GRASP is funded by the EU and implemented by ITC

International Trade Centre

GRASP Pakistan

GROWTH FOR RURAL ADVANCEMENT AND SUSTAINABLE PROGRESS

The competitiveness of rural MSMEs and their resilience to the COVID-19 crisis

Evidence from Balochistan, Pakistan

July 2020

Table of Content

Definition of MSME under GRASP

Any enterprise engaged in an economic activity irrespective of its legal form or registration status. This includes self-employed, family firms, partnerships and associations that may or may not be registered.

Enterprises that are either Farms/Farmer Groups or Agribusinesses in and around the selected value chains. Agribusinesses include input suppliers, collectors, traders, processors or retailers

Agribusinesses or farms/farmer groups with less than 250 employees (State Bank of Pakistan)

- Micro: 1 – 9
- Small: 10 – 49
- Medium: 49 – 249

With annual sales turnover of less than or equal to PKR 650 million ($4.2 million) (SME Policy 2019)

Farm Size Categorization – Balochistan

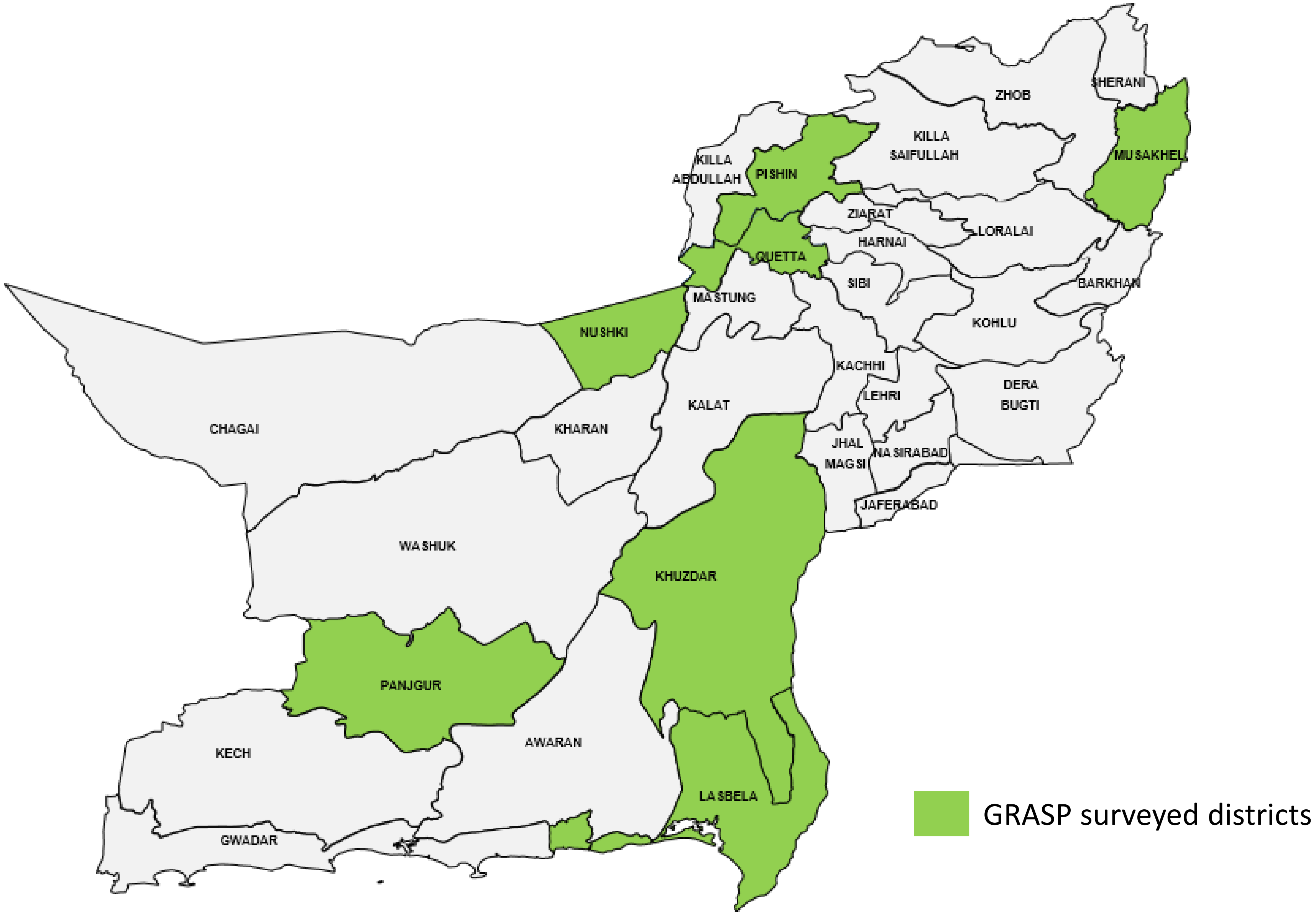
Horticulture:
Small: Up to 32 acres
Medium: Above 32 acres to 64 acres
Large: Above 64 acres

Source: State Bank of Pakistan

Livestock: (Goats and Sheep)
Small: Less than 50 animals
Medium: 50 – 200 animals
Large: Above 200 animals

Source: No official definition exists. This definition comes from the farm surveys conducted by ITC

Surveyed Districts of Balochistan



Background - Agribusiness Survey

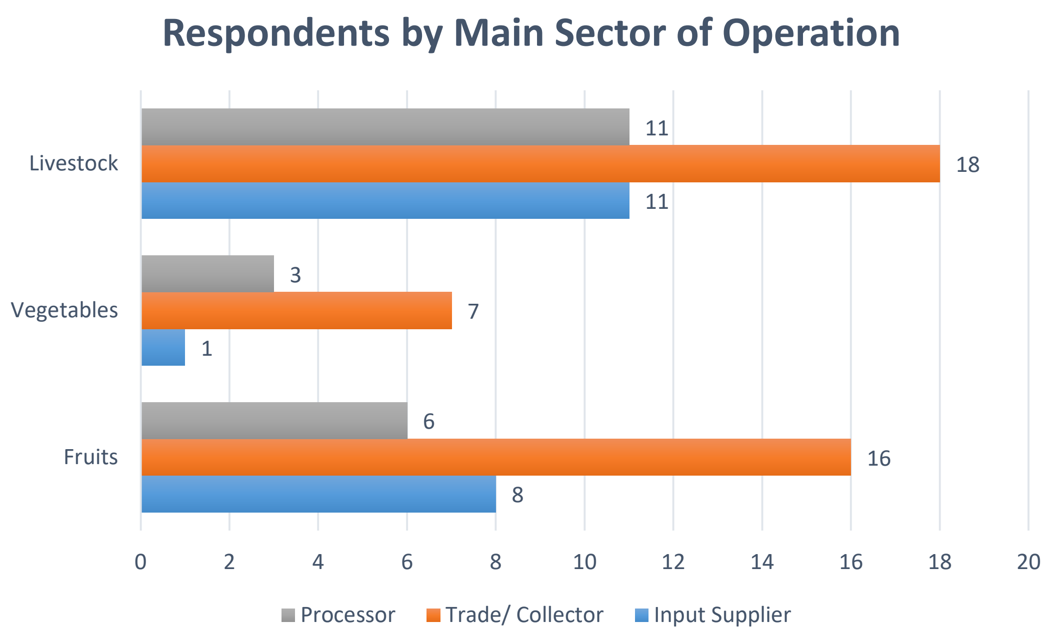
Based on ITC's SME Competitiveness Survey (SMECS), and captures a wide range of factors, which determine firm competitiveness and relationships among value chain actors. It serves as an instrument for SME-level data collection and baseline setting.

Objectives

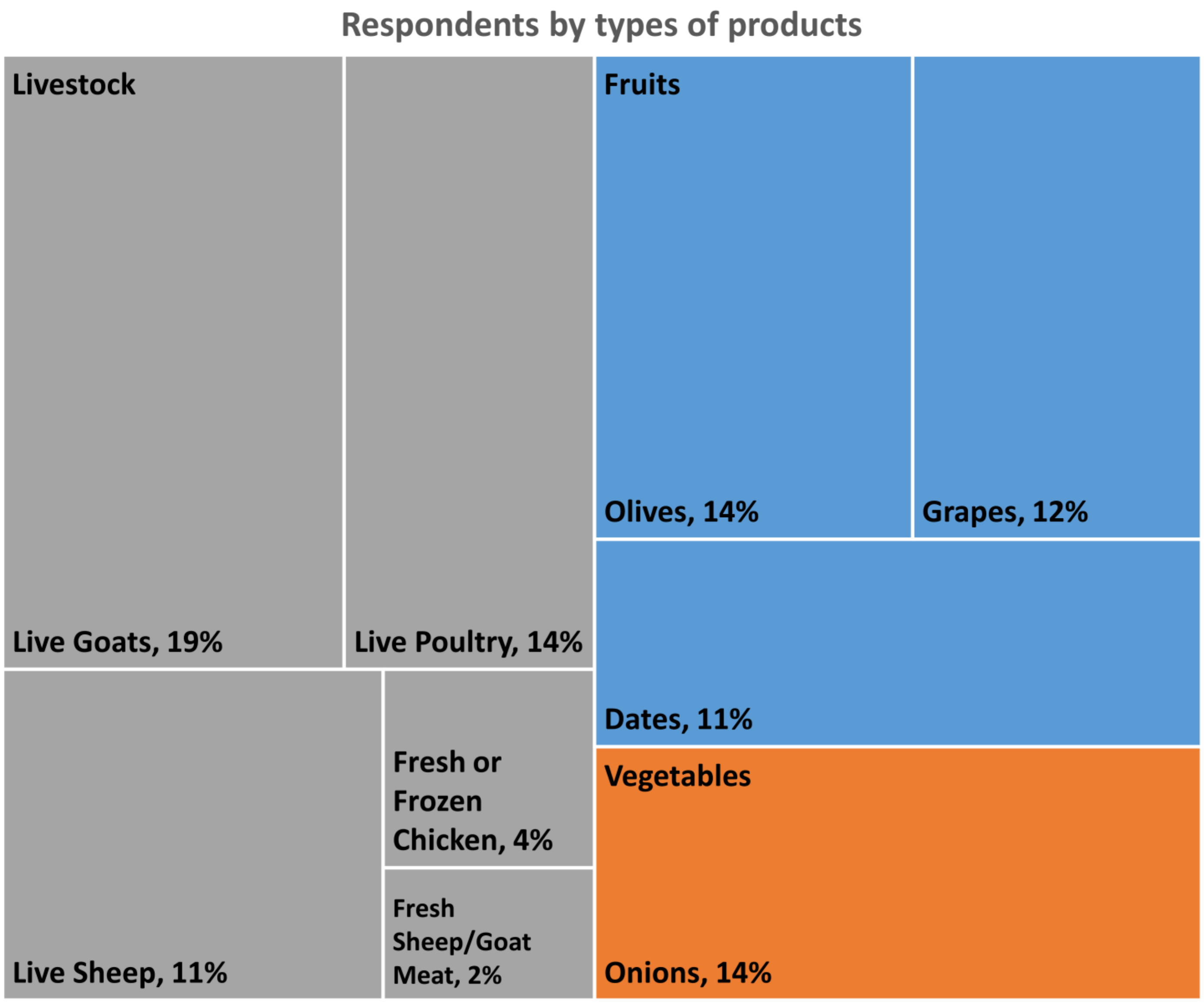
- To gain understanding of private sector activities (production of good and services), as well as horizontal and vertical business linkages in selected value chains
- To identify, deepen into and validate main challenges faced by agri-businesses involved in inputs and services provision, trading and/or primary and secondary agro-processing in and around select value chains.

Agribusiness Survey in a snapshot – Balochistan

SAMPLE SIZE: 81 Agribusinesses



41 Collectors/Traders
20 Input Supplier
20 Processors



Agribusiness Survey in a snapshot – Balochistan

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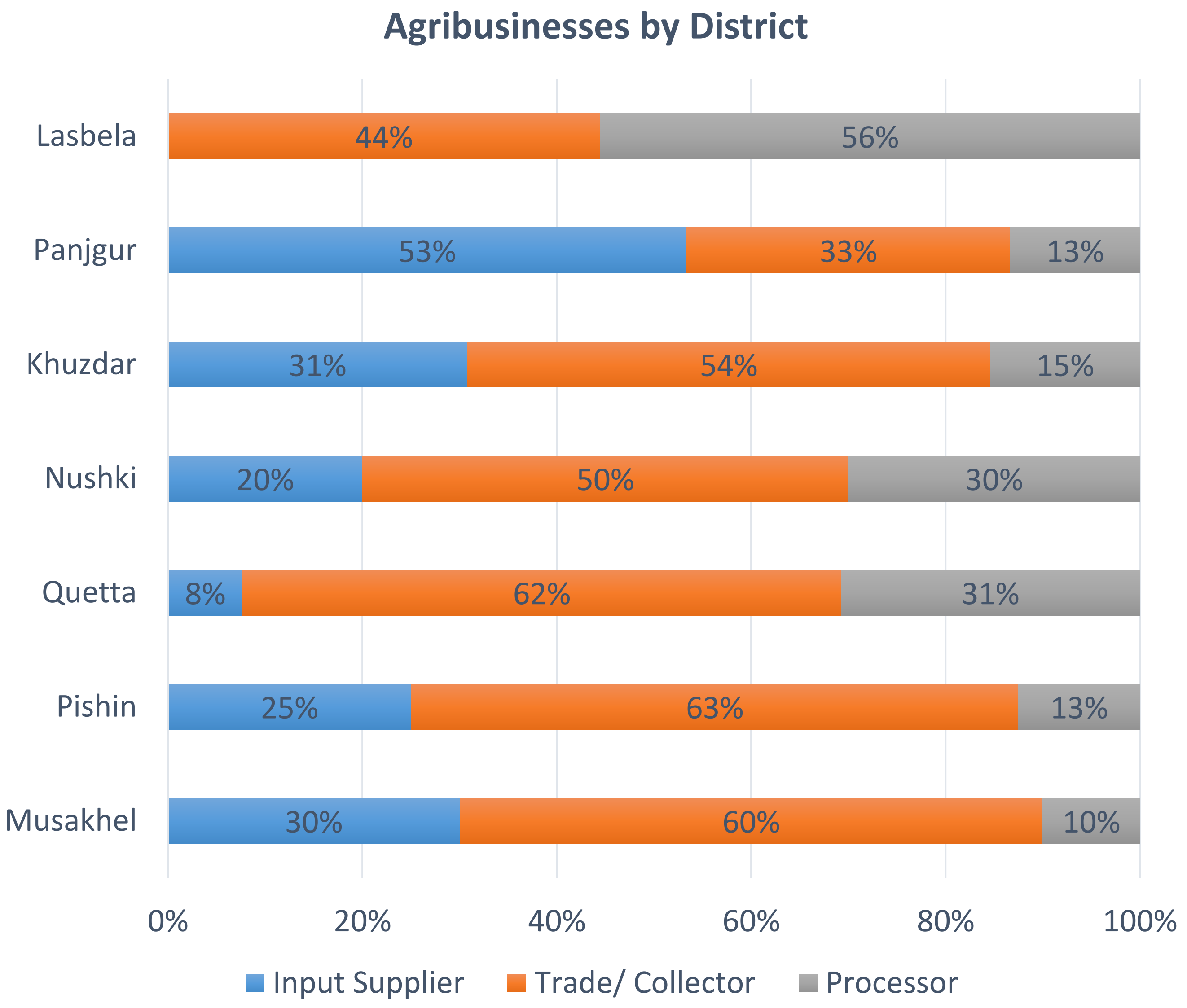
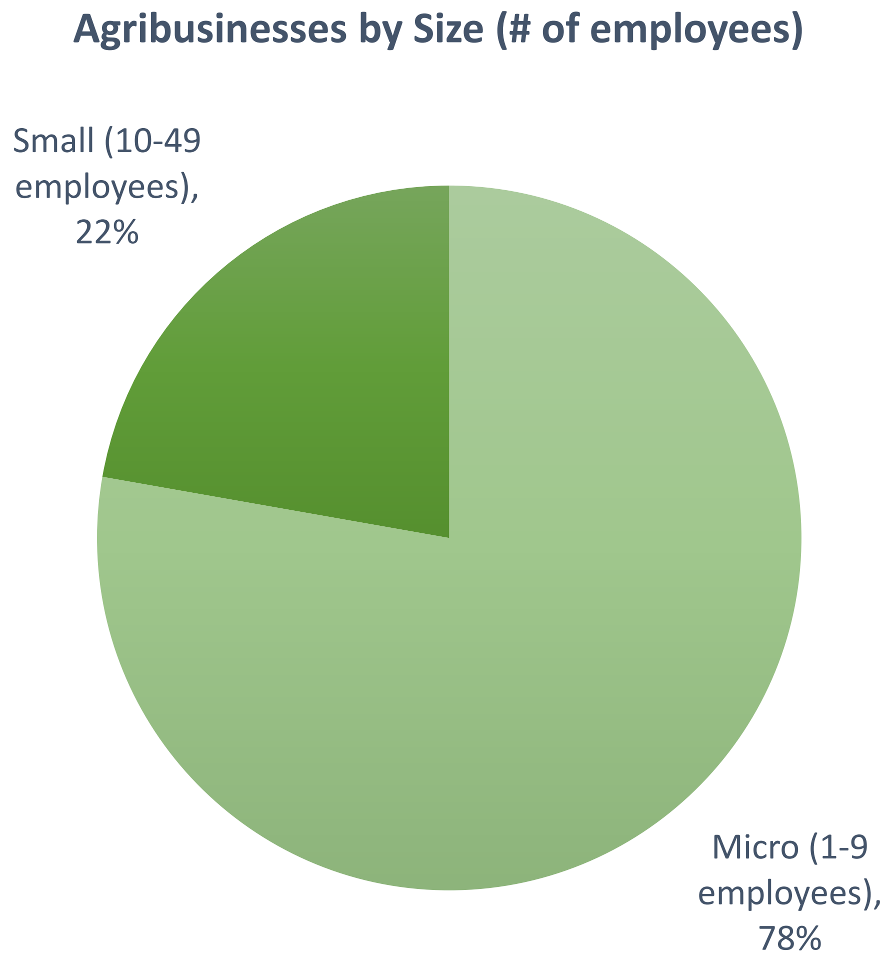




Background - Farm Survey

International Trade Centre

The survey contributes to gathering information at farm level on production, access to markets and inputs, identifying main challenges, and assessing knowledge and practices in areas relevant to the GRASP programme, such as climate change and gender issues

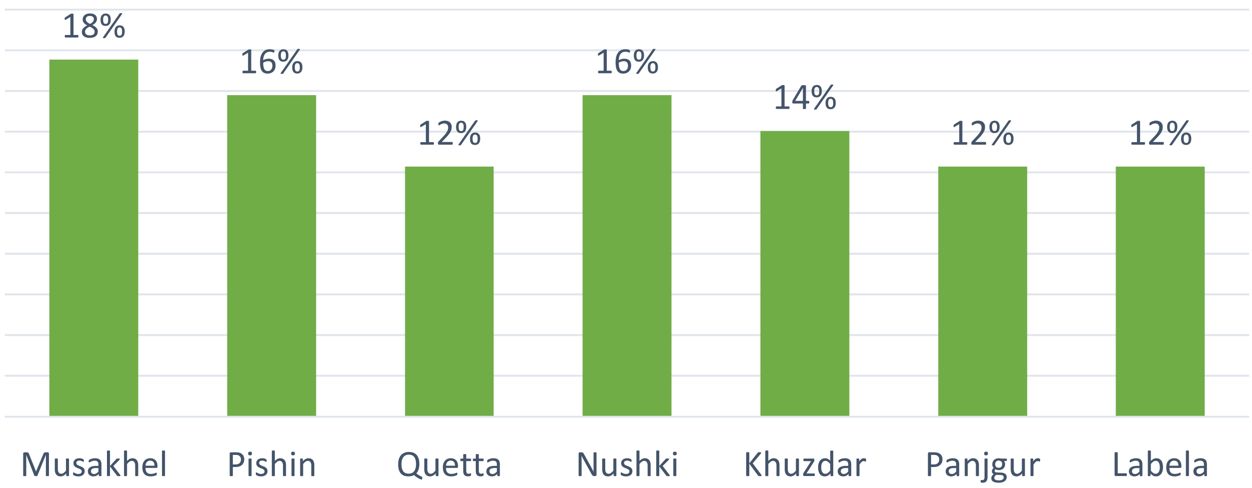
Objectives

- To gain an understanding of the characteristics and performance of primary production in select value chains from a farm-level perspective.
- To identify, deepen into and validate main challenges faced by farmers and farmer groups when engaging in the production, value addition and commercialization of select products.

