RURAL CHANGE IN THE THIRD WORLD

Pakistan and the Aga Khan Rural Support Program

MAHMOOD HASAN KHAN
and
SHOAIB SULTAN KHAN

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Contributions in Economics and Economic History,
Number 129

GREENWOOD PRESS
New York • Westport, Connecticut • London

Library of Congress Cataloging-in-Publication Data

Khan, Mahmood Hasan.
Rural change in the Third World : Pakistan and the Aga Khan Rural Support Program / Mahmood Hasan Khan and Shoaib Sultan Khan.
p. cm.—(Contributions in economics and economic history, ISSN 0084-9235 ; no. 129)
Includes bibliographical references and index.
ISBN 0-313-28011-8 (alk. paper)
1. Rural development—Pakistan—Case studies. 2. Aga Khan Rural Support Programme (Pakistan)—Case studies. I. Khan, Shoaib Sultan. II. Title. III. Series.
HN690.5.Z9C66175 1992
307.1'412'095491—dc20 91-25445

British Library Cataloguing in Publication Data is available.

Library of Congress Catalog Card Number: 91-25445
ISBN: 0-313-28011-8
ISSN: 0084-9235

First published in 1992

Greenwood Press, 88 Post Road West, Westport, CT 06881
An imprint of Greenwood Publishing Group, Inc.

Printed in the United States of America

The paper used in this book complies with the Permanent Paper Standard issued by the National Information Standards Organization (Z39.48-1984).

10 9 8 7 6 5 4 3 2 1

To

The Aga Khan
founder and inspiration of AKRSP
and
Akhter Hameed Khan
mentor and guide of the Program

I lay down on the ground and gazed and gazed upon the scene, muttering to myself deep thankfulness that to me it had been [given] to see such glory. Here was no disappointment—no trace of disillusionment. What I had so ardently longed to see was now spread out before me. Where I had reached no white man had ever reached before. And there before me were peaks of 26,000 feet, and in one case 28,000 feet, in height, rising above a valley bottom only 12,000 feet above sea level. For mountain majesty and sheer sublimity that scene could hardly be excelled. And austere though it was it did not repel—it just enthralled me. This world was more wonderful by far than I had ever known before. And I seemed to grow greater myself from the mere fact of having seen it. Having once seen that, how could I ever be little again.

Francis Younghusband
The Heart of a Continent, 1896

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Abbreviations and Acronyms

AKES	Aga Khan Education Services
AKF	Aga Khan Foundation
AKHS	Aga Khan Health Services
AKRSP	Aga Khan Rural Support Program
ADB	Asian Development Bank
ASO	Assistant Social Organizer
CIDA	Canadian International Development Agency
FC	Field Coordinator
FAO	Food and Agriculture Organization of the United Nations
GM	General Manager (of AKRSP)
GOP	Government of Pakistan
HRD	Human Resource Development
IFAD	International Fund for Agricultural Development
IUCN	International Union for the Conservation of Nature and Natural Resources
KKH	The Karakorum Highway
KAF	Konrad Adenauer Foundation (of Germany)
LB&RD	Department of Local Bodies and Rural Development
MG	Management Group
NGO	Nongovernmental Organization
NWFP	North West Frontier Province (of Pakistan)
NORAD	Norwegian Aid Agency
ODA	Overseas Development Administration (of the United Kingdom)
PARC	Pakistan Agricultural Research Council
PPI	Productive Physical Infrastructure
RPO	Regional Program Office

SRSC	Sarhad Rural Support Corporation (of NWFP)
SOU	Social Organization Unit
SO	Social Organizer
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VO	Village Organization
WO	Women's Organization

Preface

This book tells the exciting story of how the partnership of the Aga Khan Rural Support Program (AKRSP) and the small farmers of northern Pakistan began and what it has achieved so far. We make no claims beyond the fact that it reflects our perspective and understanding of the process of rural change underway, in which the partnership is evidently playing an important role.

AKRSP was established as a nongovernmental organization in 1982 to act as a catalyst for the development of rural people living in the high mountain valleys of the Himalayas, Karakorum, and Hindu Kush ranges. The AKRSP experiment in rural development is premised on the proposition that the rural people can improve their economic and social status through organization at the village level. The key to the sustainability of this organization is participation. The aim is to make the Village Organization (VO) a vehicle for promoting sustainable development while maintaining equity through participation. An important point in the partnership of AKRSP and the rural people of northern Pakistan is that it is a replicable experiment, containing generalizable lessons for practitioners and researchers alike. The specificity of the program is in fact one of the strong features of the organizational model on which the AKRSP experiment is based.

