

Micro-Enterprise Development in Mountain Areas

**A Review of NGO
Initiatives in Pakistan**

Abdul Ghaffar Mohmand

**International Centre for Integrated
Mountain Development**

Kathmandu, Nepal

1999

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Published by

International Centre for Integrated Mountain Development
G.P.O. Box 3226
Kathmandu, Nepal

ISSN 1561 - 8692

Layout by

Dharma R. Maharjan

Typesetting at

ICIMOD Publications' Unit

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Preface

Development experiences in most of the mountain areas of the Hindu Kush-Himalayan Region, over the past decades, have shown that the prevailing predominant mode of their economies – subsistence agriculture – is becoming increasingly unsustainable both economically and ecologically. Diversification of economic activities into products and services, for which these areas offer a comparative advantage, through enterprise-based production for the market is considered necessary for sustaining livelihoods and alleviating the poverty of the rapidly increasing population. It is in this context that ICIMOD established a programme on Development of Micro-enterprises in Mountain Areas with the objectives of identifying constraints and opportunities and developing policy, programme, and training guidelines for enterprise development in hill and mountain areas of the HKH region. As part of this programme, the Centre has commissioned a number of studies in different countries and areas of the HKH region with a view to documenting experiences of development and functioning of enterprises covering different aspects such as the comparative advantage of products, processes, and factors in enterprise development, technology, credit, and marketing and development of entrepreneurial skills as well as policies and programmes by government and non-government agencies for promotion of enterprises.

The present paper '**Micro-Enterprise Development in Mountain Areas: A Review of NGO Initiatives in Pakistan**', by Abdul Ghaffar Mohmand, is one in this series of studies. It is being published with the hope that it will be found useful by those engaged in research and development, policy-making, programme formulation, and implementation for the promotion of enterprises, as well as by present and potential entrepreneurs in their respective activities.

T. S. Papola

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Abstract

This study evaluates the impact of the development programmes undertaken by three rural support NGOs, i.e., the Aga Khan Rural Support Programme (AKRSP), Sarhad Rural Support Corporation (SRSC), and Balochistan Rural Support Programme (BRSP), in the mountain areas of Pakistan. Special focus has been given to the nature and thrust of these programmes in the context of enterprise development. All three NGOs have a common approach and programme structure. They all emphasise formation of community-based organizations and establishment of a participatory approach. The package offered includes construction of local infrastructure, improved natural resource management leading to better agricultural practices, use of inputs and livestock management, training in various fields for human resource development, provision of credit and promotion of savings, and support for income generating micro-enterprises.

Evaluation of the impact of NGOs and these programmes on the economy and society in their respective areas is constrained by lack of adequate baseline data and the absence of development activities other than through these programmes. On the basis of the limited information available (which pertains mostly to AKRSP) one can conclude that the programmes have a positive impact on household income. This outcome is the product of various initiatives undertaken concomitantly on different fronts. While provision of irrigation channels relieved a serious constraint on agricultural activities, the construction of road links has opened up the area, connecting it with major markets. Under the natural resource management (NRM) activities, provision of improved seeds, innovations in agricultural practice, and control of livestock diseases have facilitated an increase in the productivity of livestock. Increased access to credit has enabled the people to purchase various inputs and enter into new ventures.

Assessment of the impact of NGOs' initiatives on enterprise development calls for a precise definition of the micro-enterprise. Taking an elastic definition to include all activities that tended to bring about better returns for subsistence activities, such as purchasing buffaloes and bulls and opening small shops, substantial impacts can be attributed to NGO initiatives. Yet, if one were to classify dynamic enterprises with growth potentials that also have a bearing upon structural relations, then the examples are few. A closer scrutiny of the records of AKRSP, a success story to some extent, suggests that massive research efforts and other support need to be undertaken in order to bring about dynamic development in terms of establishing enterprises.

Acknowledgements

The author is grateful to ICIMOD for sponsoring and funding the present study. Special thanks are due to Dr. T.S. Papola, Head, MEI Division, for the guidance given and suggestions made at different stages. The study would not, of course, have been possible without cooperation from the AKRSP, SRSP, and BRSP; they all provided information and inputs for the study. The author would like to record his appreciation and gratitude to these three organizations. He would also like to thank Mr. Wasit Querishi and Mr. Noor Ahmed for their assistance in producing the manuscript.

List of Acronyms and Abbreviations Used

AKES	Aga Khan Education Service
AKHS	Aga Khan Health Service
AKRSP	Aga Khan Rural Support Programme
BAMA	Baluchistan Apricot Marketing Association
BOK	Bank of Khyber
BRSP	Balochistan Rural Support Programme
CADP	Chitral Area Development Project
CED	Credit and Enterprise Development
COs	Community Organizations
DFIs	Development Finance Institutions
EDD	Enterprise Development Division
FAO	Food and Agriculture Organization
FATA	Federally Administered Tribal Areas
FHIES	Farm Household Income and Expenditure Survey
GAMA	Gilgit Agricultural Marketing Association
GFI	Gross Farm Income
GHI	Gross Household Income
GOP	Government of Pakistan
GTZ	German Agency for Technical Cooperation
HRD	Human Resource Development
ILO	International Labour Organization
IMI	Institutional Maturity Index
KKH	Karakoram Highway
LDO	Local Development Organization

MECP	Micro-enterprise Credit Programme
MIES	Mountain Infrastructure and Engineering Services
MSE	Micro- and Small Enterprise(s)
NGO	Non-government Organization
NRM	Natural Resource Management
NWDO	Nagar Welfare and Development Organization
NWFP	North-west Frontier Province
PI	Productive Investment
PPI	Productive Physical Infrastructure
PPI	Productive Physical Infrastructure
SAP	Social Action Programme
SDC	Swiss Development Corporation
SEWA	Self-employed Women's Association
SHO	Shelf-helf Organization
SRSC	Sarhad Rural Support Corporation
SSP	Social Sector Programme
TBA's	Traditional Birth Attendants
TDR's	Time Deposit Receipts
UNDP	United Nations Development Programme
VIP	Vegetable Introduction Package
VO's	Village Organizations
WID	Women in Development
WO	Women's Organization

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Chapter 1

The Study:

Objectives and Methodology

1. NGO Programmes in Rural Development in Pakistan: An Overview

Approaches towards economic development and poverty alleviation through people's cooperation and participation in the sub-continent of India can be traced back to the efforts of the Christian missionaries around 1880 in the canal colonies of the Punjab. Subsequently, a formal system of cooperatives was introduced into undivided India around the 1920s. The work of Gandhi and the efforts of some British civil servants (around 1930) had their own impact and influenced ideals of rural reconstruction.

Following partition of the sub-continent in 1947, the efforts of the Village Aid Programme in the 1950s and the Comila Project in the 1960s in East Pakistan (now Bangladesh) were identified as appreciable successes in this context. Subsequently, the Daudzai Pilot project was introduced in

Peshawar in the 1970s. This project was headed by Shoaib Sultan Khan, and Akhter Hameed Khan acted as Adviser to it. Both of them became involved in the Aga Khan Rural Support Programme from its inception in the Northern Areas of Pakistan in 1982. Wider recognition for this programme by the donor community and its success, culminating in these two development practitioners winning Magaysay awards, led to replication of this rural support programme by NGOs in all the provinces of the country. Consequently, the NGO movement gained a momentum of its own.

When Pakistan was formed in 1947, many NGOs were active in rehabilitation and poverty alleviation. Increasingly, however, perhaps because donor funding is available and because NGOs are influenced by altruistic goals, NGOs are taking on the roles of institutional agents.

One of the principal reasons for the increase in NGOs and their involvement in institu-

tions is the perceived inadequacy of government departments and functionaries. During the last decade or so, government agencies and line departments have been severely criticised because of lapses in programme implementation and related issues of governance. Because of their mode of operation, administrative or managerial, the type of representation rendered by local government officials and members elected to the national government came into disrepute. Not only are these characterised as top-down, but pilferage of funds and widespread dishonesty are also allegedly a part of the government culture. Thus participatory approaches to development that involve communities and beneficiaries as programme managers are seen to be efficient; characterised as they are by a bottom-up approach in contrast to the conventional top-down mode of operation.

Increased recognition of NGOs as useful development partners led to a mushrooming of NGOs in the developing world. Currently, in Pakistan there are over 15,000 NGOs, half of these have been working for less than five years. Most of these NGOs are small, welfare oriented, and concentrated in urban areas.

1.1 NGO Classification

NGOs in Pakistan fall into four main groups.

1. Advocacy and lobby groups
2. Policy dialogue groups
3. Rehabilitation and emergency relief groups
4. Development NGOs

A small number of these organizations, however, is directly involved in develop-

ment activities in rural areas. Table 1 provides some details about seven major NGOs engaged in rural areas which also undertake participatory interaction with target groups. By the end of 1994, the estimated number of direct beneficiaries was around one million, while the total expenditure of these NGOs was around 'Rs 1.7 billion.

1.2 The Current Study

This study assesses the impact of interventions made by NGOs on the local economy in the mountain areas of Pakistan with particular emphasis on micro-enterprise development. It is based on an examination of the efforts made by three NGOs, namely, Aga Khan Rural Support Programme (AKRSP), operating in the Northern Areas of Pakistan; Sarhad Rural Support Corporation (SRSC); and Balochistan Rural Support Programme (BRSP) – the latter two working in the NWFP and Balochistan respectively. The study gives a detailed account of the nature of interventions made by these NGOs and the progress achieved in terms of coverage and impact. It also assesses the scope and potential of such ventures for addressing the issues of poverty, employment, and income-generation as well as human resource development and entrepreneurship.

The study focusses particularly on (a) assessing the impact of interventions made on income-generating capacities, diversification of the local economy, and use of local resources (and this includes employment promotion), (b) the cost effectiveness of these programmes in the context of their replicability and sustainability, and (c) capacity-building in terms of human resource

* There are currently 42.45 Pakistani rupees to one US dollar.

Table 1: Consolidated Picture of Rural Support Programmes, as of December 1994
(Number, unless otherwise noted)

Districts	AKRSP (1983)*	BRSP ^b (1991)	IRD ^c (1990)	KIDP ^d (1987)	NRSP ^e (1992)	SIAP ^f (1990)	SRSC ^g (1990)	Total
	6	12	1	1	8	1	4	33
Village, community, and women's organizations	1,834	299	100	132	555	46	225	3,191
Women's organizations	768	124	46	7	232	--	98	1,273
Total organizations	2,602	423	146	139	787	46	321	4,464
Membership (male)	76,084	6,267	4,186	7,351	13,746	536	7,150	115,002
Membership (female)	26,089	1,744	1,780	215	6,237	--	2,769	38,834
Total membership	102,653	8,011	5,966	7,566	19,905	536	9,919	154,634
Average membership of village organizations and community organizations (CO) ^h	42	21	42	58	25	12	32	36
Average membership of women's organizations	34	14	39	31	27	--	29	31
VO/CO/VO savings (Rs in millions)	170.64	7.20	1.71	0.50	52.77	0.07	3.75	194.70
WO savings (Rs in millions)	32.96	0.66	--	--	0.94	--	0.73	35.29
Total savings (Rs in millions)	211.80	7.92	1.71	0.50	3.71	0.07	4.48	229.99
Infrastructural schemes	1,501	343	161	124	90	--	150	2,389
Infrastructural investment (Rs in millions committed)	285.00	57.40	47.41	10.00	6.64	0.73	30.00	437.18
Cumulative credit disbursed (Rs in millions)	349.53	19.79	--	0.18	8.30	--	7.82	385.81
Total investment (Rs in millions)	634.53	77.19	47.41	10.18	14.94	0.73	37.82	822.79

Table 1 Cont.....

