

# Chapter 5

## NGO Programmes and Micro-Enterprise Development: An Assessment

### 1. The Thrust of the NGO Approaches

All three NGOs covered in this study are development oriented. A brief description of their activities is provided in the earlier chapters. In this chapter, we summarise the main thrust of the NGOs' approach to rural development and attempt an evaluation of their impact on target groups, sustainability of the outcomes of their efforts, and finally the nature and extent of their influence on micro-enterprise development. Parenthetically, it should be noted that lack of information, particularly on overhead costs of NGOs, makes it exceedingly difficult to ascertain the cost effectiveness, and hence the sustainability, of these approaches.

Notwithstanding the fact that the AKRSP is unique in many respects — religion, ethnicity, and level of concern of the donor—nearly all the NGOs engaged in rural support have tried to replicate and follow its

principal programmes, although there are some differences in sequencing of actual operations. Broad features of the rural support programmes of NGOs are presented in Table 21. The different common components of their development packages are discussed below.

#### 1.1 Social Organization

A village organization (VO) is formed with the objective of a broad-based and participatory intervention. This mass mobilisation not only follows the earlier models of this kind of approach but is also reflective of a belief that a strong people's organization can achieve both development and poverty alleviation. Efforts, though of recent origin, have been expended to develop links between VOs and outside government agencies. Involvement of NGOs in Social Action Programmes and in the social sector represents such a development. Similarly, clustering of VOs has also been attempted recently to broaden the base of

**Table 21: Structure of NGO Programmes**

Programme	Contents/Functions	Remarks
1. Social Organization	Village male (VOs) and female organizations (WOs) are formed. These act as decision-making and implementing units.	A shift to form an organization comprising of various VOs has occurred recently
2. Physical Infrastructure Development	Construction of roads and irrigation canals – mostly involving heavy grant elements	Acted as a catalyst for social mobilisation
3. Natural Resource Management	Provision of improved seeds, better farming practices, and poultry and forestry development	Essentially acts as a conduit for technological innovations and development
4. Human Resource Development	Provision of training for the programmes	A good deal of over supply and attrition is visible.
5. Credit/Savings	Extension of credit for members of the VO for different purposes and generation of savings through compulsory contributions of members	In some cases the default rate is disturbing.
6. Marketing and Enterprises	Marketing associations based on clusters of VOs formed to fetch better prices for products. The associations are based on both mono and multiple products. Credit and financing for enterprise development in the non-agricultural sector is being introduced	Substantial funding for research, training, and allied activities is needed to establish dynamic small-scale or micro-enterprises.

social organizations from the village to an area. However, it may be noted that formalisation of VOs' legal or semi-legal statuses has not been encouraged by NGOs. This may have strengthened the villagers' sense of ownership of the VO and increased participation.

### 1.2 Development of Physical Infrastructure

Productive Physical Infrastructure (PPI) projects are at the core of the strategy of NGOs for social organization and development. PPI projects act as a catalyst and provide incentives for initial organization, because most of the PPI projects bring grants.

Certain guidelines are followed for selecting the PPI. In the case of the AKRSP, for instance, a project is selected if it is productive, benefits at least 70 per cent of the households in the VO, and if the project can be carried out without an external contractor and heavy equipment. The project must be free of disputes with other villages, and its maintenance is the responsibility of the VO.

The composition of the PPIs appears to be dominated by irrigation schemes and link roads. For instance, the AKRSP had initiated around 1,800 PPIs by the end of 1997, out of which 1,200 had been completed. More than half of the schemes were for irri-

gation, while link roads constituted the second most important. Similarly, SRSC completed a total of 116 PPIs in the Mansehra area. More than half (63) were water supply schemes. Implementation of these projects had not only generated an increase in agricultural income but had also linked the villages with major national highways and markets.

