functioning market, through institutional and regulatory reform that facilitates market efficiency and private sector activities. Where market failure is not an issue and government inefficiency is evident, government's role should be drastically reduced. Government spending should focus on public goods and market failures, not on activities better suited to the private sector.

Considering the aforementioned challenges, it should be noted that all these challenges can be converted into opportunities provided that the stakeholders relevant to agriculture and especially the small farmers are on board. The Government and the Agriculture Departments of all provinces and KP can strategies a path way through policies and budget allocations to

improve the mechanisms which will enhance production and mitigate the risks related to food security through interventions addressing horizontal (increasing the cultivable areas) and vertical (increase the per hector yield) approach.

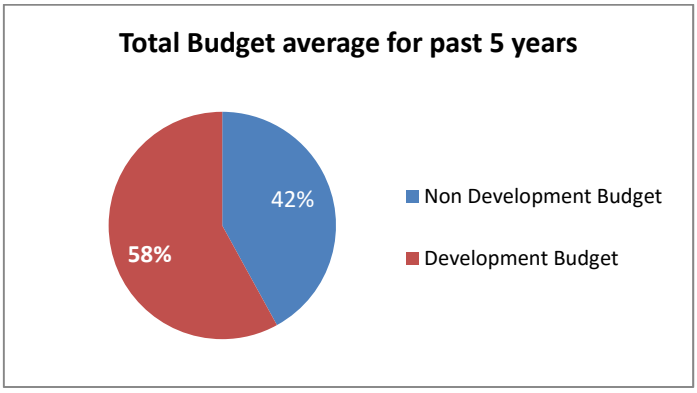
3.2 Budget Analysis

The total budget allocated for agriculture during the current fiscal year in the Annual Development Plan (ADP) is between 2-3% which includes both developmental and non-developmental budget. For the current year 2014-15 the developmental budget share in ADP is 1.6%.

The table below provides with the total budgets allocated for the last five years. The table provides with the segregation of developmental and non developmental budgets.

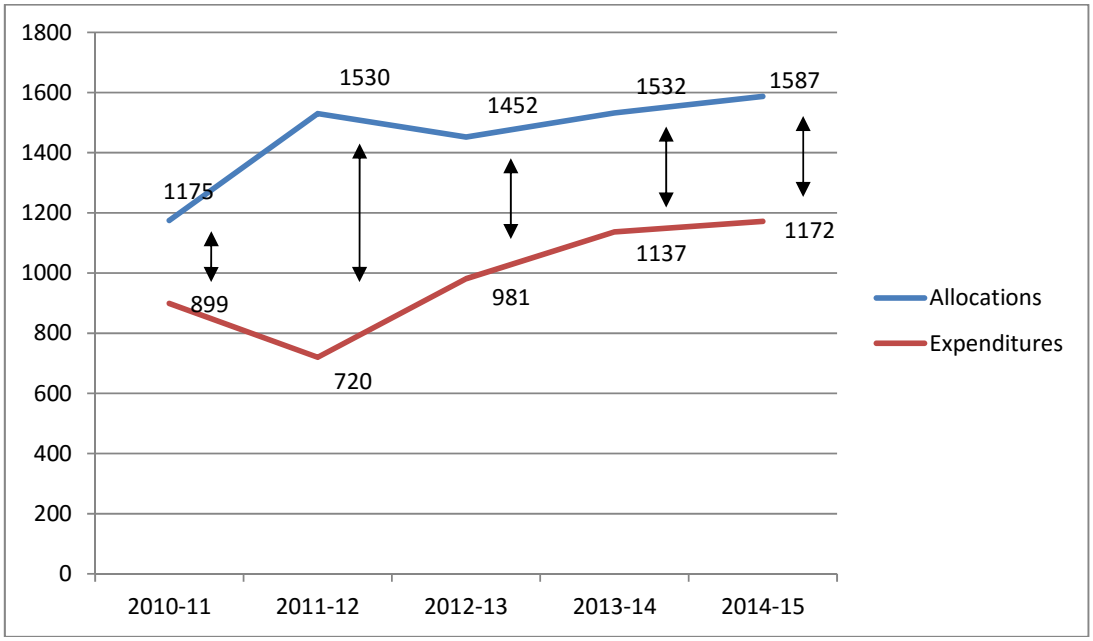
Year	Developmental Budget Allocation (Rupees in millions)	Non Developmental Budget Allocation (Rupees in millions)	Total Budget Allocations (Rupees in millions)
2010-11	1175	831	2006
2011-12	1355	965	2320
2012-13	1452	1035	2487
2013-14	1532	1076	2608
2014-15	1587	1132	2719

It is evident from the desk review that the challenges faced by the agriculture sector demands a much higher allocation for the developmental programs but a major share of the budgets are allocated to the non developmental component. On average over the last five years, 42% of the budgets are allocated to the non development component.



It is pertinent to note that under the non-development head the major expenses are salaries and operational activities (General, stationary, travel, transportation etc.). These expenses are pre calculated and are utilized fully as costs are predetermined and bound to incur. However, in case of developmental budgets the expenditures are based on progress of activities and dependent on the performance of relevant departments. The snapshot of the

development budget to expenditure graph shows that over the last five years, there have been two major issues. Firstly, the overall budget allocated to the development head is less than the desired level. Secondly, the utilization of these budgets has remained very low due to the inefficiency of the relevant departments, slow progress of activities and bureaucratic hurdles.