Districts	AKRSP (1983)*	BRSP ^a (1991)	IRDP ^c (1990)	KIDP ^d (1987)	NRSP ^e (1992)	SIAP ^f (1990)	SRSC ^g (1990)	Total
	6	12	1	1	8	1	4	33
VO/CO/WO office-bearers trained	5,212	422	279		1,574		2,093	9,580
Village specialists trained	7,954	94	541	23	1,649		685	10,945
General training	1,454	103	471	1,600			325	3,953
Total village cadres trained	13,166	1,970	923	494	1		3,103	24,479
Management	13	5	4		9		9	40
Professional staff	179	84	6		58		92	419
Support staff	249	66	59		108		74	556
Total staff strength	441	155	69		185		175	1,015
Expenditure to date (Rs in millions)	1,197.29	279.55			145.60		95.24	1,717.68
Estimated direct beneficiaries	655,555	43,860	42,000	55,000	181,864	4,288	84,000	1,066,567

a. Dates in parentheses under programme names indicate year of programme inception.

b. The Balochistan Rural Support Programme (BRSP) is the successor institution of the Pak German Self Help Project implemented by the German Agency for Technical Cooperation and the Local Bodies and Rural Development Department. It was established as an NGO in 1991. Since the programme inherited the Pak German Self Help Project's assets, organization, and achievements, BRSP data include Rs 95 million expended during the PGHSP phase.

c. The Integrated Rural Development Programme (IRDP) data are from April 1, 1995; IRDP does not disburse loans but supports internal lending from savings within village organizations.

d. Kalam Irrigation Development Project

e. National Rural Support Programme

f. Swabi Irrigated Agricultural Project

g. Sarhad Rural Support Corporation

h. Mixed community organizations (with male and female members) formed by the National Rural Support Programme have been included in the CO category.

Source: Rural Support Programme Network, Islamabad

development and training. While other programmes have also been covered, the focus of the study is micro-enterprise development through the initiatives taken by and assistance of the AKRSP, SRSC, and BRSP in the Northern Areas, NWFP, and Balochistan, respectively. Although most support to enterprises is given for the production and marketing of selected agricultural products, these NGOs have in recent years taken the initiative to promote enterprises both within and outside the farm sector; and these include eco-tourism, retailing, and cottage industries such as bee keeping, soap-making, welding, and high-value horticultural products.

The study had two phases. The first phase consisted of a general review of the activities of the three NGOs. In the second phase the progress and impact (particularly in enterprise development) were examined. Case studies of enterprises supported by the three NGOs were also undertaken. In-depth investigation of interventions and their effects was carried out. The information was collected by using a questionnaire.

The review of NGO activities included the following:

1. A description of physical conditions, natural resources, demography, and economic activities in the three mountain areas studied.
2. A discussion of the process of programme implementation, selection of beneficiaries, follow-up (credit recovery etc.), and organizational set-up (this includes the participation of beneficiaries in programme implementation).
3. A description of the nature and structure of the programmes in terms of micro-enterprise development, provision of inputs and services, and provision of credit,

training, and marketing facilities and so on.

To assess the impact, and particularly to study the enterprises themselves, a detailed questionnaire was used. The questionnaire covered the following aspects.

- a) The programme content in the field
- b) The delivery mechanism
- c) Extent of local participation
- d) Availability and use of local resources
- e) Income generation; types of individuals benefitted, gender, etc
- f) Employment generated and types
- g) Local expertise, available skills, levels of education, and training
- h) Any catalytic and demonstrative effect of these micro-enterprises in the area

To assess the sustainability of these initiatives and the enterprises we solicited information on the following topics.

- a) Cost of investments, developmental and non-developmental, and recurring expenses
- b) Revenue and income generated
- c) Extent of credit, cost of credit, and terms and conditions for repayment
- d) Profitability of the ventures
- e) Local resources available and their costs versus those of resources from outside
- f) Marketing of finished products
- g) Overall sustainability and replicability

The following methods were used to collect data and materials for the study.

- i) A review of available literature and records from each NGO to assess the broad objectives of their interventions
- ii) Discussions were held to elicit opinions and views of NGO personnel about the differences in coverage and effectiveness

by region, sector, and type of intervention with particular reference to micro-enterprise development.

iii) Relevant data were collected with the

help of local resource persons.

iv) A detailed questionnaire was used to collect data on the enterprises selected for case studies.

- b) Revenue and losses generated.
- c) Break of credit cost of credit and the and conditions for repayment.
- d) Profitability of the venture.
- e) Local resources available and their costs versus those of resources from outside.
- f) Marketing of finished products.
- g) Overall sustainability and replicability.

The following methods were used to collect data and materials for the study:

- i) Study of available literature and documents (10%) to assess the current status of the micro-enterprises.
- ii) Interviews with 10-15 persons and 10-15 groups through the help of local resource persons.

The study was carried out in the following manner: First, a list of micro-enterprises was prepared by the help of local resource persons. Then, a detailed questionnaire was used to collect data on the enterprises selected for case studies. The data were then analysed and the results were presented in the form of a report.

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Chapter 2

Aga Khan Rural Support Programme

The Aga Khan Rural Support Programme (AKRSP) was established as a people-centred, decentralized and participatory approach to rural development. It was recognised that traditional top-down approaches neglected the integral role of local communities in the development process, leading to greater centralization of power and an increase in top-down planning. The fundamental understanding behind decentralization, with participation as an inherent element, is that development processes had led to marginalisation of the people they were supposed to benefit (Chambers 1994). True development can only be achieved by putting people first and adopting a bottom-up approach (Cernea 1991). Active participation of beneficiaries is the key ingredient in decentralization. AKRSP's primary purpose is to involve rural people in their own development. Established in 1982 by the Aga Khan Foundation, with financial support from various donor agencies, it undertakes development activities in the Northern Areas of Pakistan.

1. The Northern Areas: A Brief Introduction

1.1 Location

The Northern Areas of Pakistan are situated between 35-37°N latitude and 72-75°E longitude. The Republic of China lies to the North East, the North West Frontier Province to the South, Kashmir to the East, and Afghanistan to the West. The terrain is rugged and living conditions harsh. Three famous mountain ranges sandwich the Northern Areas, the Himalayas, the Karakoram, and the Hindu Kush. These lofty mountain ranges are composed of several snow-capped peaks, lush green valleys, and some of the largest glaciers in the world; and together they form a major tourist and mountaineering attraction.

1.2 Climate

The climate of the NAs is dry continental. The temperature sometimes rises to 43°C

in summer and falls as low as -17°C (at higher altitudes) in January. In Gilgit (1,450m), the extreme minimum (Dec./Jan.) and maximum (July) temperatures recorded were -9.4°C and 45°C respectively. The NAs are situated in the outer Himalayas and are cut off from both the monsoon and winter westerly depressions. The moist air occasionally penetrates through the high mountains in summer and sometimes brings heavy and torrential rains, causing floods, and landslides. There is a wide variation in precipitation, as the valley bottoms receive only 100 to 200mm of rainfall, whereas the adjacent ridges receive twice the amount.

1.3 Natural Resources

The area under natural forest is estimated to be only 0.8 per cent in Gilgit, 0.3 per cent in Baltistan, and about 30 per cent in Daimir District. There is an acute shortage of timber, fuel, and fodder in Gilgit and Baltistan districts, whereas Daimir District supplies timber to other parts of the country. In Gilgit District, 50 per cent of the total requirements of wood come from farmlands. The natural forests can be classified into the following types:

- i) mountain sub-tropical forests,
- ii) mountain temperate/sub-alpine forests, and
- iii) alpine scrub.

The natural forests in the study area are state-owned reserved forests and composed of thinly-covered patches made up of *Pinus wallichiana*, *Pinus gerardiana*, *Picea smithiana*, *Juniperus macropoda*, *Fraxinus xenothozylodes*, *Pistacia integerrima*, *Prunus eburnea*, *Lonicera quinquelocularis*, *Rosa webbiana*, *Betula utilis*, and *Spiraea* spp.

1.4 Demography

The Northern Areas consist of three administrative regions, namely, Gilgit (two districts), Baltistan (two districts), and Daimir (one district). A century ago, the NAs of Pakistan provided one of the main theatres for 'the Great Game' played out between Britain and Russia. Different parts of the NAs have a rich and varied political history besides ethnic, cultural, and racial heterogeneity.

Information on population figures for the Northern Areas is not yet available from the 1998 population census, but, according to the census of 1981, the total population was roughly 0.573 million, with an annual growth rate of 3.25 per cent. The population of this region embraces three Islamic traditions in approximately equal proportions. They are the *Sunni*, *Shia*, and *Shia Ismailia*. There are a number of distinct racial groups and linguistic and socio-cultural variations. The racial groups include the *Syed*, *Rajas*, *Sheen*, *Yashkun*, *Balti*, *Wakhi/Tajik*, *Kamin*, *Dome*, *Akhun*, *Gujar*, *Pathan*, *Muhan*, and a few *Punjabi* and *Kashmiri*. The dominant groups in the Gilgit region are the *Sheen* and *Yashkun*. In the 1981 census, the average literacy rate was estimated at around 15 per cent; only four per cent of females were literate. The state of health is generally poor due to malnutrition; hygiene and sanitation are also poor. The infant mortality rate is about 150-200 per 1,000 births. There is an extended family system and the average household consists of about eight members.

1.5 Economic Organization

The Himalayan region, also called the 'Roof of the World,' has a unique, dry landscape with scattered oasis settlements where there

is water for crop cultivation. The landmass of the outer Himalayas and the harsh fragile terrain make human existence more challenging than in other parts of the Himalayas. Approximately 90 per cent of the population in this region are subsistence farmers (Khan and Khan 1992). The average farm size is 1.1 hectares, of which only 60 per cent is suitable for cereal crops. Most farmers own some livestock (cattle, goats, sheep, and poultry), fruit and forest trees, and a chunk of private hay meadow in addition to cultivable land.

Agriculture is the main economic activity in the NAs, accounting for most of the income and consumption of more than 80 per cent of all households (Khan and Khan 1992). Cultivation is difficult because of the scarcity of flat land, lack of deep fertile alluvial soils, and water scarcity. Cultivated areas have been developed where construction of irrigation channels has been possible. The traditional farming systems are highly diversified, enabling the people to be self-sufficient. Arable crop cultivation is mixed with agro-forestry and livestock husbandry. Wheat, barley, and maize are the main staple crops, whereas millet and buckwheat, previously grown as staple foods, are being abandoned as opportunities for non-farm employment become available and flour and other commodities can be purchased in outside markets. Several varieties of vegetables, such as potatoes, which were previously grown as vegetable crops, have now become cash crops. Fruit crops include, apricots, apples, walnuts, peaches, pears, pomegranates, almonds, figs, mulberries, and grapes. Cherries, plums, and dwarf apples and pears are becoming popular, especially in double cropping zones. Self-sufficiency and the interdependence of crop cultivation and livestock husbandry and effective integration

of mixed farming are the main characteristics of farming systems in the NAs. The importance of farm income as a proportion of the total household income is shown in Table 2.

1.6 Transport and Communications

Until 1947, the NAs only had access to Kashmir through Baltistan and Astore. After the *de facto* division of Kashmir in 1949, the first link with southern Pakistan was established by air from Rawalpindi to Gilgit and Skardu (Baltistan). A major change occurred with the construction of a seasonal jeepable road in 1958 through the Babosar Pass (4,173m). This road links the NAs with the capital city and other regions. The road enabled merchants to bring in cheap commodities, and subsequently farmers stopped growing cotton and rice cultivation decreased (Whiteman 1985). The construction of the Karakoram Highway (KKH) provided an additional route; and this has been the single-most important event in the development of the NAs. The result has been a progressive change in the economy as well as in the farming systems since construction of the highway in 1978. The KKH has not only resulted in reduced costs in transporting goods, it has also facilitated tourism and new services associated with it such as hotels and trade.

Because of the KKH, flour, cooking oil, kerosene, fertilizer, and other commodities can be brought from other parts of the country. Walnuts and apricots grown for extraction of cooking oil are now grown as cash crops. Fruit and seed potatoes are currently grown for commercial purposes. In addition, the KKH has facilitated development and technological interventions through different change agents such as the AKRSP and FAO/UNDP. As a result of

Table 2: Household Income by Programme Area

Region	Gilgit	Chitral	Baltistan	Astore
Family Size	9.5	8.7	7.9	9.1
Irrigated Area (Kana ¹)	30.6	26.0	30.1	36.1
Crops (% of area)	37.0	47.0	43.0	42.0
Irrigated Pasture (% of area)	63.0	53.0	57.0	58.0
Gross Value Produced (Rs)				
Crops	16235	9884	9402	8137
Livestock	8264	4970	4996	10056
Fruit	2962	3406	3089	346
Vegetables	2413	2317	1862	528
Forestry	3218	5584	2362	272
Poultry	914	1480	386	269
Other	2596	279	613	8516**
Gross Farm Income (GFI)	36602	27921	22710	28124
Farm Cash Costs	6845	3829	4483	9246
Net Farm Income	29757	24092	18227	18878
Other Household Income	23712	27241	10351	20916
Gross Household Income (GHI)	60314	54532	33061	49040
GFI as % of GHI	61	51	69	57
GHI per capita	5628	5900	3617	5405

* One Kana¹ is approximately 0.5ha

** Includes Rs 5,739 for 'grass' sales, which is 20% of farm income.

Source : Bhatti et al. 1994.