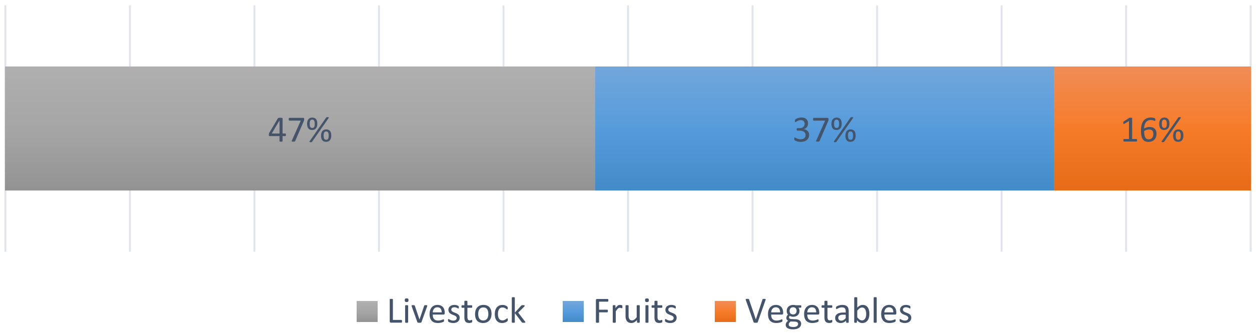
Farm Survey in a snapshot – Balochistan

SAMPLE SIZE: 57 Farmers

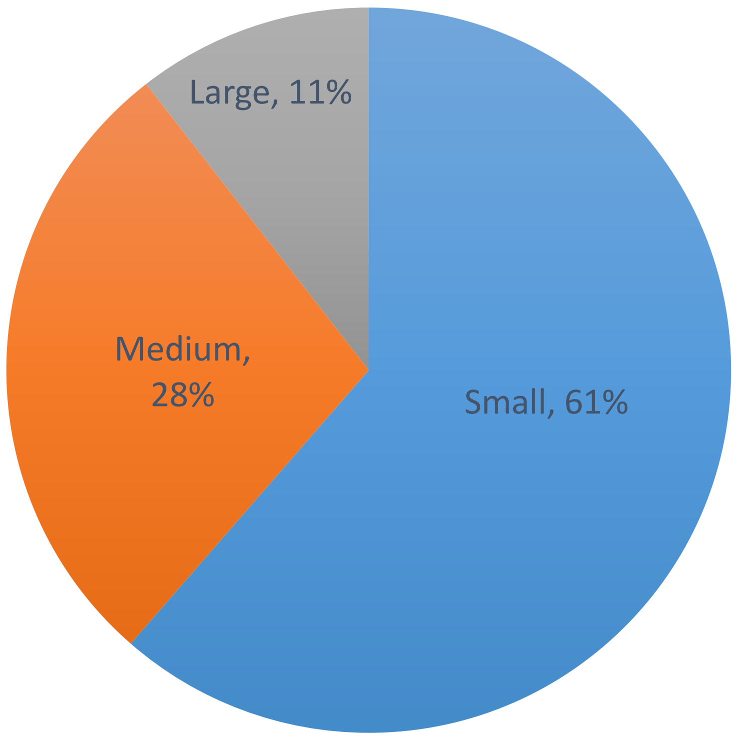
District and share of respondents: farm survey



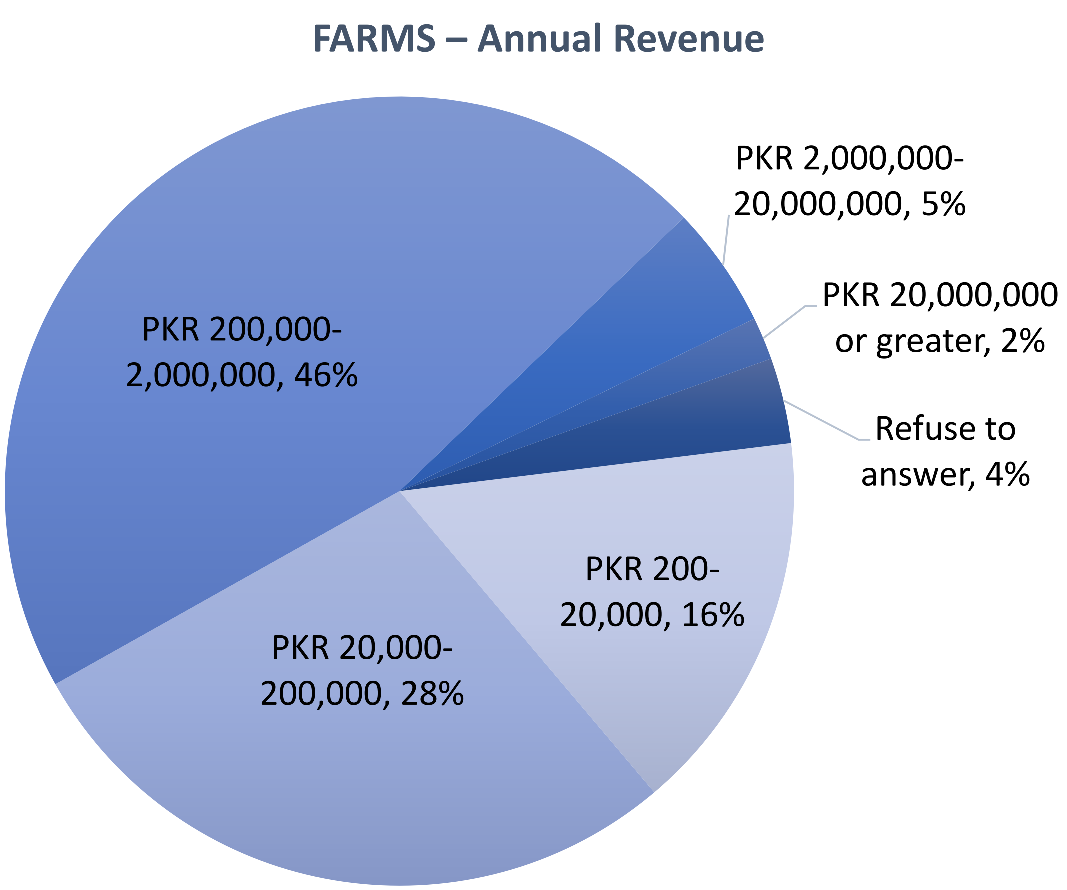
Main sector of activity (%)

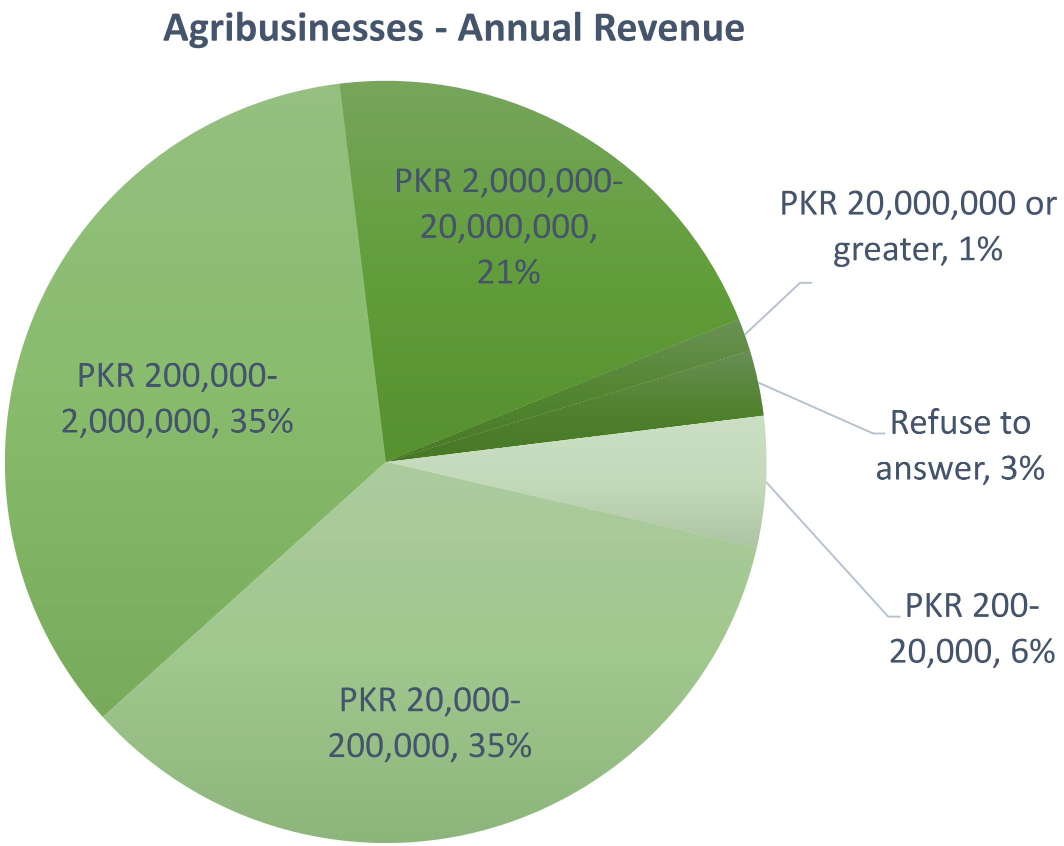


Size of the farm – Land Holdings



Annual Revenue*

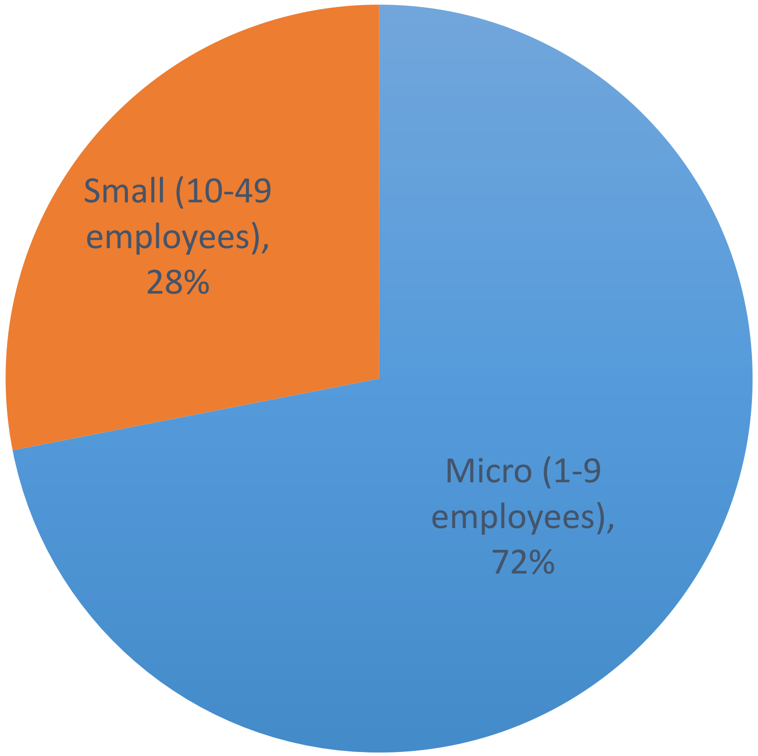




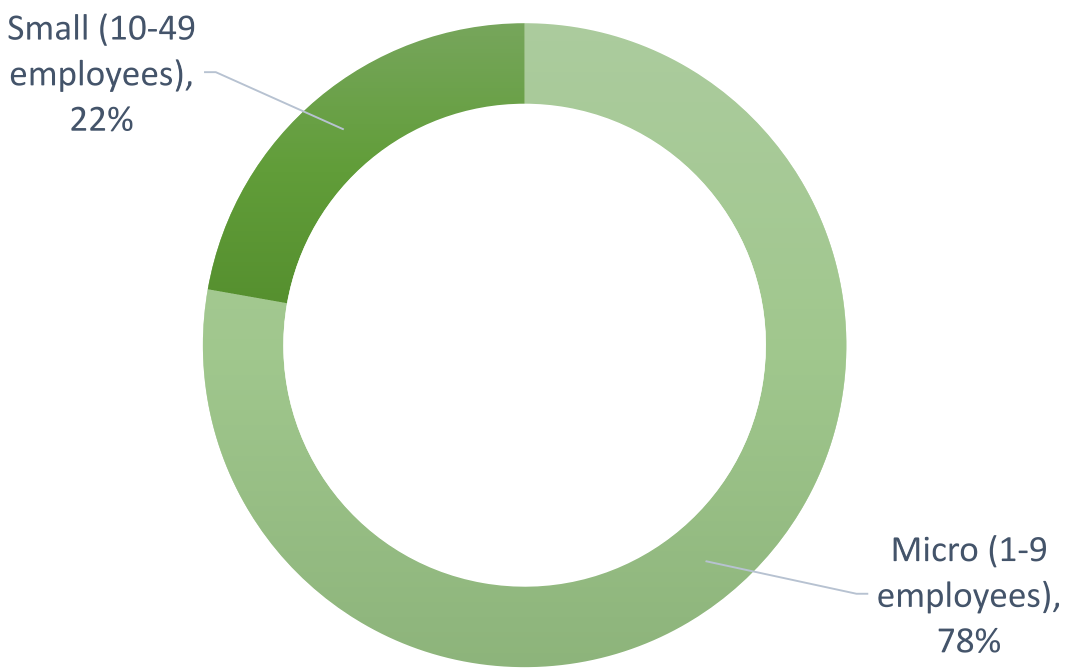
*Annual Revenue from Sales

Number of Full-Time Employees*

FARMS by Number of Full-Time Employees



AGRIBUSINESSES by Number of Full-Time Employees



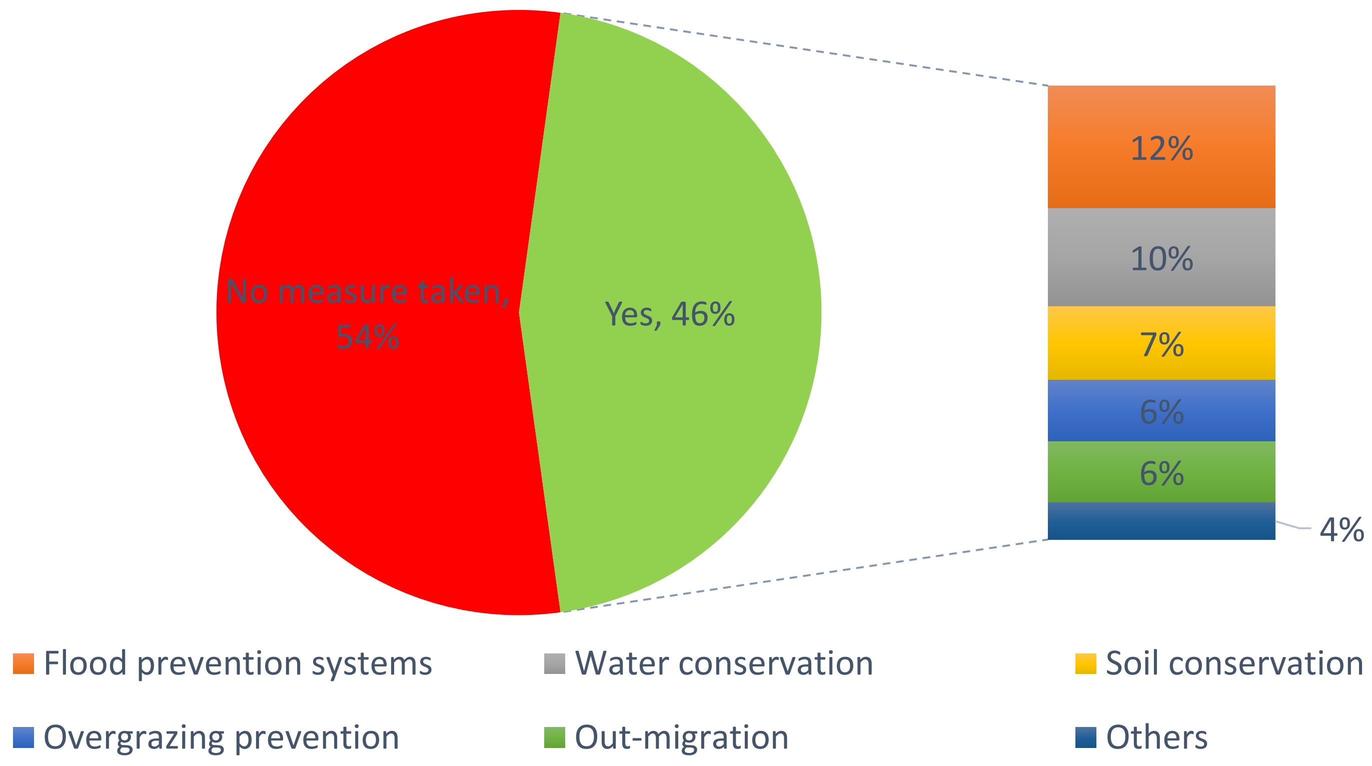
FTE* = 40 hours/week is referred to as one FTE (2,080 hours/annum)

Climate Smart Agriculture

Environmentally Sustainable

International Trade Centre

FARM: Measures undertaken to prepare against environmental hazards?



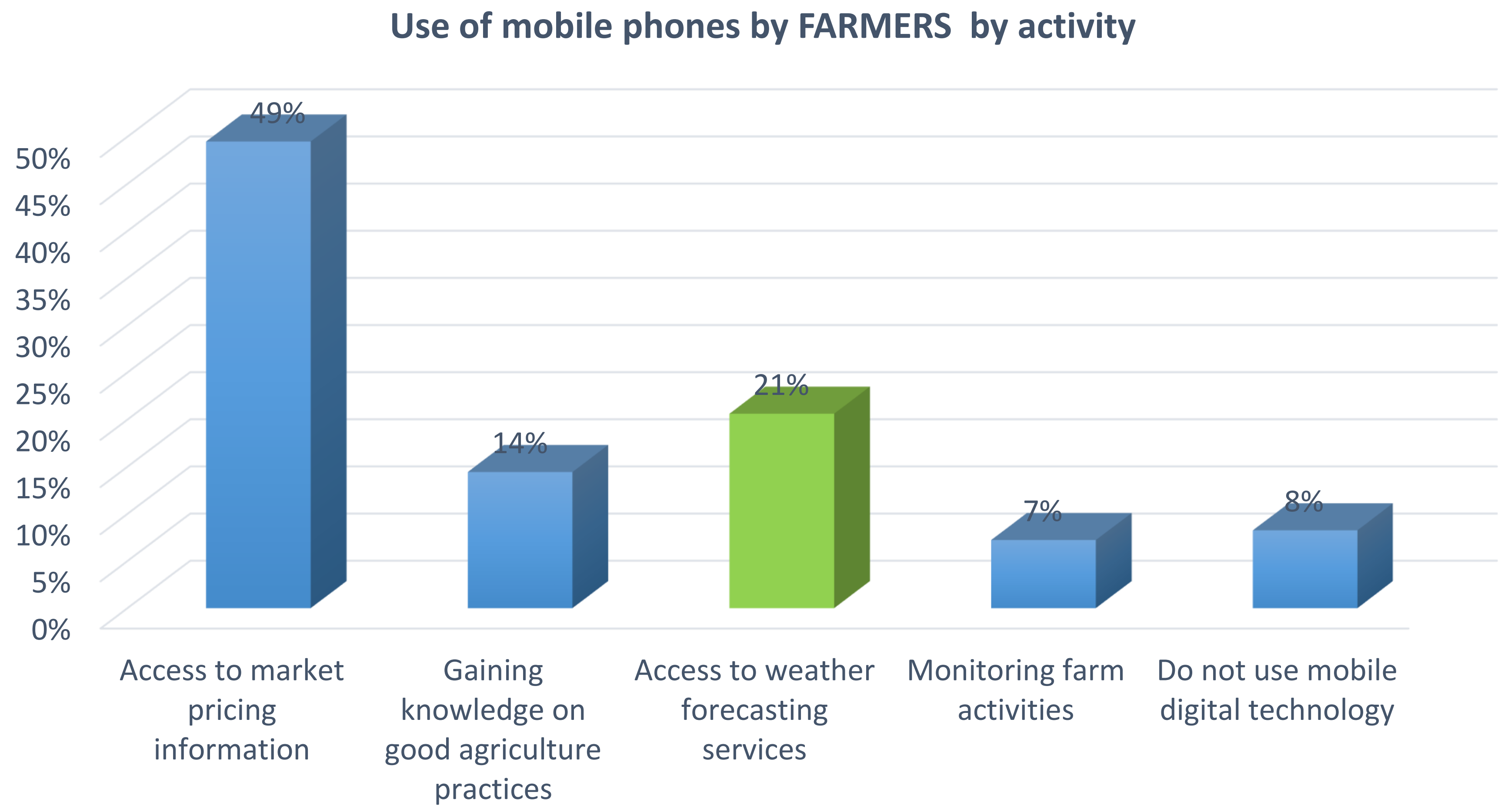
AGRIBUSINESS SURVEY:

- **Only 4 agribusinesses out of 81 reported that they have an environment certificate**

FARM SURVEY:

- **Just 5 of the 57 (9%) interviewed farmers implemented new technique/technology of water management practices in the past year**

Access to Climate Information



Agribusinesses needing help with environmental issues

International Trade Centre

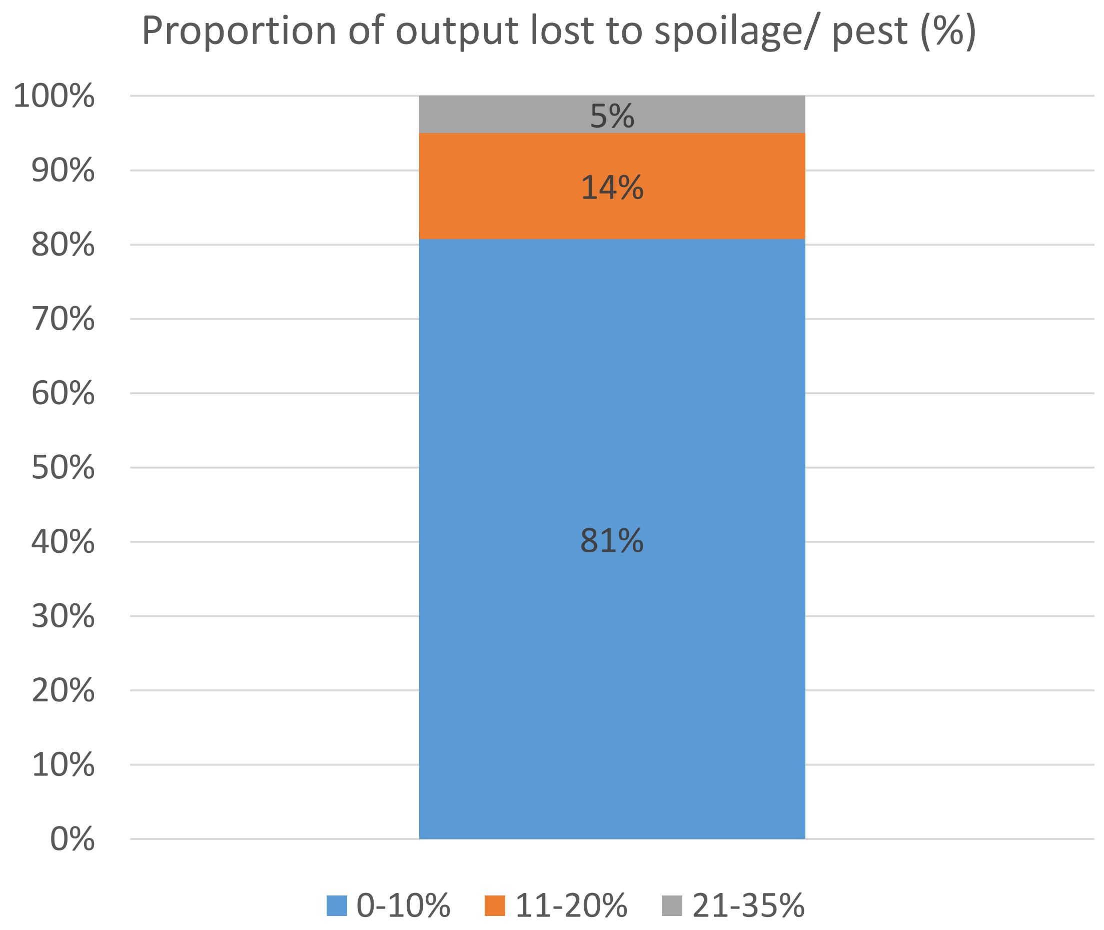
62% of the respondents mentioned that access to finance is one of the top three key indicators they would be interested in receiving assistance in to deal with environmental issues

Value Addition

Respondents reporting post-harvest losses

FOR AGRIBUSINESS: Only 6 firms out of 81 reported inadequate post-harvest handling was a top constraint for them

