



This project is funded by the European Union



International Trade Centre

GRASP • PAKISTAN

GROWTH FOR RURAL ADVANCEMENT AND SUSTAINABLE PROGRESS

**Competitiveness of Rural MSMEs and their resilience to COVID-19 crisis
Evidence from Balochistan, Pakistan**



The designations employed and the presentation of material in this document do not imply the expression of any opinion whatsoever on the part of the International Trade Centre concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

This document has not formally been edited by the International Trade Centre.





Agricultural MSMEs are key to advancing rural development in Pakistan

Agricultural micro, small, and medium-sized enterprises (MSMEs) are central to the economy and society of Pakistan. Approximately 68% of the population is engaged in farming directly or indirectly through production, processing, or distribution of major agricultural commodities, and agriculture contributes 21% of the country's GDP.¹

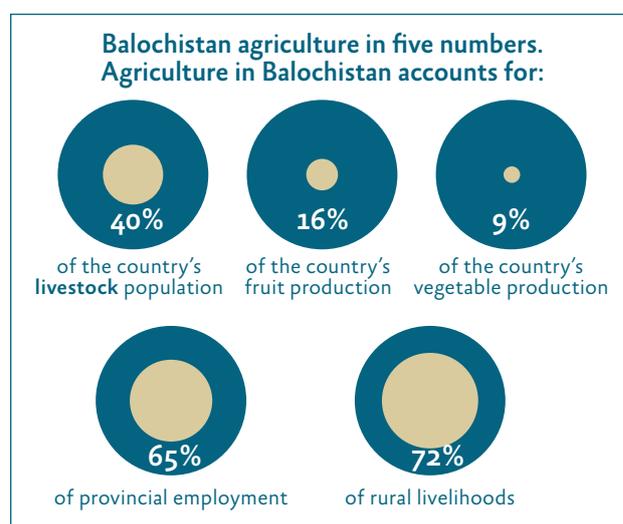
In the arid southwestern province of Balochistan, agriculture accounts for 54% of the region's GDP and employs approximately 65% of the labour force. The largest of the four provinces of Pakistan, Balochistan covers 42% of the country's total land area but has just 5% of the national population and generates just 3.6% of national GDP. The sparsely populated region is relatively underdeveloped and has high rates of multidimensional and extreme poverty.

Agricultural MSMEs play a key role in securing access to food, alleviating poverty and growing the economy in Balochistan. The dry mountainous terrain is well suited for livestock herding, fruit and other agricultural activities that provide a livelihood to three quarters of the rural population. Livestock rearing is a mainstay of the economy, contributing 40% of the provincial GDP which is earned both by sedentary rearing and by nomadic tribes. However, water scarcity, weak skills and the difficulty of accessing remote corners of the region pose challenges in developing the agricultural sector.

Small companies are found at each link of value chains as input suppliers, farmers, traders, processors, wholesalers and retailers. Unlike their larger counterparts, agricultural MSMEs have less than 250 employees and an annual revenue under Pakistani Rupees (PKR) 650 million, and they include both registered and informal companies.² Given their role in employment, food security and the economy, improving the competitiveness of

agricultural MSMEs has potential to make significant contributions to the achievement of Agenda 2030 on Sustainable Development in Pakistan, notably in terms of goals on poverty (SDG1), hunger (SDG2), gender (SDG5), decent work (SDG8) and climate (SDG13).

In line with this scenario, the Growth for Rural Advancement and Sustainable Progress (GRASP) project takes a holistic approach to reducing poverty through the development of rural MSMEs in the Sindh and Balochistan provinces of Pakistan. With support from the European Union, it is working towards the creation of gender inclusive employment and income opportunities in rural areas through targeted support to public and private sectors. The programme will help MSMEs and agribusinesses in the horticulture and livestock sectors become more competitive by making improvements at all levels of the value chain. GRASP will also improve the institutional and regulatory environment to make it more conducive to the rural MSMEs. Hence, the project aligns with Pakistan Vision 2025, which aims to transform Pakistan into an inclusive upper-middle income country by 2025 including through poverty alleviation, women's empowerment, better governance and sustainability.



1. Business Recorder (2018). Agriculture is backbone of Pakistan accessed at <https://fp.brecorder.com/2018/02/20180225347122/>
 2. GRASP definition of MSMEs using criteria established by the State Bank of Pakistan and SME Policy 2019

Gathering data to inform transformative change

The SME competitiveness survey in Balochistan, Pakistan

ITC collaborated with the University of Balochistan in December 2019 and January 2020 to survey agribusinesses and farms in the province to identify the main competitiveness challenges faced in the horticulture and livestock sectors. The surveys served to feed into the needs assessment and project baseline setting, which in turn was vital to elaborate on key priority actions and strategic directions of selected product lines and districts in the project's Inception Report. 81 agribusinesses and 57 farmers were interviewed in selected districts (Figure 1). Interviewed agribusinesses included 41 traders, 20 input suppliers and 20 processors.

Amongst surveyed agribusinesses, 78% were micro firms (1-9 employees) and 22% were small firms (10-49 employees). As for farms, 72% were micro and 28% were small. 61% of interviewed farmers had small holdings, 28% had medium holdings and 11% had large holdings.³ Almost half of farmers and a third of agribusinesses reported an annual revenue of PKR 200 thousand to 2 million. An additional third of agribusiness respondents were quite small, with an annual revenue between PKR 20 thousand and PKR 200 thousand. Women-led businesses accounted for seven percent of interviewed agribusinesses and 26% of farms.

A follow-up survey concerning the COVID-19 situation was carried out in May 2020. It assessed the impact of the crisis on business operations, production capacities and market access of farmers and agribusinesses in Balochistan. The survey also identified potential short and medium-term responses that will help inform GRASP activities and strategy-making support. 98 agribusinesses and 72 farmers were interviewed by phone for this COVID-19 survey.

Analysing MSME Competitiveness

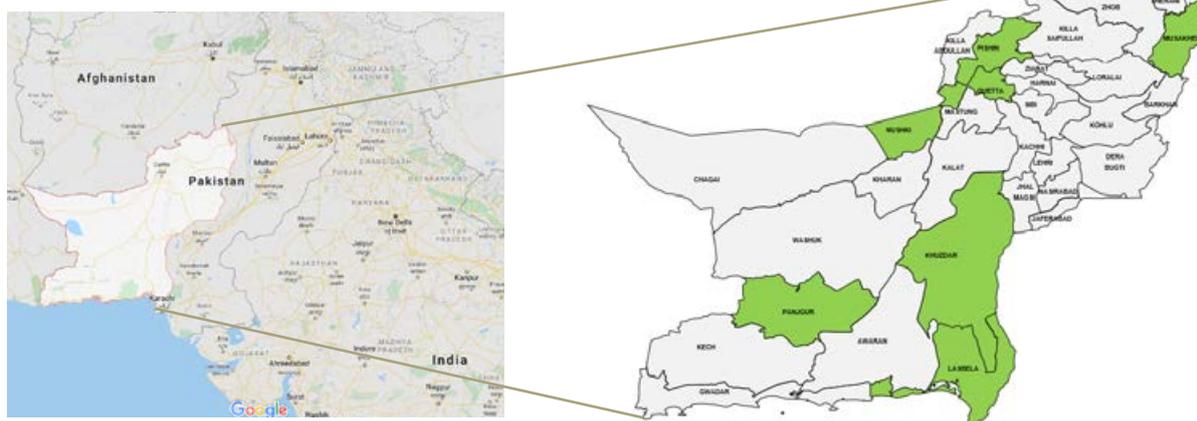
ITC analyses MSME competitiveness using its SME Competitiveness Grid.⁴ The first pillar of the grid focuses on the capacity to compete by meeting current market requirements. The second pillar centres on the capacity to connect to buyers, suppliers, and institutions to obtain information and knowledge. The third pillar zooms in on an MSME's capacity to make changes in response to, or in anticipation of, dynamic market forces, including through investments in skills, financial capital and innovation. Finally, ITC analyses the ability of companies to sustain competitiveness, including through gender inclusiveness and environment sustainability.

