MAXIMIZING THE ROLE OF SMEs IN THE FOOD SYSTEM FOR IMPROVING NUTRITION IN PAKISTAN

Small and Medium Enterprises (SMEs) play a pivotal role across the food systems in driving economic growth and food security. Their widespread presence in the critical stages of the food value chains make them important actors to partner with to address the systemic problems pertaining to malnutrition. However, SMEs are sporadically organised across regions and value chains, and operationally it is not feasible to engage a significant majority of them. Realising the co-existence of opportunity and challenge, SUN Business Network (SBN) Pakistan conducted a study with Opportunities Unlimited, a Netherlands based market systems development consulting firm to explore systemic leverages. The objective was to better understand the position of SMEs in the food systems, relevance of their actions to increased availability and accessibility of nutritious and safe food and the problems they them in the market systems they operate in. The study untangled the complexity and identified pathways to engage with strategically positioned SMEs and market stakeholders in their ecosystem to maximize their role in improving nutrition.

The study started out with a mapping exercise followed by consultations with stakeholders which guided the research team to focus on inherently nutritious agro-food chains and agro-processing food chains where SMEs actions have significant relevance to the underlying causes of malnutrition. Dairy, aquaculture, fruits and vegetables, poultry and processed food chains were selected and explored to identify gaps and constraints to SMEs.

The study found that the SMEs are constrained by various factors. First, SMEs across these sectors are not aware of and attuned to nutrition and health implications of their offerings primarily due to no demand (both business and consumers) sophistication in terms of nutritional quality and safety - thus no/limited incentive to improve nutritional quality and healthfulness. This leads to no demand for quality improvements services and technologies from SMEs.

Secondly, SMEs in food production and processing of almost all the selected food chains are facing productivity and volumes issues mainly because of limited access to quality inputs, technologies and finance, resulting in a high cost of production and expensive food.

Thirdly, nutrition sensitive innovations are thin, and conditions are not supportive to these niche innovations to scale. Innovation financing in the food systems show significant gaps. SMEs in the nutritious food chains lack in business development capacity to benefit from existing financing opportunities to scale

OUR APPROACH AND STRATEGY

GOAL
To contribute to improved nutrition by increased consumption of nutritious food Pakistan

STRATEGIC IMPERATIVES
Stimulate nutrition sensitive business services for SMEs in the chains
Enhance growth/ competitiveness and nutrition sensitivities of SMEs
Enable environment to incentivize SMEs to invest in nutrition
Incubate and accelerate nutrition sensitive niche innovations
Strengthen agri-food innovation systems and enabling environment

ENGAGEMENTS SPECTRUM

Near-Term
Invigorate engagement with meso-level innovative SMEs in the nutritious food chains and market stakeholders, and develop pipeline of ideas, initiatives and interventions.

Medium Term
Accelerate nutrition awareness, facilitate innovations and ideas and broker partnerships for long term engagements and transformations.

Long Term
Deepening engagements to transform critical nutrition sensitive business services and agri-food innovation systems
SECTORAL CHALLENGES TO TACKLE

DAIRY
Low milk yield, seasonal demand supply gaps, high supply chain contaminations are the major challenges.
- Focus on achieving yield potential in rural areas particularly in deficient production areas and consumer awareness of milk safety
- Work with meso-level players around producers with a particular focus on access to quality inputs and feed and SMEs that drive value chains innovations.
- Engage with market stakeholders and large players to create demand for safe and quality milk and better enabling environment for milk producing SMEs.

FRUITS & VEGIES
Low and erratic yields, high cost of inputs, chemical residues, high-price fluctuations, post-harvest losses are the major challenges.
- Focus on price stability, low cost quality inputs, good agricultural practices, market connectivity and rural basic processing.
- Accelerate innovative inputs, post-harvest technologies and connectivity and coordination platforms models, digital extensions to increase efficiency, speed and quality.
- Developing and brokering partnerships in improving extension and research & development around vegetable seed quality, fruit nurseries development.

AQUACULTURE
The value chain is in its nascent stage, therefore, the whole value chain development approach is warranted.
- Focus on increasing commercial investment in hatcheries, feed development, commercially suited varieties, access to production finance and processing.
- SBN will develop engagement with key value chain stakeholders to create demand for fish to make it a regular part of common Pakistani diet.
- Value chain innovations to ensure safety and quality and improve market connectivity.

RURAL POULTRY
Rural poultry has potential to create jobs and ensure consistent and low-cost nutritious and safe poultry products in rural areas. Rural poultry shows technological and inputs gap to improve productivity.
- Focus on improving access to information, technologies and inputs to expand production and improve safety practices.
- Engage with players in the ecosystem of input (feed in particular), hatcheries, finance providers and technical know-how providers to expand rural poultry SMEs.
- Engage with players to increase access of rural poultry farmers and households to small-scale poultry technologies and tools
- Increase awareness to consume safe poultry products

PROCESSED FOOD PRODUCTS
Awareness of consumers and SMEs about nutritional quality and safety and formulations are limited.
- Focus on improving healthfulness and nutritional content of ultra-processed food, improving formulation practices of processing and increasing their access to better technologies.
- Engage with industrial food services providers to aware and support processing SMEs to improve quality of processed in terms of reducing sugar and salt and eliminating trans-fatty acids
- Accelerate high nutritional value processed food and functional food businesses and food design innovations
- Advocate for introducing a market mechanism to facilitate consumers to recognize nutritional quality.

MARKET SERVICES
To address the identified challenges, SBN will focus on commercially viable and scalable market based services providers which can enable SMEs to overcome their problems. The snapshot of the category and types of services in focus are as

FINANCE
- Catalytic and Innovation finance for innovation driven SMEs in the market systems.
- Value Chain financing for producers

BUSINESS DEVELOPMENT
- Innovation incubation and acceleration services
- Inclusive business and nutrition sensitive business development knowledge

TECHNICAL
- Production techniques & extensions
- Product development and formulation, food safety, compliance, testing & R&D

TECHNOLOGY
- Production and post-harvest technologies
- Market connectivity technologies and digital possibilities

SBN: Scaling Up Nutrition Business Network
WFP: World Food Programme
Gain: Global Alliance for Improved Nutrition