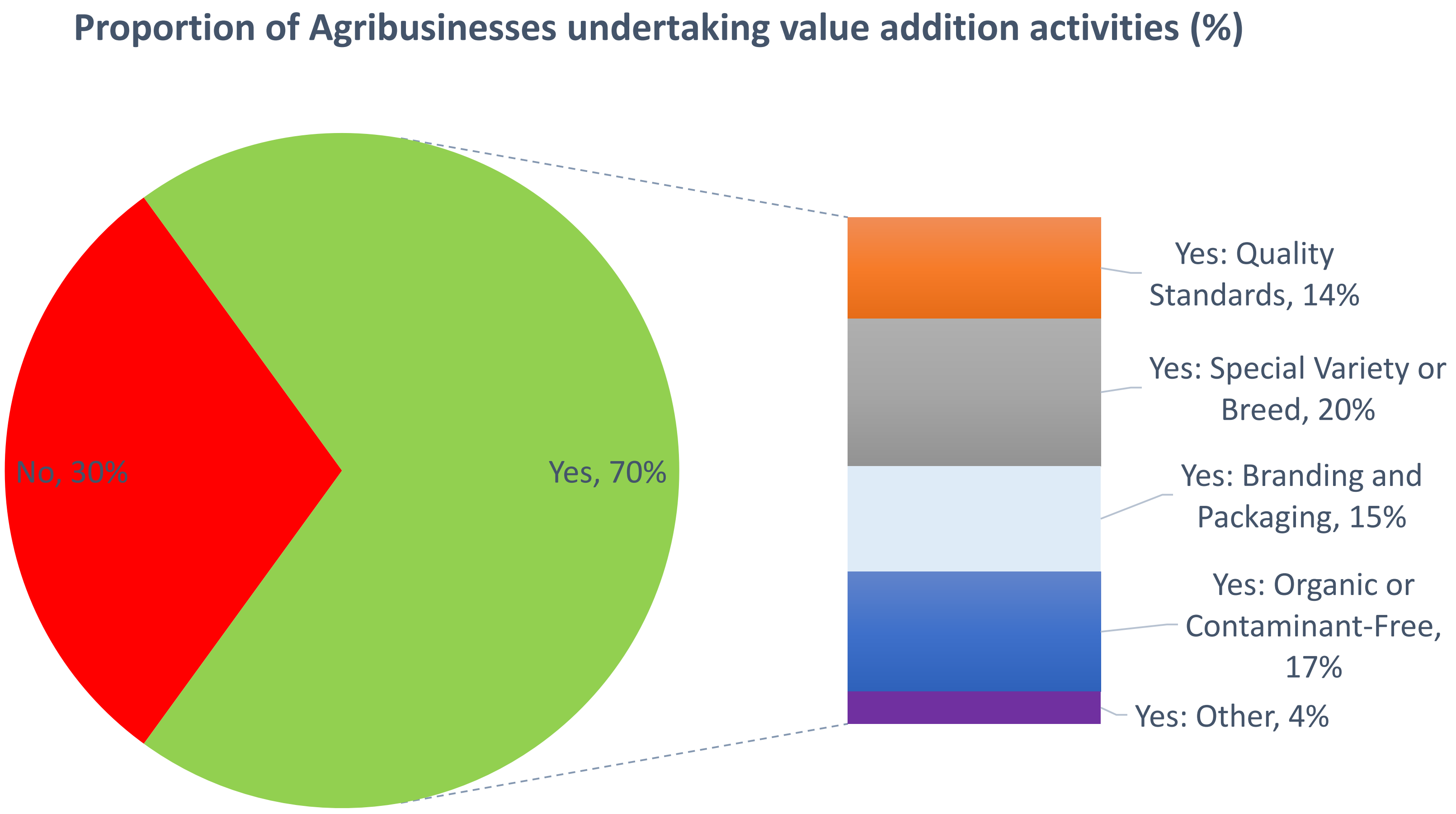
FOR FARMERS:



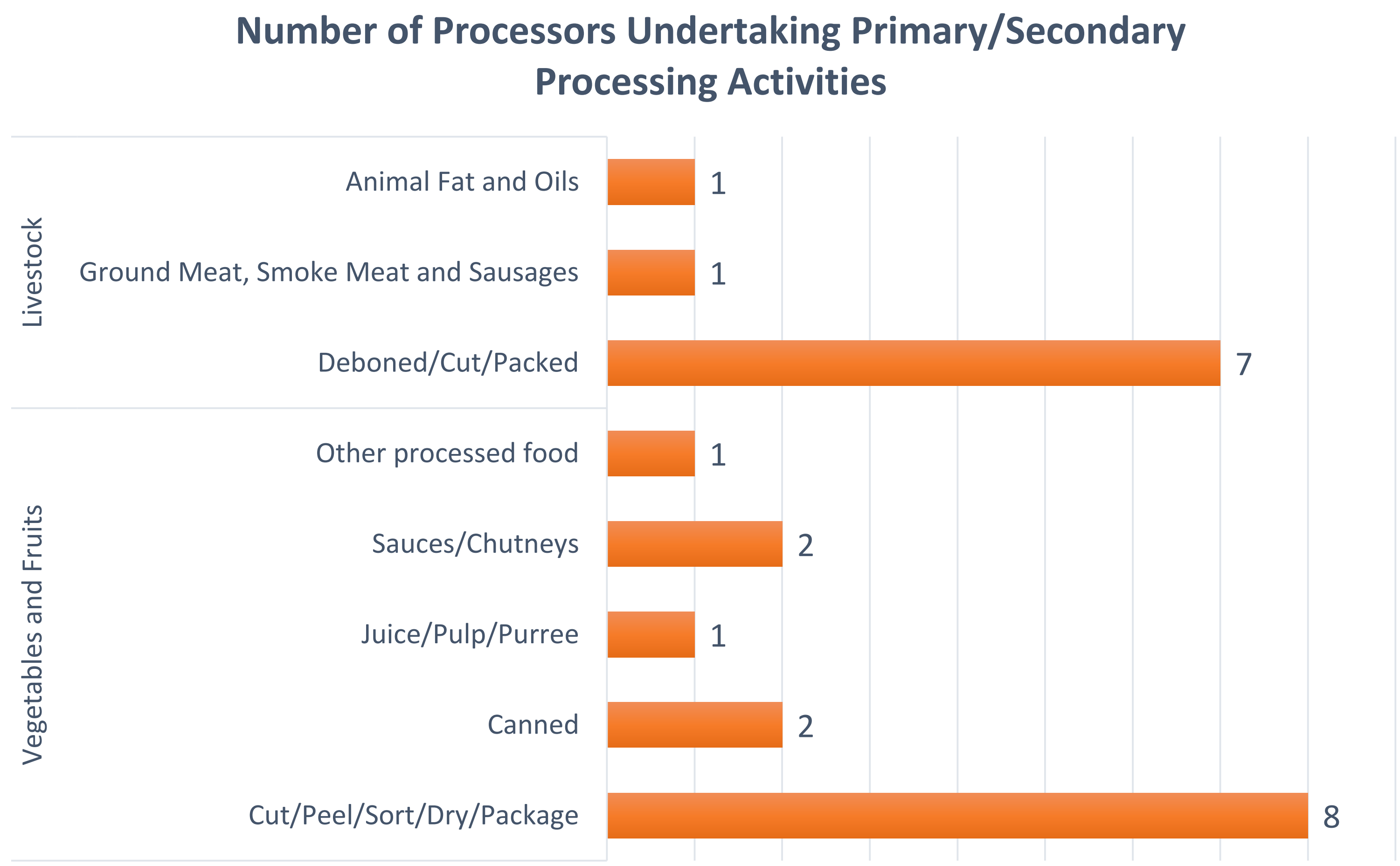
- 82% of the surveyed farmers lost 10% or less of their output to spoilage and/or pest
- 14% of the farmers lost between 11-20% of their total produce to spoilage and/or pest
- While, a 4% of the 57 farmers surveyed lost nearly a substantial amount (21-30%) of their produce to spoilage and/or pest

Firms involved in Value Addition - Agribusiness

More than half of the firms reported that they were involved in value addition. Adopting special variety seed or breed was the most popular value addition activity taking place, followed by firms producing organic or contaminant-free products.



Firms involved in Value Addition - Agribusiness



With respect to processors:

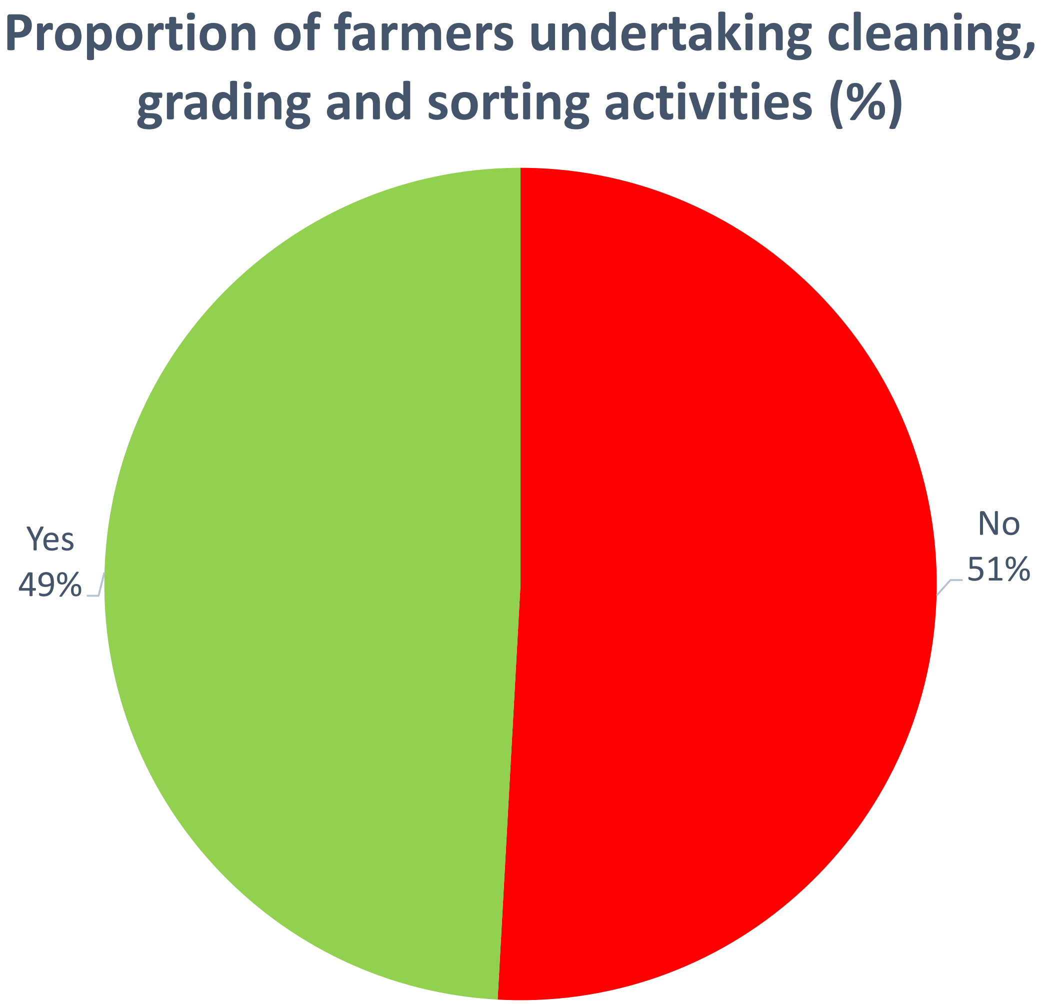
- For fruits and vegetable processors, cutting/peeling in primary processing and canning and sauce-making in secondary processing are the most popular
- For livestock processors, deboning, cutting and packing is the most popular form of processing

With respect to farmers:

- None of the surveyed farmers do any kind of chilling/ freezing*

Farmers involved in Grading/Sorting – Farm

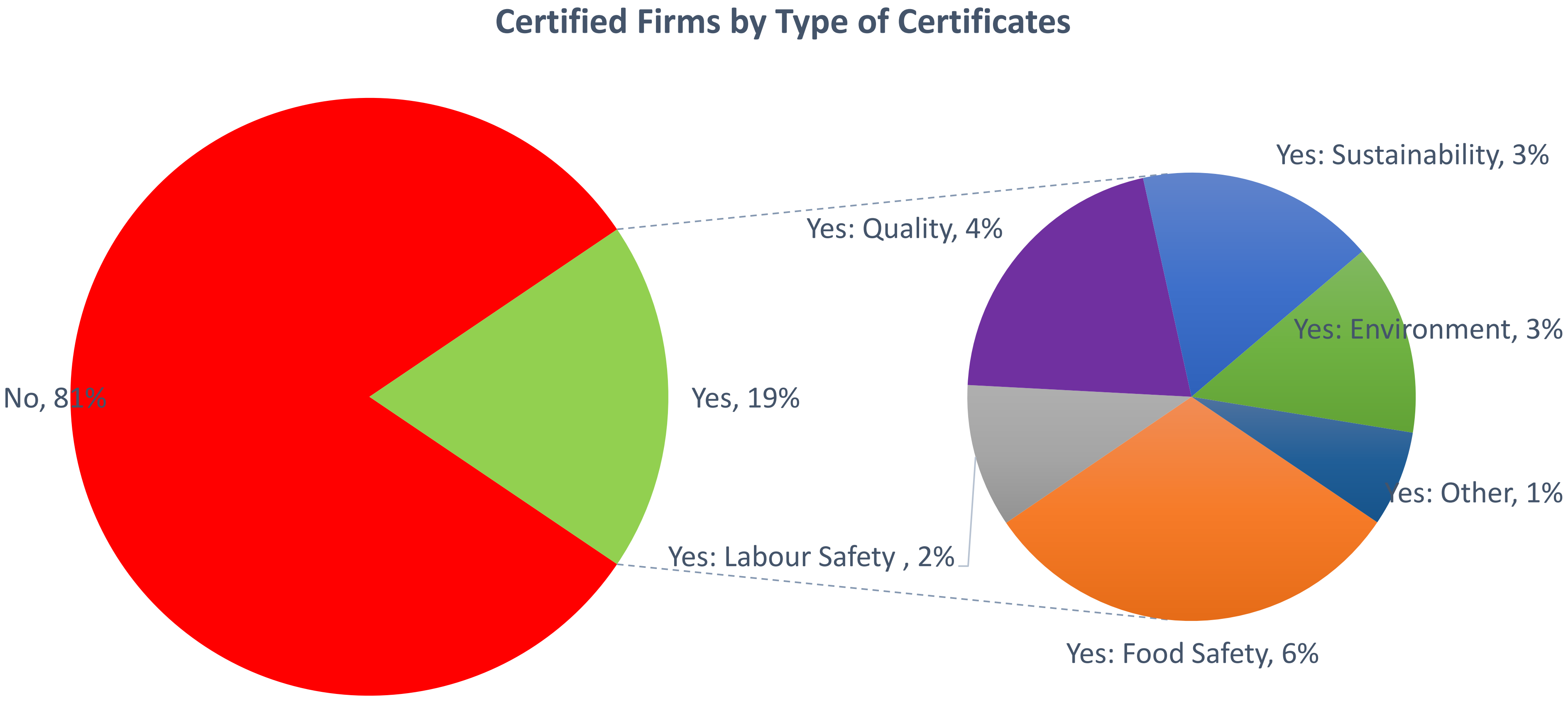
International Trade Centre



Nearly half of the surveyed farmers undertake cleaning, grading and sorting activities in their farm for selling products

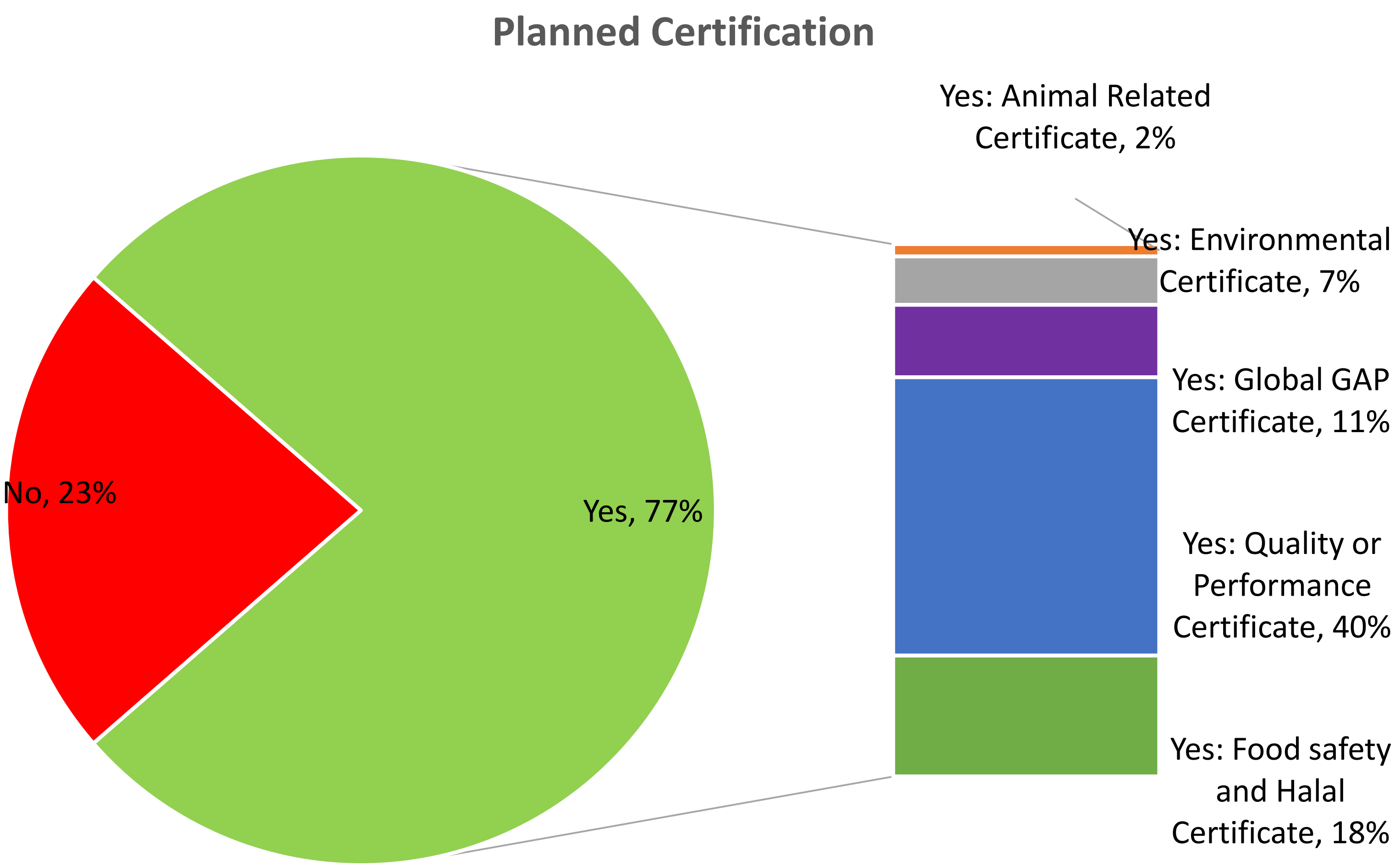
Quality and Regulatory Management

Certified Firms – Agribusiness Survey



- Out of those answering the questions, 19% of the respondents reported that they have at least one type of certification.
- Between those who hold any type of certification, the most popular certification held was Food Safety, followed by Quality.

Certified Farms – Farm Survey



A miniscule percentage of the surveyed farmers have any type of certification. Around 2% have the Food Safety Certificate, Labour Safety Certificate, Quality or Performance Certificate respectively, and roughly 3.5% have the Sustainability Certificate*

77% of the farmers are planning to obtain certification

Agribusiness Management and Marketing

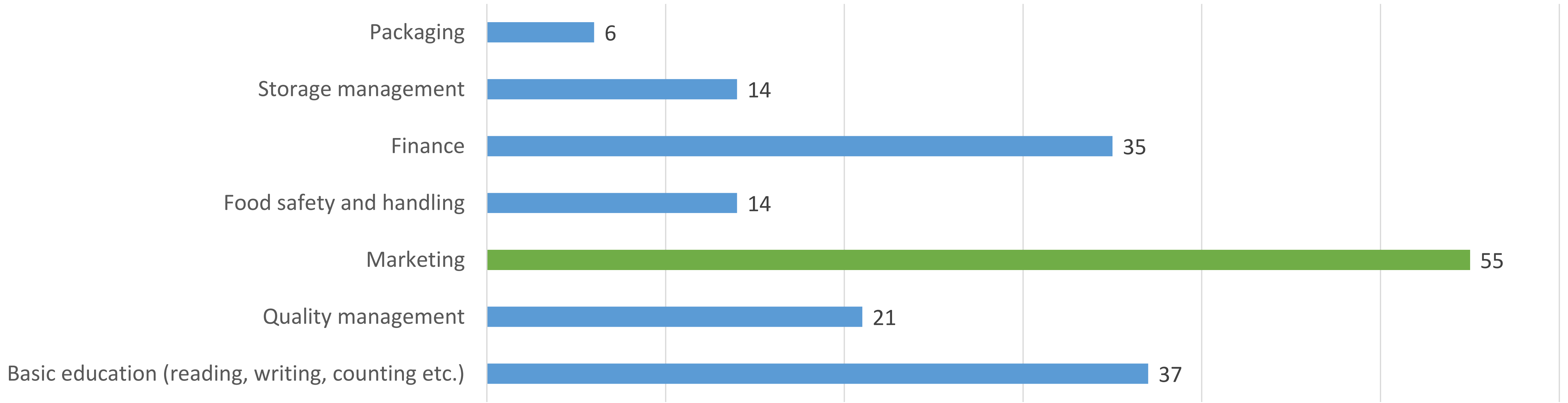
Marketing and Branding– Agribusiness Survey