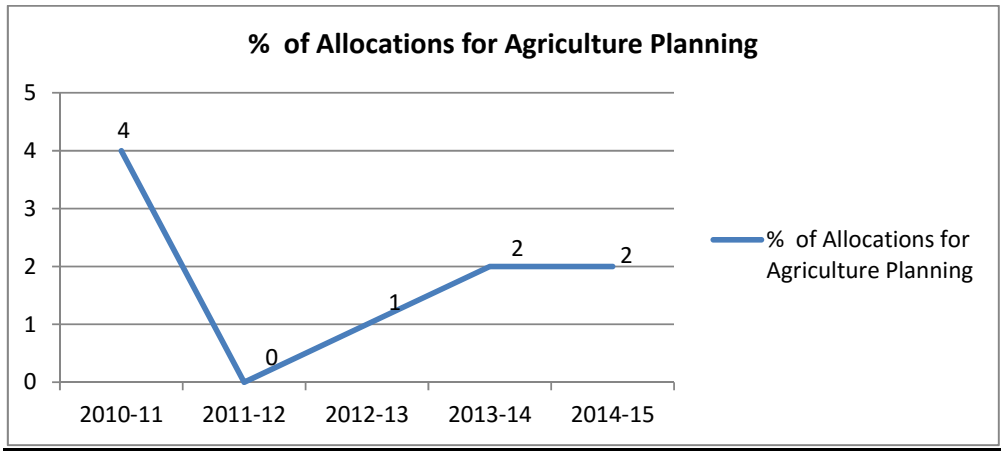
Allocation vs Expenditures over the past five years (Developmental budgets)

The average utilization of funds over the last five years has been around 67%."This reflects that firstly the current efficiency of Agriculture Department has to be improved before increased budgets for new activities are pumped into the circle". Secondly, there is a need to induct new programs in the agriculture departments with the consent of all stakeholders especially the small farmers to achieve higher production to tackle the issue of food security.

The overall share of the agriculture developmental allocated budget was 1.6% of the total budget in 2014-15, 1.8% in 2013-14 and 2% in 2012-13. Therefore, we can see that the overall allocation of budget is decreasing over the last 3 years.

Let us analyze the component wise development allocated budgets for the last five years.

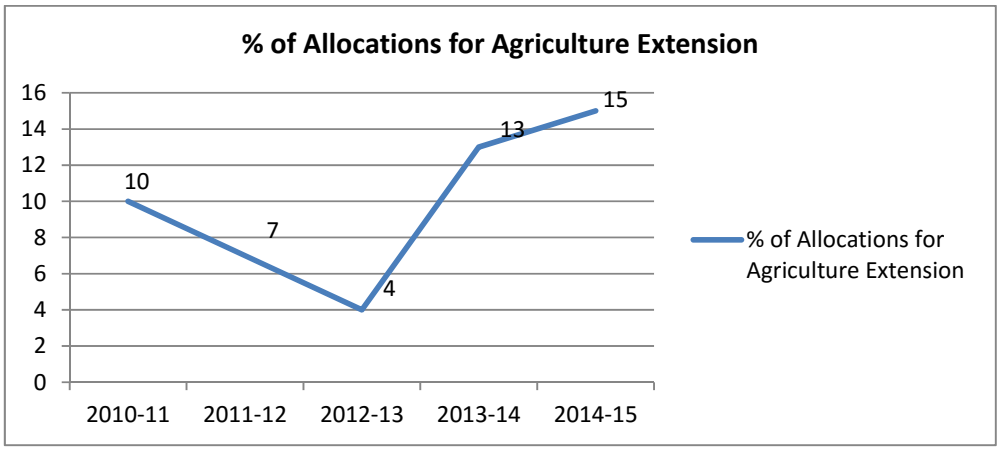
Agricultural Planning



The agricultural planning is an important component as all the execution and implementation of program is dependent on the planning phase. The department needs to address the major issues of farmers and come up with innovative models to mitigate the risk of food security.

Agricultural Extension

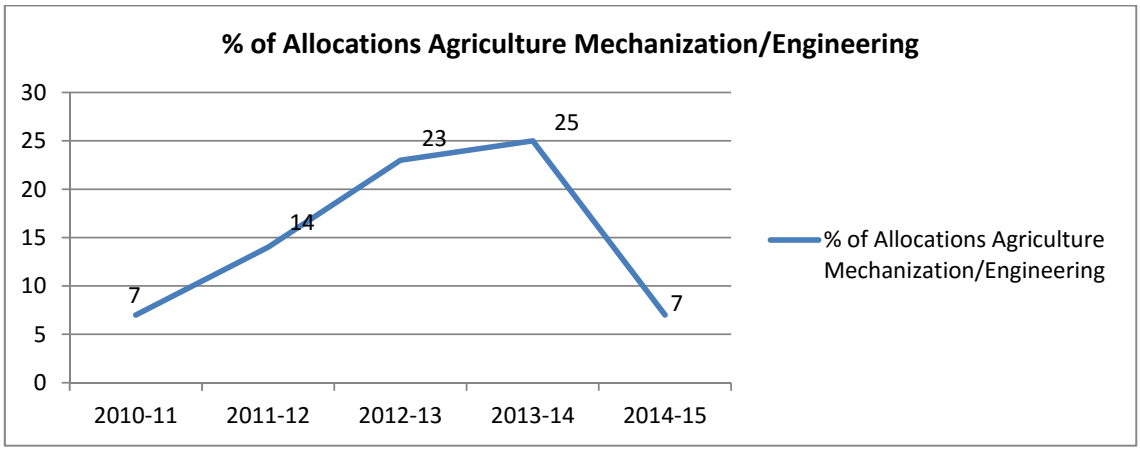
Agricultural extension is the application of scientific research and new knowledge to agricultural practices through farmer education. The Agriculture department needs to pay special focus to this component, as through this component farmers can be engaged, educated and trained to equip themselves to enhance production both horizontally and vertically.



