

INTER PROVINCIAL AGRICULTURAL WORKSHOP

MESSAGE FROM MANAGING DIRECTOR SBP BSC

Dear Friends and Colleagues,

Assalamu-alikum,

It is indeed a matter of great pleasure for me to welcome you all for this important workshop which is aimed at sharing best practices, initiative taken by the provincial governments in farmers' facilitation and making the agriculture sector attractive for private investment. Agriculture is a strategically important sector for the country's economy with about 21% share in GDP and 43.6% share in employment generation besides a significant contribution in the country's exports earnings relating to Cotton, Yarn, Textile and Textile make-ups, rice, fruits etc.

2. Despite losing its share continuously in the national income over the years, the agriculture sector is still a major source of livelihood for the rural population. In fact there exists a strong linkage and interdependence between industry and agriculture sector. Agricultural output is used by key industries like textiles, sugar and food etc whereas the industrial output like fertilizers, tractors, and implements are used as input by the agriculture sector.

3. The recent unprecedented price hike of commodities in national and international markets in general and food prices in particular has substantially increased the importance of the sector both for ensuring food security and checking the rising poverty levels which has been predominantly a rural phenomenon.

4. The sector has now become more attractive for private investment provided a supportive policy and regulatory environment is ensured. The investment in the sector would not only provide the much needed food security but may produce exportable surpluses which will be instrumental in boosting the income levels in rural areas resulting in checking the income inequalities that have widened substantially in the recent past. While the participants from respective provinces would share their view in subsequent session of this workshop, I would like to take this opportunity to briefly touch some of the important efforts made by SBP in last about 7 years.

- i. comprehensive review of policy and regulatory environment to promote agrifinance as a viable and mainstream business activity for banking industry;
- ii. bringing the whole banking industry to serve agriculture sector (previously ZTBL and 5 big banks were catering to the financing needs of the sector);
- iii. strengthening of Agricultural Credit Department of SBP to play a more active role in achieving sustained rise in flow of financial services to the sector.

- iv. establishment of Development Finance and Support Department (DFSD) at BSC and its field units at BSC offices for continuous interaction with stakeholders at grassroots level;
- v. development of linkages with all the key stakeholders both at country level as well as the district/region level to adopt a collaborative strategy to help/facilitate the farming community in accessing financial services from banks;
- vi. awareness and information dissemination programs in villages & rural areas in collaboration with banks to create awareness amongst the farming community about financial services they can avail from banks

5. The initiatives have paid rich dividends in the form of about 5 fold rise in loan disbursements to the agriculture sector i.e. from Rs 45 billion in FY01 to more than Rs 200 billion in FY08 and wider acceptance of agrifinance as a viable and mainstream business activity amongst the banking industry. However, despite this multifold rise in flow of funds to the sector, the banks are meeting just about 40% of credit requirements of the sector and could cover only 25% of the farm household. Further, there have been inter provincial disparities in the flow of credit which needs to be focused by the respective province for availing the opportunity to access finance from the banking sector.

6. This workshop has been organized to share and learn the best practices, projects and initiatives taken by the provincial governments in farmers' facilitation and making the agriculture sector of their respective province attractive for private investment. Besides, the officials of provincial agricultural and revenue departments we have also invited agrifinance heads of major banks dealing in agrifinance to enable them to have first hand knowledge and understanding of government and State Bank initiatives for the sector. I will request them to share their observations about the role of the provincial agricultural or revenue departments in facilitating the farmers and also to let us know their expectations from these departments. I am confident that the deliberations and discussions to be made in the workshop would be useful in improving our understanding about the issues faced by the sector, the initiatives taken/planned to be taken to address these issues, disseminating the best practices adopted by the provincial governments in farmers' facilitation and also improving the flow of funds to the sector.