These pillars of competitiveness are examined at the firm level, in terms of the firm-level capacities that drive competitiveness, as well as at the business ecosystem level and the national environment. The SME Competitiveness Survey in Balochistan gathered data on firm and business ecosystem-level capacity to compete, connect, change and sustain competitiveness. This report presents highlights from the findings.

3. According to the Pakistani government definition, small holding is defined in Horticulture as having up to 16 acres, for cattle 1-5 animals, and for goats less than 30 animals. Medium holding involves between 16 to 64 acres, 6-25 cattle, or 30-100 goats. Large holding entails more than 64 acres, more than 25 cattle, and more than 100 goats. Source: State Bank of Pakistan, Government of Sindh, and ITC Farm Survey 2019

4. ITC. 2015. SME Competitiveness Outlook 2015. <http://www.intracen.org/publication/SME-Competitiveness-Outlook-2015/>

Figure 1. Balochistan & its Surveyed Districts



Competing on agri-food markets at the national level today

Reduced rainfall and increased temperatures in Balochistan have led to prolonged periods of drought alongside dried up ground water reserves. Water shortages are inducing shifts in agricultural practices, yet new herding patterns, crop choices and irrigation strategies must respond to customer demand. Buyers of agricultural produce in Balochistan demand fresh, safe, affordable packaged agri-food produce. Indeed, GRASP market survey evidence suggests that consumers in Balochistan value packaging as much as, if not more than, price when purchasing fruits, vegetables and meat products. This underscores the need to ensure effective transport of well-packaged fresh agricultural produce throughout the mountainous province.

Livestock herding practices and irrigation methods key to productivity

Farm productivity is essential both to agricultural livelihoods and to the ability to sell an affordable product on agri-food markets. With rural livelihoods dependent upon livestock breeding and feeding, as well as field-level farming practices, Balochistan's agricultural techniques are central to poverty reduction efforts. Yet nearly 41% of the surveyed livestock farmers depend mainly on low-cost feeding practices such as grazing or scavenging, whilst 15% rely on direct feeding. Water management strategies are also essential to agricultural productivity given the arid landscape and ground water shortage, 77% of the farmers reported using their own pump or tube well for irrigating their farms. Another common method is spate irrigation, where farmers construct floodwater diversion systems or dams. However, in practice they end up flooding entire fields with this stored water, which otherwise could be used in more sustainable ways. This is testament to the pressure to use unsustainable irrigation methods such as flood irrigation, and underscores the need to rehabilitate traditional water management methods such as the karez systems, and adopt climate smart irrigation technologies such as land levelling and drip irrigation.

Access to storage and transportation infrastructure for timely delivery

To deliver fresh produce on time to market outlets, agricultural MSMEs need access to storage, transportation and basic business infrastructure. However, in Balochistan much of the 'last-mile' connectivity is underdeveloped.

For example, 71% of interviewed farmers reported that they do not store any produce, and a similar share said that they had up to 10% post harvest losses due to spoilage or pests. Two-fifths of interviewed agribusinesses pointed to serious challenges in accessing electricity that is needed for post-harvest processing and storage.

Meeting quality requirements through testing, protocols and grading

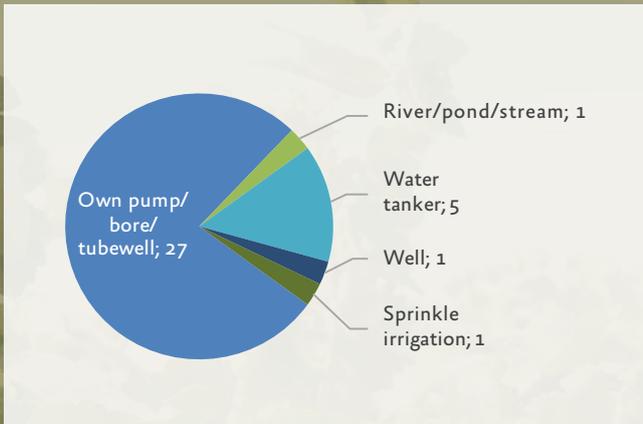
Agribusiness firms in Balochistan seem to be well informed about how to maintain quality standards across the value chain. Even though 69% of the surveyed agribusiness firms said that they had taken advantage of product quality testing, certification, and/or inspection services, 57% rated the quality to be very low. Furthermore, 58% of the farmers had some sort of quality protocol established with their buyers for at least a portion of their produce. There are clear incentives for quality, with 64% of farmer respondents saying they did receive a better price for higher quality output. In most cases, the price premium arose from superior grading, packaging and sorting for their produce, as well as vaccination of their livestock. However, scarcity of key inputs seems to have an adverse effect on quality: half of interviewed farmers pointed to the unavailability of vaccines, medicines and quality inputs as the biggest challenge to meeting quality requirements.

Help needed to learn farm quality and productivity techniques

Agricultural extension plays a crucial role in boosting agricultural productivity, improving rural livelihoods and increasing food security. It can be challenging, however, for agricultural extension officers to reach farmers in mountainous regions due to harsh weather, long distances, a scattered population, and underdeveloped infrastructure – all of which also hamper agricultural productivity. Indeed, just one in four interviewed farmers had received agricultural advice from an extension or donor programme in the preceding year. Moreover, 63% of the farmers reported having no access to veterinary advice in the use of animal medicines. The top priorities for training, according to farmers, are planting methodologies and animal health management (see figure). The development of more local expertise on these topics could yield long-term benefits in terms improved productivity and competitiveness of agri-food firms.

Capacity to Compete

Water use on farms (Number of respondents)