### **1.3 Natural Resource Management**

Natural Resource Management constitutes the third important programme instrument wherein new technologies have been introduced for cereal crops, fruit, vegetables, and forestry. The AKRSP introduced new technologies through specific sectoral programmes; and these included input supplies, demonstrations, and technical assistance. Technical staff work along with community members. For instance, new varieties of wheat were adopted by 22 per cent of the farmers in Gilgit, 20 per cent in Chitral, and 46 per cent in Baltistan, in 1991. It is estimated that extra net income from new wheat varieties was around Rs 1,500 to 2,000 per hectare in 1990.

Similar efforts were made for the cultivation of fruit and vegetables. Potato cultivation has become widespread and the AKRSP has facilitated the establishment of a seed certification laboratory in Gilgit. In the case of livestock and forestry, a major impetus has come through various interventions. However, an evaluation study carried out by the World Bank in 1995 maintains that *"improvements can be made in the techniques used to identify the needs of the different types of farming households"* and perceived that the responsiveness of the process is less than it should be, as is evident from the fact that some of the interventions have a low level of adoption.

### **1.4 Human Resource Development**

Human Resource Development (HRD) is carried out through training villagers in specific fields to provide services within their own communities. In this respect, efforts have been made by NGOs to integrate training with implementation. By the end of 1994, the AKRSP, for instance, trained more than 4,000 specialists. Of these, four fifths were directly related to Natural Resource Management. However, a survey carried out in 1991 found that, on average, only 45 per cent of the trained NRM specialists were active, leading to a 55 per cent attrition rate — a disconcerting feature. SRSC trained almost 2,000 office bearers and members of village organizations in the fields of agriculture, livestock, forestry, and health.

### **1.5 Credit and Savings**

Credit and Savings is a major NGO programme. The recovery rate for credit, however, appears to have declined over time. The World Bank review of AKRSP, for instance, suggests that *"it takes progressively longer to reach 100 per cent recovery of principal."*

Of particular focus for this study is the repayment experience of the Micro-enterprise Credit Programme (MECP) of AKRSP. Since this programme caters to the needs of village organization members for business and enterprise, it is more risky than the traditional credit lines. By the end of 1994, in the case of AKRSP, arrears accounted for 27 per cent of the amount outstanding. It should be noted that MECP loans have single maturity installments, hence are less consistent with the cash flow cycles of micro-enterprises. SRSC had distributed around Rs 8.2 million as of 30<sup>th</sup> Novem-

ber, 1997, as loans to members of community organizations. Only 31 per cent of this amount, according to reports, pertained to enterprise development ; and this was mostly for expansion of existing businesses. The share of disbursement to micro-enterprises worked out to 17 per cent of the total, until December 1997, in the case of AKRSP. The recovery rate for SRSC loans was reported to be around 72 per cent and for BRSP it was 86 per cent.

### **1.6 Marketing Programmes**

Marketing Programmes are invariably launched by every NGO engaged in rural reconstruction. These programmes, often initially started as cooperatives, later on involved private entrepreneurship to focus on selected commodities supposed to be commanding higher prices. Farmers generally are provided with rudimentary training in grading, processing, and marketing. AKRSP, for instance, facilitated the formation of Gilgit Agricultural Marketing Association (GAMA) and Baltistan Apricot Marketing Association (BAMA). Similarly, BRSP helped form the Kissan Marketing Association. The marketing programmes enabled the growers to procure higher prices for their produce than would have been the case otherwise. SRSC was instrumental in forming the Batal Cluster, an association of 12 COs and seven WOs which sold 1.5 million crates of tomatoes in 1996. This being a cooperative venture, it enabled poor farmers to sell their produce at higher prices. In the 1990s, the marketing section of AKRSP was expanded to cover non-agricultural activities. In 1992, the marketing section was given a new name, the Enterprise Development Division (EDD). Subsequently AKRSP introduced a special credit line for micro-enterprises to provide assistance to individual entrepreneurs.

