

OED Précis



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Aga Khan Rural Support Program: Looking to the Future

Since it began 13 years ago, the Aga Khan Rural Support Program (AKRSP) has transformed the remote Northern Areas and Chitral in Pakistan into rural development success stories. Its distinctive approach has provided the inspiration for other programs in Pakistan and elsewhere. Today AKRSP is at a crossroads. The Foundation and its co-donors requested and funded an independent evaluation by OED to help reposition the program as it enters a new phase.* OED makes some recommendations for AKRSP to build further on its solid foundation and, in particular, for strengthening the links between village-level organizations and government agencies.

AKRSP has broken new ground in developing rural communities (see *Précis* No. 4, 1991—ed.). A key element of the program is institutional development at the village level, which provides the framework for community members to take advantage of outside assistance as well as to use their own resources more productively. AKRSP starts the process by providing an agent to help villagers form a village organization and undertake a significant investment in productive infrastructure of their choice, such as irrigation facilities or a local road, that will benefit their community. The program provides a one-time grant to complement villagers' contributions to the infrastructure project. The grant process helps village or-

ganizations mobilize savings and acquire agricultural technology and production inputs. As benefits accrue, AKRSP facilitates links with other entities providing health and education services.

Achievements

Since 1989, when OED undertook an earlier evaluation of the program, AKRSP has continued its core activities while expanding the area covered. Achievements are substantial (see table). Over the program's 13 year life, real incomes have nearly doubled, on average, in the program area. The increase cannot be wholly attributed to AKRSP, but it compares with the average gain of 26 percent for Pakistan as a whole.

Village organizations (VOs), with a membership of about two thirds of rural households in the program area, have become an integral part of the regional development process. After the completion of the infrastructure projects, they have survived as self-help institutions able to offer their members other benefits, in particular from the savings/credit schemes established under the program.

Savings and loans: By the end of 1994, the village organizations and women's organizations had saved Rs. 209 million, and AKRSP had

disbursed Rs. 27 million of credit (Rs. 30 = \$1). Loan disbursements have been rising steadily. It is now proposed to formalize the savings and loan scheme in a new commercial bank, the Northern Region Development Bank (NRDB), and an enterprise support company (ESC). NRDB would take over the credit operations of AKRSP, and both it and ESC would promote and finance small businesses and social infrastructure projects.

Farming is still the region's main source of income. The productive investments undertaken by village organizations with AKRSP support have expanded irrigation and increased accessibility. They have opened up the economy of villages, increased production, and enhanced welfare. The introduction of fertilizer, fruit trees, and forestry have increased the variety of produce. Program activities have led to major

***The Aga Khan Rural Support Program: A Third Evaluation, edited by Dennis Purcell. Operations Evaluation Department, World Bank, forthcoming. See also The Aga Khan Rural Support Program in Pakistan: Second Interim Evaluation, Operations Evaluation Department, World Bank, 1990. Précis written by Stephanie D. Smith.**

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Achievements in program area, 1982-94

	Total
Area (square km)	74,200
Population (rural)	905,400
No. of villages (approx.)	1,150
Social organization	
Village organizations (no.)	1,834
Women's organizations (no.)	768
Savings (rs. millions)	210
Village organizations	177
Women's organizations	33
Women in development	
Credit disbursed (rs. millions)	27
Group loans (no.)	579
Beneficiary households (no.)	22,793
Productive infrastructure investments (PPIs)	
Number initiated	1,501
Beneficiary households (no.)	85,189
Cost of initiated PPIs (rs. millions)	285.0
Number completed	1,204
Agriculture	
Improved seeds (kgs)	329,973
Fruit trees planted (millions)	2.5

advances in fruit, vegetable, potato, and poultry production and in animal health.

Women in the program area, though traditionally very active in the local economy, had little direct involvement in development-related activities until the advent of AKRSP. Thanks to the program, women's organizations have become a forum for women's participation where their leadership skills and economic productivity have been able to develop. Like their VO counterparts, women's organizations also undertake savings and credit activities.

Looking ahead

At this stage of its evolution, AKRSP is assessing what its future role should be in attaining its goals of sustainable and equitable development. Parts of the region offer opportunities for continuing and expanding traditional program activities. But where AKRSP has been active for longer, different issues

need to be addressed: How to strengthen village-level organizations so that they can function as semi-permanent entities for the good of all community households? How to organize and fund further major productive and social infrastructure, which is sorely needed? How to manage natural resources to realize their potential contribution to sustainable development? How to ensure that the savings and credit mechanisms are sustained after AKRSP is phased out? How to stimulate local entrepreneurial capacity to enhance the area's economy?