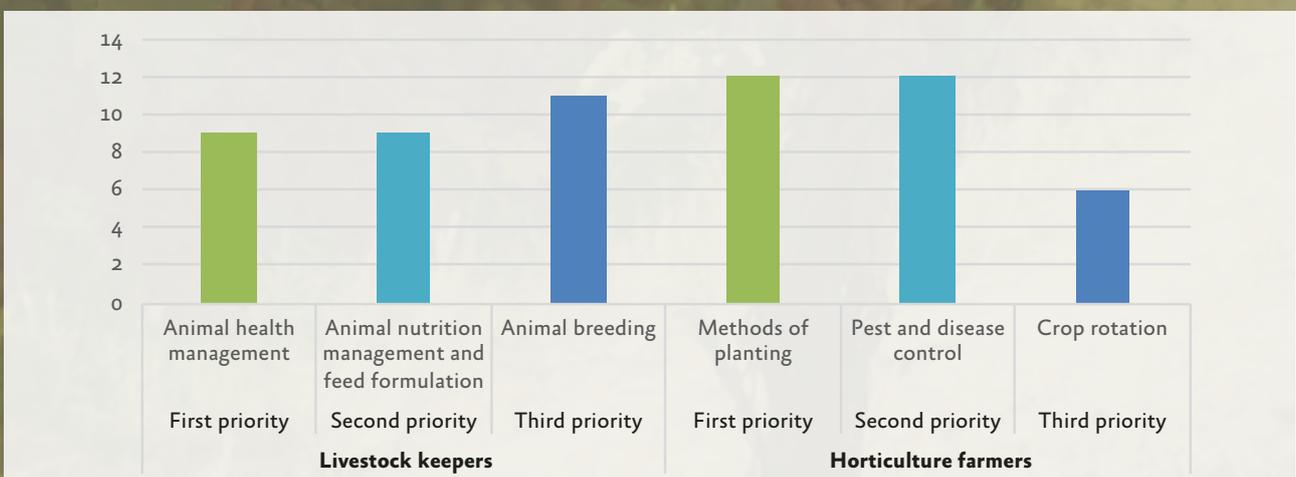
Source: ITC Farm Survey

Proportion of certified agribusiness and types of certificates



Source: ITC Agribusiness Survey

Number of farmers requesting each type of training



Source: ITC Farm Survey

Connecting with value chain actors

Small firms in Balochistan interact through a web of connections that enable them to exchange products, information and money. Whilst some agricultural output is consumed by the small-scale farmers that make it, they sell their surplus – as well as the entirety of cash crops – on local markets. However, the rugged terrain and long distances strain the linkages between value chain actors. Moreover, limited number of inputs providers and intermediaries also pose a major challenge. The majority of farmers' produce is bought by arthi and beopari middlemen that sell it on to processors and retailers, but few traders have linkages with lucrative markets outside of Balochistan. Information on market prices comes from neighbours, traders, and farmers' associations, but also by phone: half of farmers in Balochistan use their mobile phone to gather information on market pricing, including through SMS alerts.

Less than half of farmers receive good-quality inputs from suppliers

Although the arthis' main activity is trade in crops, they also provide inputs to farmers on credit as well as loans. Farmers in Balochistan also purchase fertilizer, feed, and labour from other input providers. Yet these inputs often leave something to be desired: less than half of farmers (41%) said that they received good quality inputs, and only one in five of the surveyed farms reported that they always received their inputs on time. In some cases, interactions with suppliers improved farmer expertise: indeed, 33% of the farmers received advice from their input supplier, largely on the techniques to improve production and on the use of inputs such as fertilizers and pesticides.

Strengthening connections between farmers and agri-business buyers

Linkages between farmers, agri-businesses and final buyers are crucial in determining the quality and price obtained by market actors. Survey results indicate that fully 43% of farm output is bought by arthi and beopari middlemen. In most cases, there is no written contract between farmers and their buyers: 74% of surveyed agri-businesses operated using an informal verbal agreement

with a farmer or farmer group. Three out of four of the agribusiness buyers provided services to farmers such as loans, or advance payments, and a few provided advice and trainings. Agribusinesses learn, in turn, about what their customers want: 56% of the surveyed agri-business middlemen and processors said they regularly gathered information from customers to adjust their product offering and development, while 32% frequently sold to the same customer forging strong bonds of trust.

Developing farmers' collectives and linking them to service providers

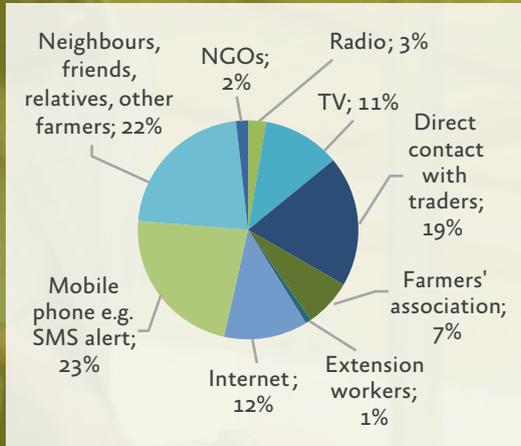
Information asymmetry can often lead to market failures, especially in isolated and remote rural localities such as Balochistan. Agribusiness support providers such as business associations and public institutions help MSMEs and farmers access markets and participate on an equal footing through the provision of market information and related services. However, four out of five agribusinesses surveyed said that they have no interaction with business associations, and three quarters had not connected with public institution services. Even though 47% of farmers belonged to a farmer association, 32% of them said no service was provided. Three fifths of farmers had accessed a public institution service, but 43% of the farmers that had accessed public institution services rated them poorly. Effective and well organized agricultural and livestock farmer organizations – in the form of farmers marketing collectives (FMCs) – are critical to connect small-scale farmers to the markets, improve farmers' bargaining power and increase the value created in the value chain.

Developing value chain linkages for quality and information flow

Agribusiness firms report that the top constraints they face in sourcing local inputs are unsatisfactory produce quality and insufficient information on product availability. Combined with the fact that farmers say the inputs they receive are often poor and received late, this indicates that there are opportunities to strengthen value chain linkages for better quality and timely exchange of product. Increasing the prevalence of contracting between value chain actors can share information on and incentivize improved operations to this end.

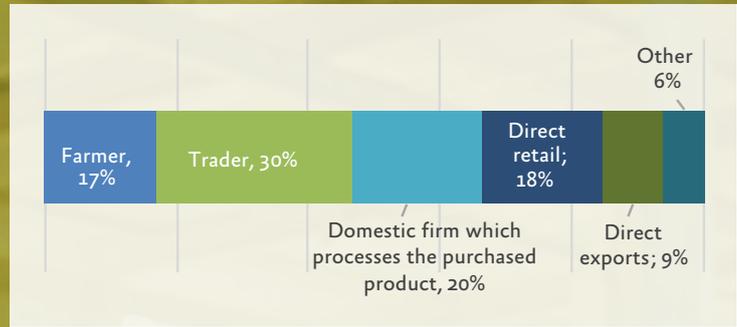
Capacity to Connect

Access to information about prices of horticulture and livestock product



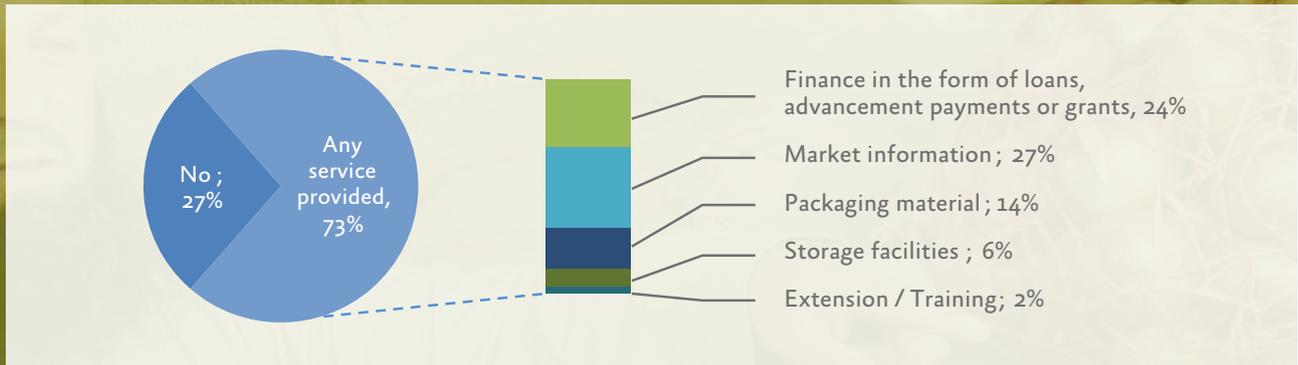
Source: ITC Farm survey

Buyers of agribusiness product (%)