: World Bank 1995

infrastructural development, the presence of change agents and the growth of urban centres in Gilgit and Chitral, a growing number of micro-enterprises has sprung up.

2. AKRSP Programmes: Structure, Implementation, and Impact

A multi-dimensional and multi-sectoral package is used by the AKRSP for development of the Northern Areas. Essentially these include the development of social organizations; physical infrastructure such as roads and irrigation canals; natural resource management; human resource development; and provision of credit. The programme package is modified according to emerging needs; and this is reflected in the incorporation of additional elements

focussing on enterprise development such as the Micro-enterprise Credit Programme (MECP) and the creation of an Enterprise Development Division (EDD) in the AKRSP.

In order to implement these programmes, various divisions/sub-divisions have been created by the AKRSP. Decentralization in implementation was introduced for certain programmes, e.g., credit. Participation of the village organization in designing and implementing programmes is very evident. A brief discussion of these programmes is provided below.

2.1 Social Organization

Social organization lies at the centre of the AKRSP's rural development strategy. This

is a reflection of the belief that when the poor are organized they can deal effectively with the causes of their under-development. Moreover, collectively, no matter how poor people are they can be regarded as reliable collateral for access to credit facilities.

In the remote Northern Areas of Pakistan, the AKRSP helped form 2,217 male and mixed village organizations and 1,141 women's organizations by the end of 1997 for resource and financial management; and these cater to the needs of 120 thousand members. In fact, around 80 per cent of the households in the area are now covered by AKRSP's social organization programme. Village groups originally organized to construct physical infrastructure, such as irrigation channels, roads, or bridges, are now engaged in a number of other activities with the guidance and financial support of the AKRSP.

As a result of the activities described above, these village organizations are seen by the government as partners in development; that is to say that adequate interlinkages between government and these organizations, particularly in social sector development, are visible. In addition, interest in broadening the coverage of village-based organizations is emerging. Coalition of village groups is reflected in the recently-organized Nagar Welfare and Development Organization (NWDO), a non-commercial organization covering 23 villages and including 14 Village Organizations (VOs) and eight Women's Organizations (WOs) in addition to non-VO members. So far this arrangement has been made for a single infrastructure project to implement siphon irrigation, but, as a local development organization (LDO), it is a promising development for other spheres of activity. The development programmes undertaken by

the AKRSP in collaboration with village organizations are discussed briefly below.

2.2 Infrastructural Development

The AKRSP's Productive Physical Infrastructure (PPI) programme has acted as a catalyst for institutional development. As such, it has met some of the basic needs of the communities. The Mountain Infrastructure and Engineering Services (MIES) of the AKRSP have carried out a large number of small infrastructural projects, with the participation of communities in project identification, design, and implementation. Projects generally work with the construction of link roads, bridges, irrigation and land development schemes, and micro-hydel projects. A total number of 1,814 infrastructural projects had been initiated by December 1997, of which 1,541 have been completed and 237 were in progress. The breakdown of these projects by type and volume of investment is given in Table 3.

As seen in the table, there is a predominance of irrigation and road projects. However, it is important to highlight micro-hydel projects in Chitral where AKRSP collaborated with VOs and installed over 80 hydropower plants. Chitral Area Development Project (CADP) added to these efforts and there are now about 125 independent power-generating facilities. It is claimed that the cost per unit of electricity is the lowest for over 10 thousand households located in the high mountains of Chitral.

2.3 Natural Resource Management (NRM)

In order to promote natural resource management, various methods have been used, although the primary focus remains on ag-

Table 3: Physical Infrastructure Projects by Type, Number and Total Cost (up to December 1997)

Project Type	Number	Total Cost (Million Rs)
1. Irrigation	888	184.59
2. Link Roads	310	67.49
3. Protective Works	176	36.78
4. Micro-hydel	80	28.49
5. Water Supply	23	2.82
6. Medium Infrastructure Projects	58	71.34
7. Others	279	46.97
Total	1814	438.48

Source: AKRSP 1997

riculture and related activities such as forestry and livestock. Sector-specific programmes covering input supplies, demonstrations, and technical assistance generally influenced the introduction of new technologies. Technical staff work along with community members who have been trained by the AKRSP. Major packages related to NRM are provided in Tables 4 and 5.

The importance of wheat in the farming system in the Northern Areas needs no emphasis. It accounts for about 35 to 55 per cent of the irrigated area and, in the case of small farmers, it accounts for 70 per cent

of the cultivated area. Introduction of new wheat varieties (Mexi-Pak) in Gilgit took place in the 1960s. The AKRSP, however, introduced Pak 81 seed in 1985 and, by 1989, one-fourth of the farmers were growing it. Though significant, the adoption rate is regarded to be low considering the importance of wheat in the farming system. The AKRSP also designated 27 VO's in 1993 to act as wheat seed villages for seed production and maintenance of purity.

Maize is second in importance to wheat, accounting for approximately one-fourth of the cultivated area in Gilgit and Chitral. Despite the provision of improved seeds by

Table 4: NRM Supplies through AKRSP

	Cumulative December, 1997	Area (ha)	Beneficiary Households
Improved Seeds			
Wheat (kg)	299965	1910	12264
Maize (kg)	22029	359	1835
Potatoes (kg)	161207	242	4753
Fruit Trees ('000)			
Distributed by AKRSP	921	2270	29491
Supplied from Local Nurseries	299	711	9660
Planted by V/O and W/O	2055	4495	30399
Nurseries (Number)	1313	89405	N.A.

**Table 5: Livestock Packages (AKRSP) Performance
(up to December 1997)**

Programme	Number	V/WOs	Beneficiary Households
Feed Improvement			
Silage Production (kg)	1231842	229	2286
UST Production (kg)	263996	58	2393
Breed Improvement			
Milch Cows (No.)	380	33	344
Bulls Distributed (No.)	64	63	3028
Cross-bred Cattle (No.)	309	151	4446
Yaks Introduced (No.)	4578	155	5282
Sheep			
Sheep Distributed (No.)	2315	77	837
Pure-bred Sheep (No.)	1364	44	588
Poultry			
HBP-I (No. of Birds)	398377	1014	15371
HBP-II (No. of Birds)	42715	292	3512
Breeding Centres	193	190	3818
Chicks Supplied by AKRSP	477457	134	17158

the AKRSP, the adoption rate does not appear to be substantial. According to the World Bank review *"the improved maize varieties have obviously not been appropriate for the circumstances of most of the farmers"* (World Bank 1995). Potatoes, vegetables, and fruit rose substantially in terms of production as well as acreage. Some evaluative exercises focussing upon initiatives in vegetable growing confirmed their profitability for growers (Ashgar 1996).

AKRSP's NRM programme also includes activities involving livestock and forestry. It has a three-pronged strategy for livestock development: reduction in animal losses, improvement in animal nutrition, and improvement in the genetics of local livestock. This has been implemented through delivery of inputs to and training for farmers. Around 1,300 village specialists had been trained by the end of 1994 with an esti-

mated coverage of 70 per cent of the VOs. Similarly, 1,500 poultry specialists had been trained by the end of 1994. To improve nutrition, feed preservation and techniques such as ensiling maize and treatment of wheat straw have been attempted. However, adoption of maize silage and straw treatment is slow. Vaccinations were increased to reduce animal losses. According to one study, the incidence of vaccination increased ten-fold between 1989 and 1994 (World Bank 1996). Over time, the livestock population has increased; The main increases being in poultry, the numbers of which almost doubled between 1987 and 1991.

Forestry accounts for roughly one tenth of the gross farm income in Gilgit and Baltistan and for 20 per cent in Chitral. There has been a substantial increase over the years in the number of forest trees, almost 300

per cent between the Agricultural Census of 1981 and the AKRSP Bench Mark Survey in 1992. Forestry has been identified by the AKRSP as a growth enterprise. The

organization and management of VOs as well as skills related to NRM and enterprise development. Table 6 gives details of HRD activities.

Table 6: Training Courses Conducted by December 1997

Type of Training Course	Gilgit	Chitral	Baltistan	Total
1. Regular Courses	361	323	195	879
2. Specialist Trained	5286	5644	3050	13980
3. Refresher Courses	258	167	221	646
4. No. of Participants	5296	2514	4609	12419

Source: AKRSP, 1997

AKRSP also started a government-funded Social Forestry Programme in the area in collaboration with the Forest Department in 1993. The principal objectives of this programme are afforestation, nursery development, training, and environmental education in schools.

It should be stated that there has been a shift in the strategy of the AKRSP towards NRM. Inadequacies in individual sector-specific approaches to the complex and interrelated issues arising out of increased population pressure and environmental degradation have been assessed. An integrated approach to NRM has been introduced recently with an emphasis on achieving the balance between growth and conservation with the active collaboration of the VOs.

2.4 Human Resource Development

As part of the overall development strategy, human resource development (HRD) is a key activity of the AKRSP and is integrally linked with the implementation of various programmes. The Human Resource Development Division of the AKRSP imparts training in skills identified by village committees as a felt need for the or-

In terms of broad areas of training, by the end of 1997, the presidents and managers of over 4,400 VOs and 2,200 WOs were trained. In the context of NRM activities, particularly those related to agriculture, livestock, and forestry, training was a major component. The total number of specialists and masters trained in the region by the end of 1997 was over 8,000; slightly less than half of them belonged to WOs. Assessment of the effectiveness of training and monitoring of village specialist activities were carried out throughout 1997 by Institutional Maturity Index and Bench Mark Surveys. On an average, 45 per cent of the NRM specialists were found to be active, suggesting a high attrition rate of 55 per cent.

The enterprise development section undertakes training for enterprise specialists. A general enterprise training module, comprised of sub-modules for marketing, cash flow analysis, and financial and inventory management, has been developed. In addition, vocational training in tailoring, carpet weaving, and carpentry is given.

2.5 Credit and Savings

Provision of credit in the context of a basically subsistence economy is one of the

main activities of the AKRSP. Funds for credit come from the savings generated by the VOs themselves and external sources. It should be noted that members of the VOs and WOs have to contribute to deposits at every meeting of the village organization. Over the years, the volume of savings has grown substantially. By the end of 1997, 3,358 village organizations with a membership of 126,000 had collected savings of Rs 357 million. The total loans disbursed by that date were approximately Rs 941 million, of which Rs 272 million were outstanding.

The average saving balance per member by the end of 1997 works out at Rs 2,829. There appears to be a great deal of variation in this balance between different areas covered by the AKRSP. For instance, the average balance per member was Rs 4,078 in Gilgit in comparison to Rs 2,309 and Rs 1,435 in Chitral and Baltistan, respectively. These differentials could be due to the length of time the AKRSP has been in operation, as Gilgit was the first region to be covered by the programme.

Credit disbursed up to December 1997 by the AKRSP through village organizations is given in Table 7. It is seen that the village organization credit programme (No. 5 in the table) accounts for more than half of the total amount disbursed. This is usually a one-year loan with full collateral given to VOs for onward lending to members. Service charges of from 12 to 15 per cent are levied. The credit disbursed for micro-enterprise and corporate VO credit extended for enterprise development accounts for 17 per cent of the total disbursement; and this is given on the basis of a 20 per cent service charge for a duration of six months to one year.

3. Nature and Structure of the Micro-Enterprise Development Programme

With extensive infrastructural inputs along with improvements in NRM practices, marketable surpluses, particularly fruit and vegetables, became available in the AKRSP programme area. Cooperative marketing networks were established to procure good prices for farmers' produce. In 1990 the marketing section of the AKRSP widened its scope to cover non-agricultural activities such as tourism. In 1992 the section changed its name to the Enterprise Development Division (EDD). At the same time, the AKRSP introduced a separate credit line for micro-enterprises in order to assist entrepreneurs with working capital.

The main objective of the Enterprise Development Programme is to facilitate diversification of the local economy which is characterised by subsistence-oriented agriculture and remittances. The programme area has the potential for establishment of small and diverse enterprise development - especially with productive physical infrastructure (PPI) development - in areas that have not been optimally exploited. For this purpose the AKRSP provides four main inputs for sustainable development of micro-enterprises; namely, credit, technology, training, and marketing.