Out of the work of a strategy development committee, plans for the program's next phase are emerging. In most respects, OED endorses the new emphases, but it also highlights issues that need further attention.

Strategy

With rapid population growth, limitations on usable land, and improved accessibility, the economic

environment in the program area is changing. Though farming is important, most households earn 30-50 percent of their income off the farm, often in non-agricultural jobs. AKRSP is responding by expanding into the promotion of non-agricultural investments.

People in the project areas are increasingly demanding social services and investments in health and education. In response, AKRSP is facilitating links between village organizations and other providers.

In future, most of the basic infrastructure and social service investment in the region is likely to come from the government. The most valuable contribution AKRSP can make to sustainable development is to ensure that villages have the institutional and human resource capacity to make effective, equitable use of development funds from whatever source.

AKRSP is already delegating some program activities to successor institutions, notably NRDB and ESC, which are to maintain close links with AKRSP. The program itself will be consolidated into a support function to provide services that are needed to develop local capabilities, and an implementation function, where it has a significant comparative advantage. In both functions AKRSP plans to continue using its established capacity to link communities with other providers of services, investments, and funds (see box).

The program plans to promote equity and the sustainable use of resources while encouraging individual entrepreneurship. To respond efficiently to these multiple goals, it will need to introduce a more overt classification of communities and household types, so that activities can be differentiated according to needs.

The investments undertaken with AKRSP support are chosen by villagers to respond to their needs. This feature has been vital to the

program's success. But AKRSP could now make more use of its knowledge of local and national demographic and economic trends and opportunities to offer villagers guidance on priorities for consideration. This advisory function need not compromise the principles of participation and ownership.

Village organizations

For VOs to persist, individual households must see advantages to their continued membership. The task is now to verify and show that the long-term benefits from continuing with village organizations are worthwhile. For the future, the major opportunity lies in having members see their VO as an entity that facilitates their access to services and investments available through government and nongovernment programs. In particular, AKRSP has a crucial role to play in cultivating a partnership between VOs and the Pakistani government.

Many future infrastructure projects will need cooperation among villages. AKRSP will need to develop workable organizational models for this purpose, knowing that in the past individual VOs have feared losing control of decision making.

Success in involving multiple VOs with government agencies in productive or social infrastructure would do much toward introducing a system that allows communities to become directly involved in the local and regional planning process. In view of their emerging role as partners in government investment programs, and as entities involved with the proposed NRDB, consideration should now be given to adopting some legal or quasi-legal structure for village organizations.

Natural resource management

The program has had comparatively little impact on cereal production and animal nutrition, despite the importance of these activities

for typical households. Part of the reason may be lack of adequate follow-up and technical support, and insufficient attention to marketing. But, as OED suggested in 1989, the technology package itself may not always be appropriate.

The next phase of AKRSP should put greater emphasis on the natural resource management (NRM) program. Improvements can be made in the techniques used to identify the needs of different types of farming households and to generate technologies to meet those needs. The NRM program is being decentralized to make it more responsive to local needs. But the program should also seek better knowledge of the various types of household farming systems, to guide the development or acquisition of technology and to influence the dialogues with communities to arrive at suitable interventions. As part of this change in orientation, farmers should be given more responsibility for identifying and evaluating new technologies. This would require more staff and funding than

currently envisaged, but may warrant consideration as a separate project, linked with Pakistan's national research system.

Human resource development

AKRSP has made a major contribution in human resource development through its training programs. Villagers are trained in specific fields so that they can continue to provide services within their communities.

However, to realize the intended role of VOs as full partners in development will require a greater depth of management training for their members. Future projects that involve cooperation among VOs will need a cadre of managers to assume leadership roles in a multi-community setting. And the proposed new developments in village banking will require more accountants and managers.

Savings and loans

The success of the proposed bank, NRDB, will require increased professionalism in financial intermediation.

Box: Integrating village-level organizations with other agencies

AKRSP focused at first on developing a partnership with the village community. As the program has matured, it has gradually broadened its attention to include the promotion and facilitation of links with other agencies involved in investments and services. It has made significant progress in linking village and women's organizations with other nongovernmental organizations, and with private and public development and service agencies. Most of this activity with other organizations has been in health, education, and water supply.