International Trade Centre

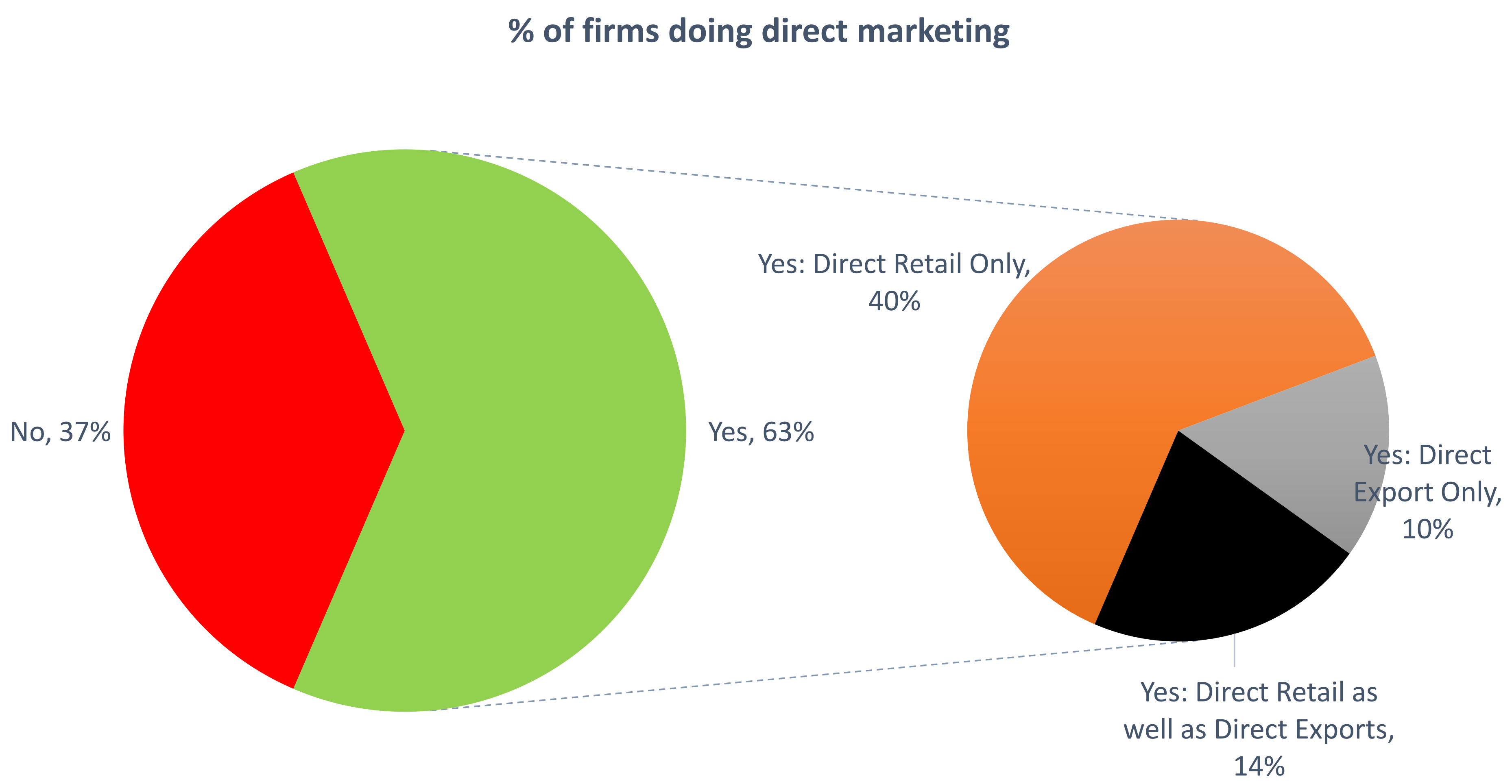
49% of the AGRIBUSINESSES have a brand recognised in Pakistan; while merely 6% have brand recognised overseas

68% of the AGRIBUSINESSES said that the training on MARKETING MANAGEMENT would useful for their business operations

Number of respondent agribusinesses saying specified type of training would be useful for them



AGRIBUSINESSES Directly Marketing their Produce*

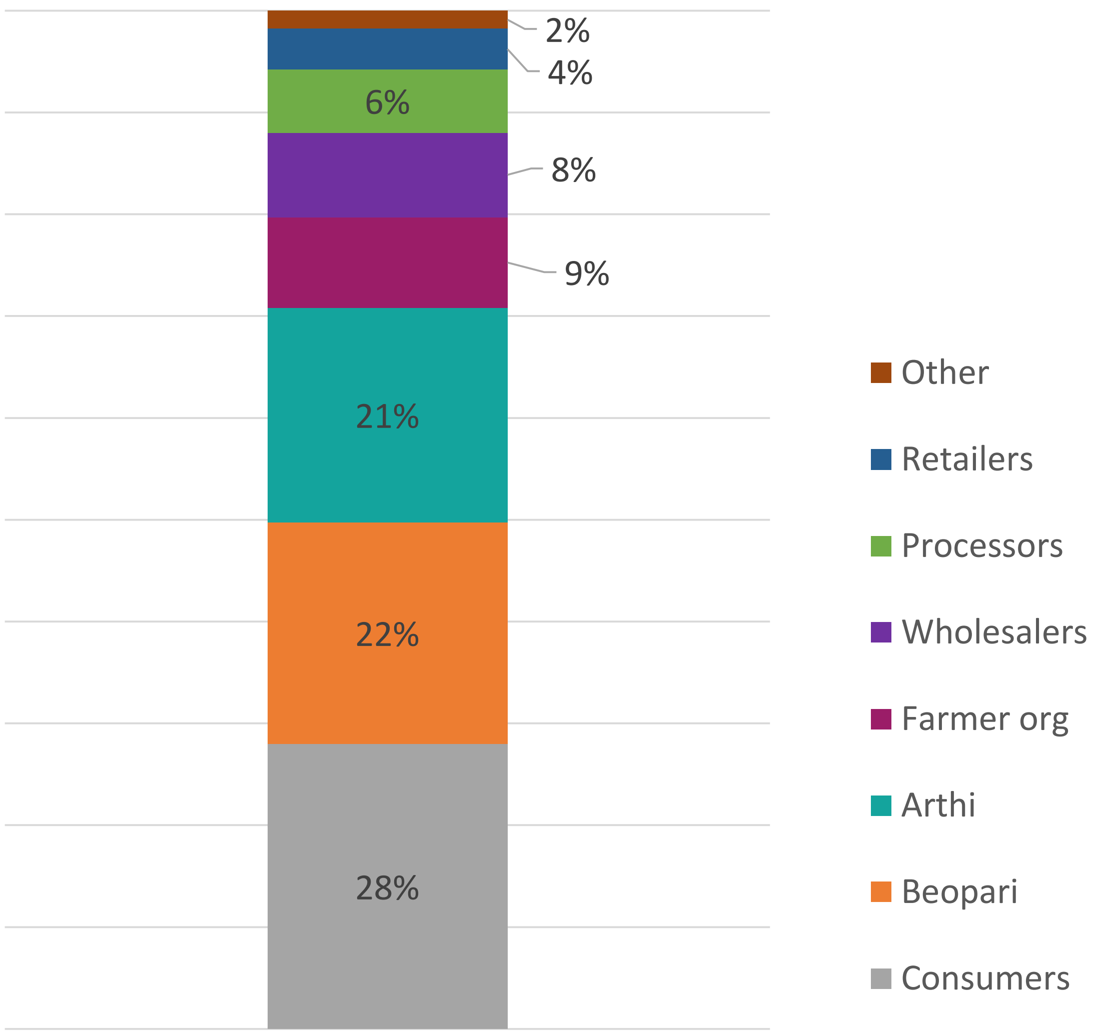


More than half of the total respondents directly market their products either through retail or export. Out of those directly marketing, most of them (40%) choose direct retail as their market channel.

***Firms that directly market more than or equal to 5% of their produce**

FARMS Directly Marketing their Produce

Mean share of the buyers of the main product (%)



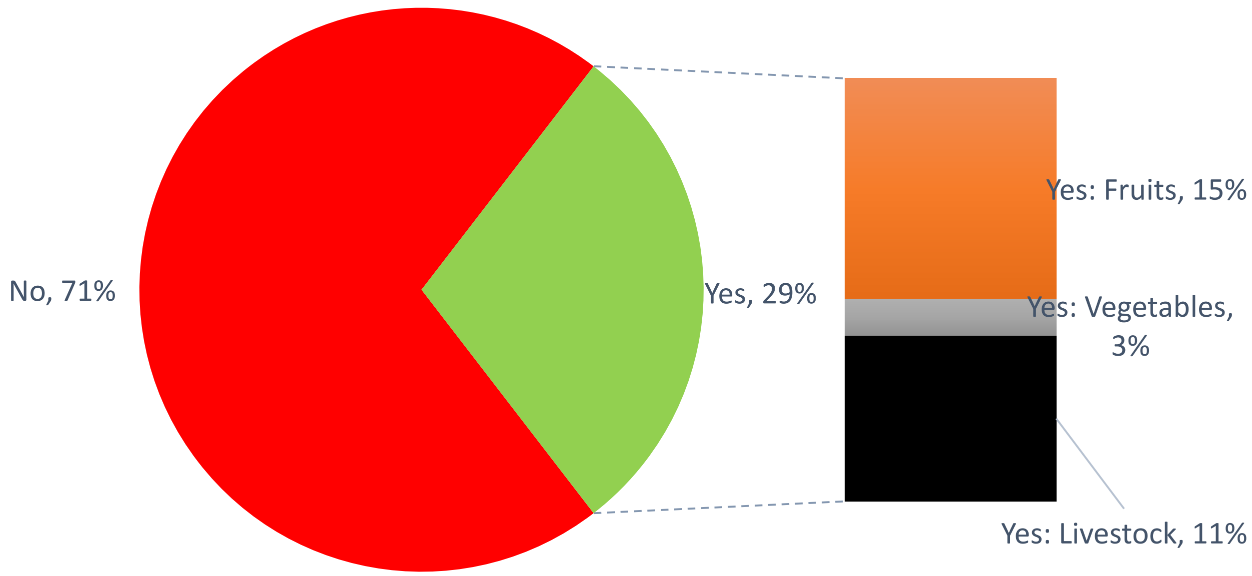
In the past year, on an average, among the surveyed farms responses:

- 6% of the average sales was to processors
- 8% was sold directly to wholesalers
- 9% was sold directly to Farmers organizations
- 4% directly to Retailers and
- 28% directly to consumers
- However, nearly half (43%) sell indirectly through middlemen (Mainly Arthis, and Beopari's)

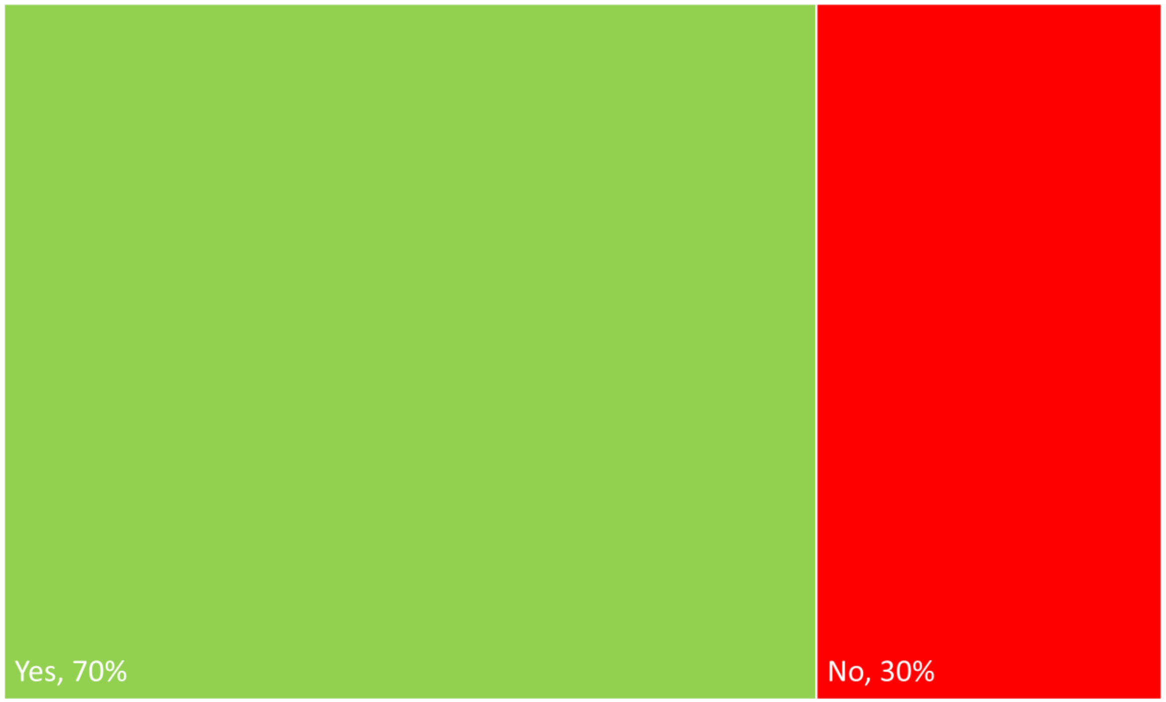
Note: **"Others"** category was excluded from this assessment

Registered Agribusinesses and Farms

Proportion of Firms Registered by sector – Agribusiness Survey



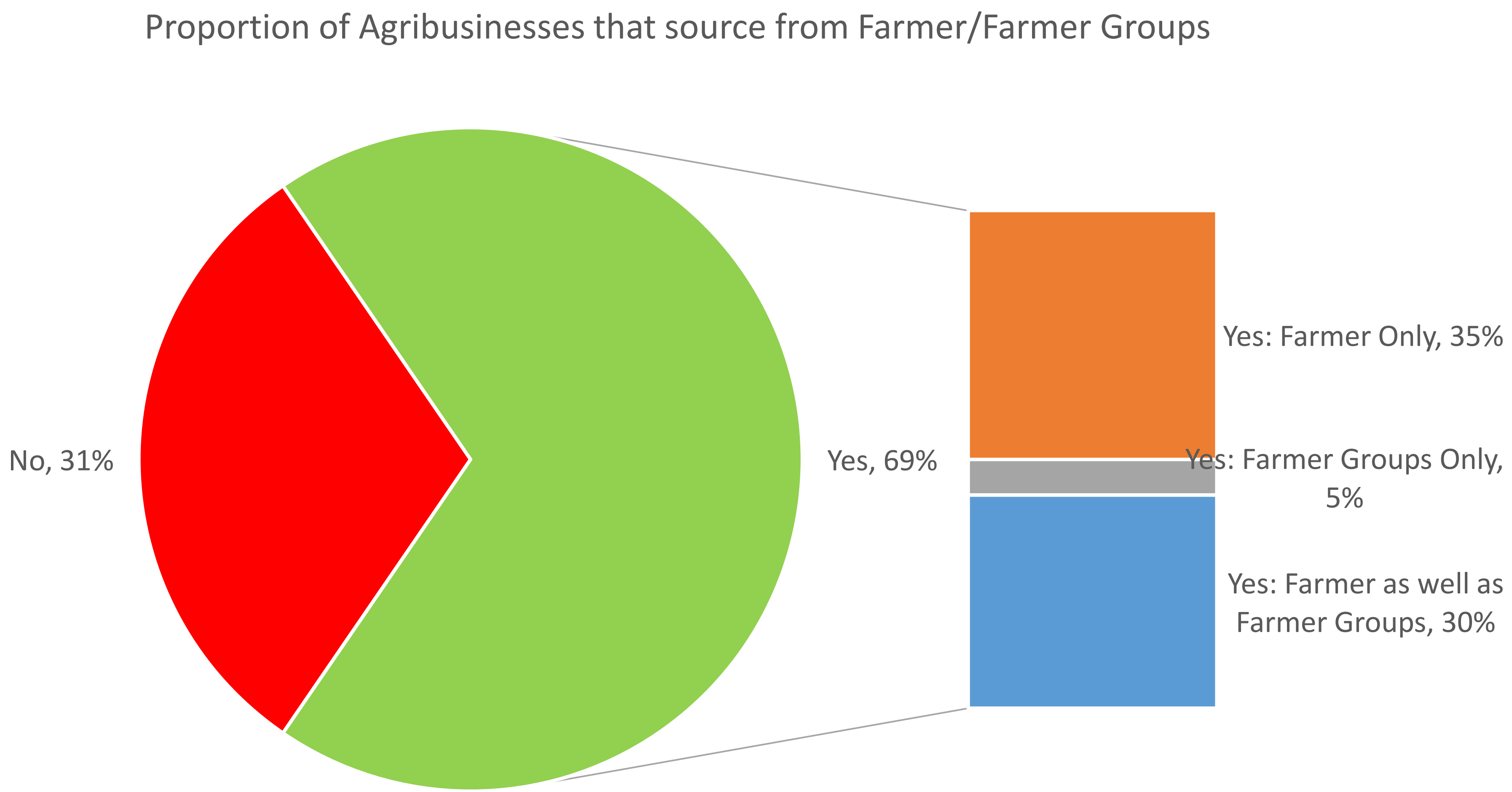
Registration status of farms (%) – Farm Survey



- 29% of the respondents were registered firms.
- The highest rate of registration was found in fruits firms, followed by livestock firms.

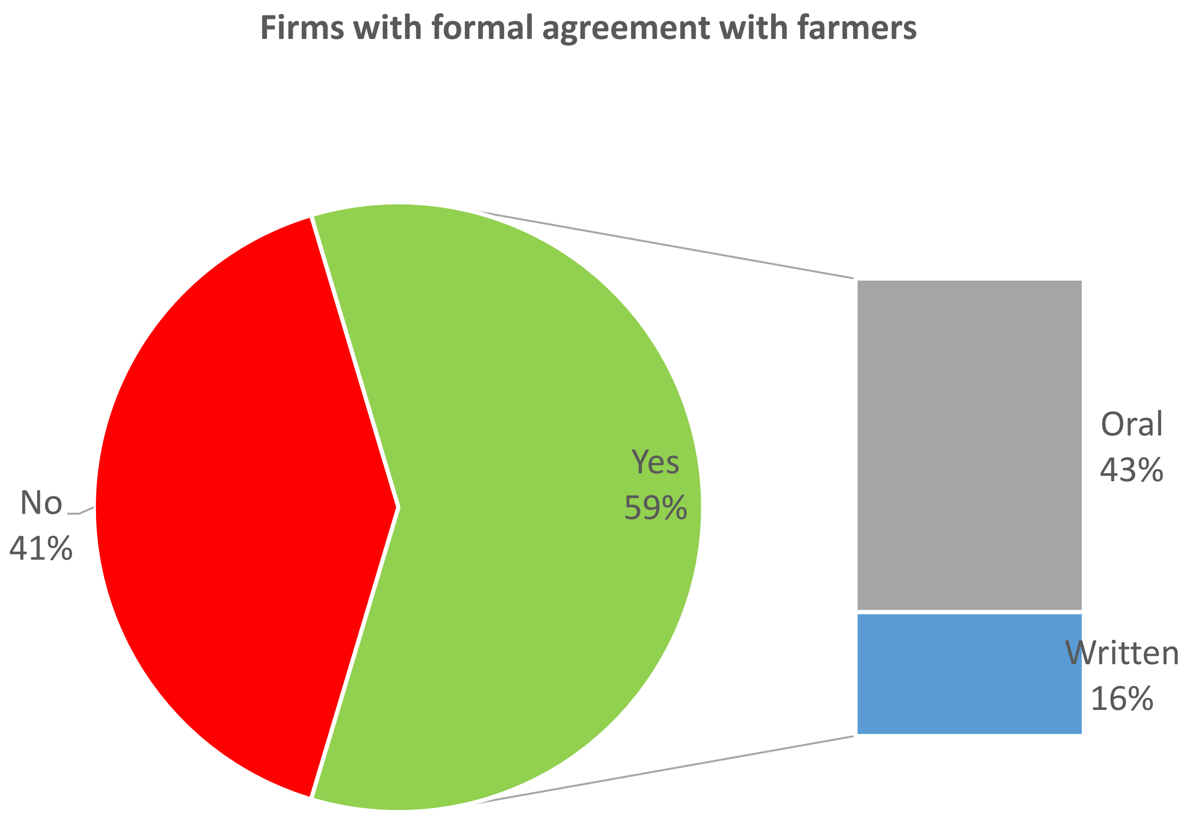
- 70% of the farms interviewed had a registered their property.
- Less than a third of the 57 farms interviewed had not registered.

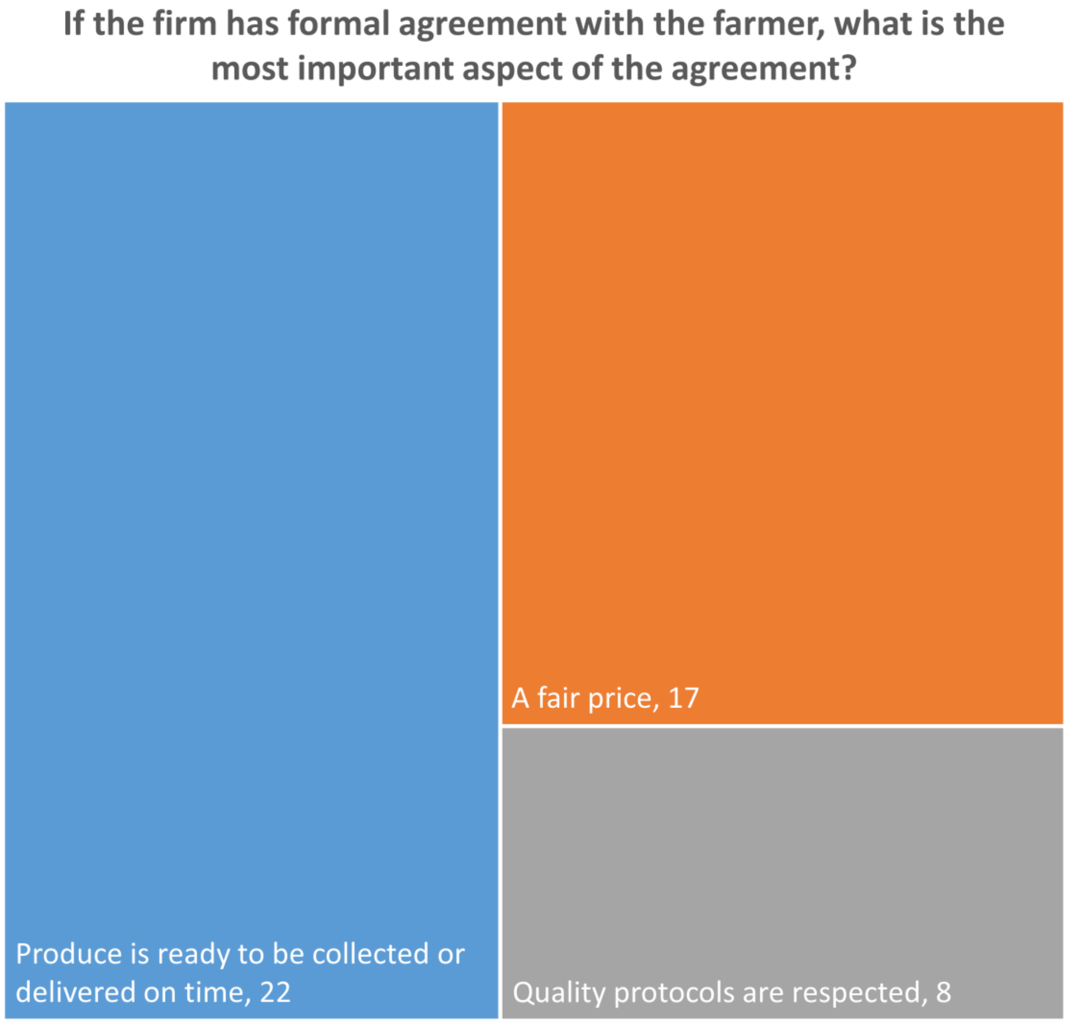
Firms-Farm Linkages



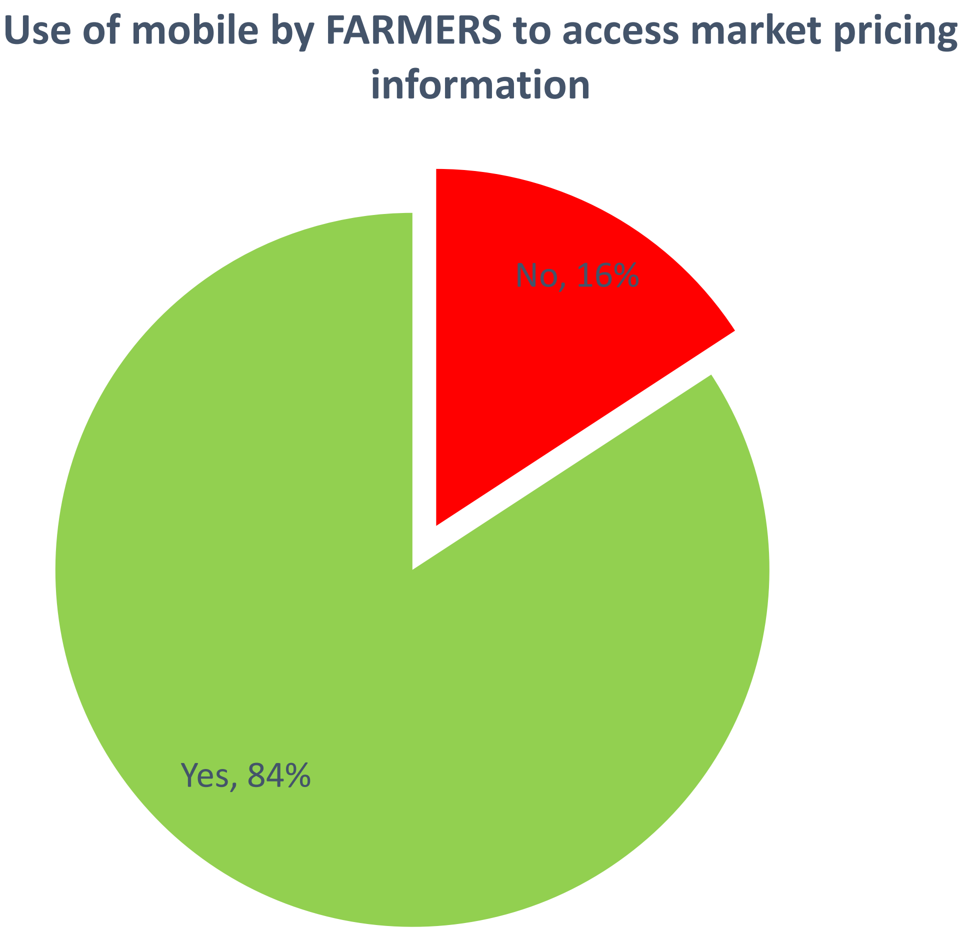
More than half of the firms source from farmer or farmers groups