It is observable that the % of allocations made over the past five years to the extension departments have been oscillating, the major reason has been the fact that budgets are proportional to number of schemes, in 2012-13 the number of schemes under the head was 6 which was the lowest number and resultantly the percentage allocation of budget was also lower.

Agriculture Mechanization/Engineering

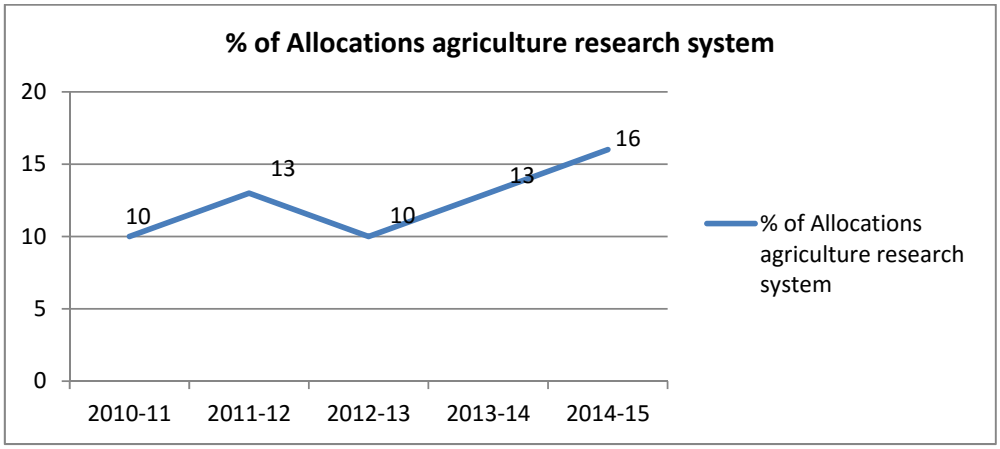
This department deals with the up gradation of tools and machinery for the production purposes, this issue has been a challenge in Pakistan and KP agriculture sector. There is a dire need for this department to equip the farmers with the latest technology and machinery so that the production can be done through more effective and efficient means.



There has been an inconsistent allocation of budgets in this particular head. The Agriculture department needs to strategize a stable stream of inflows along with a objective of upgrading the production techniques with the help of tools and machinery. This will help the small farmers to generate a higher yield.

Agriculture Research System

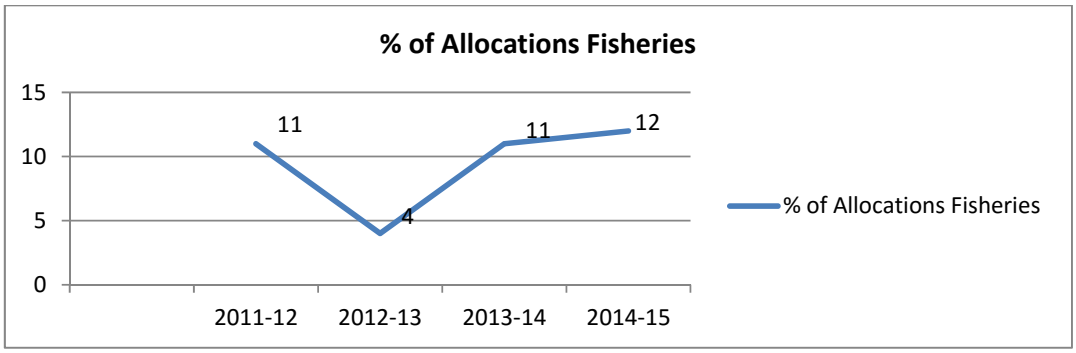
As discussed in the desk review section, Pakistan agriculture sector is in a dire need of innovative methodologies of production. There is a need to ensure that the farmers understand the utility of using new types of agricultural input which would result in high profitability. The research team has to keep the regional context and should come up with the most appropriate production techniques.



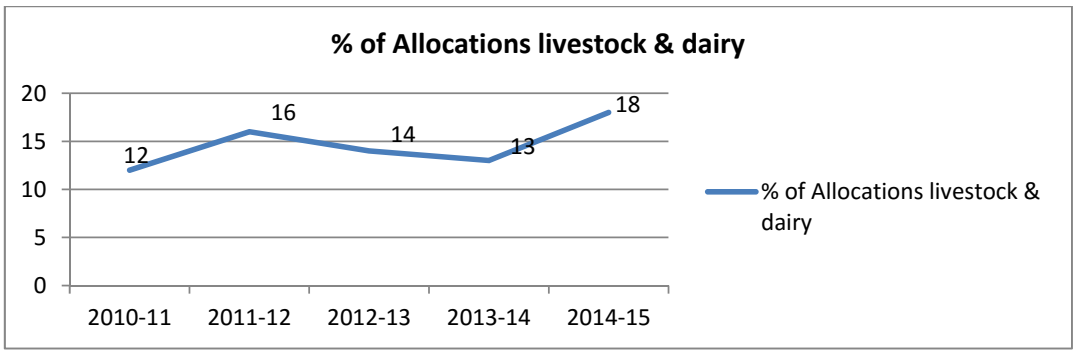
Fisheries and Livestock & Dairy

Pakistan is blessed with a terrain which has an immense potential for fish farming, livestock and dairy production. Pakistan is one of the largest milk producing countries in the world. However, the same issue of traditional farming results in lower production. If the modern techniques are applied and farmers are capacitated with contemporary methods of production, it will help the Agricultural Department to meet its target and will help the small farmer to benefit from higher production.