3.1 Credit

The AKRSP introduced a Micro-enterprise Credit Programme (MECP) in 1992 to build up a small business base, centered on local people, through investments that create jobs for V/VO members. The AKRSP gives loan to individuals who are members of V/WOs. Although permission to take the loan must

Table 7: Credit Extended by December 1997

Type of Credit	Number	Beneficiary Households	Disbursement (Rs million)	Net Default (Rs million)
1. Short-term	8060	324432	131.73	1.71
2. Medium-term Credit	565	30075	65.79	3.19
3. Micro-enterprise Credit	9343	9344	158.13	5.47
4. V/O Corporate Credit Programme	24	338	10.83	0.21
5. V/O Credit Programme	3175	143372	574.38	

Source: AKRSP 1997

be given by the member's V/WO, credit is otherwise given free of collateral. The AKRSP provides support services and charges 20 per cent per year, which it considers to be the market rate for this type of facility. Loans range from Rs 5,000 to a ceiling of Rs 40,000. Decentralization and participation are accomplished by placing the responsibility for approval and issue of loans to their members on the V/WO. Rapid increases have characterised MECP activities in amounts disbursed (see Table 8). A category-wise breakdown of enterprises is given in Table 9. Credit for micro-enterprise is generally targetted towards those entrepreneurs who wish to expand their businesses but are unable to do so due to lack of liquid capital. In some cases, credit is also given to start a fresh business.

The programme assumes some risks in terms of bad loans, but considers it as one

of the costs of identifying good entrepreneurs and expects it to occur primarily on the Rs 5,000 starter loans. It may, however, involve risks that are more substantial than assumed. Though the net default as of December 1996 was reported to be less than five per cent (Table 10), analysis of earlier, more detailed figures suggests a more serious situation. By the end of 1994, arrears accounted for 27 per cent of the outstanding amounts. Loans overdue for more than six months accounted for only three per cent of the total amounts outstanding, but, according to one assessment, this proportion was likely to rise (World Bank 1995). The detailed portfolio indicates that 41 per cent of the borrowers whose loans have fallen due were in arrears, and all were in arrears for the total amount of their loan. A contributing factor is that the Micro-enterprise Credit Programme (MECP) loans have a single maturity.

Table 8: Micro-enterprise Credit Programme (MECP) Disbursement, 1992-94

District	1992	1993	1994
Gilgit	0.56	1.16	3.60
Chitral	0.10	0.50	2.82
Baltistan		0.22	4.43
Astore			0.55
Total	0.66	1.88	11.4

Source: AKRSP 1992, 1994

Table 9: Disbursement of MECP Loans by Type, Cumulative as of December 1995

S.N.	Loan Type	# of Loans	Amounts
1.	Agricultural machinery	11	165,000
2.	Carpentry	22	125,000
3.	Electrical goods' store	14	110,000
4.	Flour supply store	26	180,000
5.	Fruit marketing	25	225,000
6.	Furniture shop	13	120,000
7.	Fuelwood marketing	22	145,000
8.	General store	664	4,850,000
9.	Garment shop	18	135,000
10.	Hotels	50	400,000
11.	Home utilities	18	105,000
12.	Input supply store	19	136,000
13.	Ladies' shops (shops exclusively managed by women)	63	390,000
14.	Livestock marketing	71	450,000
15.	Medical store	26	225,000
16.	Motor vehicle repairs	13	95,000
17.	Nursery development	15	110,000
18.	Poultry development	249	1,669,400
19.	Repair shop	44	325,000
20.	Sewing machines	12	80,000
21.	Stationery shop	16	130,000
22.	Tailoring	11	55,000
23.	Timber marketing	15	90,000
24.	Village guesthouse	10	160,000
25.	Others	214	1,670,000
	Total	1661	12,145,900

Source: AKRSP 1995

Table 10: Summary of the MECP Loans for all Programme Areas as of December 1996

Micro-enterprise Credit	VO		WO		Total	
	Cum.	Add. 1996	Cum.	Add. 1996	Cum.	Add. 1996
No. of Loans	5021	1817	709	254	5730	2081
Beneficiary households (#)	5021	1817	709	254	5730	2081
Disbursement (Rs in million)	57.64	30.66	6.45	3.28	64.10	33.95
Net amount outstanding (Rs in million)	32.68		2.87		35.55	
Net default (Rs in million)	4.14		0.57		4.70	

Source : AKRSP 1996

Under the programme of the Enterprise Development Division, the AKRSP caters to the demand for slightly large-sized credit for small- and medium-scale enterprises. (That is to say that EDD credit is for small and medium sized enterprises while MECF is for micro-enterprises). Some of these enterprises are listed, along with their employment size and loan amounts, in Table 11.

poultry farming, shopkeeping, honey production, vegetable production, dry fruit marketing, and saw milling. In some cases, participants were sent to major cities to study the main wholesale markets, Friday bazaars, and auction markets. Some emphasis has been given to inculcating a spirit of entrepreneurship. This has been facilitated by providing general courses in en-

Table 11: Commercial Credit Programme (Gilgit Region)

Name of Enterprise	Loan Amount (Rs)	No. of Employees
Hunza Carpet Centre	580,000	104
Adventure Centre Pakistan	200,000	23
Hunza Fabrics	200,000	10
Riveria (sp)Hotel	1,600,000	25
Passu Tourist Lodge	350,000	8
Total	2,930,000	170
Cost per job created	17,235	

3.2 Technology

Technological support for product development is another aspect of the micro-enterprise development programme. The products that can be marketed are the same agricultural products grown for subsistence; but new varieties are also introduced by the programme. In essence, the aim is to increase the market value of farm products to enable farmers to get a better return for their labour. This approach requires certain key inputs, namely, improvements in production, processing, packaging, and promotional methods. Primacy has been accorded to dried apricots, as they are available in reasonable abundance. Methods of dehydration are taught to growers.

3.3 Training

For training in marketing, the AKRSP has designed courses for entrepreneurs who are involved in the supply of agricultural inputs,

enterprise development, particularly for women. Details of different types of training carried out are given in Table 12.

3.4 Marketing

The market programme has evolved significantly over the last 10 years. Initially its aim was to assist VOs in cooperative marketing. However, after the UNDP/FAO project had demonstrated the potential for dried apricots and seed potatoes, these were promoted in Gilgit and Baltistan, and the Gilgit Agricultural Marketing Association (GAMA) and the Baltistan Apricot Marketing Association (BAMA) were created in 1992 with technical and financial support from the AKRSP. This facilitated contacts with private seed potato buyers from the Punjab. AKRSP support has since been given to establish avenues for marketing fresh vegetables in both Gilgit and Baltistan through commercial wholesalers. An impressive performance in cooperative mar-

Table 12: Training for Enterprise Development

Type of Training	Number of Trainees			
	Gilgit	Baltistan	Chitral	Total
Enterprise development course (men)	196	37	105	338
Enterprise development course (women)	83	53	0	136
Training of commercial apricot growers	22	101	10	133
ED master trainers	0	0	7	7
Marketing management course	0	133	0	133
Training for good MECP loanees	0	70	0	70
Cooperative marketing-participating VOs	688	1,180	570	2,438

keting is cited in the 1997 Annual Report. Around 60 VOs participated in cooperative marketing, with gross sales of Rs 5,050 million during the year, benefitting 1,340 households. These VOs were given Rs 30 million in credit, mostly short-term.

The marketing section has also expanded its horizons by promoting the establishment of non-agricultural business enterprises, such as village guesthouses, to capitalise on the potentials of the tourist market. More than 400 marketing specialists have been trained. This training has also evolved in response to the changing focus of the Enterprise Development Division (EDD).

A productive link between markets and growers is established by the EDD through provision of market information and arrangement of exhibitions. In addition, a number of marketing enterprises has evolved over the years. The important ones among them are given below.

Baltistan Apricot Marketing Association (BAMA)

BAMA was established in 1992 to market apricots. BAMA organized its suppliers into an exclusive group called 'Commercial Apricot Growers' and entered into supply

agreements with them. BAMA then arranged to sell apricots to institutional buyers. In 1995 there was a dramatic rise in the price of dried apricots from Rs seven to Rs 40.00 per kg. BAMA earned a net profit of Rs 84,000.00 in the second half of 1995.

Baltistan Renmoshy Tanzeem

This organization was established as a co-operative in 1994 by ten master trainers of livestock. Supply of agricultural inputs and medicine to farmers in the region is its main business. With a total working capital of Rs 200 thousand in 1995, this cooperative earned a net profit of 140,000 during the year. The organization has established breeding centres, poultry farms, and dairy farms in different places in the region and has plans to venture into processing and marketing skins and hides.

Gilgit Agricultural Marketing Association (GAMA)

Initially GAMA was established to organize the marketing specialists trained by AKRSP. While GAMA improved the quality of dried apricots as BAMA did, the initiative was soon taken over by private entrepreneurs because of the rising demand for the product. Therefore GAMA shifted its focus from apricots to seed potatoes and changed its

name from the GAMA to the Gilgit Agricultural Marketing Association. During the

1995 GAMA had a total turnover of Rs 1.3 million with a net profit of Rs 100,000.

Chapter 3

Sarhad Rural Support Corporation

In the North West Frontier Province (NWFP) there is generally an institutional vacuum at the village level. Institutions to manage natural resources, productive infrastructure, and the economic and social challenges and opportunities have not emerged. The Sarhad Rural Support Corporation (SRSC) aims to fill this vacuum. Registered in November 1989 as a non-government organization and as a limited company by guarantee, SRSC has played a catalytic role in the formation of community organizations (COs) and women's organizations (WOs) to encourage the participation of poor villagers in community development programmes and projects. The long-term objective of SRSC is to facilitate rural economic growth by supporting the evolution of organized rural communities capable of carrying out their own socioeconomic development with improved managerial abilities and financial means. The SRSC is basically working for the socioeconomic development of the rural areas of the NWFP and is currently con-

centrating on the target areas of Charsadda, Kohat, and Mansehra.

1. The NWFP: A Brief Introduction

1.1 Location

The NWFP is located in the extreme West of Pakistan. Afghanistan borders it on the west, the Punjab on the east/south-east, Balochistan on the far south, and on its north Chitral/Northern Areas in addition to a narrow corridor separating it from Central Asia and China. The NWFP has a total area of 74,521sq.km., while the Federally Administered Tribal Areas (FATA) adjoining the NWFP cover 27,220sq.km.

1.2 Climate

The province consists of both hills and plains and the climate is of a temperate grassland type. The summers in the plains are hot and dry and temperatures rise to a high of 50°C during June/July. The aver-

age temperature range is between 40 - 42°C. The winters in these areas are cold and dry and temperatures (maximum) fall below 20°C during December/January. In the hilly areas of the province, summers are cool and pleasant, whereas winters are cold and snowy.

The hilly areas of the province receive more rainfall than the plains. The average amount of rainfall in the plains ranges between 10 to 25 inches per annum. The winter rains are caused by the western disturbances coming from the Mediterranean Sea, whereas the rains in summer are due to the monsoon winds coming from the Bay of Bengal in the east.

1.3 Natural Resources

The NWFP is basically a mountainous area and is located in the vicinity of three famous principal mountain ranges, i.e., the Himalayas, the Karakoram, and the Hindu Kush. These mountain ranges have vast glaciers, large lakes, rivers, and lush green valleys besides fertile plains cut out by the passage of rivers.

The most common natural forests in the hilly areas of the NWFP are alpine and coniferous forests. The trees found are silver fir, deodar, chir, oak, maple, walnut, chestnut, willow, and poplar. The hills and foothills of Hazara, Mardan, Peshawar, and other regions at a height of 1,000m are covered with dry evergreen forests.

The following minerals are also found in the NWFP

- i) Barite, phosphate, soapstone (Hazara)
- ii) Gemstones (Swat/Hunza/Mardan)
- iii) Limestone (D.I. Khan/Kohat/Nowshera)

- iv) Marble (Khyber Agency/Swabi/Swat)
- v) China Clay (Swat)
- vi) Salt (Kohat)

The availability of water resources in the province has led to the construction of a number of dams to generate hydro-electricity.

1.4 Demography

The NWFP is divided into the following six divisions and eighteen districts.