Firms-Farm Linkages





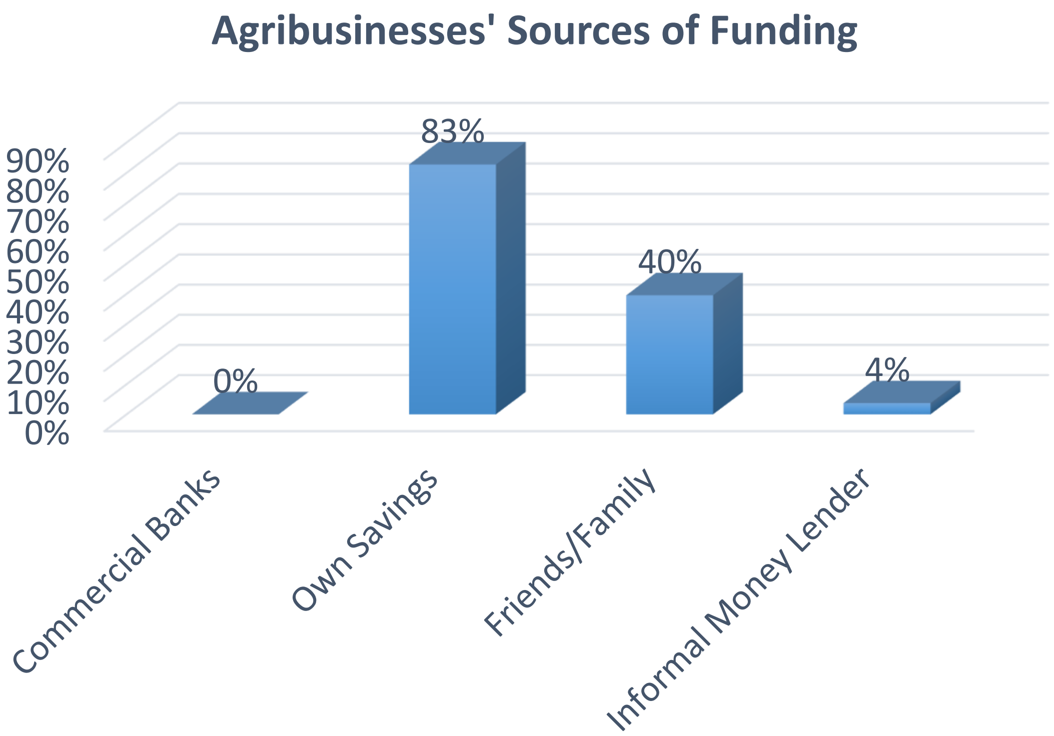
Access to Market Information

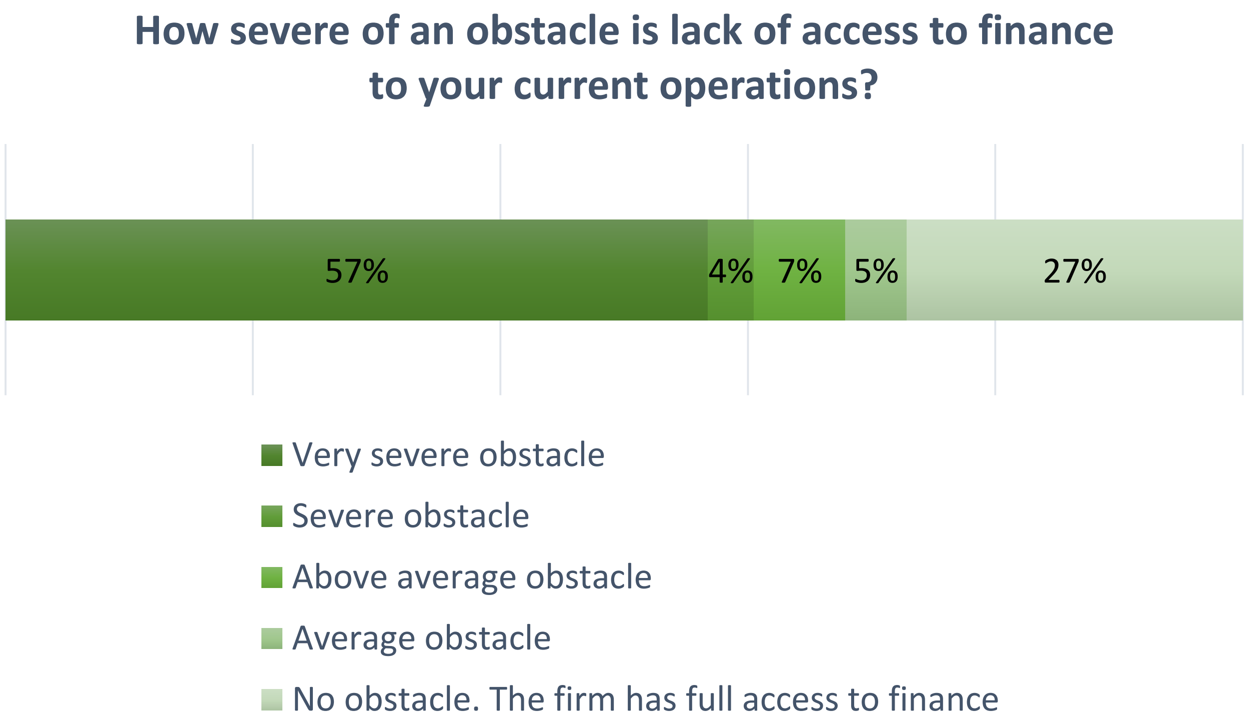


5 out of 81 AGRIBUSINESSES responding said that Dissemination of Market Information is amongst the top 3 constraints faced by them

Access to Finance

Firms' Access to Finance – Agribusiness Survey

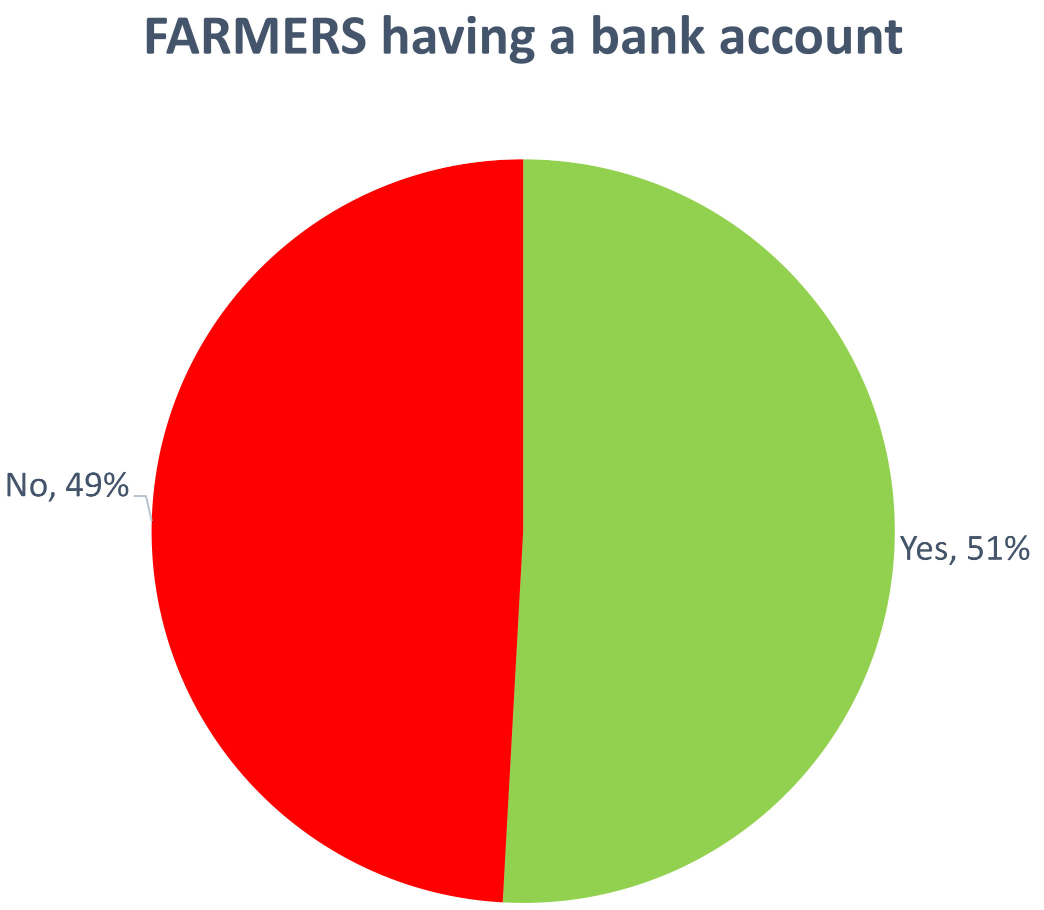




- Out of those answering (59 out of 81), most firms face some kind of obstacle due to lack of access to finance, with more than half of the firms reporting that they faced very severe obstacles due to the lack of access to finance.
- Firms usually source from their own savings or friends or family. None turn to commercial banks.

Farmers having a bank account – Farm Survey

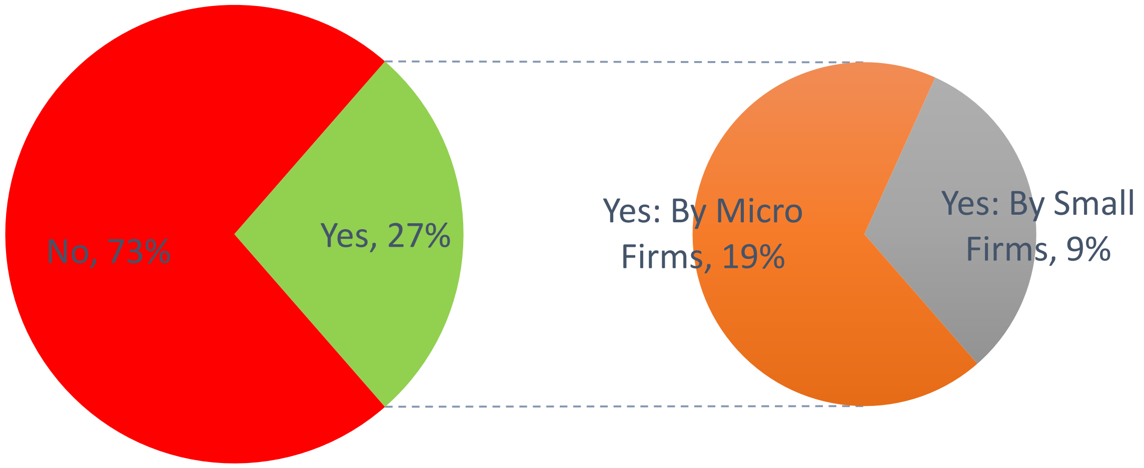
International Trade Centre



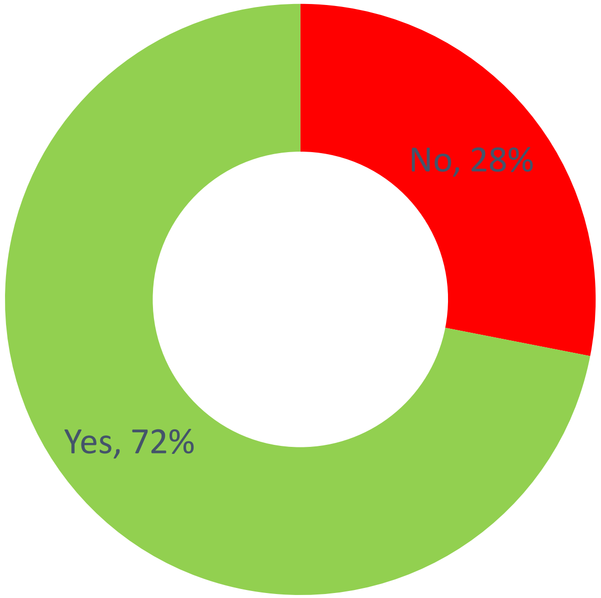
Gender

Number of Full-Time Female Employees

Proportion of AGRIBUSINESSES employing full-time female employees



Proportion of FARMS employing full-time female employees



Only 27% of the total respondents (22 out of 81) reported that they employ full time female employees. However, firms employing women reported a balanced men-women ratio

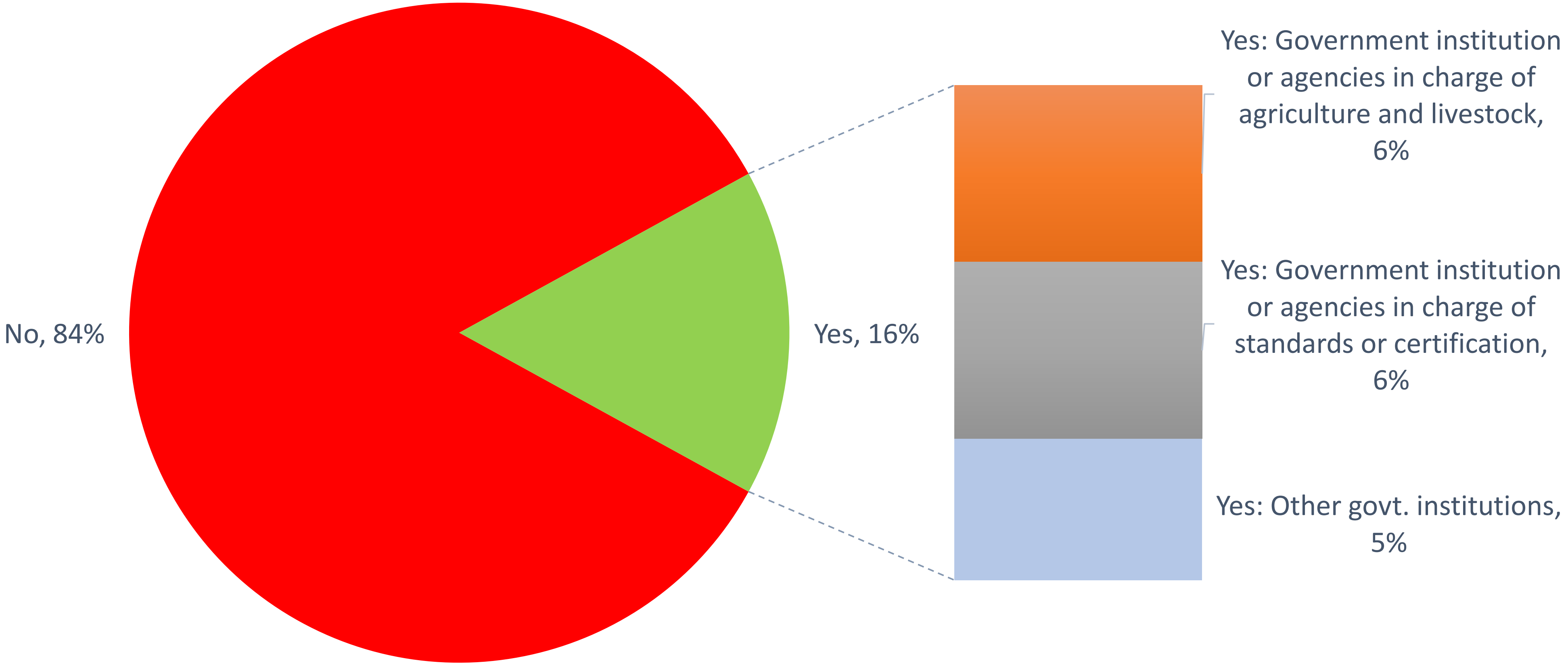
- A large percentage, 72% of the surveyed farms have full time women employees.
- In addition, amongst nearly the quarter farms that employ full time women employees, the proportion is quite substantial; on an average more than half (59%) of the farms employees are women farmers

Institutions and Support Services

Firm-Public Institution Linkages – Agribusiness Survey

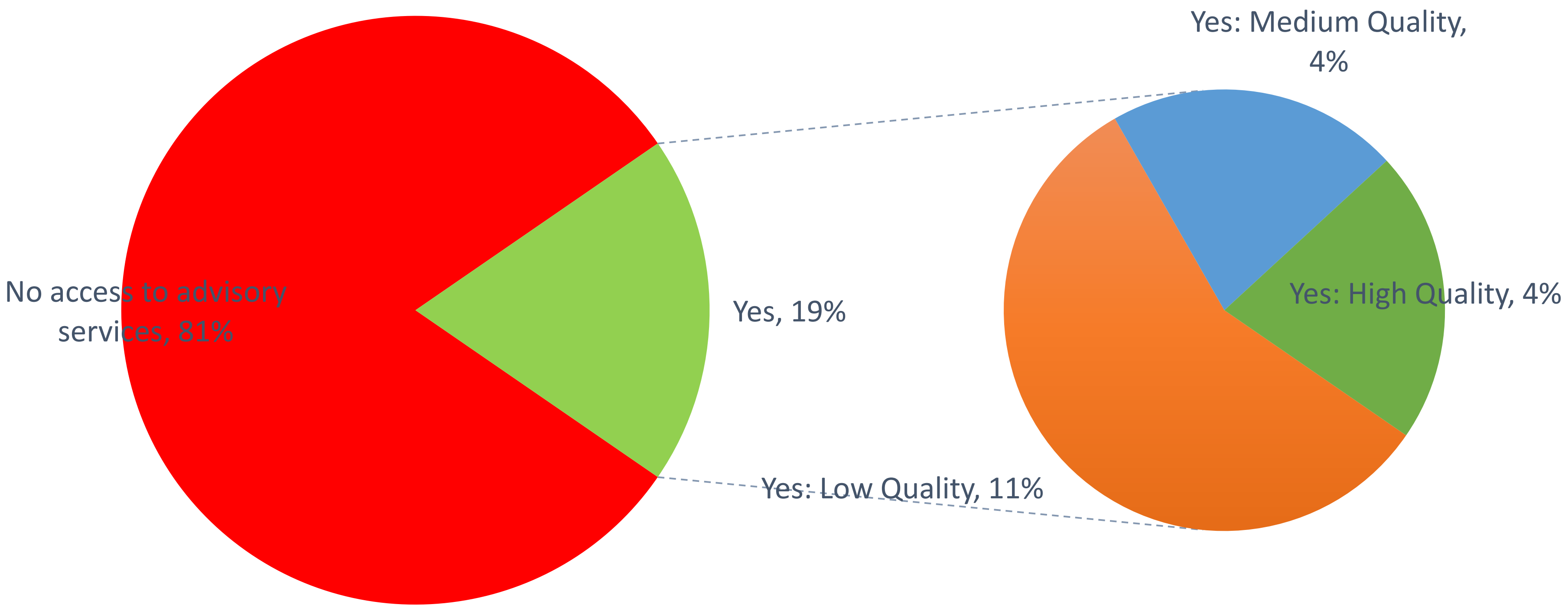
International Trade Centre

Agribusinesses’ Linkages with Public Institutions



Firm-Public Institution Linkages – Agribusiness Survey

Access to and Quality of Advisory Services Provided to Agribusinesses by Public Institutions



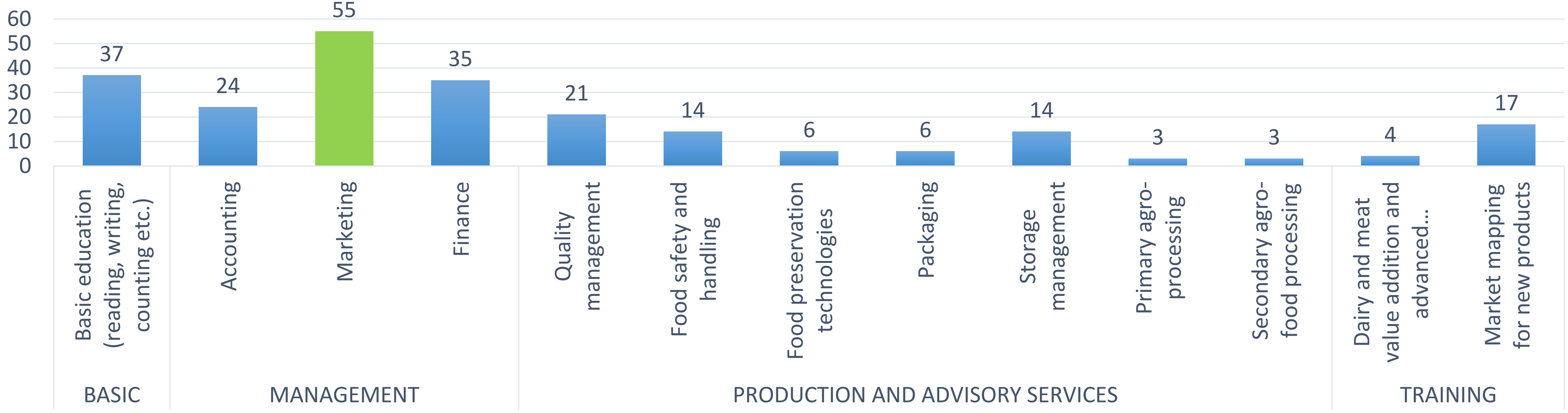
Support from Public Institutions – Agribusiness Survey

Of the total AGRIBUSINESSES, the following received support from public institutions:

7 for product development,
7 for business planning, and
1 for supply chain management.