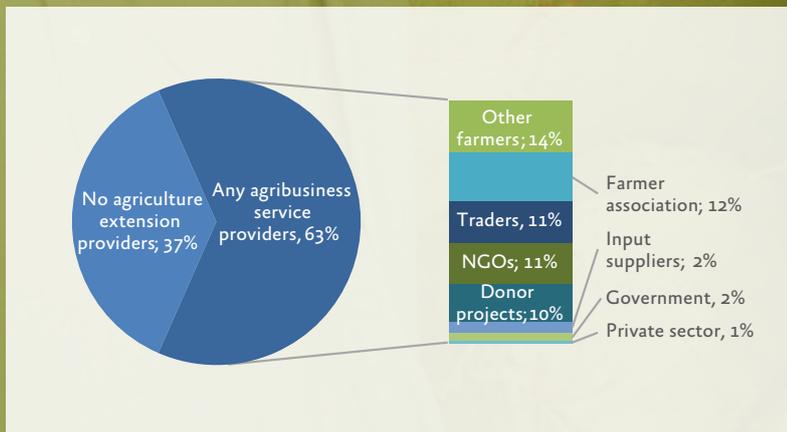
Source: ITC Agribusiness survey

Services provided by agribusiness firms to farmers (in%)



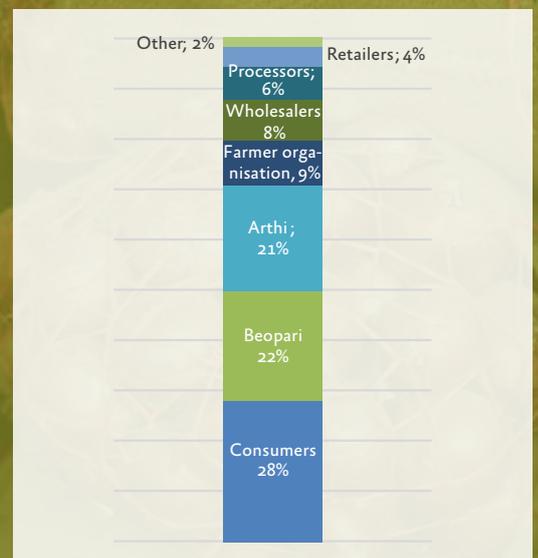
Source: ITC Agribusiness Survey

Share of farmers accessing the services of agribusiness service providers services



Source: ITC Farm Survey

Buyers of the farm product (%)



Source: ITC Agribusiness survey

Changing for more competitive value chains

There are opportunities to develop agricultural value chains in Balochistan, especially by assisting farmers to better access market opportunities. Small farms and firms could change their business practices to produce higher grade meat products or to expand their activities to more rewarding parts of the value chain. However, the ability of agricultural SMEs to actually take advantage of their potential is constrained by weak skills, limited processing infrastructure, poor access to climate smart technology and difficulties complying with market requirements. Enhancing the competitiveness of rural SMEs can improve their ability to attract and absorb capital for innovations that successfully upgrade their enterprises.

Accessing finance to maintain and grow agribusiness

Although loans are often necessary to finance business improvements, farmers and agri-business SMEs in Balochistan shy away from formal bank credit, relying instead on their own savings or informal moneylenders. Although half of surveyed farmers had a bank account, just 40% had ever taken a loan. When they did, they went to a trader or informal moneylender to finance purchases of inputs or vaccines, or alternatively to buy livestock and backyard poultry. Similarly, just 33% of agribusiness SMEs in the province had taken a loan, with a small minority turning to commercial banks for loans and the rest preferring to borrow from family and friends. Yet 57% of agribusiness SMEs said that access to finance was a very severe obstacle to the operation of their business.

Facilitating access to skilled agricultural labour

Access to skilled labour is important to maintain productivity, adapt to change, and add value to output in rural areas of Balochistan. However, only fifty-two percent of surveyed farms reported that their workers had sufficient skills and knowledge to match the needs of their businesses. Just 41% of the agribusiness said that there were plenty of skilled workers available for hire. Although these statistics suggest that skills shortages are affecting agricultural SMEs in Balochistan, 78% of survey respondents said that access to skilled workers was not their top constraint, indicating that business managers feel the situation is acceptable. This factor may, however, contribute to the weak productivity in the province.

Limited value addition & innovation among small-scale farmers

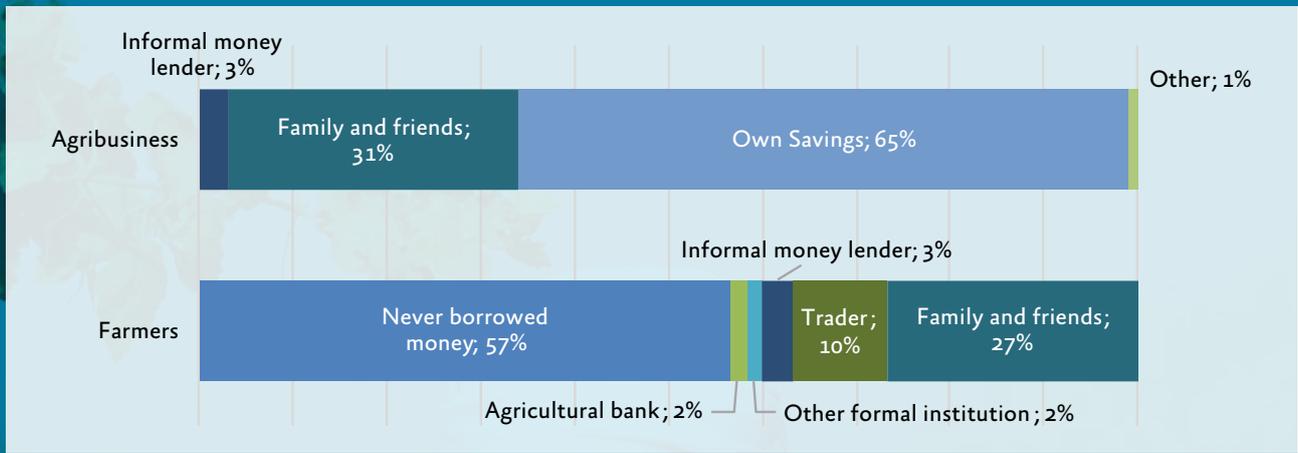
There are systemic impediments that block the way towards adding value to agricultural products in Balochistan. The absence of a proper grading system for livestock products means that farm-level investments in upgrading animal feeding and health do not always translate into better farm gate prices. Furthermore, meat and dairy processing in the province is largely informal, with limited formal manufacturing facilities that could make a product with higher margins for sharing across the value chain. Indeed, only 33% of the surveyed farmers in Balochistan said that they had implemented some form of new technique or technology to improve production. One in four farmers, for example, had switched to better seed varieties. Seventy percent of the surveyed agriculture enterprises reported that they were involved in some form of value addition such as offering a special variety of crop or unique breed of meat.