Fisheries

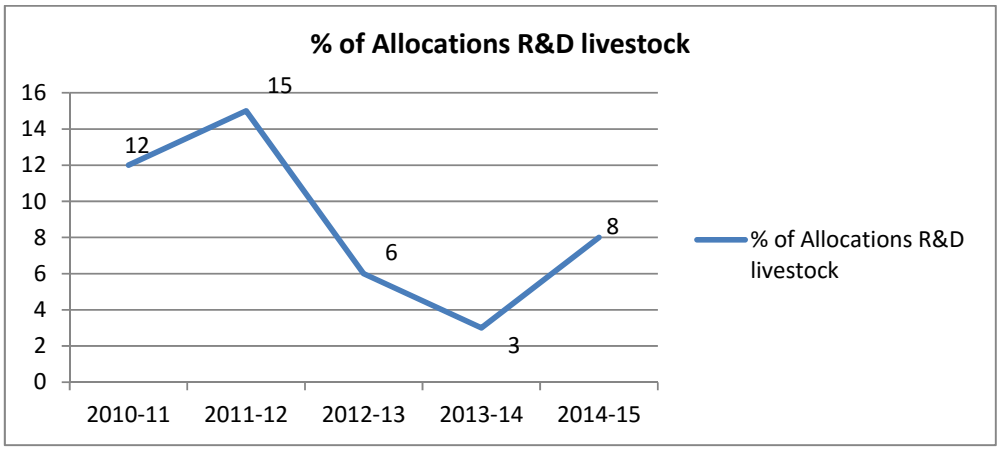


Livestock & Dairy



Livestock R&D

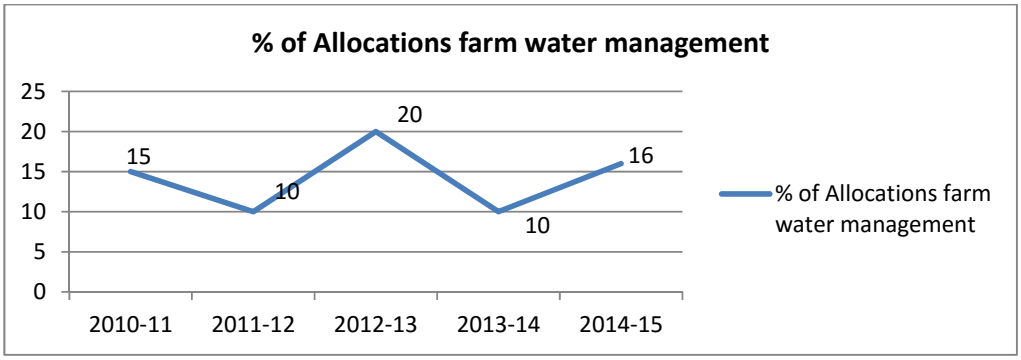
Research is one of the most significant pillars of progression. The R&D department of livestock has to not only find the best means to increase efficiency of production but also inculcate the modern and most adaptive techniques amongst the farmers. The allocated budgets for the departments are as follow:



The budgets for the R&D have decreased as compare to previous years but overall there is a need to invest in the R&D unit as innovative production techniques can be a game changer for the sector.

On farm Water management

Water shortage in Pakistan will increase to 31%[16] of people's needs by 2025 and this underlines the need for some tangible steps, including water usage charges and building of storages, to cope with the problem. Most of the wastage is contributed by the agricultural sector. Further, water management can help in the higher yield and cost efficiency. It is good to note that the Agriculture department of KP has been investing a substantial portion of budget to this component but still desired results remain a far cry. There is need for more focused approach to ensure that water management can be enhanced. The budget allocations are as follow:

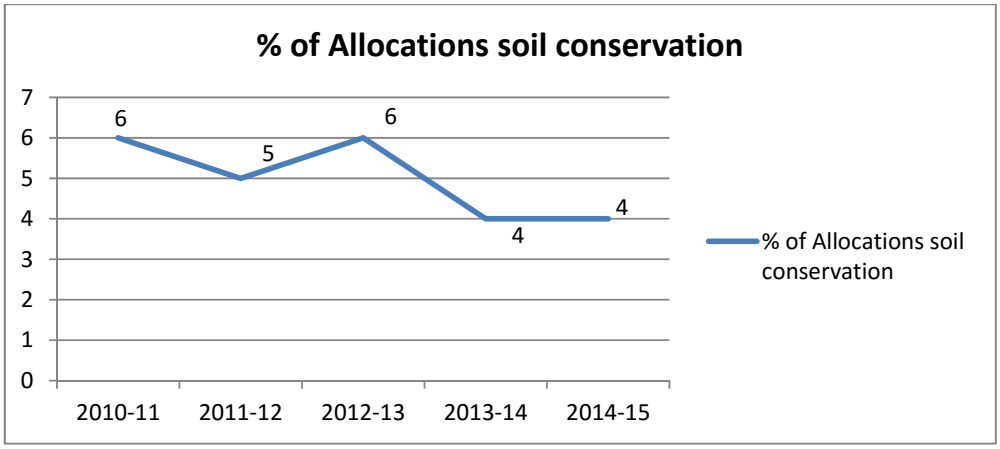


Soil conservation

Soil conservation is another major challenge for the Agriculture Department of KP. There is an immediate need to address this issue as this component affects the yield directly. Soil is