A majority of 45 answered that no such services were provided by the public institutions

Number of respondent agribusinesses saying specified type of training would be useful for them



Farm-Public Institution Linkages

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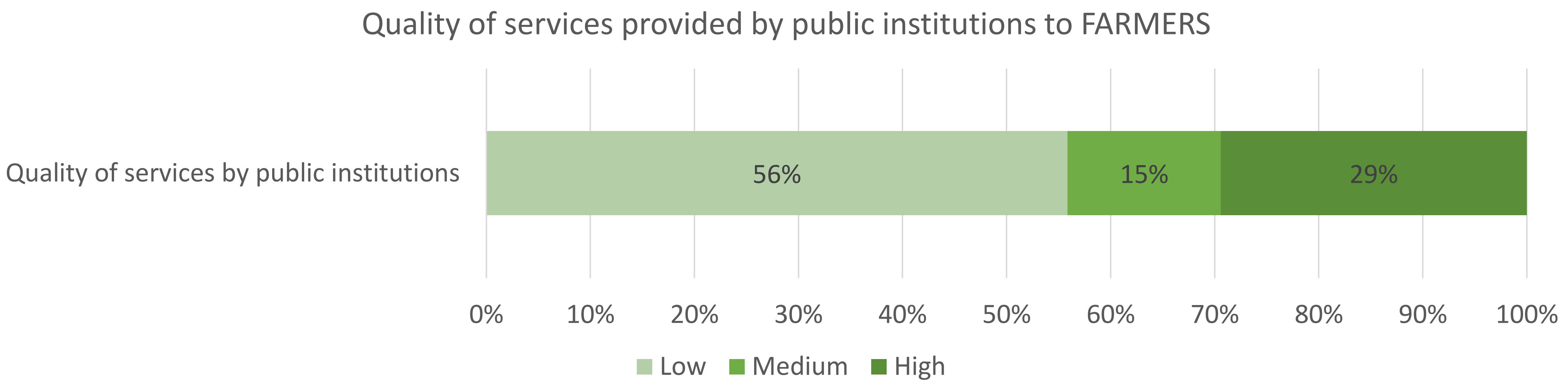
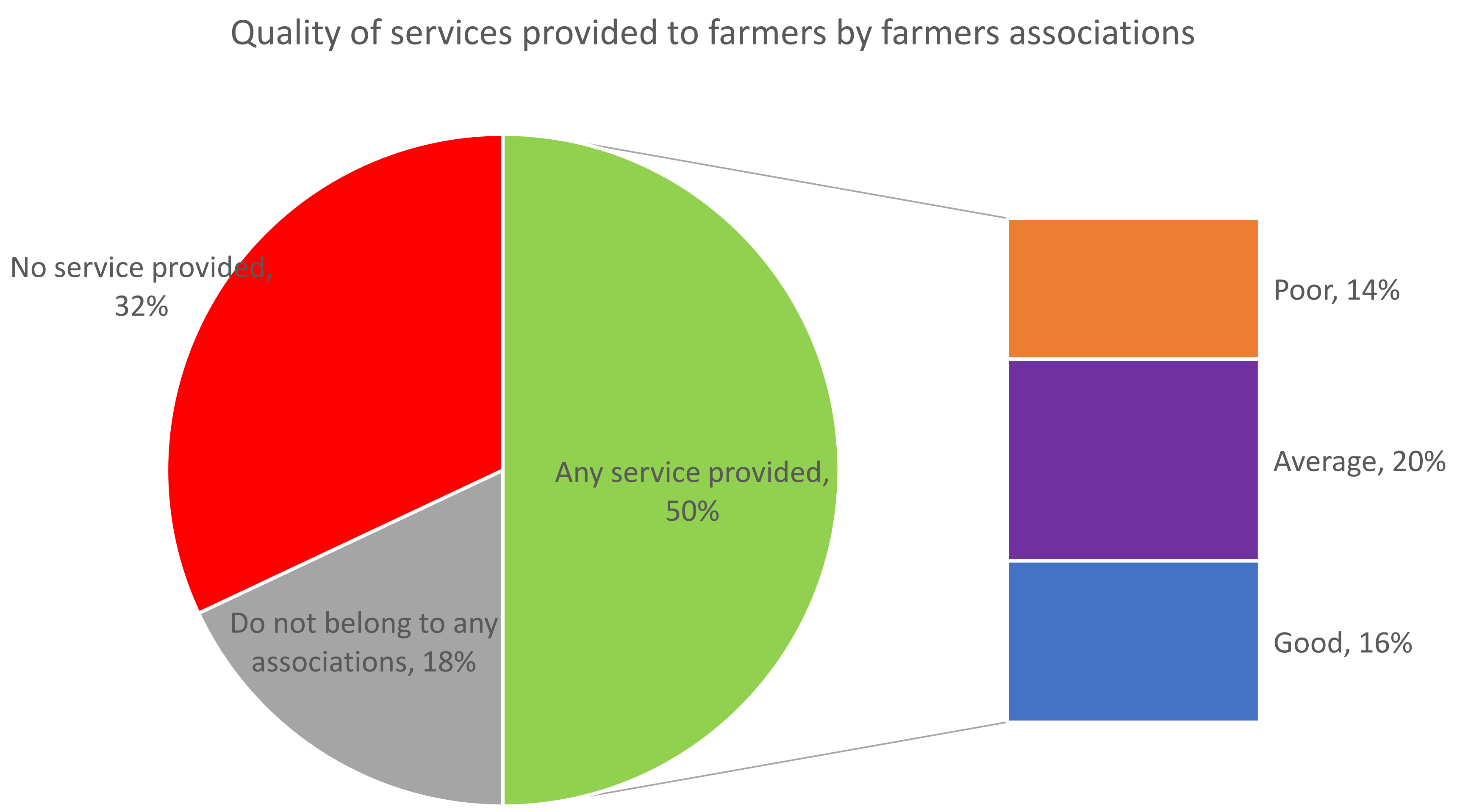
39% of the FARMERS said that they have never accessed any public institution service



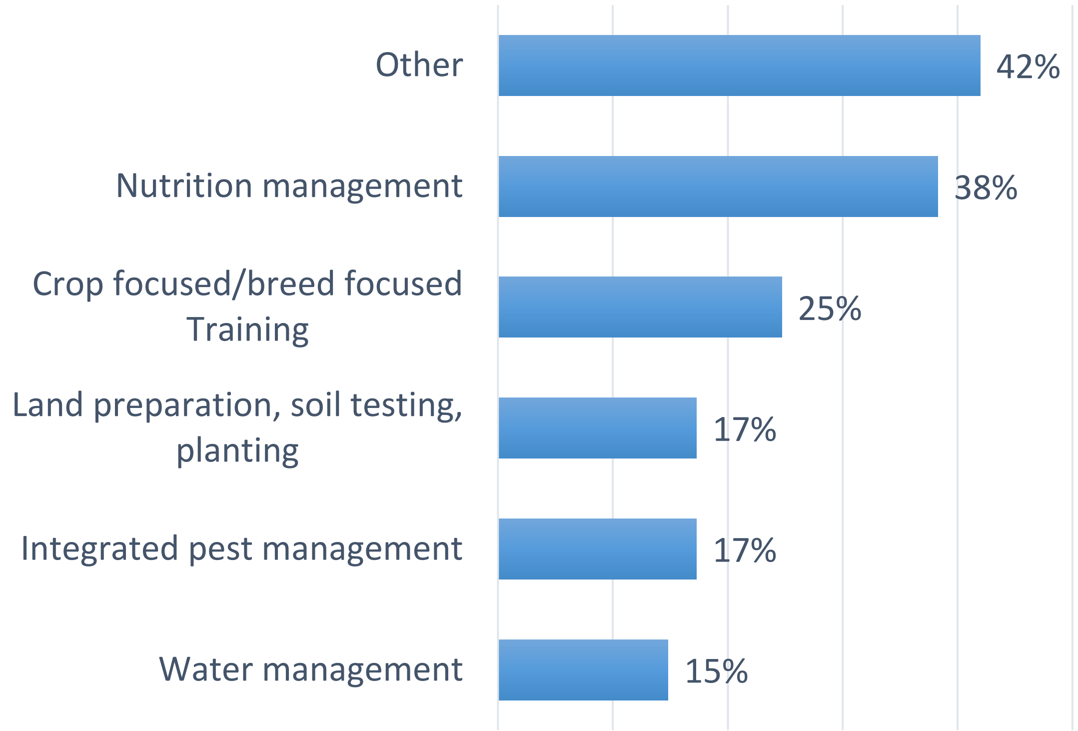
Farm-Farm Association Linkages



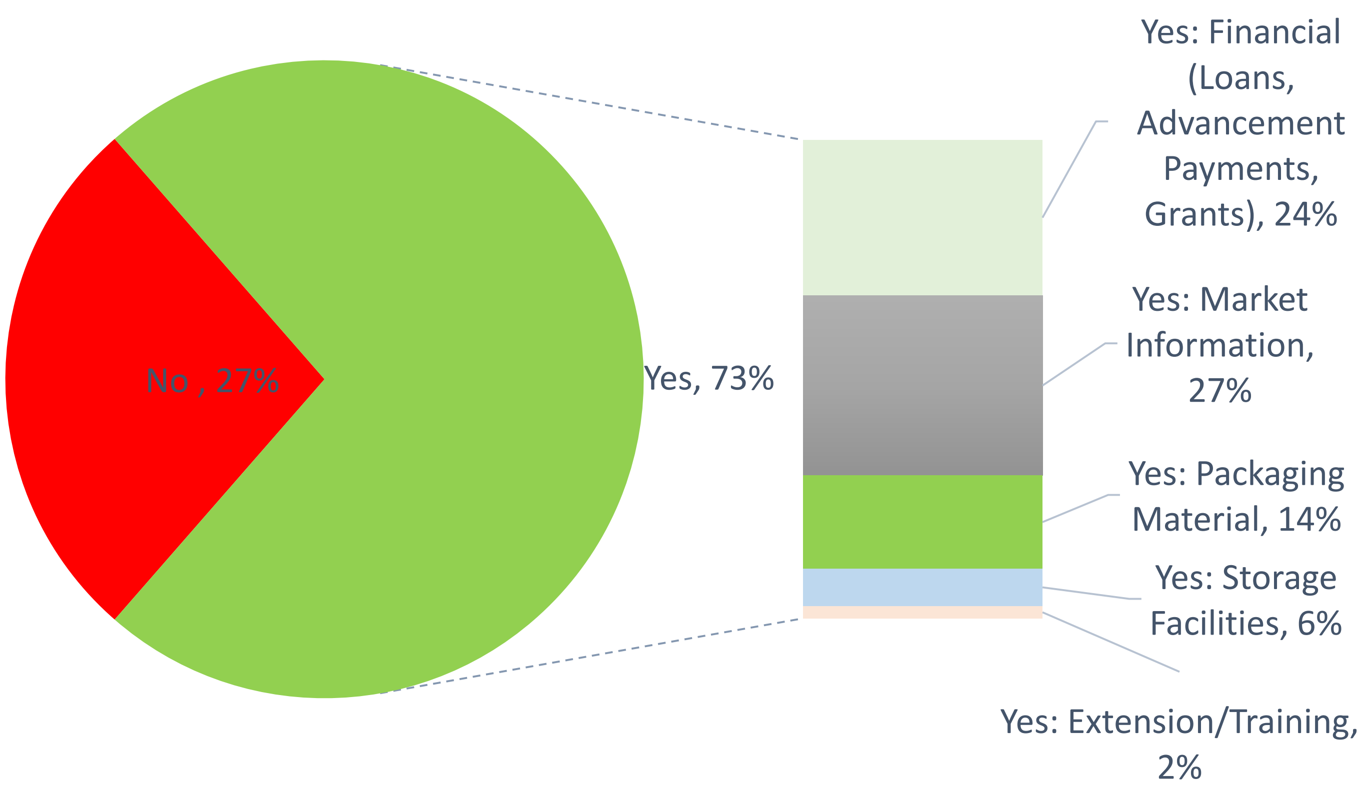
Agriculture Extension Services – Agribusiness Survey

International Trade Centre

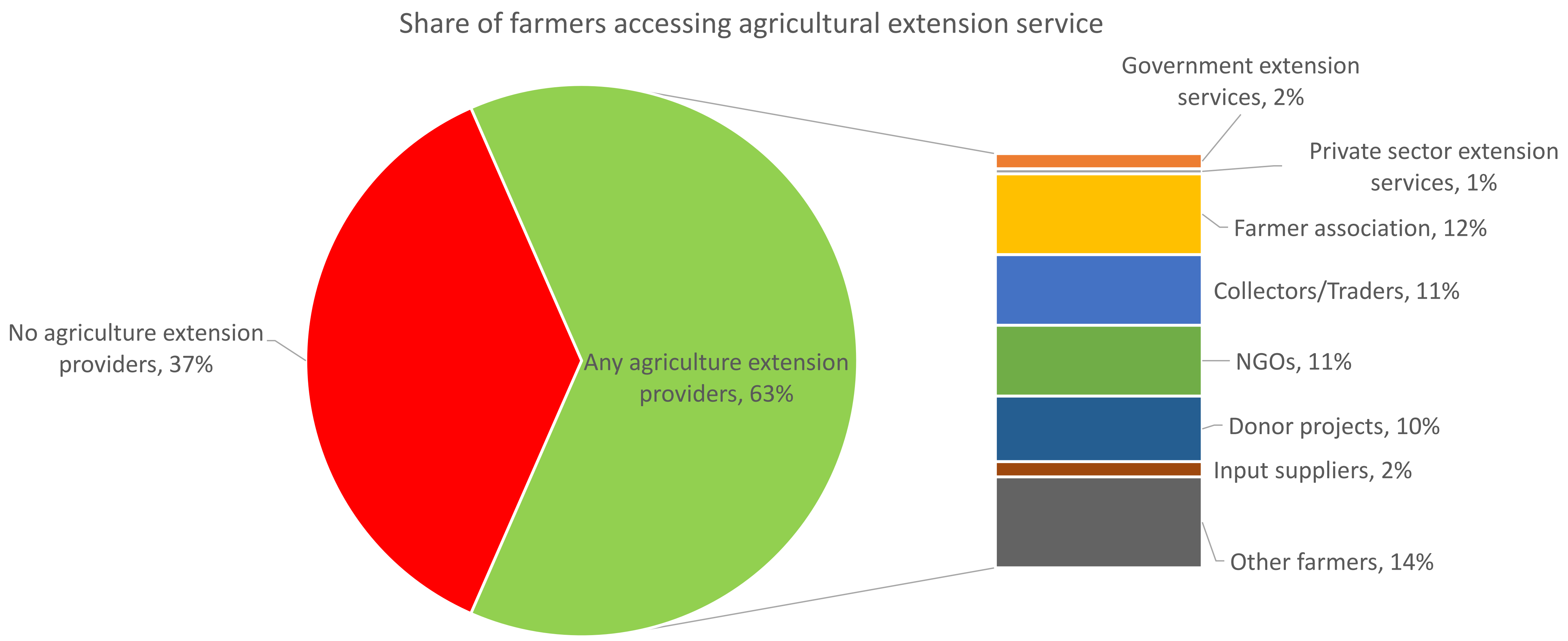
Type of advice provide to farmers or farmer groups (%)



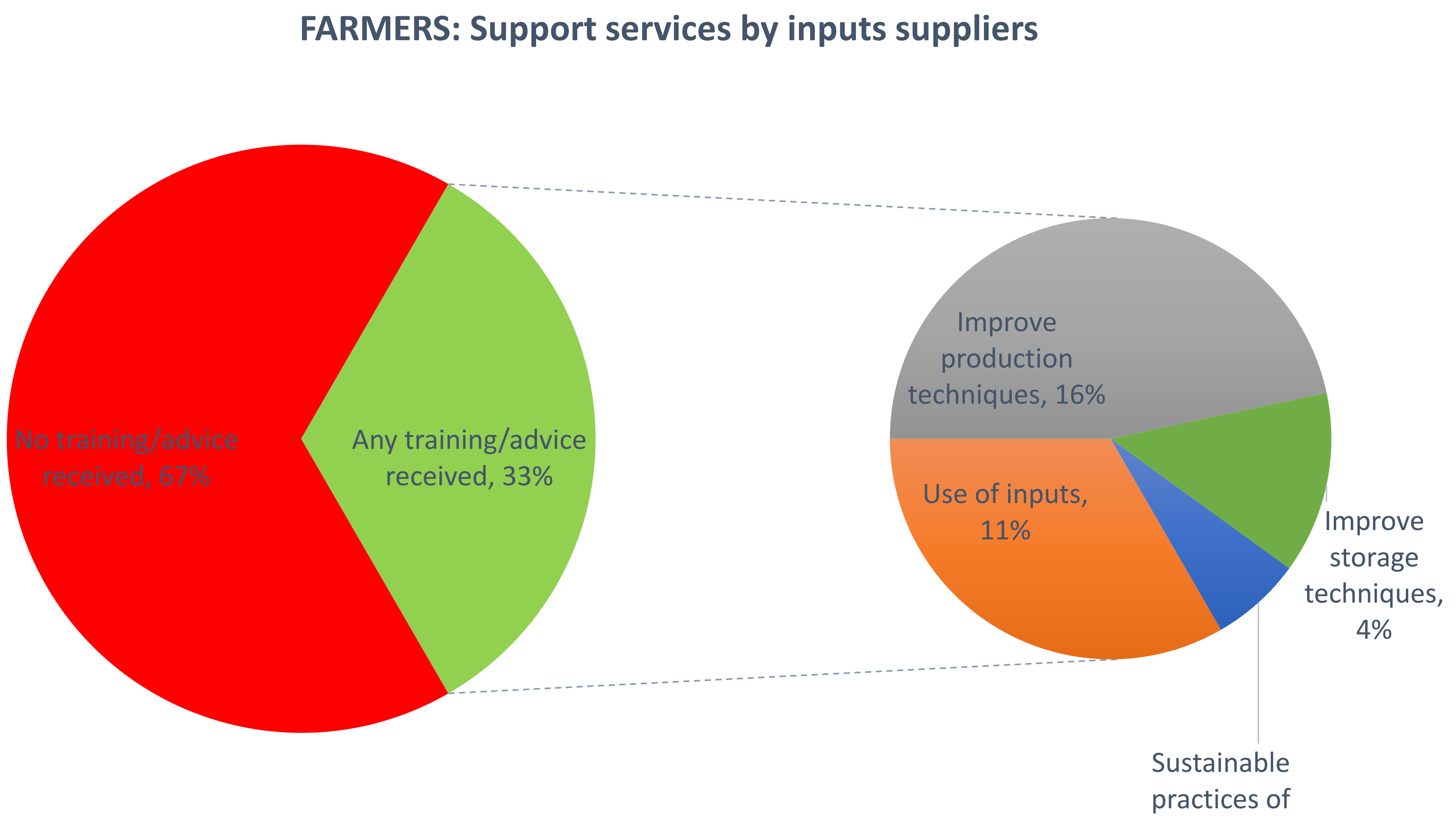
AGRIBUSINESS: Services provided to farmers or farmers group (in %)



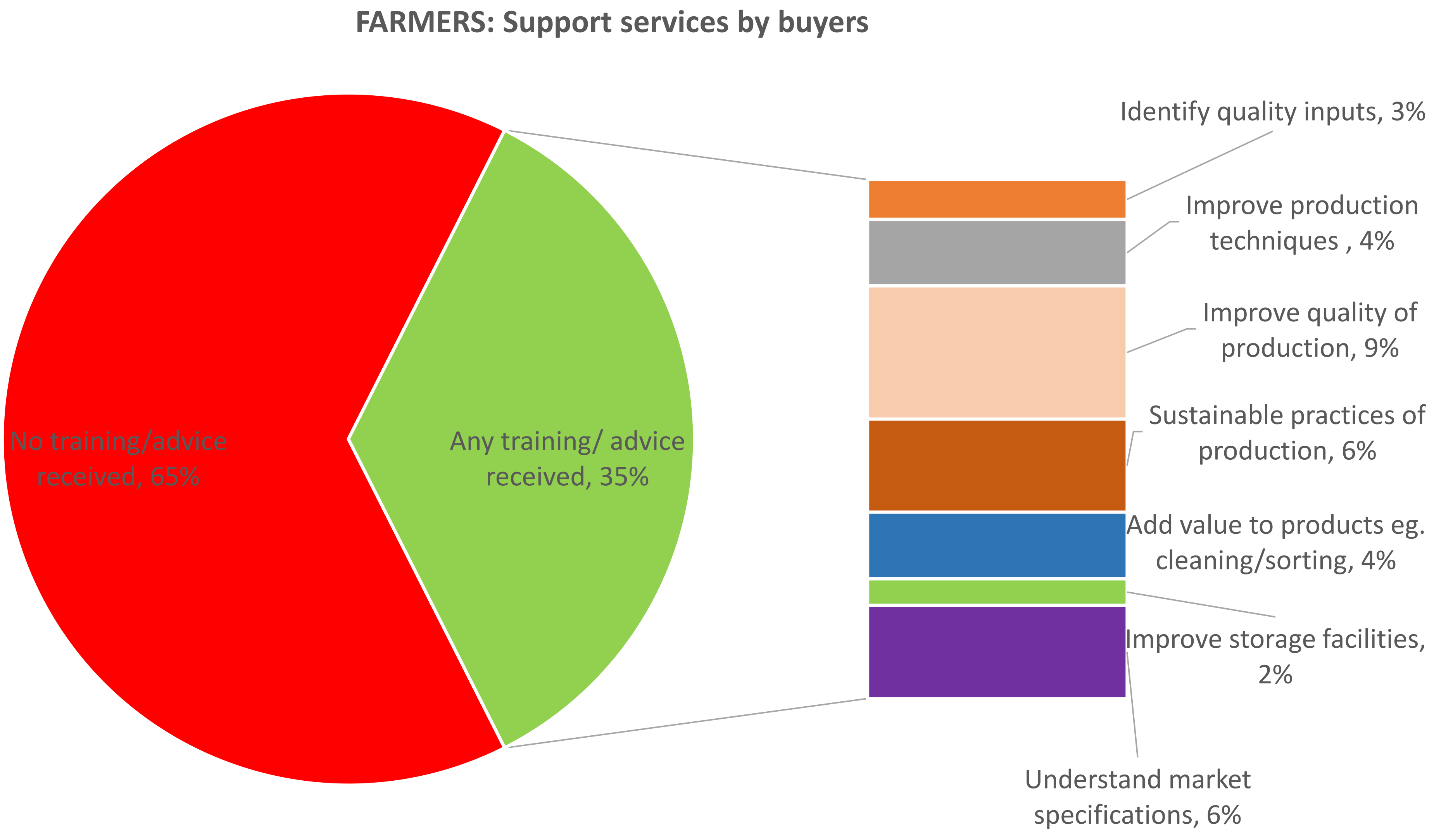
Agriculture Extension Services – Farm Survey