Division	Districts
1. Peshawar	Peshawar, Charsadda, Nowshera
2. Mardan	Mardan and Swabi
3. Kohat	Kohat and Karak
4. D.I. Khan (DIK)	D.I. Khan, Bannu, Tank, Lakki Merwat
5. Malakand	Swat, Dir and Chitral
6. Hazara	Abbottabad, Mansehra, Kohistan and Haripur

The estimated total population, according to the 1998 Population Census, is 17.6 million; and this accounts for about 13.1 per cent of the population of Pakistan — occupying 9.4 per cent of the total area of the country. Of the total population of the province, 83 per cent live in 1.9 million rural households in an estimated 8,000 villages in 18 districts. The estimated intercensal (1981-1998) annual population growth rate of the province is 2.75 per cent. The average literacy rate, according to the 1981 Census, is 17 per cent, whereas for women it is as low as 6.5 per cent. Health, particularly the health of women and children, is generally poor because of malnutrition and poor hygiene. The infant mortality rate is around 15 per cent.

1.5 Economic Activities

In the NWFP, agriculture is the principal economic activity, but 70 per cent of the land, being mountainous, is not fit for cultivation. Only 19 per cent of the province is cultivated, of which only 40 per cent is irrigated/semi-irrigated. Rainfed or *barani* areas generally produce one crop a year. Ninety per cent of the farms in the province are of less than five hectares. The rural population is mostly dependent on agriculture, livestock, and labour-intensive small enterprises. A high population growth rate is placing increasing pressure on the resources of the province.

The main challenges to productivity are land-related and those evolved from the social structure. In the crop sector are share cropping, lack of improved inputs, insufficient technical knowhow, exploitation by middlemen and moneylenders, uncertain and unsystematic markets, water logging, and soil erosion. The main constraints to productivity in the crop sector are a mix of deficiencies in terms of improved inputs and technical knowhow to deal with recurrent problems such as water logging and soil erosion. On the socioeconomic front are the problems of share-cropping, uncertain and irregular markets, and exploitation by middlemen and moneylenders. The main challenges in the livestock sector are high incidence of disease and scarcity of feed. These in turn lead to poor breeding and feeding practices and low productivity. Lack of veterinary services and technical knowhow augment the paucity of stock. Excessive export of forest resources, wastage, and illegal felling are leading to a decrease in natural forests, causing environmental problems. There is significant scope for improvement in agriculture, livestock, and forestry in the NWFP in terms of better re-

source use through improving skills, facilitating mass awareness, and adopting innovative technologies at the grass roots' level.

To optimise production in the rural economy on a sustainable basis, it is necessary to increase economic activities at the local level, whether at regional or village level. This would involve a mix of interdependent activities from three sectors, i.e., (a) small-scale businessmen, (b) producers/entrepreneurs, and (c) service institutions, e.g., bankers, Development Finance Institutions (DFIs), and so on.

1.6 State of Micro-Enterprises

Located in the extreme West of Pakistan, the NWFP is at the far end of a poorly-developed physical and institutional infrastructure. A weak communication structure, high cost of transporting raw materials/products to major markets, and lack of skilled personnel deter sound industrial development of the province. In addition, the increase in annual population growth rate, augmented by an influx of Afghan refugees, has put further pressure on the meagre economic resources available. Under these circumstances, the province lacks the capacity to invest in programmes to raise the living standards of the rural community.

The basic needs and problems of different communities in the rural areas where SRSC is operating are almost the same, since they all belong to lower income groups. However, owing to different geographical conditions, economic activities vary in these areas. The opportunities available in different areas are as follow.

- Poultry and livestock rearing
- Leather goods and shoes

- Embroidery and local handicrafts
- Beehives for honey
- Wood carving and shear ropes and other products such as baskets, pots, mats, etc
- Copper and aluminium utensils and decorative items
- *Khaddar* (handloom) and other woven products
- Fish farming
- Small-scale metal industries

2. The Nature and Structure of SRSC Programmes

The SRSC programme focusses on supporting the development of participatory community-based organizations capable of undertaking their own sustainable socio-economic development with improved managerial and entrepreneurial abilities and increased resources. The main principles of the SRSC programme are as follow.

- a) Organizing village communities through the formation of community/women's organizations
- b) Improving their skills and capacities through training programmes in technical and management skills
- c) Creating a capital base for the rural poor through savings and credit programmes
- d) Forming linkages between village organizations and existing government and non-government facilities and programmes

After its formation the SRSC undertook large, integrated rural development programmes in five districts of the NWFP by involving rural communities. The programmes undertaken by the SRSC are as follow.

- Establishing social organizations
- Women's programmes

- Productive investment (PI)
- Natural resource management
- Credit and enterprise development
- Social sector programmes
- Human resource development

2.1 Social Organization

The objective of social organization is to close the institutional vacuum at the village level through establishing and fostering networks of community-based organizations. Participation in programmes by community members is an essential element of social organization. The principles and methodology of participatory development are as follow.

- 1) A community organization (CO) or a women's organization (WO) has to be formed by the community members/villagers to make collective use of manpower and other resources for their needs.
- 2) The C/WOs must raise their own capital through members' savings and collective business operations.
- 3) The C/WOs must take on the responsibility for improving members' skills through proper training in their major occupational and vocational pursuits.
- 4) The C/WOs should be able to identify urgent needs, determine priorities, and participate in the planning of village/community development projects.
- 5) The C/WOs should be responsible for implementing development projects and subsequent monitoring.

As of December 1996, the total number of COs and WOs formed in the programme area was 1,033; 683 COs and 350 WOs. The total membership of these C/WOs is 32,902 and the collective savings of their members total Rs 13.8 million. Over 100

Table 13 : Social Organization - SRSC

	Charsada		Kohat		Mansehra		Total	
	Dy	Cum	Dy	Cum	Dy	Cum	Dy	Cum
Formation (No.):								
Community Organizations (COs)	64	158	129	310	99	215	292	683
Women's Organizations (WOs)	31	75	61	147	59	128	151	350
Total	95	233	190	457	158	343	443	
Membership (No.):								
Community Organizations (COs)	1695	4618	4920	10392	3676	7394	10291	22404
Women's Organizations (WOs)	748	1825	2430	4573	2134	4100	5312	10498
Total	2443	6443	7350	14965	5810	11494	15603	32902
Savings (Rs '000):								
Community Organizations (COs)	149	667	493	5046	400	2927	1342	10640
Women Organizations (WOs)	68	464	261	1344	282	1322	611	3130
Total	217	3131	754	6390	982	4249	1953	13770
Managers' Conferences (No.):								
Community Organizations (COs)	3	31	9	46	4	7	16	84
Women's Organizations (WOs)	1	14	3	12	1	4	5	30
Total	4	45	12	58	5	11	21	114
Dy = During the year 1996	Cum = Cumulative by December 31, 1996							

Manager's Conferences have been organized (Table 13) and the SRSC has also been very active in organizing training for Community Leaders. In 13 courses organized over the years, a total of 293 community leaders, 274 men and 19 women, have been trained. The corporation also organizes training courses for village cadres and staff and line departments of the government. Details about the courses organized in 1996 are given in Table 14.

WOs, rural women have become a part of the forum dealing with village/community development issues. This has given them a chance to discuss issues and to arrive at solutions through support from SRSC.

Until 1996 SRSC's programme was structured to address women's needs through a Women in Development (WID) section. In 1996 it was decided to mainstream its WID programme by giving each section a greater

Table 14: Training of Village Cadres, Staff and Line Departments, 1996

Social training for Village Cadres	Men	Women	Total
Agricultural Sector	552	569	1121
Livestock Sector	373	181	554
Forestry Sector	27	--	27
Enterprise Development	--	436	436
Health Sector	8	136	144
Staff Training			
Short Training Courses (inland)	198	63	261
Short Training Courses (abroad)	4	3	7
Other Training Courses	Number of Persons Trained		
Local Government and Rural Development Department	35		
Forest Department	9		
Women's Development Associations	4		

2.2 Women's Programmes

The women's programme of SRSC seeks to bring women into the mainstream of village development through improving their social and economic situations and status. The principles for social organization, i.e., capital formation, skill development, participation and implementation, apply equally to women's programmes. However, greater emphasis is placed on awareness of women's issues as the prime objective of the women's programme.

The rural women of the NWFP live extremely secluded lives. Through organizing

responsibility for managing women's issues. Currently there is a gender issue section that ensures that each section of the programme plans for and addresses women's needs effectively. As of December 1996, the total number of WOs formed in the programme area was 350. The total membership was 10,198 and the collective savings of the members three million rupees (see Table 13).

2.3 Productive Investment (PI)

Productive Investment (PI) is an investment by SRSC in C/WOs based on the principles of equity, productivity, and

sustainability. It is normally 'one time' financial assistance given by SRSC to C/WOs in order to undertake a priority project for the community as a whole.

The four principal objectives of PI by SRSC in the C/WOs are as follow.

1. To help strengthen the C/WOs by involving all members in the identification, implementation, and on-going maintenance of the project
2. To raise productivity and thereby the incomes of members of the C/WOs
3. To realise the potential for developing and expanding upon the existing resource base
4. To build the capacities of the C/WOs for large-scale projects in the future

A PI is identified by C/WOs through a series of dialogues with SRSC; the following are the steps in this dialogue.

1. Identification of village needs with the participation of all C/VO members
2. Assessing technical and financial feasibility with the help of SRSC staff
3. Survey, design, and cost estimates for the project carried out by SRSC
4. Formation of a PI Management Committee within the C/WOs
5. Release of the grant by SRSC
6. Project execution to completion according to design and cost
7. The responsibility for on-going operation and maintenance of the scheme is handed over to the C/VO.

There is a ceiling of a maximum amount of Rs 240,000 granted for a single project. However, this is flexible in the case of significant/important projects.

In some cases, the PI is funded through an interest free loan, instead of grants being given to the C/WOs, to be repaid to SRSC. As of December 1996, a total of Rs 88 million had been disbursed by SRSC for PIs, Rs 54 million of which was disbursed during 1996. As can be seen from Table 15, small irrigation works have dominated the PI projects. There has been a fair number of drinking water projects in Charsada and Kohat also. Livestock development and fisheries are other important items facilitated by the PI programme.

2.4 Natural Resource Management (NRM)

The NRM activities are carried out for interested COs/WOs through five key channels: viz.,

- a) training,
- b) demonstration,
- c) on-going introduction of improved agricultural inputs and livestock breeds,
- d) workshops, and
- e) familiarisation visits.

The four broad objectives within the natural resource management sector, focussing on the C/WOs as the principal local groups pursuing sustainable development, are as follow.

- Optimal management and use of natural resources on a self-help basis
- An increase in income-generating activities to improve the economic status
- Skill improvements for extension workers to bring about better resource management
- Facilitating linkages of C/WOs with other development institutions in the public and private sectors

Table 15: Productive Investment (COs) - SRSC

Water Supply	Charsada		Kohat		Mansehra		Total	
	Dy	Cum	Dy	Cum	Dy	Cum	Dy	Cum
Lining of Channel	1	5	7	23	-	-	8	28
Tubewell	2	12	-	-	-	-	2	12
Irrigation	-	-	-	9	5	6	5	15
Retaining Wall	1	2	-	-	-	-	1	2
Pumping System	-	1	6	7	-	-	6	8
Dug Well	1	1	11	18	-	-	12	19
Gypsum Treatment	-	10	-	-	-	-	-	10
Water Storage Reservoir	-	-	9	16	-	-	9	16
Dams/Bunds	-	1	6	15	-	-	6	-
Drinking Water Supply Schemes	156350	104144	156350	-	-	-	-	-
Area Sprayed (# of beneficiaries)	2014	4186	400	1554	-	65	2414	5805
Services Provided (# of beneficiaries)	1341	3150	500	2418	-	350	1841	5918
AEWs Earnings (Rs)	1341	109050	12000	52000	-	8000	74050	169050
Livestock								
Demonstration Plots (# of plots)	80	469	161	751	41	41	282	1261
Introduction of Improved Breeds (COs)	12	50	14	203	18	23	44	276
Introduction of Improved Breeding Eggs (# of eggs)	-	2293	1100	3330	-	1965	1100	7588
Installation of Cattle Crush (#)	2	2	-	-	-	-	2	2
Introduction of Fish Spawn (# of Spawn)	-	-	17700	17700	-	-	17700	17700
Fish Farming (# of farms)	-	-	3	3	-	-	3	3
Birds Inoculated (# of beneficiaries)	4630	47318	21553	40369	-	2376	26183	90054
Animals Treated/ Vaccinated (# of animals)	4738	37566	62020	174590	3447	5137	70205	217293
Services Provided (# of beneficiaries)	4120	16515	4002	27329	-	2404	8122	46248
Cum = Cumulative till December 31, 1996								

Dy = during the year 1996

The NRM section of SRSC assists farmers in maximising the productive capacity of their land and other natural resources by improving local management systems and introducing new technologies into the forestry, agricultural, and livestock sectors. The SRSC trains members of community and women's organizations in various natural resource sectors — mainly to extend technical skills and support to small farmers in the region.