[16] Department of Irrigation and Water Management Research Centre, University of Agriculture Faisalabad (UAF)

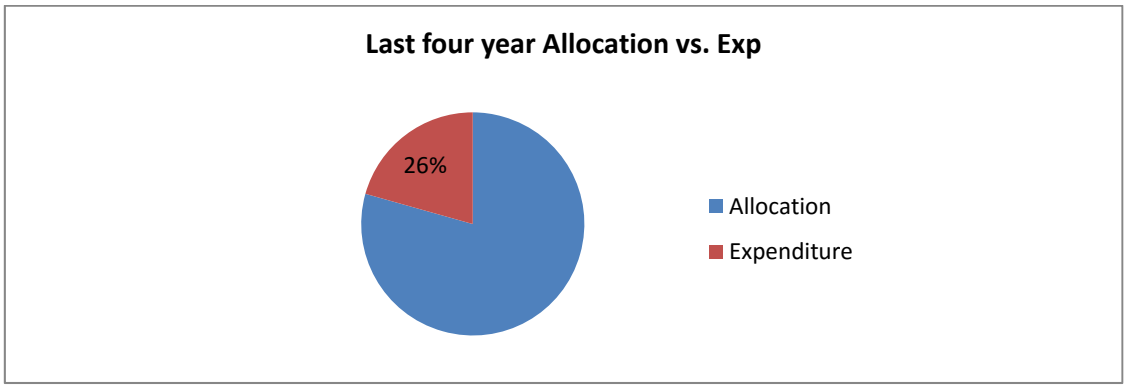
the main ingredient will impact the level of production therefore, it is mandatory that steps are taken to conserve the productivity of soil.



3.3 Analysis of small farmer centric schemes

During the analysis of the schemes related to the small farmers over the last five years it was noted that there is one major scheme "Small farmers land development in Khyber Pakhtunkhwa" which has been working over the past years, however upon the analysis of the budgets and expenditure it was observed the expenditure against the allocation was very low (26% over the last four year). The table below gives the reflection

Year	Allocated Budgets (Rs in millions)	Expenditure till June of respective year (Rs in millions)
2014-15	100	54
2013-14	100	30.4
2012-13	100	15.5
2011-12	100	5.5
Total	400	105.4

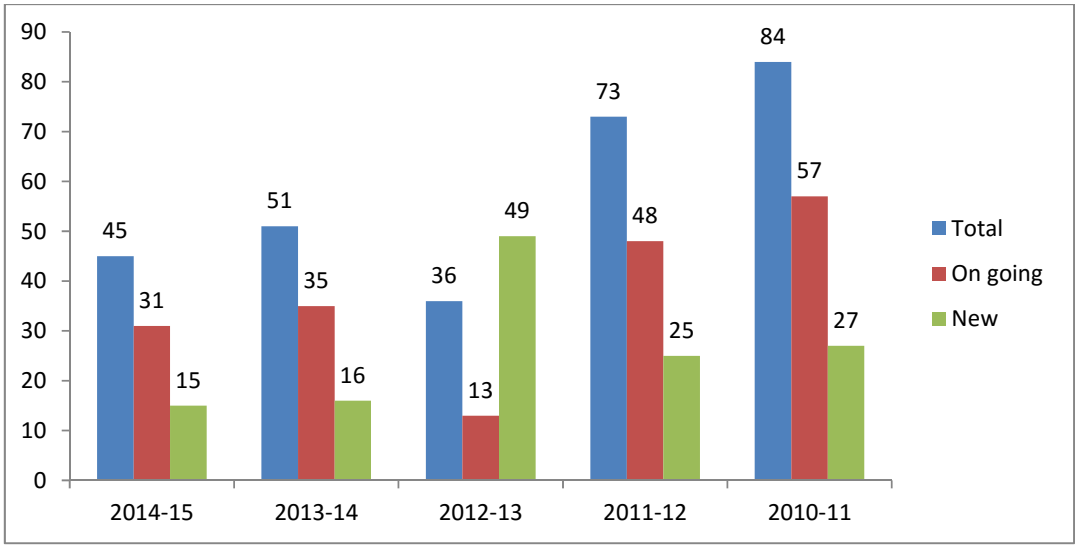


In year 2011-12 there were schemes in agricultural research i.e."Adaptive Research on selected vegetables to grow in the off-season to increase farmers income in Malakand and Hazara Divisions" and "Adaptive research on selected fruit species in the potential areas of Khyber Pakhtunkhwa to increase farmers income".
There was another scheme "Pilot project for improving milk and meat in Khyber Pakhtunkhwa through farmers participation (Phase-I)". Apart from these schemes there is no small farmer centric scheme which would directly address their issue.
There is a need to engage the small farmers through program which would involve them directly.

3.4 Analysis of schemes

During the past five years the trends suggest that there have been a number of new initiatives taken by the agricultural department, however the element of consistency has been low then the desired level as many schemes are short lived. The agricultural department needs to revisit and prioritize the strategic areas accordingly. The focus should be come up with programs to address the issue of food security by making the small farmers an integral stakeholder. The agriculture department should develop programs which would contribute to production with special context to sustainability.

Last five year On-going vs. New schemes



Another major finding of the budget is that there is a very limited contribution of foreign donors in the agricultural ADP. In the past five years 1 scheme (apart of 2013-14 when 2 schemes were funded) has been contributed by the foreign funding. This is an opportunity area for the agriculture department.