## **2. The Impact of NGO Programmes**

There are some genuine problems in evaluating the impact of the multi-pronged interventions of NGOs on the socioeconomic well-being of the people in an area. Firstly, development in an area arising from programmes other than NGO initiatives has to be taken into account. For instance, construction of the Karakoram Highway had a profound impact on the economy of the Northern Areas where AKRSP is active. Secondly, the spill-over effects from NGO interventions can be positive, even on villages that have not been directly covered by these organizations. Finally, benchmark surveys to facilitate comparisons have not been carried out. Paucity of data is a key constraint in this respect. AKRSP, which has been active since 1982, had a benchmark survey carried out in 1992. In future it will provide a basis for comparison. In the case of SRSC and BRSP no such exercise has been undertaken to evaluate their impact.

In the 1992 AKRSP benchmark survey, an attempt was made to relate survey results to secondary data in order to provide an assessment of changes in income. From 1982-91, per capita income in the programme area was estimated to have doubled in real terms. In its 'Future Vision' paper submitted to the SDC in 1995, AKRSP refers to this improvement of increased incomes in the local area of from 46 to 64 per cent of the national average (Table 22). It asserts that its activities have made a substantial contribution to this increase. Similarly, the annual reports of SRSC and BRSP provide information on increased incomes of their beneficiaries, and this is attributed to the increased availability of credit.

Asset creation, for example, bringing new land under cultivation as a result of the

**Table 22: Rise in Per Capita Income in Gilgit and Chitral in Real Terms**

	Pakistan		Gilgit		Chitral	
	1982-83	1990-91	1982-83	1990-91	1982-83	1990-91
Per capita income (Rs)	4,131	9,170	1,905	5,628	1,772	5,900
Proportion of Pakistan per capita income	-	-	46	62	36	64

Source: Bhatti et al. 1994

construction of irrigation channels, a major component of PPIs, cannot be quantified properly because of the limitations in terms of data. AKRSP, however, estimated that, by 1995, 28 per cent of the total area under irrigation had been created as a result of its programmes. A comparison of the 1981 with the 1991 Agricultural Census also indicates a substantial increase in the area under vegetables, fruit trees, and forest trees per farm.

The AKRSP benchmark survey in Baltistan also covered non-programme areas, resulting in some interesting comparisons. The data indicate that, in the programme area, farm households have substantially more land and more fruit and forest trees per unit of land. Interestingly, the cropping intensity in the programme area was found to be lower than in the non-programme areas. Presumably the programme started in areas with a more irrigated land than the non-programme areas, and this tends to complicate the comparison. It should be added that AKRSP failed to shield the area from the overall depression in the economy during the 1990s. For instance, the Farm Household Income and Expenditure Survey (FHIES) carried out during 1994 indicated that per capita income in real terms had declined during the previous five years in Gilgit, Chitral, and Astore.

#### Intra-Household Welfare Distribution: Impact on Women

Since the early 1980s, there have clearly been positive changes in the household incomes in the AKRSP programme area. This was associated with an increase in employment options for men in local urban centres, in the lowlands of Pakistan, and in the Middle East, as well as with the increased production and returns from on-farm activities. AKRSP can possibly claim to have had some impact on the former by improving village access, but its main contribution has been in agriculture. Increased cash incomes have obviously benefitted rural families, but the changes have affected the functioning of the household unit, particularly intra-household labour allocation, with specific impacts on women.

AKRSP has significantly enhanced women's economic activities and increased their status within the household (Kalleder 1994). Opportunities to save money, to have access to credit, and to undertake training in how to make better use of their resources have been important measures; as also the introduction of production packages specifically designed for women. The latter have included vegetable, poultry, and nursery interventions having the potential to generate cash income.

An evaluation of the Vegetable Introduction Package (VIP) was carried out in all three regions among a total of 210 women from 42 WOs (Hussain 1993). It was found that vegetable production increased on average by 111 per cent, with the marketing of vegetables increasing the women's incomes by 144 per cent. In addition to household consumption, fresh vegetables were marketed locally or taken to nearby towns, while portions of the crop were dried and sold later. More than 50 per cent of the sample households in all three regions marketed produce. The income obtained was used for goods and services such as education for children, purchase of household items for daily use, agricultural inputs, and savings at WO meetings.