The NRM focus in 1996 shifted from large-scale training and development of a village specialist cadre to purely need-based training programmes. In future the potential use of special services and income generation expected in the village will precede the need to merely train the individual villager.

The NRM programme seems to have focussed mostly on use of natural resources, particularly land, to raise productivity in crop husbandry and livestock (activities carried out by women) rather than conservation, as can be seen by the details of activities supported through a number of women's organizations (Table 16).

There are three credit windows, and these are based on tenure and purpose of the loan.

- 1) Short-term — four to nine months for agricultural inputs and trading purposes
- 2) Medium-term — nine to 18 months for micro-enterprise, annual crop, and livestock purposes
- 3) Long-term — 18 to 24 months for land development, micro-enterprise, and livestock purposes

Credit Thresholds: Maximum entitlements for credit are:

agricultural loans	Rs 25,000
micro-enterprise loans	Rs 50,000
per member, and	
the overall credit limit	
for the C/WOs as a whole	Rs 250,000

Trading Loans: Small loans for trading purposes are considered in order to even out the cash flows of traders and give them more holding power in the market so that they can charge an appropriate price for their goods. The tenure for such loans is a maximum of four months.

Milch Loans: WO mostly ask for milch loans. Each buffalo costs from Rs 15,000 to 20,000. Returns from this activity are immediate and regular except for during the dry period. The terms of this loan are as follow.

- Only women/families that have average incomes of less than Rs 5,000 per month and assets of less than Rs 50,000 in value are eligible.
- Each member is entitled to purchase only one milch animal.
- Collateral is not mandatory, however the animal remains the property of SRSC until the loan has been repaid with service charges.
- Repayment is regular, on a monthly basis.
- The loan maturity period is a maximum of 30 months.

Service Charges and Collateral: The minimum service charge (mark up) on all loans is 12 per cent per annum. The SRSC has the first charge on C/WO savings in the bank account along with a collateral of 20 to 25 per cent of the value of the loan in the form of Time Deposit Receipts (TDRs).

Table 16: Natural Resource Management (WOs) - SRSC

	Charsada		Kohat		Mansehra		Total	
	Dy	Cum	Dy	Cum	Dy	Cum	Dy	Cum
Agriculture (No. of WOs)								
- Mushroom Cultivation	54	62	-	4	-	-	54	66
- Kitchen Gardening	2	10	18	37	66	89	86	136
- Food Preservation/ Processing	-	20	2	30	9	45	11	95
- Nursery Raising	-	-	-	6	-	-	-	6
- Courtyard Plantation	-	-	-	8	-	11	-	19
- Composting	-	-	10	10	-	-	10	10
Livestock (No. of WOs)								
- Fayumi* Units Distributed	3	28	16	31	16	24	35	83
- Eggs of Improved Breeds	10	24	-	10	-	-	10	34
- Day-old Broiler Chicks	-	-	-	5	-	-	-	5
- Concentrates	16	25	-	-	-	46	16	71
- Mineral Supplements	19	22	-	-	-	-	19	22
- Sheep/Goat Units Distributed	-	-	30	30	-	-	30	30

Dy = During the year 1996

Cum = Cumulative by December 31, 1996

- * Fayumi is an improved (Egyptian) poultry breed. A unit is one male chick and four females.

Interest on TDRs is paid back to the COs/WOs after the loan is repaid. In case the loanees are very poor, the collateral requirements are made as flexible as is justifiable.

Repayments: Usually the loans for micro-enterprises are repaid in installments, whereas agricultural loans are repaid in lump sums. An additional one per cent is charged monthly on the balance of overdue installments/repayments.

In addition to agriculture, micro-enterprises for trading, and milch loans, a new credit line was introduced in 1996 known as the land lease facility. This loan is granted to the landless or farmers with land holdings of below one acre of irrigated land; and through it they receive support to lease land. Collateral is not binding with this facility.

The Bank of Khyber (BOK) has agreed to enter into a partnership with SRSC to provide soft term loans to the communities in the area where SRSC is operating. The BOK has notified its branches to entertain requests from community organizations in the area.

As of December 1996, a total of Rs 25.2 million was disbursed, whereas a total of Rs 10 million was recovered as repayment of loans given by SRSC. In the Charsadda area, the recovery rate was 72 per cent during 1996 (details are given in Table 17).

The credit programme of SRSC appears to have achieved operational viability insofar as its earnings during 1996 increased to Rs 995 million from Rs 203 million in 1995 and Rs 15 million in 1994.

2.5 Social Sector Programme (SSP)

The performance of public, social sector services within the NWFP has been ex-

tremely poor in the past. Basic services are poorly designed in terms of their outreach to the rural poor; and overall lack of accountability to the people served has left large population pockets with no drinking water facilities, poor sanitation, low literacy rates, and high birth rates.

The social sector activities/programmes of the SRSC include interventions in the health, education, and family planning sectors and water supply and sanitation schemes in the rural areas through community participation. The following programmes have been taken up so far.

- i) Health, nutrition, and family planning
- ii) Community health awareness
- iii) Training of community health workers
- iv) Education programmes

Some programmes establish linkages between the C/WOs and government/NGO health facilities. Broadly, these programmes fall into the health and education sectors. The main elements in and achievements of these two programmes have been as follow.

Health, Nutrition and Family Planning

This programme is for improvement in the overall health of village communities through creating local capabilities through training health workers in the village, raising general awareness about health and hygiene, and linking communities with existing service outlets. A key component of the programme is the training of women as Traditional Birth Attendants (TBAs). The basic TBA training is conducted by SRSC and later on this is linked to the Government Health Department which provides lady health visitors and doctors to carry out the training. As of December 1996, 264 TBAs had been trained. TBAs are also

Table 17 : Credit and Enterprise Development - SRSC

	Charsada		Kohat		Mansehra		Total	
	Dy	Cum	Dy	Cum	Dy	Cum	Dy	Cum
Community Organization (COs)								
No of COs	38	92	62	140	55	62	155	294
No of Loans	45	141	71	208	60	84	176	433
No of Beneficiaries	649	3065	304	1429	354	511	1307	5005
Amount Disbursed (Rs' 000)	4828	9273	3151	5929	1717	2175	9696	17377
Amount Due for Recovery (Rs'000)	400	5236	601	3362	388	813	1389	9411
Amount Recovered (%)	240	3028	550	3087	378	682	1168	6797
Percentage Recovery (%)	60	58	92	92	97	84	84	72
Women's Organizations (WOs)								
No of WOs	28	44	30	41	31	35	89	120
No of Loans	38	54	34	57	52	65	124	176
No of Beneficiaries	195	501	88	234	82	107	365	842
Amount Disbursed (Rs' 000)	2576	4931	931	1659	1070	1263	4577	7853
Amount Due for Recovery (Rs'000)	608	3019	134	884	171	382	913	4285
Amount Recovered (Rs'000)	486	1956	133	862	154	311	773	3129
Percentage Recovery (%)	80	65	99	98	90	81	85	73
Total								
No of CWOs	66	136	92	181	86	97	244	414
No of Loans	83	195	105	265	112	149	300	609
No of Beneficiaries	844	3566	392	1663	436	618	1672	5847
Amount Disbursed (Rs '000)	7404	14204	4082	7588	2787	3438	14273	25230
Amount Due for Recovery (Rs.000)	1008	8255	735	4246	559	1195	2302	13696
Amount Recovered (Rs' 000)	26	4984	683	3949	532	993	1941	9926
Percentage Recovery (%)	72	60	93	93	95	83	84	72

Cum = Cumulative till December 31, 1996

Dy = During the year 1996

taught about family planning and methods of referral to the government for immunisation against communicable diseases.

Education Programme

SRSC's education programme began in 1996 with the setting up of eleven adult literacy centres in the Charsadda region. SRSC has received a grant for its community school project from the Federal Government to establish 30 primary schools for girls in its programme areas. The schools were to be set up by September 1997 in areas where there are no government/private schools or access to such facilities. However, SRSC does not aim to set up a parallel system of education to that of the government; it can only demonstrate effective models of community participation on a small scale to link communities with the existing system.

2.6 Human Resource Development (HRD)

The main objectives of the HRD programme of SRSC are as follow.

- i) To build the capacity of villagers/community members in order to serve the community's social and productive needs
- ii) To provide linkages between C/WOs and national/international/NGOs and like organizations for extensive development

The HRD section of SRSC was established to augment organizational efforts to systematically establish the capacities of rural communities to take charge of their own development and to cater for the increasing need for a viable, long-term staff development agenda within the organization. Training programmes are organized for communities and also for SRSC staff. The former cover such areas as community organization, importance of savings, leadership, record keeping, agenda/procedures for CO/WO meetings, credit and its usage, planning, cluster formation, PI identification and maintenance, problems and resources, and role of women in development.

Training of SRSC staff covers such subjects as community approach and mobilisation, motivation in communication skills, team building, report writing, social survey, monitoring, evaluation, and research. Details of training programmes organized by SRSC are given in Table 14.

2.7 Credit and Enterprise Development (CED)

This programme is designed to increase the access of rural communities to credit for productive purposes. It encourages micro-enterprise development to achieve greater productivity and increased incomes for rural communities.

Chapter 4

Balochistan Rural Support Programme

Balochistan Rural Support Programme (BRSP) was established in 1991 under the Companies' Ordinance as a non-profit organization dedicated to rural development in the province. Its aim is to improve the quality of life of the rural poor and make them active partners in development. As a catalyst for sustainable development, BRSP complements and supports government and non-government organizations in mobilising the self-help potential of rural people.

BRSP's conceptual and operational framework is based on soliciting people's participation. To attain this objective, BRSP supports the formation of self-sustaining organizations to identify people's specific needs. In response to an identified need, BRSP develops well-integrated programmes that are sensitive to Balochistan's cultural heritage and institutions and which have the potential for lasting impact.

The financial resources for the Balochistan Rural Support Programme were provided

by the Federal Republic of Germany and the Government of Balochistan; and the amount is Rs 48.00 million each.

1. Balochistan: A Brief Introduction

Balochistan Province is divided into northern uplands and a southern zone. It lies far South, at latitude 25 30'N, on the coast of the Arabian Sea, and towards the north it shares a border with Afghanistan at latitude 32 00'N. In the west, it shares a border with Iran, while its eastern border coincides with three other provinces (i.e., the Road Kohi region). The northern uplands cover about 132,300sq.km. and have a relatively higher rainfall than the other areas. In the northern uplands, pastoralism with its associated caravan trading was the mainstay of the economy until the last decade. Cultivation of fruit and vegetables (known as horticulture throughout South Asia) through irrigation is currently the main source of income, but nomadic pastoralism is still wide-

spread. According to the 1998 Population Census, Balochistan, with 6.5 million people, accounts for five per cent of the total population of the country. The intercensal statistics from 1981-1998 give an average annual growth rate of 2.42 per cent, which is slightly less than the national average. Around three quarters of the population live in rural areas.

A number of tribes inhabit the province, the *Pathan*, *Baluchi*, *Brahui*, and *Lasi* being the important ones among them. The *Pathan* are mostly found east of a line from Sibi to Chaman, while their nucleus area is around Takhti-I-Sulaiman. The *Baluchi* are to be found in the Marri and Bugti Hills and parts of the Karachi Plain. The mountain land between Quetta and Las Bela is held by the *Brahui*, while the *Lasi* are mostly found in Las Bela. In keeping with the racial and tribal diversity, a number of languages are spoken in the province. These include Pashtu, Baluchi, Brahui, and Lasi.

Balochistan is the least developed province in the country. Agriculture is handicapped by the limited amount of arable land, scanty rainfall, and lack of irrigation. Irrigation from surface flow is extremely limited and is mainly in the form of flood irrigation. In some parts of Balochistan, *karez* (underground channel irrigation system) is practised but methods to increase groundwater supplies await further investigation. Some pilot projects have been initiated. Development is in essence handicapped by

- a) difficult terrain,
- b) immense distances,
- c) lack of communications, and
- d) a sparse population located in isolated basins.