Overall, cooperation with these parties has been satisfactory, but experience shows that AKRSP will need to give priority attention to building effective cooperation arrangements between VOs/ WOs and public sector agencies. The current Chief Secretary

of the Northern Areas has encouraged government line agencies to involve village and women's organizations as local participatory partners in development. The progress made would have been impossible without this support. Though the government has become more aware of the usefulness of village organizations in development, most government agencies are not used to significant consultation with beneficiaries. Like governments in most countries, they have traditionally followed a supply driven, top down, approach. To improve the effectiveness and leverage of government development budgets, AKRSP could help to inform government staff about the institutional aspects of village organizations and help design and monitor effective processes for interaction.

In particular, the strategic focus should shift from meeting credit needs to creating debt capacity. The bank will need to build financial information systems, introduce additional measures to manage risk, improve operations support and training for savings and loans at the village level, and increase controls and other internal prudential oversight.

The ESC is intended to finance investments that potentially have high social and catalytic benefits but are too risky for a regular lender. Its challenging role will require very skillful management. Its business projections show it is unlikely to be profitable; some of NRDB's profits will be transferred to ESC's equity. But it has a number of features that will allow it to interact effectively with local markets and entrepreneurs.

Gender issues

Women's organizations created under AKRSP are now accepted, viable forums for village women's participation in development. While continuing to meet requests from new communities, the program should now focus on the quality of its interaction with the existing women's organizations while encouraging more household coverage in each community.

The various packages need to be implemented more flexibly, and with better staff monitoring and follow-up. This entails more contact time with specific villages, and more understanding of community and household dynamics. Illiteracy and religious and cultural factors inhibit change in the traditional role of women, more in some places than in others, and the program has to be realistic about how fast change can be achieved. Successful links with other agencies providing

social sector investments will help women's organizations develop their self-confidence.

Women in many of the organizations need more intensive training in entrepreneurial skills, including planning, management, and marketing. At the other end of the spectrum are the poorest women (often heads of households), who tend to be left out of WO activities. Special sub-projects need to be developed for them. The low female literacy rate is a big drawback, but as more literate women join the women's organizations the situation will improve.

Lessons

AKRSP has made a substantial development impact in a very difficult environment. It has not tried to maintain an enclave approach but has progressively integrated its activities into the overall development process, with government and other investors. This approach, and the principle of insisting on developing a self-help capacity within cooperating communities, augur well for the sustainability of its benefits.

Debate continues on the extent to which AKRSP is replicable. It is unlikely that the experience can (or should) be transferable in every detail, but there is little doubt that the principles of AKRSP are widely applicable. Indeed, AKRSP methods are being actively used in other programs within and beyond Pakistan, supported by the Aga Khan Foundation, World Bank, Asian Development Bank, the United Nations Food and Agriculture Organization, and United Nations Development Programme, if not always with the same degree of success as AKRSP.

Timespan and costs: The Bank's typical lifespan of projects (six to eight years) sharply contrasts with AKRSP's long-term support pro-

gram. AKRSP's evolution clearly illustrates that institution building at the village level cannot be rushed.

Over the life of the program, the total cost is \$52 million (excluding beneficiaries' investments). Costs for each of the 75,200 beneficiary households, at \$690, are fairly modest. Expenditures in World Bank-financed rural development projects have often been about twice this amount, and have usually lacked the human capacity building element so important for sustainable impact.

Lessons for the World Bank:

- Many of the Bank's rural development projects failed because they were too complex for the public agencies that managed them. AKRSP's experience shows that multi-component projects can be made to work, with synergy among their components, provided the institutional structure is appropriate.
- AKRSP's flexibility and grass-roots emphasis greatly contributed to the program's success. The Bank should work with experienced, reputable NGOs or other specialized entities that can channel communities' potential for self-help into productive endeavors and sustainable institutions.
- NGO participation should become an integral part of the rural development projects the Bank finances. If client countries are unwilling to use borrowed funds to support NGOs, then the Bank should collaborate with donors to obtain grant support for this purpose.
- Institution building through ownership can be used as a starting point for development. By involving the beneficiaries in every stage of their development, a foundation and relationship can be built for the future.

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