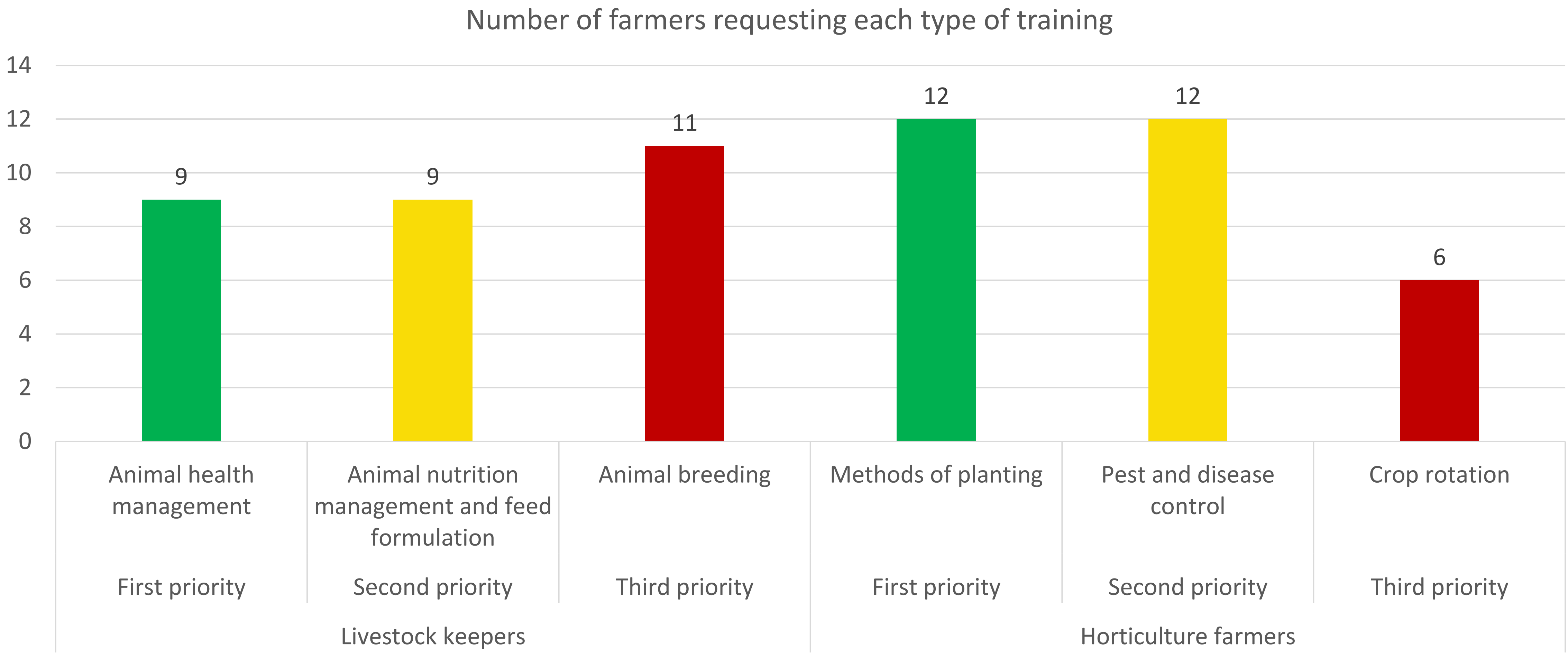
Agriculture Extension Services – Farm Survey



Agriculture Extension Services – Farm Survey



Agriculture Extension Services – Farm Survey



COVID-19 Business Impact

Assessing COVID-19 impact on agricultural MSMEs

International Trade Centre

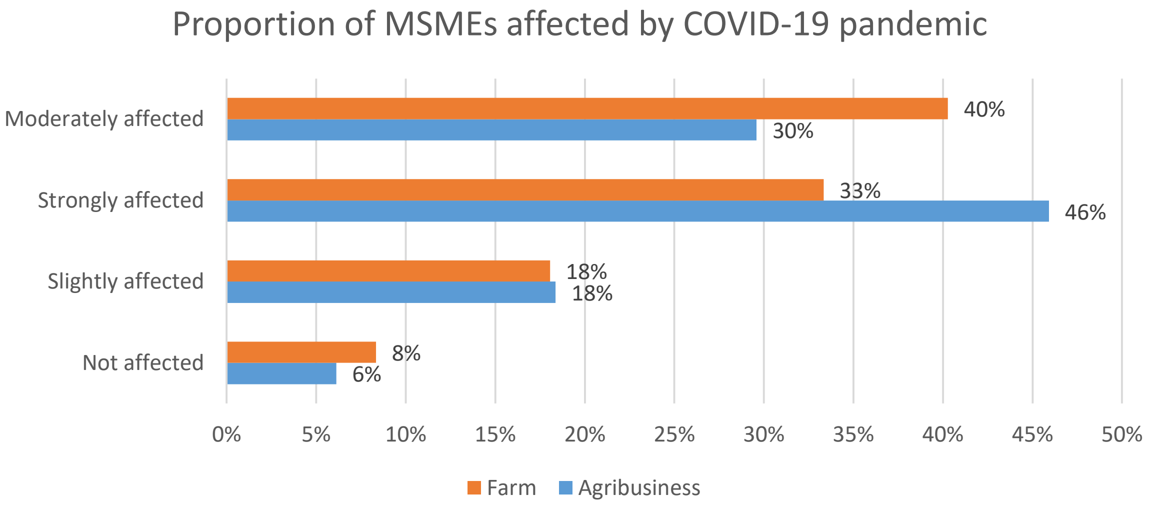
ASSESS the impact on business operations, production capacities, and market access of MSMEs in horticulture and livestock in Sindh and Balochistan, and analyse government response…

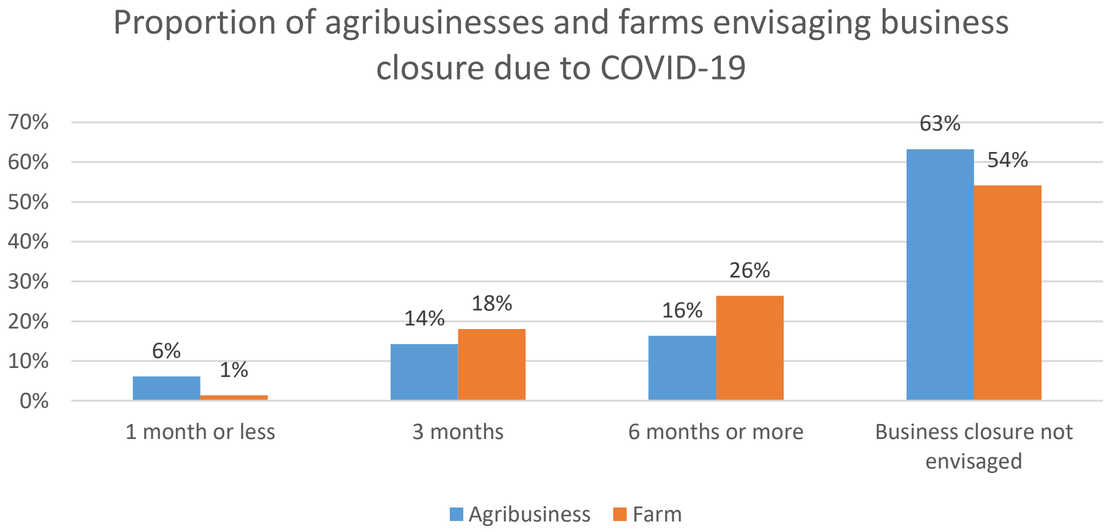
…BY generating empirical evidence

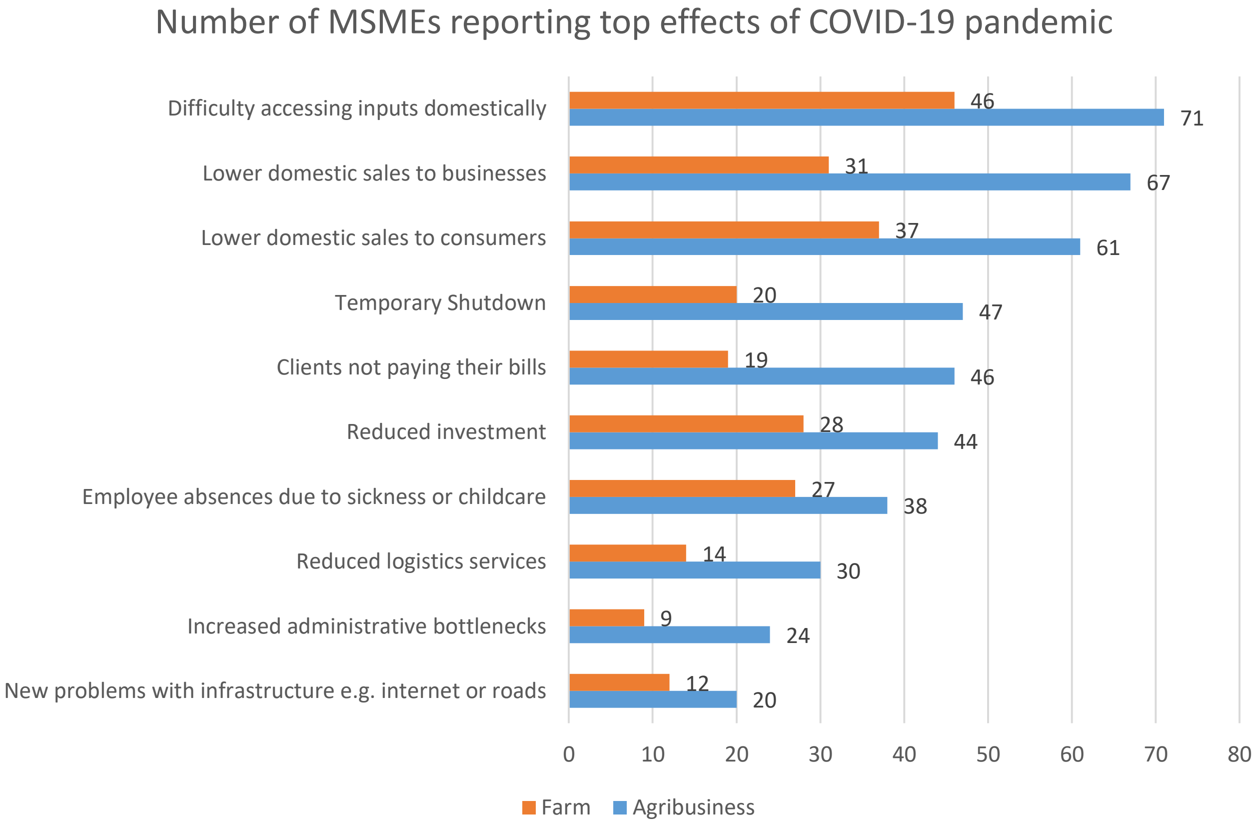
…TO feed into GRASP's Rural MSME strategies, and policy briefs, and adapt GRASP's planned support activities

98 agribusinesses and 72 farmers were interviewed

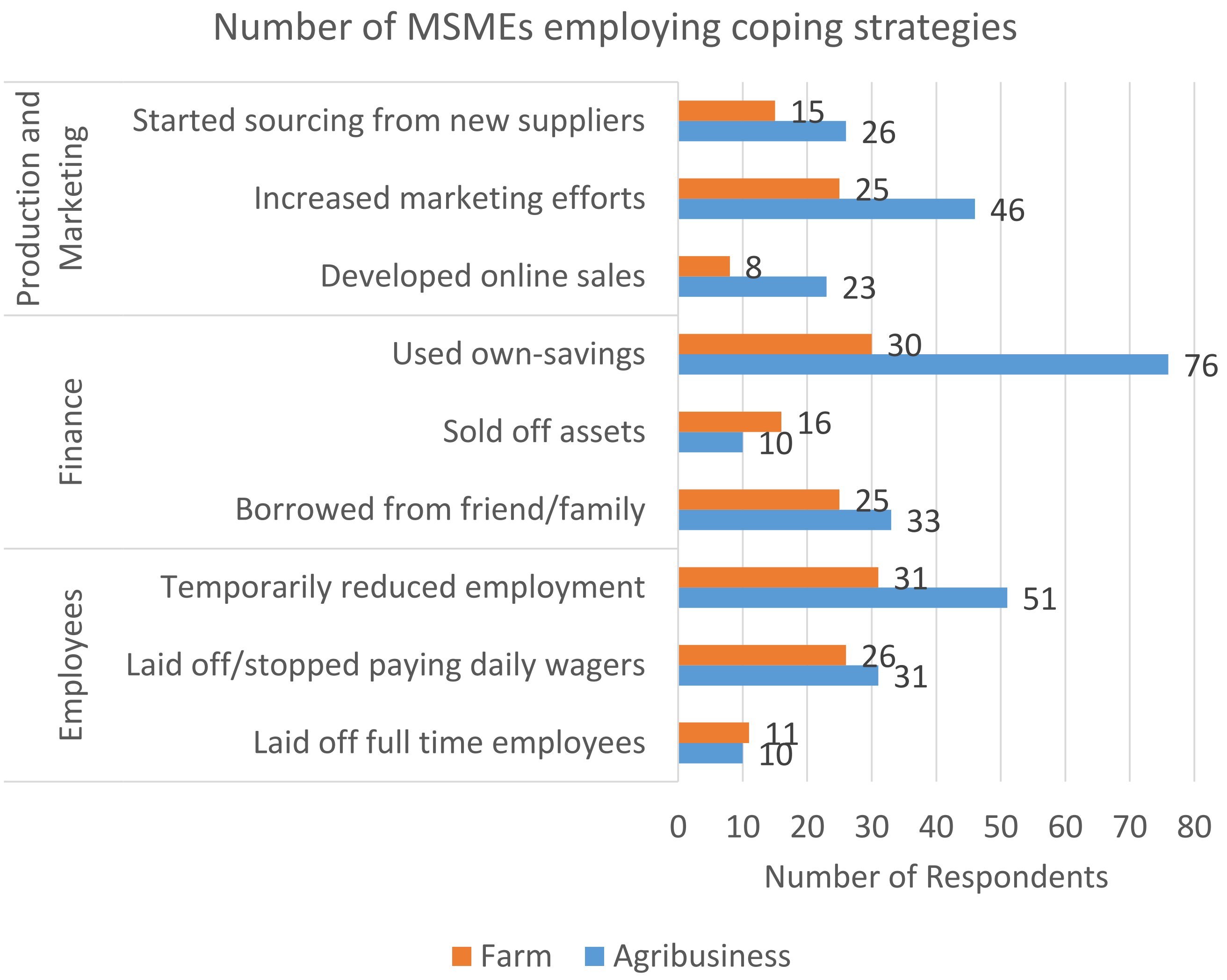
Effect of Covid-19 pandemic on MSMEs

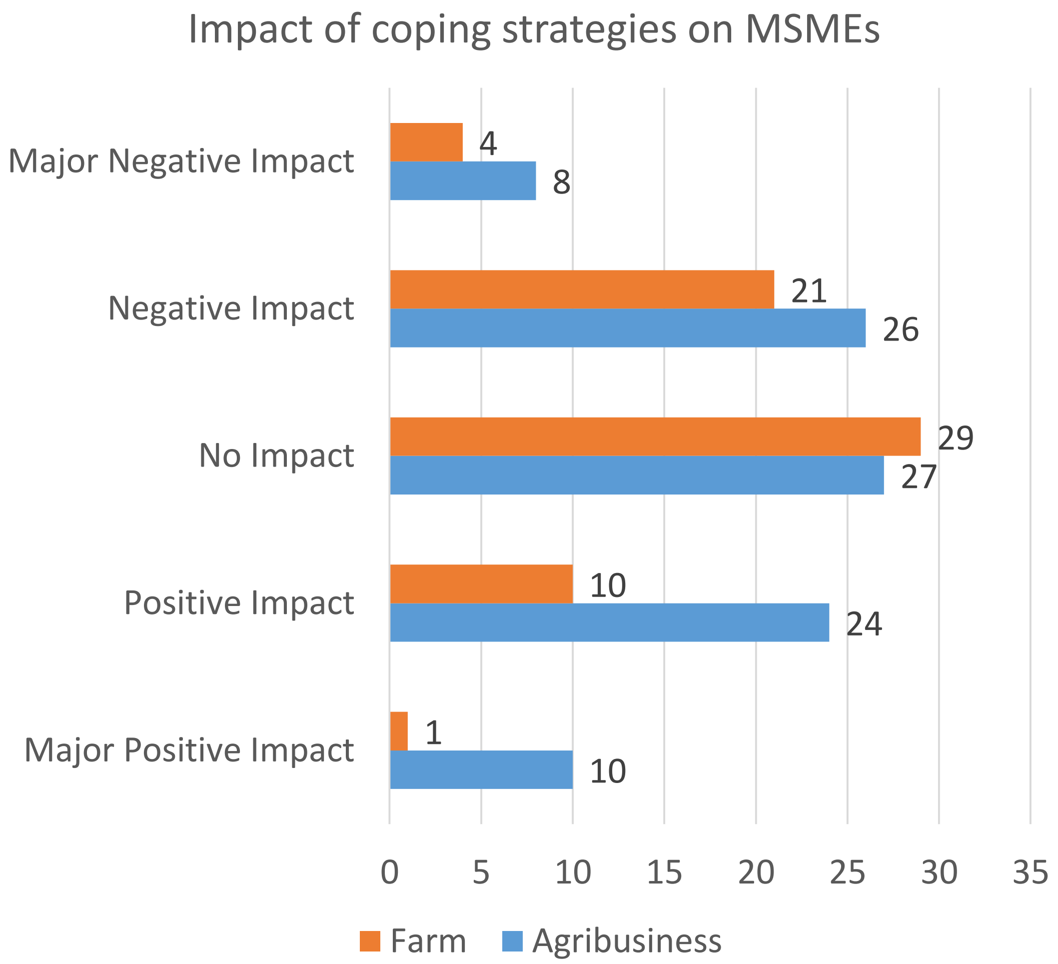






Coping Strategies Employed by MSMEs to combat COVID-19 challenges



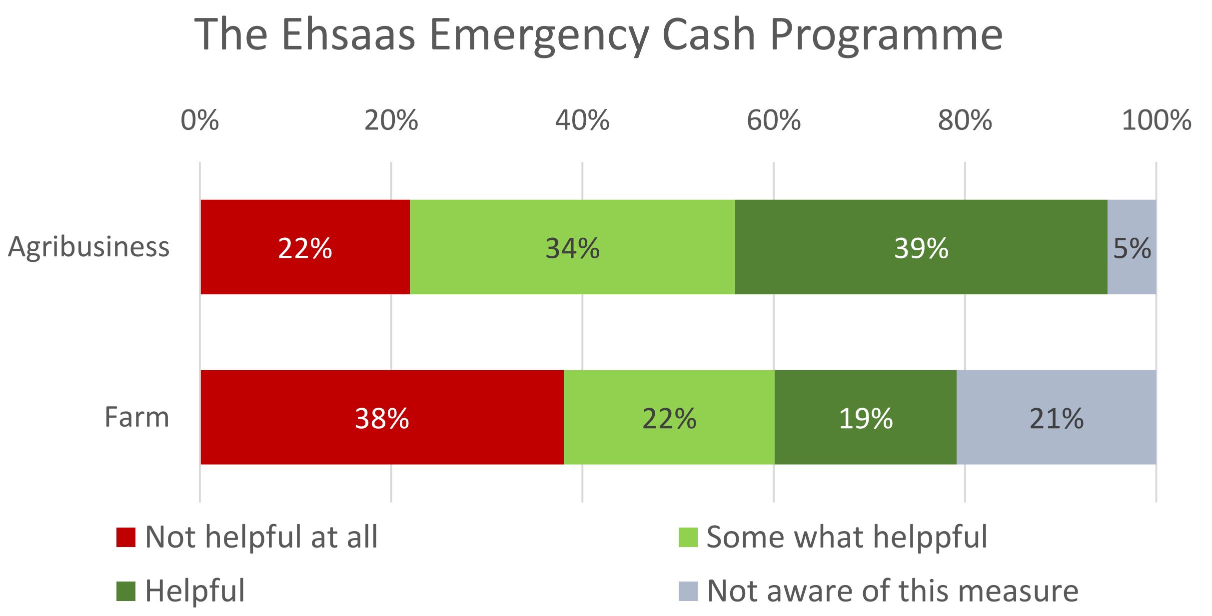


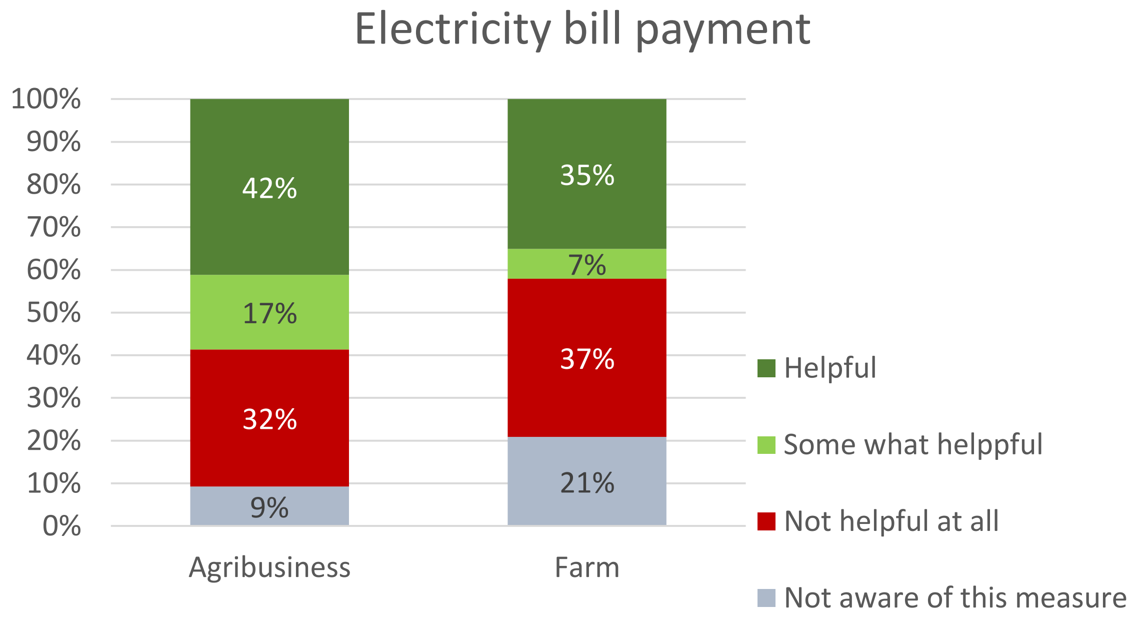
Government of Pakistan's policy response to the COVID-19 pandemic