Balochistan is the least industrialised province of Pakistan. Factories are virtually non-existent, even though it has considerable mineral wealth. It has deposits of natural gas, chromite, lead, sulphur, and marble. Natural gas was discovered at Sui in Kashi District in 1952. The reserves are among the largest in the world. From Sui, gas is piped to Karachi, Hyderabad, Sukkur, Multan, Faisalabad, Lahore, and Rawalpindi and is used for industrial power as well as for domestic consumption. About two-thirds of the coal mined in Pakistan comes from Balochistan. Chromite is mined at Hindubagh, mostly for export. Other reserves have been located in the Chagai area. Good quality marble in beautiful shades is found in several places, particularly in Dalbandin and Chagai. Sulphur is found at Koh Sultan in Chagai.

The land area of Balochistan comprises some 40 per cent of Pakistan, but, due to its arid climate and lack of major water resources, it has the smallest irrigated area of all four provinces. Whilst some grain production is possible on rainfed and flood irrigated (*sailabi*) land in the province, yields are low. High-value agricultural production is only possible on the limited, perennially irrigated land. Water resources for this purpose are strictly limited and hence need to be used as efficiently as possible. This is particularly so in case of groundwater resources that are finite and which are drying up in many valleys.

Balochistan produces fruit and vegetables that have some of the highest values in the country. High elevation valleys (over 5,000 feet) in northern Balochistan are among the few areas in the region capable of producing delicious fruit such as apples, pears, plums, peaches, and grapes; and all of these command high prices. Medium elevation

valleys to the south and west of the above (at elevations of from 900 to 1,500 masl are capable of producing vegetables out of the seasons that are normal in the rest of the country and, therefore, they command a premium price. It is only the lower elevation plains to the south and east of the province that directly compete with the main irrigated areas in the Punjab and Sindh, since they grow tropical and subtropical fruit varieties, vegetables, and grain crops of similar types to those grown in the major irrigated areas. Even in these lower elevation areas, however, some crops, such as coconuts, dates, and pineapples, are grown which are capable of providing good returns.

2. Organization and Programme of BRSP

BRSP has the following sections offering different programmes for village men and women.

2.1 Plant Production Section

This section helps to maximise crop production through efficient use of agro-inputs and provides training in improved production techniques. The disciplines covered are crop production, orchard management, and agroforestry.

2.2 Animal Production and Health Section

The livelihoods of rural people are mostly dependent on livestock with levels of productivity that are much lower than the potential. This section supports farmers by improving their skills through introduction of improved and productive techniques and by offering extension courses.

2.3 Marketing Section

This section helps to market the produce through formation of marketing and artisan associations. It also conducts training, organizes exposure tours, establishes linkages with markets, and arranges exhibitions.

2.4 The Artisans' Programme

BRSP supports village artists and artisans to not only preserve heritage but to provide them with direct market access for maximum return and recognition. These artisans are organized in craft guilds and trained to handle relations with suppliers and buyers, administer funds, and ensure quality control.

2.5 Rural Finance

This section is planning and implementing a credit delivery system for various income-generating projects. The main focus is on credit discipline, familiarising the borrowers with practices relating to the credit system, and improving their credit worthiness with a view to linking villagers to formal credit institutions.

2.6 Human Resource Development

This section is responsible for developing and strengthening the knowledge base, organizational and management capacities, and professional expertise of various people belonging to different trades. It offers workshops, seminars, and training courses.

2.7 Infrastructure

The engineering section is not involved directly in construction schemes but undertakes limited supervision and provides technical support. All schemes and surveys are

collaborative and demand-oriented. Their feasibility is established in terms of villagers' ability. The schemes include irrigation channels, flood diversion/protective works, drinking water wells, pipelines, storage reservoirs, and *karez* (underground water channels for irrigation).

2.8 Health Education

This section seeks to remedy the lack of proper health facilities and information through training and related activities. It attempts to deliver services such as hygiene, nutrition, family planning, clean drinking water, and sanitation through linkages with appropriate government departments and NGOs.

2.9 Formal and Informal Education

None of the programme packages can have a positive impact in the absence of functional literacy among village women. The long-term benefits of educating girls are sure to yield good results. Therefore, BRSP aims to develop the minds of people trapped by geography and ignored for centuries.

3. Achievements and Impact

Some highlights of BRSP's activities and achievements over the years are given below.

3.1 Village Organizations

The Balochistan Rural Support Programme's mission is to facilitate improvement in the quality of life of Balochistan's disadvantaged rural population, especially women, by organizing them at grass roots' level into village organizations to identify specific problems. During 1995/96, 27 village organizations, 28 women's organiza-

tions, and six village specialist associations were established. However, during that very year, BRSP ended its cooperation with 32 Self Help Organizations (SHO) because the activities in these organizations ceased. By the end of 1996 there were 473 village organizations linked with BRSP.

BRSP supported the villagers through training to impart skills, knowledge, and awareness and also served as an intermediate link between the village organizations and government and non-government agencies. Its role is complementary and supplementary to all other efforts being taken to further rural development in Balochistan. BRSP creates a demand for services to be offered by various agencies, motivates and organizes people to become aware of viable options, and helps to empower them to seek solutions for their needs and day to day problems. It encourages villagers to choose and plan how and where to use their own resources.

BRSP has offered two types of package to village organizations; a conceptual package and a programme package. Various programme packages were introduced to members of village organizations which were equally applicable to men and women.

3.2 Credit Programme

The purpose of the credit programme is to provide the rural population with access to capital. The total number of loans at the end of 1995-96 was 1,129 compared to 802 in the previous year. It may be noted that, at the end of the previous year, 65 per cent of the loans were for internal lending. By the end of 1995/96, this had decreased to 61 per cent. This was due to the fact that many self-help organizations in the villages were upgraded.

Around 71 per cent (amount wise) of the loans were obtained for agriculture and live-stock activities. There has been an increase in loans for other economic activities over the past year, indicating a shift towards diversification of economic activities in the programme area.

3.3 Technology

Identification of technology in the field was a difficult task. Since it was a new kind of assignment, the teams had a problem deciding what to consider a technology and what not. However, after assessing technologies according to the prescribed criteria and arriving at a consensus among the team members, different technologies for use of farm resources and natural resources have been identified. These include both indigenous and modern technologies. Technologies for income-generating activities, especially for women, have also been separately identified and documented.

Indigenous Technologies have been identified as those that have been available to and standardised by the local inhabitants over a long period of time. They have been developed with available resources and are found to suit harsh climatic and physiological conditions.

Modern Technologies include those technologies that have been delivered by national as well as international institutions to extension agents and which are being adopted by local farmers. Some were collected directly from national research institutes and were sitting there due to inefficient extension mechanisms. Some farmers combined modern technologies with indigenous ones and modified them according to their needs.

3.4 Human Resource Development

A number of training programmes was organized for male and female villagers to promote village development on a participatory basis. The current training concept of HRD focusses on mobilisation and training of human resource potentials at the village level, support to the institution building process, and fulfillment of the training needs of BRSP staff and other agencies. The main activities that are being carried out are as follow.

Villagers' Training

Emphasis here is on improving skills. Until June 1996, technical and managerial training had been provided to over 19,000 villagers, both men and women, in the programme area. Training includes non-formal methods of skill improvement and is organized in the villages. Farmers' Days and conventions are also organized. Villagers are also given opportunities to go on familiarisation tours.

Marketing Associations

BRSP encourages members of selected village organizations to form Marketing Associations after they have received training in marketing. Members of these associations become resource persons and change agents in their respective villages and village organizations and practice collective marketing. The associations become platforms for joint activities and also for providing solutions to their marketing problems. The associations also have access to credit from BRSP (Table 18). The objectives of establishing such marketing associations are as follow.

Table 18: Loan Disbursement by Purpose, Number, and Amount as of June 30, 1996

Purpose	No. Loans	Loan Amount in Rupees
Agricultural Input	228	8,803,515
Land Preparation	74	6,012,490
Land Purchase	7	3,995,600
Goats and Sheep	533	13,305,618
Village Shop	47	1,018,600
Medicines	44	693,122
Coal Trade	13	312,000
Others	183	11,123,355
Total 30-06-96	1129	45,264,300
Total 30-06-95	802	33,744,936

- To organize the members of different SHOs (Self Help Organizations) who are individually engaged in marketing their produce and can contribute towards an initial working capital to establish a joint business
- To reduce exploitation by traditional middlemen
- To link the association with potential markets and other institutions to procure better prices for their products
- To explore the possibilities of suitable post produce technologies (on farm and off farm) in the form of micro-enterprises
- To raise the income level of a community by providing marketing services to the SHO members and villagers

A notable example of such associations is 'Kisan Marketing Association' established under BRSP's self help philosophy in 1994. BRSP trained village specialists in Marketing and Enterprise skills and linked them with key traders in the major markets of Sindh and the Punjab. They were also provided with a loan of about Rs 300,000 to support their business activities. They collected their small amounts of sorghum, mung (lentils), mustard, sesame, and cori-

ander and transported truck loads collectively from the area direct to the main markets. The total transactions were for Rs 4,300,000 during 1995. A member of the association was engaged in the handicraft business and he traded in handicrafts worth Rs 300,000 during the year. The total annual profit earned by all the association members was Rs 150,000. The association members have separate bank accounts in which to deposit their monthly savings — which came to Rs 120,000 by the end of June, 1996. This is a big step towards sustainability, besides providing earnings for the members' day to day needs. The establishment of the Marketing Associations also led to higher profits for small rural producers, advances extended as emergency loans, and ensured and quick payments for their products in comparison to what the traditional middlemen paid them. Above all, they assisted rural producers in freeing themselves from the clutches of traditional moneylenders in the area; the interest rates of these moneylenders were as high as 120 per cent per annum. The 'Kissan' Marketing Association' has a programme for establishing micro-enterprises for which they will need technical as well as financial support from BRSP.

Self-help organizations have also been provided with general training in marketing through which they are taught the basics of marketing, colour schemes for embroidery and weaving, food preservation, and small enterprises such as spinning yarn, candle-making, detergent making, and jam making. Marketing demonstrations and ex-

periments have been conducted on preparation of pulses, fruit, animals, wool, and handicrafts with the target groups. BRSP has also organized several familiarisation tours in Balochistan.

demands, these improved technologies and inputs are tested in completely new social and ecological environments, and the results open doors for further dissemination in similar conditions. In BRSP's terminology, these are classified as experiments. Demonstrations and experiments carried out during 1995-96 are given in Table 19.

Table 19: Number of Demonstrations and Experiments Carried Out by SHOs (Region Wise)

Regions	Number of D/Es in 1995-96							
	Crop Prod.		Orchid Mgmt.		Agro-forestry		Total	
	VOs	WOs	VOs	WOs	VOs	WOs	VOs	WOs
Killa Safullah Pishin	-	-	-	-	3	-	3	-
Kalat	8	-	-	-	2	1	10	1
Quetta Mastung	6	3	-	-	3	2	9	5
Bar Khan Musa Khel	15	3	7	-	9	5	31	8
Bolan Jhal Magsi	24	1	-	-	3	-	27	1
Lasbela	9	1	1	1	-	-	10	2
Total	62	8	8	1	20	8	90	17

periments have been conducted on preparation of pulses, fruit, animals, wool, and handicrafts with the target groups. BRSP has also organized several familiarisation tours in Balochistan.

Demonstrations

To introduce improved methods or inputs and to teach rural communities the benefits of improved technology in a modern production system, attempts have been made to demonstrate the innovations practically right in the farmers' fields. Such demonstrations are performed on demand and are participatory in nature. All such demonstration activities are carried out by the self-help organization (SHO) members under the supervision of the BRSP staff, especially the Subject Matter Specialists. Sometimes, according to the needs and

3.5 Credit and Enterprises

The credit and enterprise development component of BRSP aims to encourage investment in off-farm activities, focussing on micro-enterprise development to increase production and income. In this context, micro-enterprise training in soap, jam, jelly, soft drink, and candle making was carried out for the WO (Women's Organization) members in the programme area. Although WO members showed an interest in taking up certain activities on a commercial scale, the lack of raw materials in the local market, the high cost of equipment, and problems encountered in marketing the products prevented them from pursuing these activities. The credit and enterprise development section is now in the process of addressing these issues by linking WOs to the market.

New markets were surveyed and information collected for the sale of cereal crops, fruit, pulses, wool, livestock, and handicrafts. This information was disseminated to small rural producers in the target areas in Balochistan. Similarly, contacts were developed with the FAO Quetta; Fruit and Vegetable Marketing Department, Government of Balochistan; Pakistan Council of Appropriate Technology (PCAT), Quetta Regional Office; Post Harvest Laboratories in Quetta, Shirkatgah and Karachi; and Lok Virsa, Islamabad for support to the target groups of BRSP.