The benefits obtained by women, however, have not been without cost. Women and children have traditionally assumed a heavy work load in the household production system. The changes that have occurred in off-farm activities, in farming enterprise patterns, and in women's additional activities encouraged by the Programme have added to women's work loads (Khan 1989).

In general, with an increase in their ability to save, in access to credit, and more cash for the household, there has been an increase in self-confidence among women (AKRSP 1996). Through their scheduled activities in the WOs, they also engage in long-term group and individual planning for the future.

#### Social Sectors

AKRSP has not been directly involved in the social service programmes to address health, education, and nutritional issues. Most social service interventions pertain to

programmes of the Government of Pakistan (GOP) that have local and external funding and to NGOs, especially the Aga Khan Health Service (AKHS) and Aga Khan Education Service (AKES). AKRSP has played an important role, however, in the creation of village institutions that can facilitate social welfare activities, and, in recent years, through its promotion of linkages between V/WOs and support agencies.

WOs have been actively involved with Aga Khan Health Services (AKHS) in relation to the training of community health workers and birth attendants, mostly in Gilgit and Chitral; as well as in relation to linkages with GOP programmes for immunization and control of iodine deficiency. AKRSP has recently begun to cooperate with the GOP in its Social Action Programme (SAP). The other NGOs (SRSC and BRSP) have also developed links with government programmes and collaborated in the Social Action Programme.

A direct impact of AKRSP has been that of improving nutrition—which affects both health and productivity. Members of WOs are quick to point out the nutritional changes that have occurred in recent years. This has been due in particular to increased consumption of vegetables. Not only are more traditional vegetables produced through improved seeds and better techniques, but new varieties of vegetables have also been introduced. Improved poultry production, which has been taken up by 80 per cent of the WOs, has increased animal protein intake.

#### Sustainability

Given that most NGOs and those involved in Rural Support Programmes, in particu-

lar, can scarcely be regarded as permanent development institutions, it is important to assess the maturity and sustainability of village organizations and the interventions made by them. In this context, some insights pertaining to sustainability and maturity can be derived from AKRSP which has had a longer life than SRSC and BRSP. One of the objectives of AKRSP and other such organizations is to carry out self-limiting interventions (Kemal 1996). These questions were addressed by AKRSP in the early 1990s. In response, the Board appointed a Strategy Development Committee in 1992. The committee did not recommend withdrawal of AKRSP from any area at that time and recommended further efforts to develop the capacity of the village and women's organizations.

An additional indicator of the maturity and self-sustainability, or otherwise, of the programmes, is the responses of members of the village organizations in terms of, for example, sharing the costs of specialist training. Very few (the range was from four to seven per cent) reacted positively. In 1991, AKRSP carried out a survey of over 90 per cent of the VOs and WOs to rank them according to an Institutional Maturity Index (IMI). It was a quantitative measure of the extent to which different VOs were acquiring the capabilities to ensure continuation. A broad range of IMI scores across VOs and clusters of VOs was derived from the exercise. This in turn suggested that there was still much room for improvement. The questionnaires administered to examine how substantial the results had been in the context of specific micro-enterprise development did not yield adequate data. On the basis of common observation one perceives that capacities have not improved to the extent required.

### **3. Concluding Observations: Impact on Micro-Enterprise Development**

The foregoing brief summary of the major programmes of NGOs suggests that multisectoral and multidimensional interventions have been attempted. These include development of physical infrastructure, natural resource management, and access to credit and training. How far these programmes influenced the development of micro-enterprises can hardly be quantified without adopting a precise definition of a micro-enterprise. Enterprise implies risk-taking and an entrepreneur is one who is willing to take risks.