Opportunities to enhance value addition in agri-food value chains

There is rising interest amongst agricultural stakeholders in Balochistan in adding value to their output through value chain upgrading. The fact that consumers say they are willing to pay more for well-packaged products, and that producers say they sometimes capture higher prices for higher-quality output, is good news in this context. However, there appears to be limited space for processing of agri-food products in the province, perhaps owing to the limited scale of operations as well as the largely informal nature of production and marketing. Improvements in the system of grading and standardization mechanisms could facilitate quality-based differentiation and allocation of produce to appropriate markets. Lower-quality horticultural produce, for example, could be valorised and processed for pickling, drying, juice and jam production. The GRASP project is working with partners in Balochistan to develop products for specific markets, through strategies such as adoption of improved varieties, new marketing/branding concepts, and strengthened market linkages to target customers.

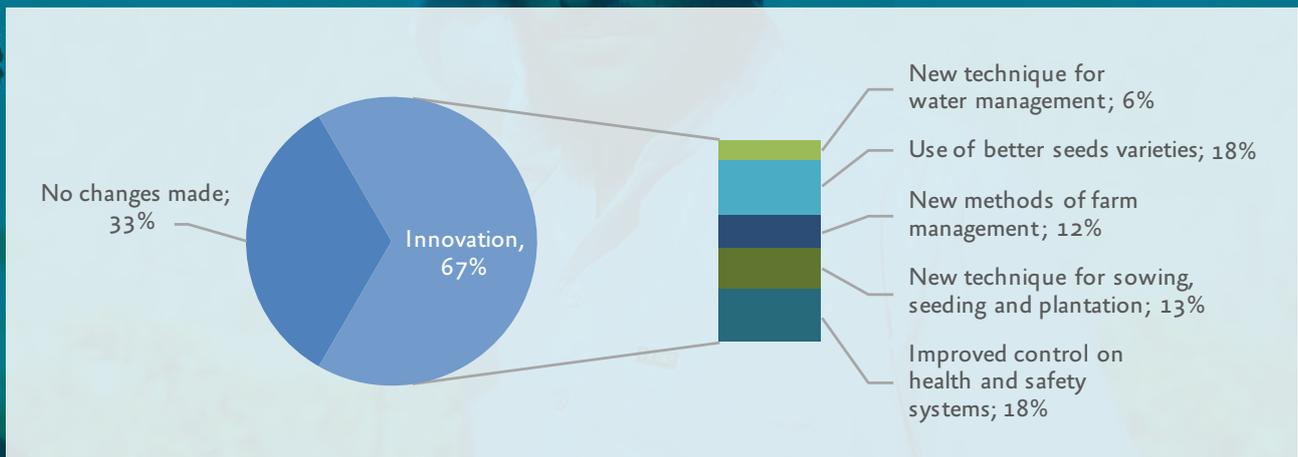
Capacity to Change

Sources for borrowing money in Balochistan



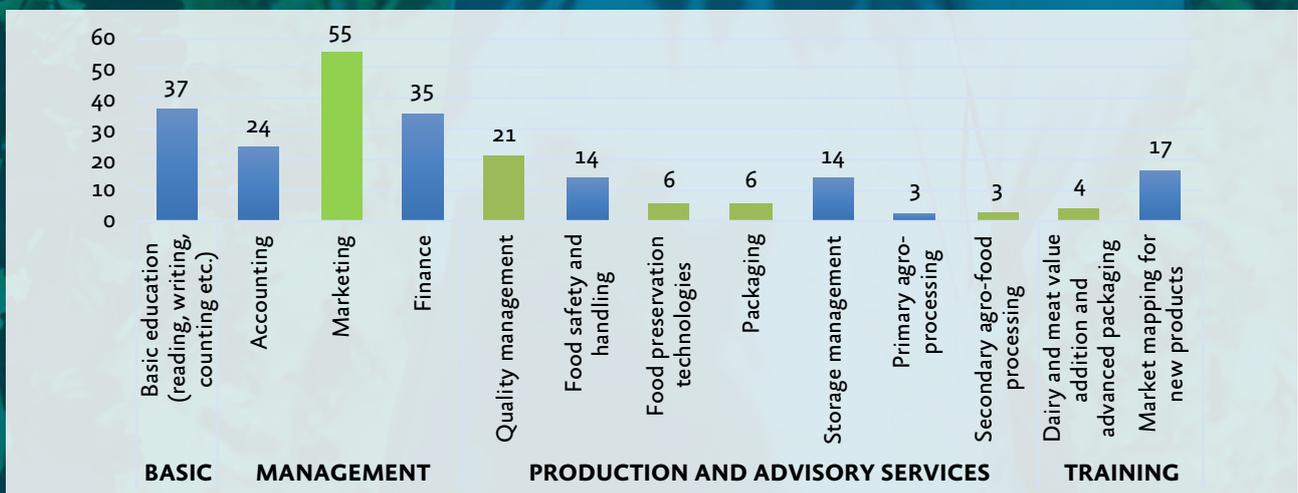
Source: ITC Agribusiness survey Note: None of the respondents relied on commercial banks for sourcing their finance.

Farmer adoption of innovative practices



Source: ITC Farm Survey

Number of respondents saying specified type of training would be useful for them



Source: ITC Agribusiness Survey

Sustaining the rural economy

The Government of Balochistan has established a Sustainable Development Goals Support Unit as part of national efforts towards meeting the 2030 Agenda for sustainable development. However, social and environmental challenges remain in Balochistan. The province lies in a zone that sees low rainfall that will get even scarcer.⁵ Furthermore, gender-based discrimination is pervasive and constrains the opportunities available to women. Women account only for nine percent of the total labour force,⁶ and are often excluded from decision making, education and marketing activities.⁷

Protecting the environment for tomorrow's production

Climate change together with mismanagement of water resources has exacerbated the shortage of water in Balochistan. The proliferation of deep-dug tube wells has lowered the water table, while inefficient water storage practices waste the rainwater, negatively affecting agricultural productivity over the long run. Indeed, 51% of interviewed farmers said that they had lost produce to drought, while 53% had lost produce to excessive rains.

The good news is that not only the provincial government, but also farmers and agribusinesses are taking steps to adapt to climate change. In addition to passing the Environment Protection Act, the government actively encourages tree planting to improve the local water cycle. 42% of surveyed agribusinesses have invested in measures to reduce environmental risks, for example by installing flood protection systems. Furthermore, 46% of surveyed farmers have adopted measures to prepare for environmental hazards, while 11% of them are working towards obtaining Global GAP certification.

Farmers are using technologies to address environmental challenges, as with the 21% of them that reported using mobile phones to access weather forecasting services. One in ten farmers said they had implemented a new technique related to water management practices in the past year.

Promoting gender inclusiveness in value chains

Women in Balochistan are responsible for weeding, seed cleaning, drying, and storage of crops. They most often work on land owned by men, who usually control farm management decisions. The fact that women are crucial labourers in Balochistan's rural economy is borne out in the survey data, where a significant 72% of surveyed farms had full time women employees. Yet as we move down the value chain to higher-value positions, women become rarer: 27% of agribusinesses reported that they employ full time female employees, 26% of farms were led by a woman, and seven percent of agribusinesses were led by a woman. This evidence indicates that there is an opening for women workers in agri-food value chains in Balochistan, but that further efforts are necessary to facilitate their contribution to all agri-food value chain activities.