The recovery of loans disbursed to Self-Help Organizations during the fourth year of BRSP (1995-96) was satisfactory in terms of use and discipline. Three hundred and twenty-seven loans were disbursed during 1995-96, and 258 were recovered. The overall recovery rate up to June 1996 was 86 per cent. The recovery rate declined from 95 to 86 per cent because of genuine climatic problems in a few areas and no visible wilful default was noted. The details of loans provided from internal and programme funds to village organizations, women's organizations, and Village Specialists' Associations are provided in Table 20.

Table 20: Loan Status by Type and Amount as of June 30, 1996

Self Help Organization	Internal Lending		Programme Loan (Individual)		Programme Loan (Collective)		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
VOs								
Recovered	526	8486796	105	6503791	83	12499225	714	27489812
Ongoing	38	778500	34	2083000	19	5169660	91	8031160
Overdue	79	1846044	7	665699	11	2143265	97	4655008
WOs								
Recovered	16	285456	75	1023246	2	433000	93	1741702
Ongoing	2	23778	57	605922			59	629700
Overdue	5	85416	18	121250			23	206666
VSAs								
Recovered	20	249195	12	743750	9	1167678	41	2160623
Ongoing	1	12964	1	20000	3	262000	5	294964
Over due	3	23415	3	31250			6	54665
Recovered	562	9021447	192	8270787	94	14099903	848	31392137
Ongoing	41	415242	92	2708922	22	5431660	155	8955824
Overdue	87	1954875	28	818199	11	2143265	126	4916339

VOs = Village Organizations

WOs = Women's Organizations

VSAs = Village Specialists' Associations

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 30th 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.

Annex

Case Studies

CASE STUDY 1: Use of Local Material for a High-value Product: Hunza Carpet (Pvt.) Limited (AKRSP)

Hunza Carpet (Pvt.) Limited was initiated by AKRSP in November 1996. The objectives of this project were to: (a) transfer carpet-making skills to the Northern Areas; (b) create a high quality carpet-making enterprise that would generate employment for local people; and (c) use local wool in carpets so that wool producers would get better returns for their produce. The location for the carpet-weaving centre was initially to be at Minapin Nagar in order to use the wool from a new sheep breed that AKRSP had introduced. Later, the location of the centre was shifted to Hyderabad, Hunza.

AKRSP hired a French consultant, who had carpet factories in Peshawar and Afghanistan, to do the initial survey and operate the training centre. Upon his recommendation, five young local people were selected for a five-week period of training in carpet making in Peshawar. The training was arranged at the consultant's factory in Peshawar. The consultant involved two Turkoman master trainers in the process. Just after the training, experimental production commenced. By the end of November 1996, 15 local people had been trained and 13 people were undergoing training. AKRSP has spent around one million rupees in research and development for the carpet centre. In November 1996, the carpet centre was handed over to a local entrepreneur who was involved in the process of establishing the centre from the very beginning. He registered the enterprise as a private limited company (Hunza Carpet Private Limited) and took over the responsibilities of managing and operating the enterprise. In December 1996, AKRSP provided credit of Rs 580,000 to the enterprise at a service charge of 15 per cent.

In January 1997, 400 educated girls applied for training. Eighty were selected. At the end of the four-month course, all of them were offered employment with the carpet-making enterprise. Presently, 61 girls have received permanent employment and nine are part-time employees. Seventy-five permanent employees, 61 women and 14 men, are working with the enterprise.

During 1997, the enterprise sold carpets worth Rs 3.3 million and made a net profit of about one million rupees. The enterprise repaid the loan from AKRSP with service charges. The enterprise is now producing different varieties of carpet, locally known as *kilim*, *sumac*, and *gabeh*. The unique designs of traditional Hunza motifs, use of vegetable dyes, and good quality local wool are the potential competitive advantages of the enterprise. Further, the enterprise does not use child labour; in fact, the minimum age of all its employees is more than 20 years. Because of all these factors, the products of the enterprise are selling at a premium price and have created a special niche. A Turkoman master trainer is managing the production process and the entrepreneur is involved in marketing the products. In January 1998, AKRSP provided a loan of Rs 1.2 million to the enterprise to meet its working capital at a service charge rate of 24 per cent with a two per cent prompt repayment incentive. All the objectives that were initially set for this enterprise have been achieved. The enterprise has the potential to create several more jobs in future.

CASE STUDY 2: Tapping Potential Entrepreneurship through Credit: The Case of Saifur Rahman's Flour Mill (SRSC)

In response to the needs of the community, Mr. Saif-ur-Rehman of Lulo Bandi village in Mansehra district decided to set up a flour grinding unit in his village since his fellow villagers had to travel to other areas for this purpose. He put his proposal to SRSC through the Community Organization (CO), requesting a short-term loan of Rs 15,000 for the purchase of a flour husking machine, and this was duly granted to him. The loan was disbursed in December 1995 and was repayable within 12 months in equal monthly installments along with service charges @ 14 per cent per annum. He purchased the machine and commenced operations with the help of a trained assistant employed by him on a monthly wage of Rs 800. The machine has been used for grinding wheat and maize. The response to the business was very positive, and he has been able to attract a reasonable number of customers - and these also include people from villages nearby. During 1996 his gross earnings totalled Rs 50,000 enabling him - after meeting the operational costs of the machine, wages of the operator, other expenses, and the loan installments - to clear Rs 1,600 per month. During 1997 he replaced the machine, purchasing the latest model with a better grinding capacity at a cost of Rs 30,000; the result was that he almost doubled his monthly earnings during the season. His net earnings averaged Rs 3,000 per month in 1997.

Mr. Saif-ur-Rehman is a disabled person but he now intends to expand his business by installing similar machines in other villages. He will run them through employing staff. This will not only generate income for him but will create employment opportunities for other villagers as well.

CASE STUDY 3: An Enterprise in Infrastructural Development: The Case of Tayyab Jan's Blasting Machine (SRSC)

Mr. Tayyab Jan, of Been Basian - Oghi village in Mansehran district received training in credit and enterprise development from SRSC after becoming a member of a community organization. He decided to start his own business by purchasing a blasting machine to be operated during the construction of roads, bridges, and so on in the hilly terrain. He put his proposal to SRSC through the CO and requested a loan, which he received in July 1996. The loan was repayable in two years. He employed a trained operator at a monthly wage of Rs 2,000/- and also started learning to operate the machine himself since it required a crew of two persons.

He commenced operating his machine with the construction of the Numsheran - Gujran Road (Oghi) and then shifted to the allied roads after its completion. His net earnings — after deducting the wages of the operator, maintenance and operational costs of the machine, and other overheads, i.e., dynamite etc — averaged Rs 6,000/- per month from August 1996 to November 1997. This enabled him to pay back a sum of Rs 60,000 to SRSC out of the total loan of Rs 95,000.

From October 1997 he has started work on the Haryala road, which is a bigger project, and he anticipates a net earning of Rs 8,000 per month from this assignment. Mr. Tayyab Jan is satisfied with his business and intends to expand it in the near future.

CASE STUDY 4: Enterprise Creation through Women's Organization: The Case of Gulghutai Women's Organization (BRSP)

The BRSP helped the women of Talari Mohammad Jan village to set up a women's organization on October 10, 1996 (named Gulghutai) by extending a small loan of Rs. 8,000. This was the first stage of loaning and the future situation in terms of bigger loans was to depend on the progress achieved with this initial loan.

The idea of having a women's organization in Talari Mohammad Jan Village was floated by representatives of NGOs and the BRSP. All the conditions for receiving loans, such as the amount required, purpose, number of applicants, mark-up, and so on, are determined by the villagers themselves in their monthly meetings and approval is then sought from BRSP. Gulghutai received the loan at a mark-up rate of 12 per cent.

Fourteen village women led by the entrepreneur, Khan Bibi, were involved in a micro-enterprise project to generate income from handicrafts, pickles, candles, and jam. Since it was a small project, no feasibility study was carried out prior to the start of the project. However, the factors kept in mind for identification of the product included availability of skills, extension of existing production lines, and the possibility of increasing incomes through marketing the products.

The raw materials used included fabric, thread, and buckram for handicrafts; sugar, fruit, and vegetables for pickle and jam; and wax for candles. Only 10 per cent of the total raw material used was produced locally, while the remaining 90 per cent was bought from other areas. No machines were used and everything was done by hand. The raw materials were bought with savings and borrowed money.

Women involved in the project were relatives of Khan Bibi as well as others from the village. Their average age was 25 years, and all had middle standard education. They were provided with technical training by the BRSP staff and a consultant from Peshawar hired by the BRSP. The consultant was trained by the GTZ in micro-enterprise development. She primarily taught the women to maintain financial records.

The total investment in the project was Rs 11,000, out of which Rs 8,000 had a mark-up rate of 12 per cent. The loan was given for a period of one year; and it was paid back on time.

Eighty per cent of the total produce of Gulghutai was sold in the local market. The problems faced were mainly related to insufficient demand for their products (and this made competition extremely tough, forcing them to improve the quality of their produce); lack of knowledge of markets and marketing channels; exploitation by intermediaries; and the fact that small production units were scattered throughout far-flung areas of Balochistan. To prepare the women to face the challenges of marketing and equip them with the skills to market their products more efficiently, the BRSP also provided them with training in marketing.

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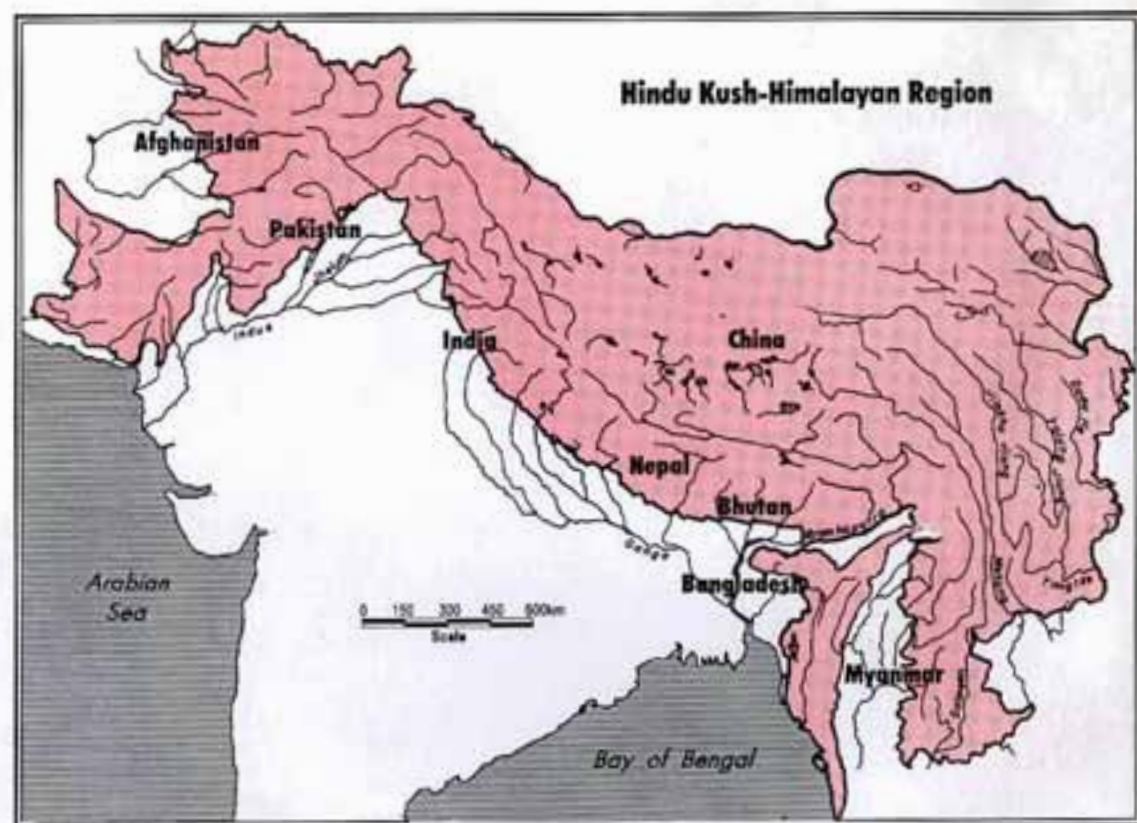
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