4. Conclusion:

1. Internally, the agriculture department needs to plan, strategize and reallocate the budgets in view of the current needs and keeping in view the challenge of food security.
2. The utilization of funds needs to be further expedited. The utilization of allocated fund will ensure benefit to maximum outreach.
3. There should be a consistent policy for budgeting which should support programs/schemes in the long run.
4. Programs/Schemes should be designed with consultation of all major stakeholders (especially small farmers) and budgets allocation should address the major challenges in the desk review section.
5. Foreign donors should be engaged as there is a limited share of foreign funded projects in agricultural department.
6. The cultivable areas of Pakistan and KP is underutilized, the department needs to identify the zone which can be used for agricultural production and encourage programs which can increase the cultivable land.
7. The yield per hectare needs to be improved by
    I. Applying modern and innovative techniques i.e. using HYV, fertilizers and modern machinery.
    II. Building capacity of small farmers to capacitate them with efficient production techniques
    III. Improve the water management systems with the help of local farmer communities and provide them with logistical support.
8. Policies should be implemented through which land could be allotted to poor farmers to address the issue of defective land tenure system. This will enhance the productivity and per acre yield as farmer will have direct interest in production.
9. Taxes should be levied on agricultural income but not without devising limit of land holding, the taxation policy should focus on accommodating small farmer.
10. Trainings of farmers to equip them with modern techniques of farming is required.
11. A new Agricultural Policy must be framed in which should be focused on.
    I. Small farmer must be focused and made part of policy, regulation, laws and decision making. The major problems of small farmers should be given priority.
    II. Productivity enhancement programme must be constituted to adjust and support prices.
    III. Different Agricultural zones should be introduced. This would enhance agro based industry from respective regions and can lead to increase in foreign reserves.
    IV. The Farm centers should be made the focal point of engagement for capacity building, problem solving and supporting farmers.
12. Corporate farming should be encouraged and making multinational companies a direct stakeholder in agriculture could be a productive step as it will also help those who own a large area of fertile land but can't manage it, create jobs and infrastructure.
13. Those seeds should be banned which can create pest problem and usage of HYV should be encouraged. The provision of vital and efficient agricultural inputs should be ensured to farmers' community.
14. Latest machinery should be provided to the farmers to increase the per acre yield. This provision should be on easy installments so that the farmers can avoid the burden of loans.
15. If possible subsidy should be given by the government of modern machinery.

16. Modern techniques of irrigation can solve the problems of water management in Pakistan. This could be achieved through different methods of irrigation i.e.drip irrigation and sprinkle irrigation.

Report Summary

The report addresses the outlay for the last 5 year budgets for the Agriculture in KP. The focus of the report is to analyze the developmental and non developmental budget. The report will look into the trends of allocation and utilizations against the budgets. The purpose is to highlight the gaps in allocation and respective utilization and the impact of these gaps on the overall agricultural outlook in KP especially in context of food security and small farmers.

To achieve the objective the consultant carried out a two step approach. Firstly, a desk review was conducted to get a snapshot of layout of agricultural budgets in current context and in the second phase the budgets which were gathered from the respective departments were examined to identify the key challenges and opportunity areas. During the data collection process two Key Informant Interviews (KIIs) were also conducted as a primary source of information gathering.

During the desk review, the major challenges which are contributing towards the food insecurity directly or indirectly like limited modern private sector, instability in market prices, poor financial position of farmers and subsistence farming, lack of credit and agricultural-finance, illiteracy and lack of technical knowledge, improper crop rotation, low cropping intensity, defective land tenure system, inadequate agricultural research and development, lack of irrigation facilities, inadequate supply and cost of agricultural inputs, old methods of production, uneconomically viable land holdings size, inadequate infrastructure, water logging and salinity and soil erosion, low per hectare yield and limited cultivable areas are highlighted and mitigating approaches are also discussed.

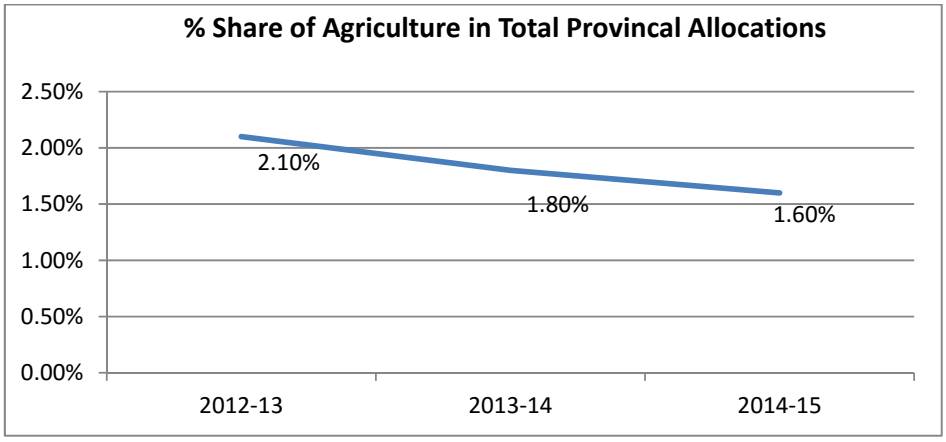
During the budget analysis it was observed that the overall allocation of budgets in agriculture especially the developmental budget is less than desired as there are many issues which require considerable attention to accommodate the small farmers to achieve the objective of mitigating food security threat. Further, it was observed that the utilization of allocated budgets over the past five years needs to be improved. The Agriculture Department will have to ensure that the efficiency of budget utilization is increased so that the efficacy of the current programs can be achieved fully. There are very limited schemes which directly address the issues related to small farmers. Further, there is a need to initiate and allocate budgets for schemes which would directly address small farmers and issue of food security.