Needed actions to sustain rural advancement in Balochistan

When asked about their capacity to deal with environmental issues, interviewed agribusinesses highlighted that they first and foremost needed access to information and finance. GRASP aims to catalyse the adoption of green techniques and technologies amongst agricultural MSMEs through related training as well as policy development. The project is researching and facilitating public-private dialogue to assist the provincial government to review its agricultural policies related to natural resource management.

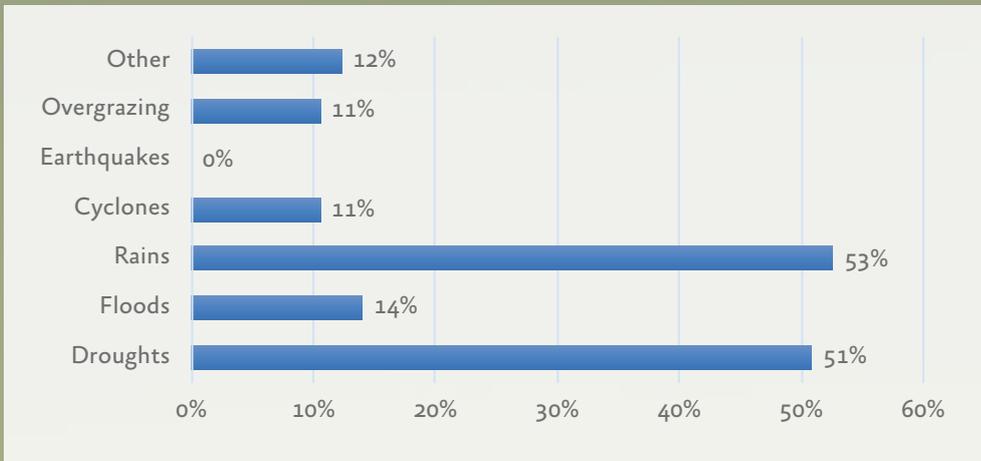
Nascent female leadership amongst agricultural SMEs in the region speaks to significant untapped potential to rectify gender inequalities and take advantage of female agricultural expertise for rural advancement. The GRASP project focuses on sheep, goats, and backyard poultry in Balochistan in light of the significant involvement of women in the livestock sector and untapped opportunities for marketing carpets and other by-products of sheep wool. To foster the employment and entrepreneurship of women in Balochistan agriculture, GRASP will provide training in agricultural extension, animal health, entrepreneurial skills and value addition. The project will also encourage the empowerment of women through the formation of groups and support for participation in dialogues and common interest groups.

5. DAWN (2017). Half of Balochistan gripped by drought. <https://www.dawn.com/news/1356615>

6. Pakistan Bureau of Statistics (2017-18). Labour Force Survey.

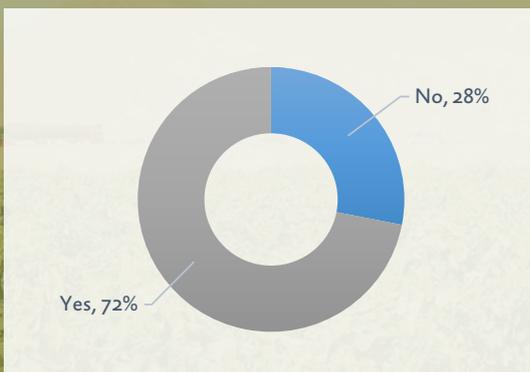
7. FAO (2015). Women in Agriculture in Pakistan

Proportion of farmers reporting produce lost to hazards



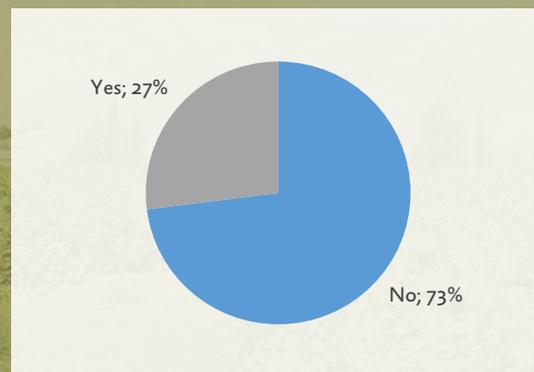
Source: ITC Farm Survey 2019

Proportion of FARMS employing full time female employees

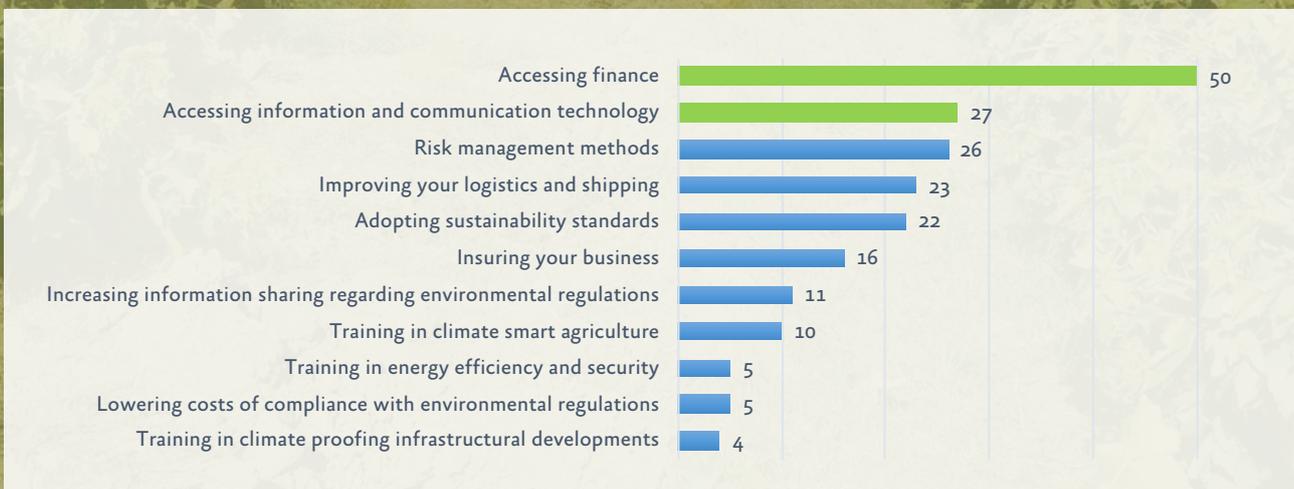


Source: ITC Agribusiness and Farm Surveys

Proportion of AGRIBUSINESSES employing full time female Employees



Number of agribusiness firms saying they need help to deal with specified environmental issues



Source: ITC Agribusiness Survey



© ITC

Building resilient and agile rural MSMEs to combat the COVID-19 crisis

The COVID-19 outbreak is causing an unprecedented economic slowdown in Pakistan. GDP growth is projected to fall from 3.5% to between 2.5 – 2%, while the International Monetary Fund has even proposed a negative growth rate of -1.5%, with all sectors being negatively affected for at least six months.⁸ As a consequence of the lockdown, around 12.3 - 18.53 million people have been predicted to be laid off - this translates to roughly PKR 22 billion already lost to the economy with the potential to cause a further loss of PKR 448 billion.⁹ Across the country, the daily wage workers are the most vulnerable.¹⁰

Projections indicate that the agricultural sector will be severely affected by the economic impact of the pandemic.¹¹ In Balochistan, 90% of those employed in the agriculture sector are vulnerable to being laid off during the shutdowns.¹²

Keeping this in mind the federal government has developed an emergency stimulus package to the value of PKR 1.134 trillion, with PKR 100 billion dedicated to SMEs and agriculture sector. However, there are still some uncertainties around the roll out of these programs, and the mechanisms adopted to deliver relief as the situation evolves.