This program for rural development was initiated by the Aga Khan Foundation (AKF) and is now supported financially by several bilateral donors and nongovernmental organizations, including the governments of Canada, Netherlands, Norway, and the United Kingdom, the Commission for European Communities, the Aga Khan Foundation, OXFAM, and the Konrad Adenauer Foundation of Germany. The project was evaluated by the World Bank in 1986 and 1989.

The idea for writing this book originated in the summer of 1987 when the authors first met in Gilgit. SSK was for years a practicing believer of organization as a vehicle to improve the quality of life of the rural poor and small farmers. MHK was, however, ambivalent about the general validity of the organizational model for rural development. Practice has since galvanized the former's belief, and observation has made the latter less ambivalent. We think that the AKRSP experiment is neither unique nor revolutionary, hence it is generalizable.

We are grateful to Messrs. Ramzan Merchant, Nazeer Ladhani, Robert d'Arcy Shaw, and Dr. Christopher Gibbs in the Aga Khan Foundation network for their constant encouragement and help. Dr. Gibbs made extensive and valuable comments on an earlier draft. We also appreciate the ungrudging support we received from several members of the AKRSP staff. The book could not have been produced in its present form without the help of Ms. Anita Mahoney of Simon Fraser University, who prepared the camera-ready copy with great care and speed, and Ms. Diane Spalding, Production Editor, and her associates in Greenwood Publishing Group, who edited the manuscript and generally guided the production process.

We take full responsibility for the views expressed and all errors the reader may detect in the book.

RURAL CHANGE IN THE THIRD WORLD

1

The Mountain Society and Economy

BACKGROUND

The people of northern Pakistan are as close to the top of the world as anyone can get.[1] They have lived for centuries in the valleys and on the slopes of the Himalayas, Karakorum, and Hindu Kush ranges, which include some of the tallest peaks in the world.[2] Their physical environment is as harsh as it is fragile, dependent on the moods of nature and mountains. Historically the evolution of their economic and social structures took as given the dominant position of their physical environment. Accommodation with, and not domination of, the environment was the key to their survival and their poverty. A low-level equilibrium existed in these territories until recent times, reflecting a subsistence economy based on a limited number of farming systems. At the end of the nineteenth century, perhaps no more than a quarter-million souls existed in an area larger than Switzerland. Their number is now estimated at more than three-quarters million on a resource base that, in some respects, has shrunk in response to the rapid growth of population, slow development of technology, and lack of alternative employment.

It is true that a vast majority of the people in northern Pakistan are small landholders and poor. There is indeed in this sense a high degree of economic homogeneity in the villages. Small holdings and poverty are mainly the result of factors cited in the preceding paragraph. There is also a visible sense of reciprocity in order to manage common resources: watercourses, grazing and pastures, and forests. In fact, this tradition was developed in response to the need to accommodate a hostile physical environment in the mountains. The

institution of individual property was not as strong as that of common property management, though often it was located within a feudal structure of power. Individual private property did not exist in its modern sense, since the feudal lord or ruler (representing the state) regarded himself as the owner and treated the landholders as tenants of the state (ruler).[3]

Feudal rents were extracted in various forms, including corvée labor. These rents and services were claimed in return for protection and access to resources (water and land) that the individuals enjoyed either as members of the same clan or as subjects from other clans or groups. An elaborate system of reciprocal responsibilities, with sanctions and power of enforcement, had been developed. It was not always continuous, because of the changing fortunes of dynasties and persons in power. The political structures were based on personal power embedded in loyalty, which in turn was based on tributary relationships. The relative economic homogeneity observed today in the villages is a reflection of the disintegration of feudal power. The process of disintegration began perhaps earlier than the formal liquidation of the princely states in the early 1970s.[4]