Share of Agricultural Allocations

Historically, the amount of budgets allocated to agricultural department has been a small percentage considering the contribution of agriculture sector to the overall GDP and economy of KP. The allocations to agriculture department in comparison to over allocation for the past three years are as follow:

Year	Allocation for agriculture (Rupees in millions)	Total Allocations of KP (Rupees in millions)	% Share
2014-15	1587	100050	1.6%
2013-14	1532	83000	1.8%
2012-13	1410	67986	2.1%

Over the past three years the allocations to the agriculture has been between 1.6 - 2.1%. Considering the significance of agriculture in terms of sustainability of food, economy, contribution towards jobs and exports the budgets allocated seem less than required. The investment in the agriculture sector by the Government will increase the economic activity and also address the issue of food security and inflation. However, on the analysis of last three year see that the percentage share for agricultural allocation is decreasing. Considering the factors like climate change which impacts the agro-cycle it is imperative that investment should be made to tackle this upcoming problem. There is a dire need to work on the horizontal and vertical expansion for agricultural production and all the other issues presented in the report. To address these issues there is a need to increase allocations in the agriculture department.



% share of agriculture in total provincial share[17]

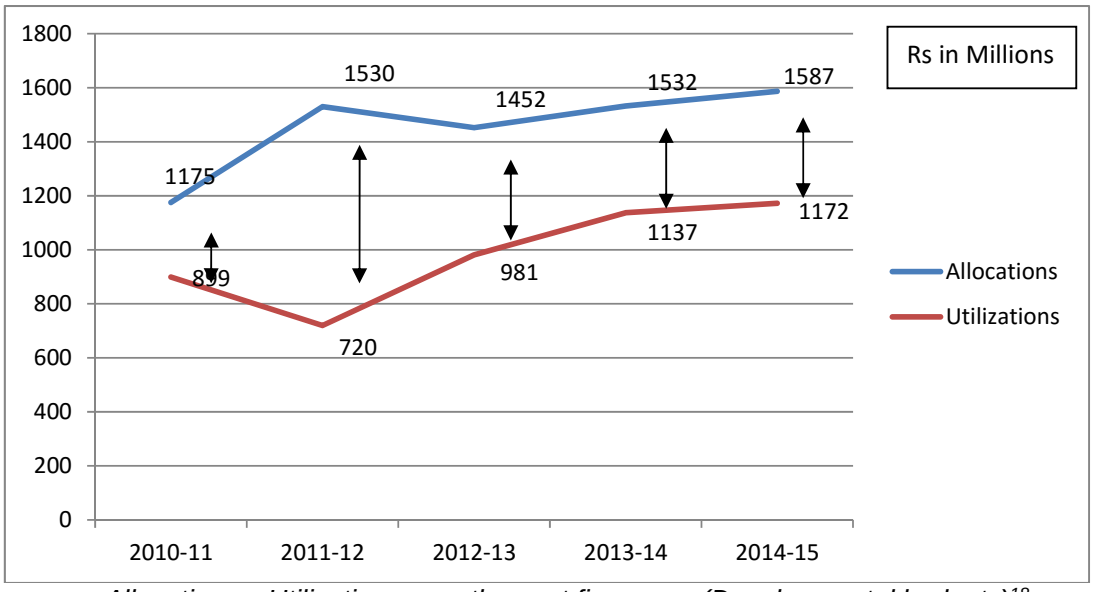
Another major finding has been the very low share of foreign funding in the agricultural sector. The share of foreign funding in areas like education and health is comparatively high. The total share of

[17] Source; ADP last five years

foreign funding in agricultural schemes in negligible. It is an area in which the agricultural department can work with the donors, INGOs, NGOs and CSO to generate revenue for new initiatives.

Allocations vs. Utilization

Upon the analysis of allocation of budgets to utilization it was observed that the utilization of budgets needs to be improved. The developmental budgets the expenditures are based on progress of activities and dependent on the performance of relevant departments. The snapshot of the allocation of developmental budget to utilization shows that over the last five years, there have been two major issues. Firstly, the overall budget allocated to the development head is less than the desired level. Secondly, the utilization of these budgets has remained very low amongst all the relevant departments due to slow progress of activities and bureaucratic hurdles.



Allocation vs Utilizations over the past five years (Developmental budgets)[18]

The average utilization of funds over the last five years has been around 67% of the total fund allocated. This reflects that firstly "the current efficiency of Agriculture Department has to be improved before rationale for the increased budgets for new activities can be put forward". Secondly, there is a need to induct new programs in the agriculture departments with the consent of all stakeholders especially the small farmers to achieve higher production to tackle the issue of food security.

Budgets and Small Farmers

During the analysis of the schemes related to the small farmers over the last five years it was noted that there is very limited number of schemes over the past five year which address directly the small

[18] Source; ADP last five years

farmers, only one major scheme "*Small farmers land development in Khyber Pakhtunkhwa*" which has been running consistently over the past years. However, upon the analysis of the budgets and utilization it was observed the expenditure against the allocation was very low (26% over the last four year). The table below gives the reflection on the allocation to utilization is small farmer centric schemes.