8. The News (2020). Covid-19 effects. Accessed at <https://www.thenews.com.pk/print/642261-covid-19-effects-pakistan-estimates-0-8-to-1-3pc-loss-to-gdp-growth>

9. The News (2020). Forecast of Covid-19. Accessed at <https://www.thenews.com.pk/print/633712-forecast-of-covid-19-pakistan-may-face-12-3m-to-18-53m-layoffs-says-study>

10. PIDE (2020). Covid-19 Bulletin

11. ibid

12. ibid

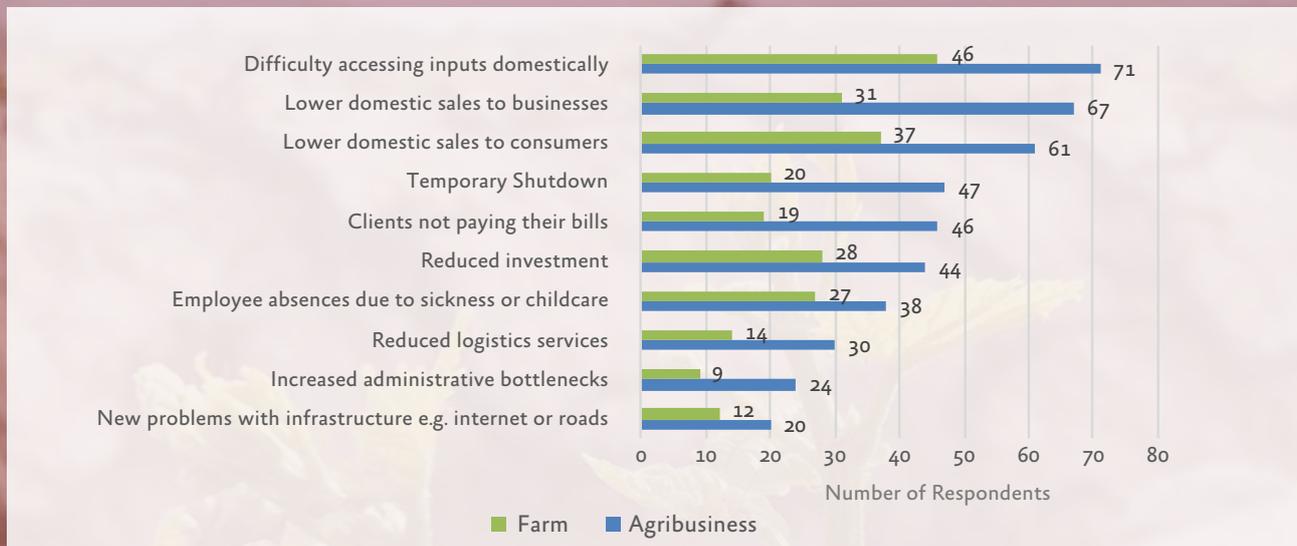
COVID-19 crisis has struck agricultural MSMEs hard

Nearly all of the agribusinesses (92%) and farms (92%) interviewed in May 2020 said their business operations had been affected by the pandemic, with three out of four reporting as being moderately to strongly affected. MSMEs reported that because of the COVID-19 pandemic they faced acute difficulties in accessing the inputs they needed, as well as lower domestic sales to consumers and businesses. Almost half of the agribusinesses and a quarter of farms said they have temporarily shut down because of the pandemic.

However, more than half of the MSMEs interviewed reported that they do not envisage the closure of their businesses. Of those that do envisage the closure of their businesses, agribusinesses were more likely to see it happening within one month or less, whilst farm saw a closure coming in three to six months or more.

Almost all agribusinesses and of farmers surveyed said they had adopted at least one action to counter the pandemic's challenges. With respect to employment, most MSMEs acted in a resilient way by temporarily reducing employment. In terms of finance, the majority of MSMEs retreated by using up their own savings or borrowing from informal sources. Some MSMEs also exhibited agile characteristics and attempted to recover production by moving to new suppliers, and made an effort to retain or improve sales by increasing their marketing efforts and developing online sales.

Number of MSMEs reporting top effects of COVID-19 pandemic



Proportion of agribusinesses and farms envisaging business closure due to COVID-19



Number of MSMEs employing coping strategies



Source: ITC GRASP COVID Survey

Government policies can help MSMEs thrive amidst the crisis

Pakistan's federal government has implemented a range of measures to help MSMEs cope with the difficulties posed by the COVID-19 situation. Evidence suggests that the level of awareness of and the perceived utility about policies varied greatly.

The federal government's Ehsaas Emergency Cash Programme¹³ was the most popular amongst the MSMEs, with almost 90% of the surveyed MSMEs expressing awareness of this measure. Moreover, on average, 51% of the MSMEs found the programme to be between somewhat helpful and helpful. However, awareness was lower on the measures of providing credit extension to SMEs, with nearly 61% of the MSMEs not being aware of it, and only 12% finding it to be between helpful and somewhat helpful. This is not surprising since very few of these businesses receive any form of formal credit normally,¹⁴ and so may be unable to derive complete benefits from the government policies in the given situation. Moreover, accelerated tax refunds to exporters – critical to a small segment in the industry – were not known to many, which could be because these respondents operate in domestic markets only.

The overall satisfaction rate for the policy response was low, with only 13% of agribusinesses and one in five farmers completely being satisfied. However, given that the COVID-19 presents unprecedented challenges for everyone including the government, the low satisfaction rate can be taken in stride. In this context, a range of possible improvements can increase the success rate of the measures.

The main areas of improvement, shown by the survey, were better access to information about the programmes and removing procedural obstacles. Access to information about programmes was a challenge, with nearly 70% of the respondents saying it was difficult to access information on COVID-19 government programmes. MSMEs complained that the procedures to apply for any government policy programmes either were lengthy, with cumbersome documentation requirements and poor checks and balances. Inaccessibility of

emergency relief in rural areas adds to the hardships of the rural MSMEs. Tailored outreach activities and dissemination of opportunities to these areas can serve to remedy this issue.

Need based policies can ensure targeted and sustain results

Targeted policies have the potential to address the clear and present needs of small firms in rural Sindh. The ITC survey identified that 28% of agribusinesses and 29% of farmers want the government to provide credit guarantee schemes to help cope with the crisis. Additionally, half of the rural MSMEs in Sindh want the government to defer payments for inputs such as seeds, fertilizers, and feed. Nearly one out of five farmers, and 18% of agribusinesses, want the government to build emergency food reserves or food banks to keep, thus providing a cushion for activities at the production level. More than a quarter of respondents wanted the government to provide a security net in the form of protection against falling commodity prices.