However, in rural areas subsistence activities dominate the economy; an economy that can be defined as pre-entrepreneurial. Micro-enterprises, fluid in nature with high turnovers in terms of formation and extinction, have been variously defined, often using sector-specific classifications. Indicators such as employment size and working capital have been used to distinguish between micro- and small-enterprises. However, the lines of distinction are often blurred with a good deal of overlapping; the lines usually being drawn according to the number of employees. The number of employees in a micro-enterprise can be as many as nine or 10. This classification scheme is based on a notion of informality, whereby micro-enterprises are not regarded as part of the formal sector of the economy. An ILO team which reviewed the rural, informal micro- and small enterprises in Pakistan suggested that this dividing line should be lower and micro-enterprises defined as those providing jobs to three persons or less. This classification could be sector-specific. In the trading sector the typical micro-enterprise might have only two

workers, whereas in the transport and construction sectors it could be expanded to include nine or 10 workers. Another yardstick that uses growth prospects and productivity levels can be used. For instance, enterprises with a limited potential for growth due to certain inherent characteristics, such as seasonal activities or small stores or traditional crafts and skills, need to be distinguished from the activities with large growth potentials.

In rural support and development programmes, no precise definition has been used for enterprises or micro-enterprises. In a way the programmes have subsumed all income-generating and income-augmenting activities where production for the market is involved, irrespective of the sector concerned. The rural reconstruction programmes initiated by the three NGOs positively affected the income and productivity levels in agriculture, facilitated higher levels of commercialisation, promoted better marketing practices, and improved skills through training. In principle all of these have a bearing on enterprise development, if the same is defined broadly to include all activities that raise income and provide more employment opportunities. In other words, subsistence activities are better rewarded now. Again, most of these activities are likely to fall in the farming sector.

The 1996 Annual Review of AKRSP, for instance, under its livestock subsector, identifies a Fresian bull as an enterprise for the owner because he sells the 'services' of the bull at a rate of Rs 230 per cow from an outsider and Rs 130 per cow from VO members. The owner earned Rs 200,000 in 1994-1995. In the same sector, another example of a micro-enterprise pertains to Mass Begum who started a poultry enterprise by buying 50 chicks from AKRSP and

*"to date she has earned Rs 24,760 from sale of eggs and culled birds."*

The 1996 Annual Review of SRSC (SRSC, 1996a) under the section on credit and enterprise provides examples whereby credit is provided for installation of a diesel flour machine, general shops, and for a welding shop. Obviously the incomes of the recipients increased because of the availability of credit.

The Enterprise Development Division of AKRSP focussed on enterprise development and farm product marketing. EDD envisaged achieving this objective through product development, agricultural marketing, establishing business associations, promoting non-farm enterprises, and carrying out research and development. In addition, the 1996 Annual Review cites the examples of construction of eight solar dryers for drying apricots in the Gilgit area. In Baltistan, the EDD supported the Alexander Enterprise which introduced two new products, viz., apricot candy and herbal tea. The EDD helps to improve the packaging, marketing, and quality of local products. It should be added that AKRSP spent over a million rupees on research and training in carpet manufacturing in the Northern Areas (See Case Study 1 in the Annex). In fact, there appears to be a graduation in the overall thrust of AKRSP, a visible shift from micro-credit to enterprise development.

Summary Impact studies for SRSC carried out in 1996/97 (SRSC 1996b) similarly provide examples wherein the scale of operations is somewhat larger than ownership of a buffalo or a small shop. Two case studies pertaining to fish farming and a poultry farm are discussed. Included in the studies are typical examples of this type of venture. Flour milling and blasting machines are

other interesting examples (See Case Studies 2 and 3 in the Annex). However, these enterprises are substantially smaller than the ones promoted by the EDD of AKRSP.

While assessing the influence of NGOs on micro-enterprise development the main concerns of NGOs and their programmes should be kept in mind. Examples of the use of social organizations, an important component of the programmes, for enterprise development are few and far between. It is only in rare cases that enterprise focussed groups have been promoted (See Case Study 4 in the Annex). Micro-enterprise development is essentially a by-product and derivative of other interventions such as PPI, NRM, Credit, and HRD. The NGOs' focus on the single village precludes development initiatives such as those of SEWA in India. Although in some cases clusters of village organizations for certain purposes have been promoted, mountain perspectives have their own influence whereby male outmigration is a major feature. Because of these factors, if one adheres to an elastic definition of micro-enterprises to include bulls, cows, and small shops, substantial impacts can be attributed to the NGO's intervention. However, if one were to adopt classifications to identify dynamic micro-enterprises, with growth potentials that also have an effect on structural relations, examples are few.