Year	Allocated Budgets (Rs in millions)	Expenditure till June of respective year (Rs in millions)
2014-15	100	54
2013-14	100	30.4
2012-13	100	15.5
2011-12	100	5.5
Total	400	105.4

The scope and strategy of the scheme "Small farmers land development in Khyber Pakhtunkhwa" needs to be reviewed, the farmers should be made a major stakeholder when review of the scheme is made. The special focus on farmer will ensure that the issues of farmers would be addressed. The scheme should increase its scope in context of role of small farmers and food security issues.

The utilization of the scheme needs improvement and once an efficient level is achieved than the financial scope of the scheme should be added. There should be new initiatives takes which directly address the small farmers well being and developing them into a force that would directly contribute towards their own progress and objectives of agriculture department.

Further, there is a need to add small farmers and food security as cross cutting theme in all the relevant current and upcoming schemes.

Food Security

Upon a detailed secondary research challenges like lack of modern private sector, instability in market prices, poor financial position of farmers and subsistence farming, lack of credit and agricultural-finance, illiteracy and lack of technical knowledge, improper crop rotation, low cropping intensity, defective land tenure system, inadequate agricultural research and development, lack of irrigation facilities, inadequate supply and cost of agricultural inputs, old methods of production, uneconomically viable land holdings size, inadequate infrastructure, water logging and salinity and soil erosion, low per hectare yield, limited cultivable areas and water shortage are all a threats which contributes towards increased food insecurity.

The agricultural department is putting efforts to tackle these challenges through diverse range of schemes but there is large scale scheme which is directly focused on the food security issue. There is a strong need to initiate a specific program where all the stakeholders i.e. Government, producers, farmers, manufacturers, donor agencies etc. should be taken on board to address the issue of food security.

The new program should come up with the strategy and implementation plan which would enhance and sensitize all the stakeholders to work in coordination to address the issue of food security in the short and long run. Specific effort is required to synergize the impact of all the current relevant schemes so that production can be increased and all the challenges are addressed through the lens of food security.

Annexure I- Summary of Developmental Budgets for past five years.

2014-15	Old	New	Local	Foreign	No of schemes	Budget in millions	% of shares in budget
Agricultural Planning	2		2		2	31	2%
Agriculture Extension	6	2	8		8	239	15%
Agriculture Mechanization	3	1	4		4	105	7%
Agriculture Research Systems	5	2	7		7	251	16%
Fisheries	6	2	8		6	184	12%
Livestock & Dairy Dev. (Ext.)	3	3	6		6	286	18%
Livestock R&D	2	2	4		5	126	8%
On-Farm Water Management	2	1	3		3	260	16%
Soil Conservation	1	1	2		3	59	4%
Veterinary Research Institute	1	1	2		2	45	3%
	31	15	45	1	46	1587	100%
2013-14	Old	New	Local	Foreign	No of schemes	Budget in millions	% of shares in budget
Agricultural Planning	1	4			5	32	2%
Agriculture Extension	4	3			7	211	13%
Agriculture Mechanization	4	1			5	389	25%
Agriculture Research Systems	6	1			7	211	13%
Fisheries	5	3			8	173	11%
Livestock and Dairy Development (Ext)	7	1			8	200	13%
Livestock Research & Development	2	1			3	53	3%
On-Farm Water Management	2	1			3	165	10%
Soil Conservation	2	1			3	64	4%
Veterinary Research Institute	2				2	34	2%
	35	16	49	2	51	1532	100%

2012-13	Old	New	Local	Foreign	No of schemes	Budget in millions	% of shares in budget
Agricultural Planning	2	0			2	8	1%
Agriculture Extension	4	2			6	61	4%
Agriculture Mechanization	5	1			6	372	23%
Agriculture Research Systems	5	1			6	155	10%
Fisheries	2	3			5	67	4%
Livestock and Dairy Dev. (Ext.)	8	1			9	223	14%

Livestock Research & Dev.	3	1			4	89	6%
On-Farm Water Management	3	2			5	318	20%
Soil Conservation	3	1			4	91	6%
Veterinary Research Institute	1	1			2	68	4%
	36	13	48	1	49	1452	100%
2011-12	Old	New	Local	Foreign	No of schemes	Budget in millions	% of shares in budget
Agricultural Planning	1		1		2	6	0%
Agriculture (Flood)	1	1	2		1	5	0%
Agriculture Extension	10	4	14		14	118	7%
Agriculture Mechanization	2	3	5		5	224	14%
Agriculture Research Systems	16	1	17		17	212	13%
Fisheries	1	1	2		2	175	11%
Livestock and Dairy Dev. (Ext.)	3	8	11		11	253	16%
Livestock Research	4	1	5		5	236	15%
On-Farm Water Management	5	2	7		7	154	10%
Soil Conservation	1	3	4		4	63	4%
Veterinary Research Institute	4	1	5		5	84	5%
	48	25	73	1	73	1530	100%
2010-11	Old	New	Local	Foreign	No of schemes	Budget in millions	% of shares in budget
Agricultural Planning	2	1	3		2	65	4%
Agriculture Extension	13	4	17		17	159	10%
Agriculture Mechanization	3	3	6		6	118	7%
Agriculture Research	18	5	23		23	156	10%
Livestock	5	4	9		9	130	8%
Livestock Research & Dev.	5	2	7		11	192	12%
On-Farm Water Management	5	3	8		8	240	15%
Soil Conservation	1	2	3		3	26	2%
Veterinary Research Institute	5	3	8		6	89	6%
	57	27	84	1	85	1175	100%