GRASP COVID-19 Response Strategy

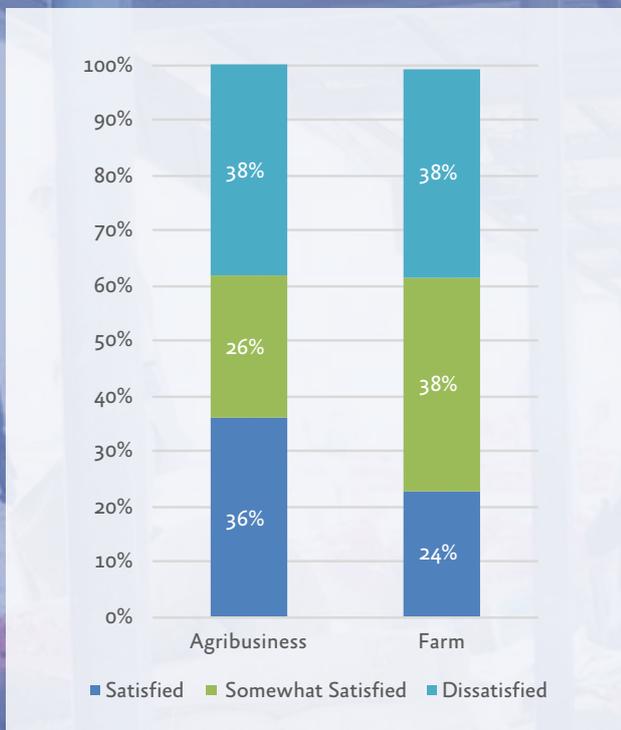
The majority of surveyed agribusinesses (74%) and farmers (72%) said they urgently needed help to form strategies to foster the survival of their enterprises. They also pointed to other immediate needs such as increasing input availability, market information dissemination, and support in accessing existing loans and grants. In the medium-term, respondent MSMSEs noted that many of the tactics highlighted earlier in this report – such as training in business management, new production methods, and financial literacy – would improve their competitiveness and thus their ability to be resilient to pandemic-induced turmoil.

The GRASP project's response to COVID-19 is focused on enabling the most vulnerable stakeholders to continue to earn a good livelihood. Activities include fostering MSMEs applications to available financing schemes, providing critical inputs and support actors to ensure the proper functioning of the value chains, supporting investment in safety and hygiene, and providing emergency support through a matching grant facility. Finally, support will be provided for developing policy measures and recommendations for rural and agriculture development.

13. The News (2020). Govt to allocate Rs200 bn for Ehsaas programme, BISP next year. Accessed at <https://www.thenews.com.pk/print/658028-govt-to-allocate-rs200-bn-for-ehsaas-programme-bisp-next-year>

14. ITC MSME Competitiveness Survey 2019 – 2020

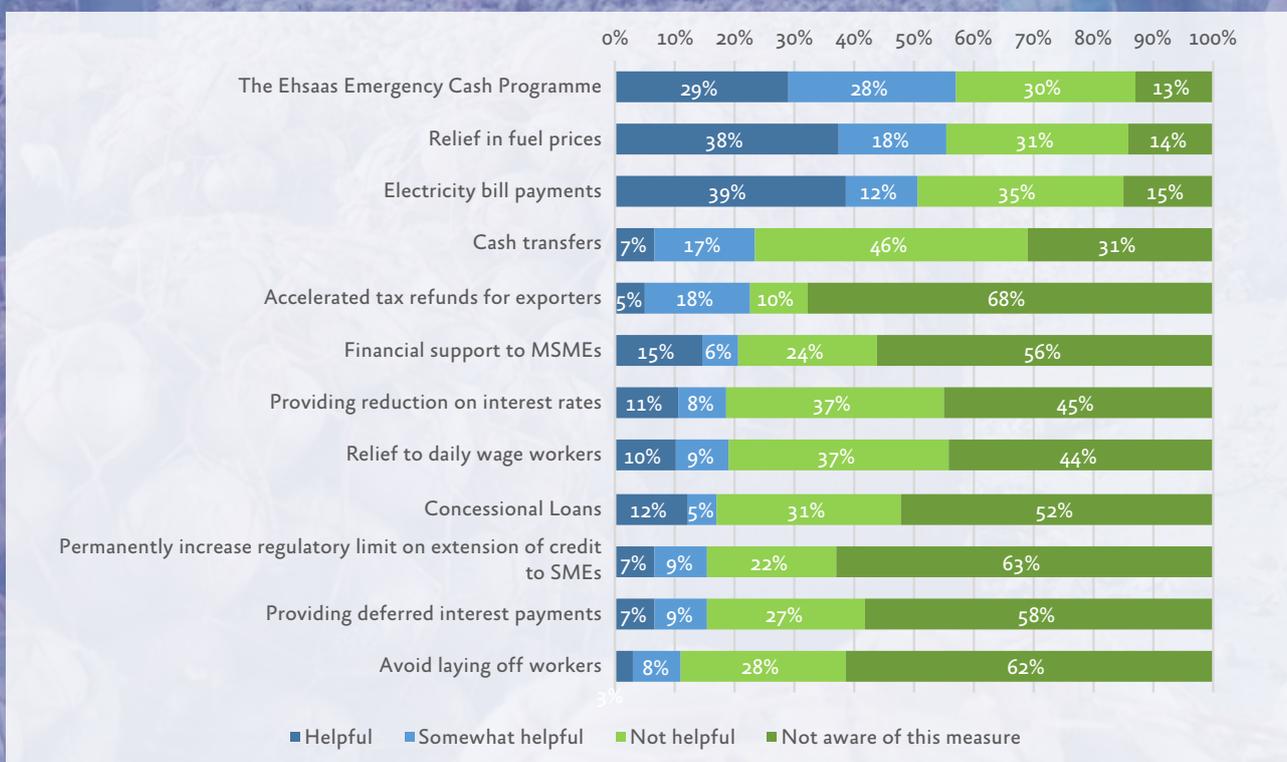
Satisfaction with the policy response of the Government of Pakistan



Ease of access to information and benefits on policy measures



Helpfulness and awareness on the policy initiatives



Note: This graph presents the aggregated data of all respondents i.e. farmers and agribusinesses. Disaggregated data can be found at www.intracen.org/GRASP/ under complementary results.

Source: ITC GRASP COVID Survey



ABOUT THE INTERNATIONAL TRADE CENTRE

ITC is the joint agency of the World Trade Organization (WTO) and the United Nations (UN). It is the only multilateral agency fully dedicated to supporting the internationalization of SMEs. ITC's mission is to foster inclusive and sustainable growth and development through trade and international business development. ITC Headquarters is located in Geneva, Switzerland. ITC projects and programmes contribute to the global efforts to achieve UN Global Goals for Sustainable Development and the Aid for Trade agenda.

ABOUT THE PROJECT: "GROWTH FOR RURAL ADVANCEMENT AND SUSTAINABLE PROGRESS (GRASP)"

ITC is the lead implementing agency for the "Growth for Rural Advancement and Sustainable Progress" project, funded by the European Union (EU). The project objective is to support gender inclusive income and employment generation, enhanced productivity and profitability of SMEs involved in primary production, service provision, and value addition in and around selected clusters of production. GRASP will intervene in two of the agriculture sectors i.e. Livestock and Horticulture sectors in Sindh and Balochistan.

For complementary survey results please visit:
www.intracen.org/GRASP/



Street address
International Trade Centre
54-56, rue de Montbrillant
1202 Geneva, Switzerland

P: +41 22 730 0111
F: +41 22 733 4439
E: marty@intracen.org
www.intracen.org/GRASP/

Postal address
International Trade Centre
Palais des Nations
1211 Geneva 10, Switzerland