In this context, it will be instructive to reproduce the findings of relevant studies. A study commissioned by the Swiss Development Corporation from SEBCON, a Pakistani consulting firm, surveyed 800 NGOs in the NWFP to identify potential, local counterpart institutions to work with the proposed Swiss-funded Small Scale Enterprise Project in that province. It used four basic criteria.

- The definition of 'NGO' used was deliberately wide-ranging, in order not to exclude potential candidates. For example, it included private consulting firms.
- NGOs should not be merely 'one-man'.
- NGOs should have some networking or cooperative links with other service institutions.
- NGOs should have at least some practical experience of providing services to start-up or pre-existing MSEs.

These criteria are not particularly stringent. Yet, of almost 800 NGOs surveyed, only four were found to meet them! (SEBCON Ltd 1990).

A second study, also involving SEBCON, provides another illustration. The study was to formulate, if feasible, a women's MSE development project in the Punjab. It found that such a project might be introduced, but that no NGO possessed both the essential skills: women in development and entrepreneurship development. Moreover, the entrepreneurship development oriented institutions had little contact with micro- as opposed to small enterprises. SEBCON and its co-author, Shirkatgah (an NGO), recommended that an entirely new provincial NGO be set up to run the project. *Inter alia*, the study recommended that this new NGO should be equipped with four-wheel drive vehicles to allow its managers access to all parts of the province with ease and in comfort (SEBCON Consultants and Shirkatgah 1991). Apart from illustrating the paucity of NGOs with MSE development skills, this study also exemplifies the intermediary, as opposed to the grass roots' 'bottom-up', nature of most NGOs in the country. They are 'demand led' not so much by expressed local needs as by donor funds! Generally enquiries about MSE development (by donors, Pakistani researchers, and former

NGO workers) revealed an almost identical, and very short, list of NGOs with any serious involvement in the development of MSEs and even in income-generating activities among women or other disadvantaged groups. It is worth noting that the above assessment of the NGOs' capacities pertains to the undertaking of more dynamic micro-enterprises rather than incrementing existing subsistence activities.

It will be instructive in this context to examine the evolution of AKRSP programmes that have a life of over 15 years. In the initial phases, infrastructural development took place, and this also acted as a catalyst for social organization. Simultaneously, training, credit and saving schemes, and natural resource management activities were undertaken. It is in this phase that credit to underwrite activities such as purchasing cows and bulls predominated. With an increase in the marketable surplus of vegetables and fruit, cooperative marketing emerged. Thus GAMA and BAMA were established to procure higher prices for produce for the growers. Also AKRSP began exploring the possibilities of non-agricultural activities, such as eco-tourism and carpet manufacturing, to turn these into successful dynamic enterprises. However, there are

upper limits to the expansion of such enterprises. Mountain conditions with massive male outmigration and remoteness of the areas from major markets in the country influence the scale of operations.

SRSC and BRSP appear to be at a disadvantage in comparison to AKRSP. Not only is their coverage small, but their resources are also spread too thinly among several activities, presumably to lend an appearance of comprehensiveness and perfection. The management of these NGOs appears to have glossed over the limits to the replicability of the AKRSP experience. In addition, flexibility in implementation because of the process of trial and experiment undertaken by AKRSP in the initial phases is not fully reflected in BRSP and SRSC endeavours. Furthermore, the level of support, management input, and research extended by AKRSP to the development of dynamic enterprises can hardly be afforded by these NGOs. In addition, these organizations are engaged in areas where private entrepreneurship already predominates. Notwithstanding, there is still room for development of dynamic enterprises, particularly those based on handicrafts, embroidery, and eco-tourism, in the areas covered by SRSC and BRSP.