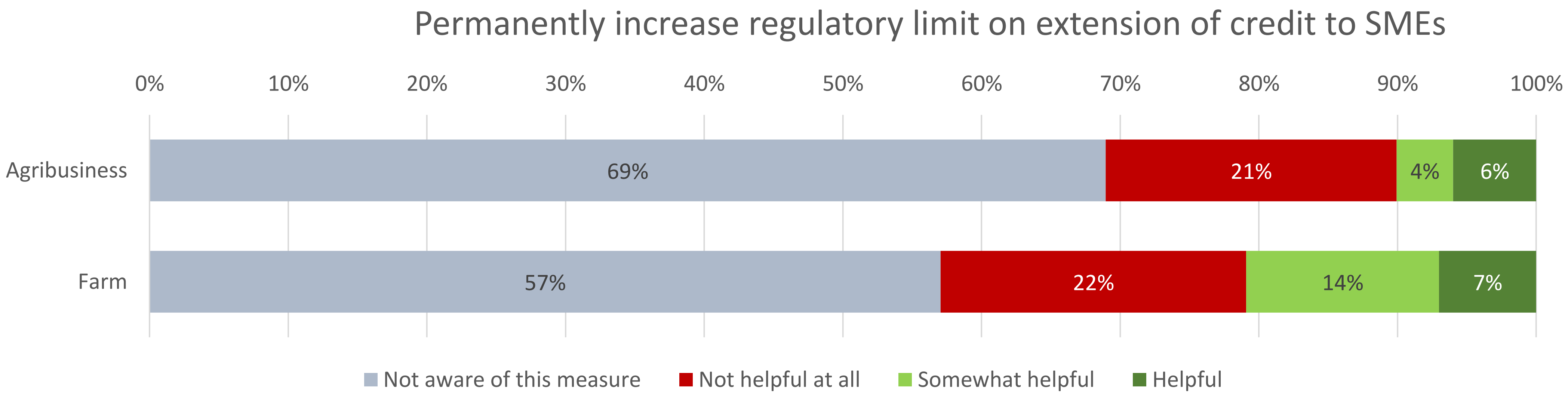
International Trade Centre

		Not aware of this measure	Helpful	Standard	Not helpful
Relief to daily wage workers	Farmer	51%	7%	10%	32%
	Agribusiness	37%	13%	8%	42%
Accelerated tax refunds for exporters	Farmer	68%	6%	18%	8%
	Agribusiness	68%	4%	17%	11%
Cash transfers	Farmer	52%	6%	13%	29%
	Agribusiness	10%	7%	21%	62%
Financial support to MSMEs	Farmer	63%	15%	6%	17%
	Agribusiness	50%	14%	6%	30%
Relief in fuel prices	Farmer	16%	35%	14%	35%
	Agribusiness	12%	40%	22%	26%
Electricity bill payments	Farmer	21%	35%	7%	37%
	Agribusiness	9%	42%	17%	32%
Avoid laying off workers	Farmer	60%	1%	13%	26%
	Agribusiness	63%	5%	3%	29%
Permanently increase regulatory limit on extension of credit to SMEs	Farmer	57%	7%	14%	22%
	Agribusiness	69%	6%	4%	21%
Providing deferred interest payments	Farmer	56%	7%	11%	26%
	Agribusiness	60%	6%	7%	27%
Concessional Loans	Farmer	56%	11%	8%	25%
	Agribusiness	48%	13%	2%	37%
Providing reduction on interest rates	Farmer	50%	12%	10%	28%
	Agribusiness	40%	9%	6%	45%
The Ehsaas Emergency Cash Programme	Farmer	21%	19%	22%	38%
	Agribusiness	5%	39%	34%	22%

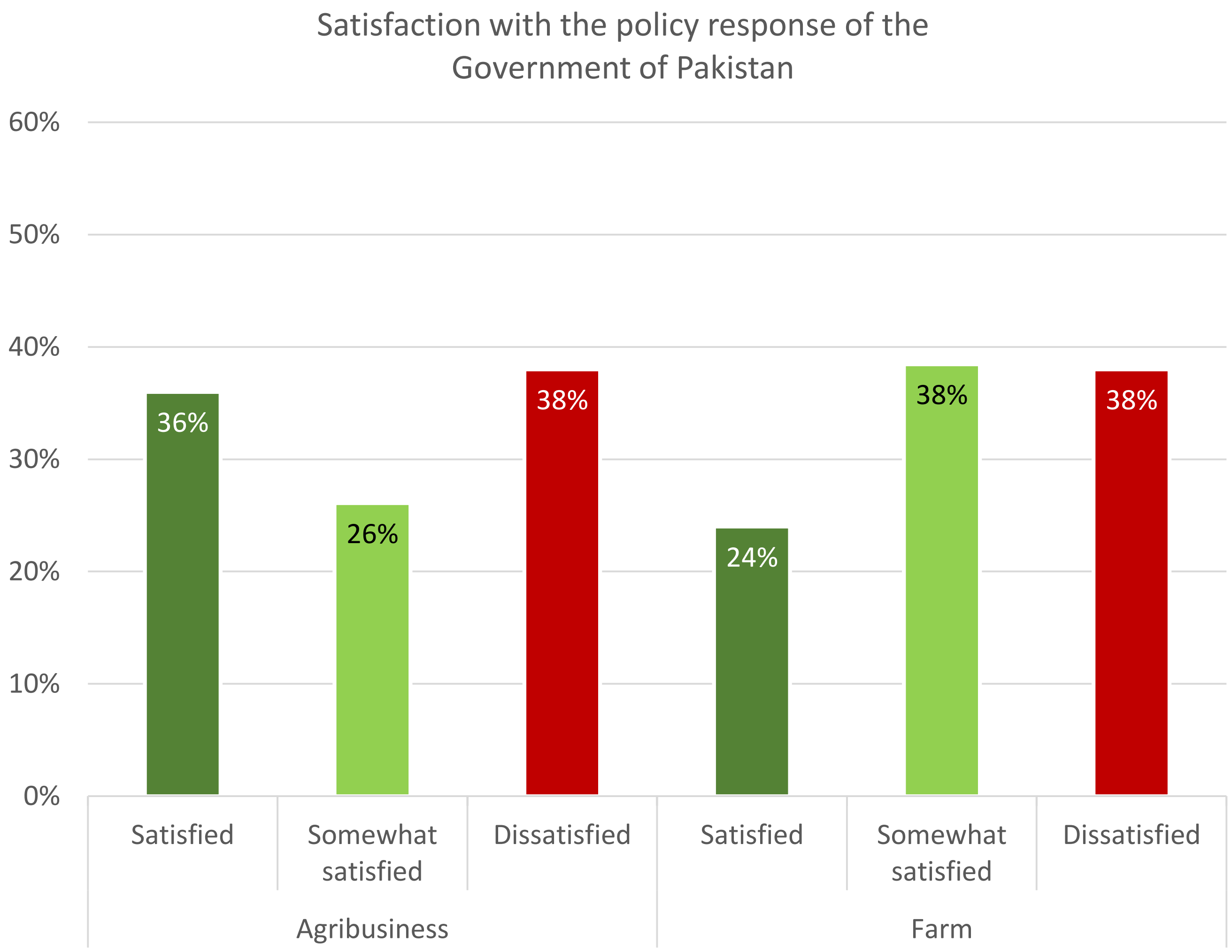
Government of Pakistan's policy response to the COVID-19 pandemic (select graphs)

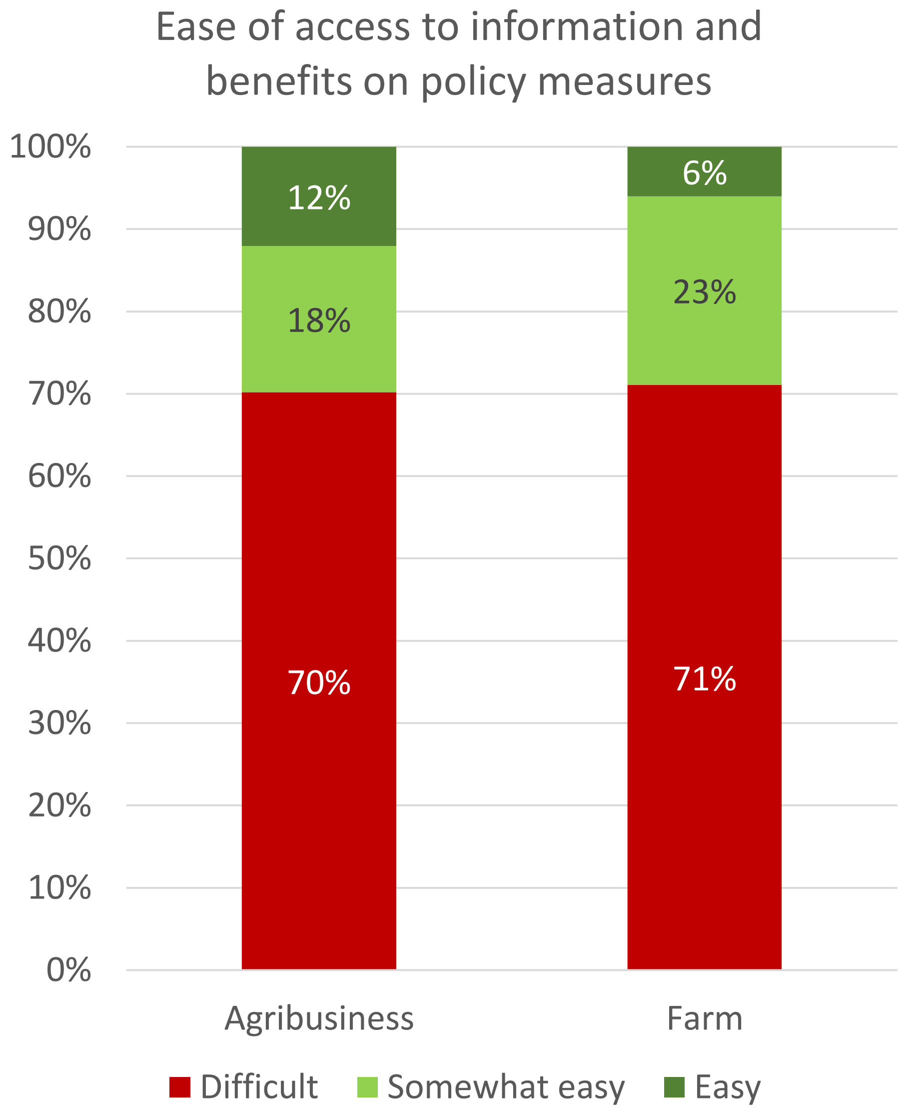




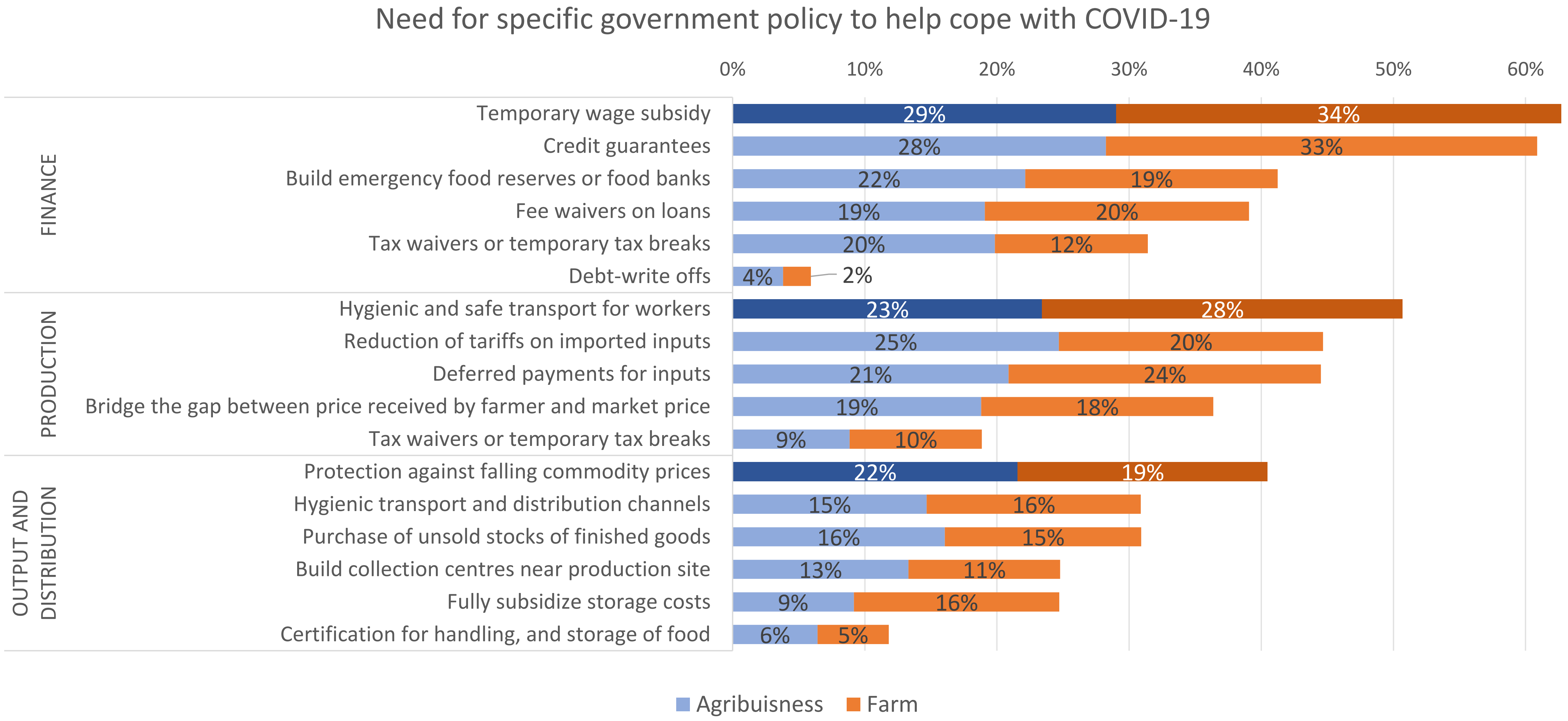


MSME satisfaction and ease of access to information and benefits



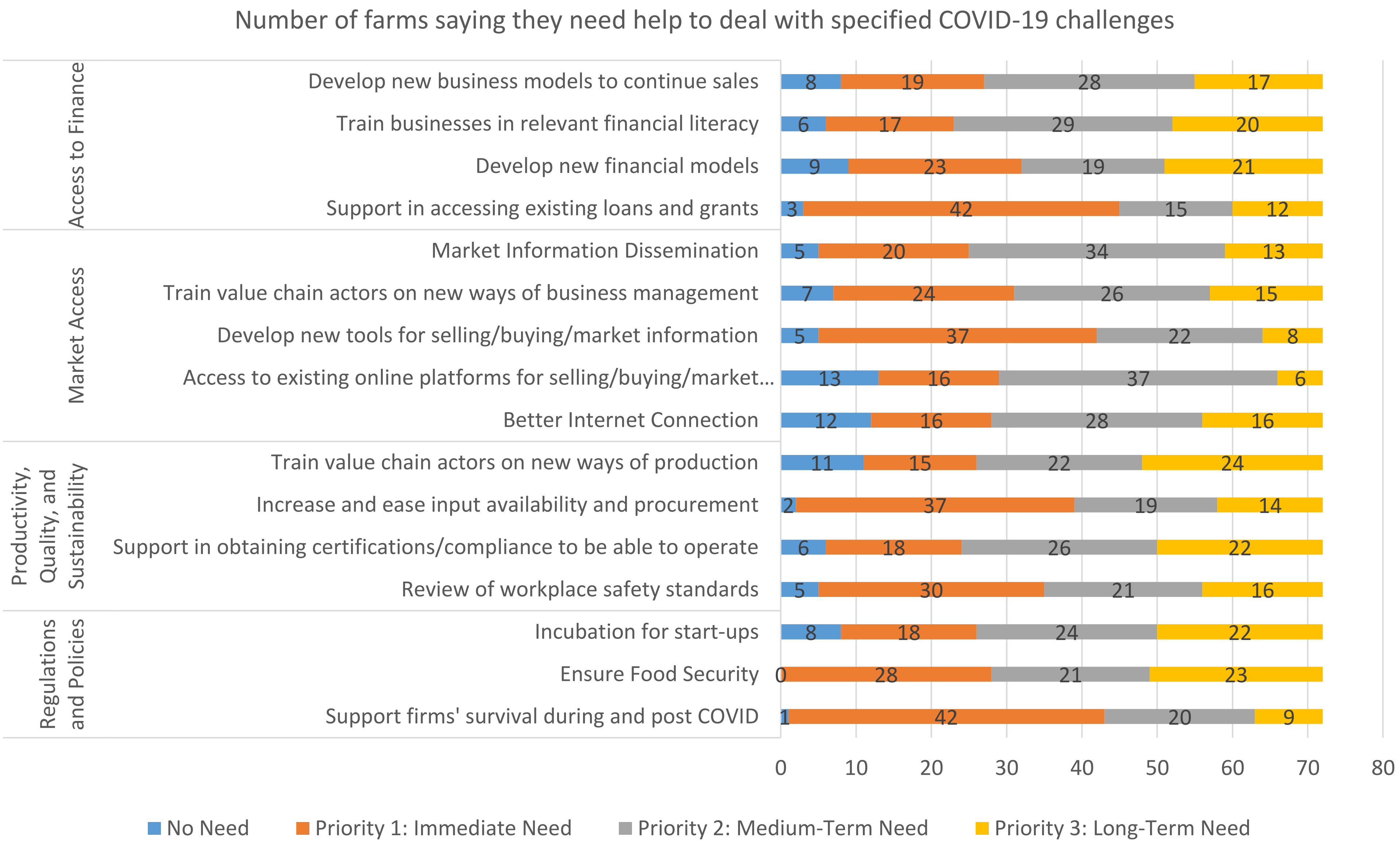


MSMEs needing specific Government policies to cope with COVID-19 challenges



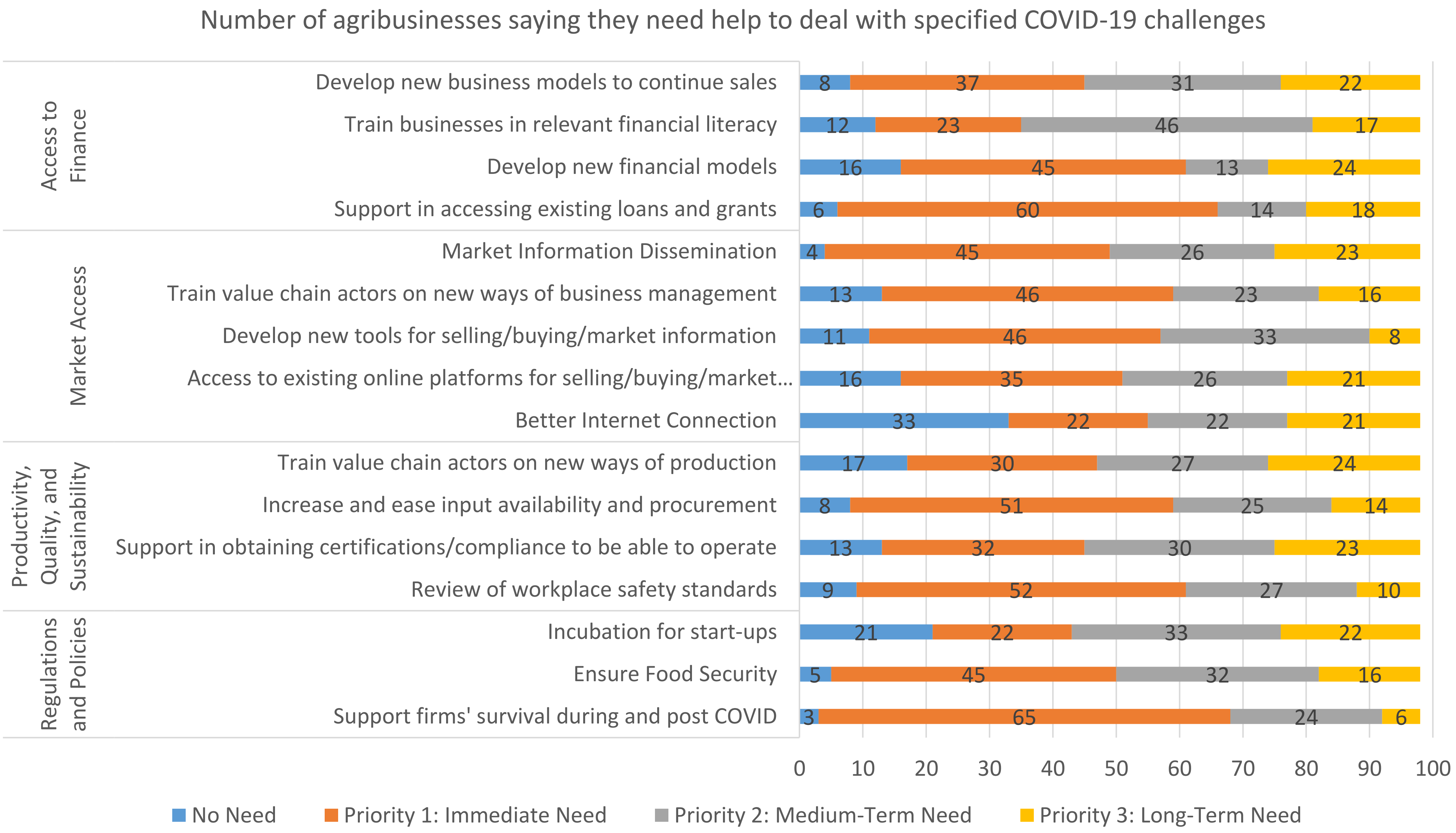
Note: This graph depicts the share of respondents over the total number of respondents per category – finance, production, and output and distribution – for both, agribusinesses and farmers respectively. The highlighted rows illustrate the most needed policy response per category.

Farms needing help from GRASP with COVID-19 challenges



NOTE: Each respondent was asked to choose the urgency for each type of assistance they required from GRASP in the following categories: Regulations and Policies, Productivity, Quality, and Sustainability, Market Access, and Access to Finance. Each bar in the graphs shows the total number of respondents split into their chosen level of priority for each type of assistance in each of the categories.

Agribusinesses needing help from GRASP with COVID-19 challenges



NOTE: Each respondent was asked to choose the urgency for each type of assistance they required from GRASP in the following categories: Regulations and Policies, Productivity, Quality, and Sustainability, Market Access, and Access to Finance. Each bar in the graphs shows the total number of respondents split into their chosen level of priority for each type of assistance in each of the categories.