The people of northern Pakistan are not a homogeneous lot in terms of their social structure and power relations. There are definite divisions based on race, ethnicity (tribes and clans), caste, religion, and languages (dialects). They are predominantly from the Aryan and Mongol stocks, with a mixture of Caucasian and Indian blood. They speak several languages and dialects, of which Shina, Brushaski, Balti, Wakhi, and Khowar are most common. Their ethnic composition is even more intricate, partly because of lineage and partly due to movements of people. All are Muslims, except for a few thousand Kalash in Chitral district. But Muslims are divided into two sects, namely Shia and Sunni. The Shia are again divided into Ismaili Shia and Athna Ashari Shia. The three-way division of Muslims in the region has been a constant source of mutual distrust and even violence.[5] Traditionally, in most villages, a caste system also existed, reflecting the economic and social functions each caste was expected to perform and in turn the position it enjoyed. The thin crust of aristocracy was followed by a majority who held and cultivated land. The landless castes were composed of craftsmen and entertainers, who were at the bottom of the heap. The traditional caste system has become less important with gradual change in the rural economy.

The political history of northern Pakistan was fluid and turbulent until recent times. There were a large number of ministates, ruled by contending individuals or families involved in internecine strife and wars. The dynastic rules, embedded in personal power, expanded and

contracted according to the fortunes and charisma of the individual ruler. Communal loyalty was never taken for granted and was therefore unstable. Like the tributary economy at the village level, the ministates developed tributary relationships for protection and trade. Political instability and changes in the boundaries of states reflected the absence of a social contract between the rulers and their subjects. Rulers enjoyed prosperity at the expense of their subjects. Since the economies of ministates could hardly sustain their populations, plunder of the trade caravans and trade in slaves were also major sources of the state revenue.[6]

The process of disintegration of the ministates in northern Pakistan—whose rulers were variously titled as Rajahs (Rais), Mirs, and Mehtars—began with the incursions of the Sikh and Dogra rulers of Kashmir in the 1830s and 1840s. The Rajahdoms of Baltistan were brought under the Dogra rule in 1840, followed by their control of Astore. The Dogras had pacified the people of Chilas, Tanger, and Darel by 1856. They wrested the territory of Gilgit in 1846 but lost it to the Rajah of Yasin for eight years, from 1852 to 1860. They came back to Gilgit and established their suzerainty by the mid-1860s. The Dogras were not, however, a source of stability in the region, as the rulers of Hunza, Yasin, Chitral, and Nagar continued their opposition to the Dogra rule. The Dogras of Kashmir were themselves subservient to the British under the Treaty of Lahore in 1846.

By the mid-1870s the British had decided to secure the northern territories in order to prevent the possible expansion of (Czarist) Russia and incursions by the Chinese into British India. Their activities in Afghanistan and northern Pakistan were entirely devoted to the task of consolidating their power in India. The policy of creating the princely states and pacifying the rulers (Mirs, Rajahs, and Mehtars) of ministates in northern Pakistan had finally succeeded by the mid-1890s. The states of Chitral, Hunza, and Nagar were recognized. The Rajahs of Punial and Yasin were made governors of their territories. The Dogras of Kashmir were allowed to maintain control of Baltistan, Gilgit, Astore, and Chilas, subject to the superior authority of the British. The British did not much interfere in the existing arrangements of taxation and rent collection by the rulers.

The British explorers (mostly officials) and some other European travelers in the nineteenth century studied the people and resources of northern Pakistan and participated with zeal in the "Great Game" of the Empire. Their contribution to the history, languages, and culture of this area was both significant and deliberate. No less significant was their contribution to the formation of several myths about the area and its people, some of which were without foundation as recent

research has shown. It is true that the British tutelage in general and their administration in particular arrested the expansion and contraction of the ministates. It has been contended—with supporting evidence—that without the tacit support of the British the Dogras of Kashmir could not have retained their tenuous claim to parts of Gilgit.[7]

The indirect rule of the British for nearly fifty years in northern Pakistan was not altogether benign, considering the excesses made by the Dogras and other rulers on their subjects. The British did very little to alter the basis of feudal power; their support of the individual ruler was based on his loyalty to their administration in India. However, they set in motion a process of change that gradually affected the social and economic structure by building the physical infrastructure (bridges and roads); introducing modern medicine; establishing schools; providing jobs in public service (military and civil); and maintaining law and order.

One of the major developments during the 1920s and 1930s was the resettlement of people from the land-scarce Mirdom of Hunza on uncultivated lands in Gilgit. The British encouraged the Mir of Hunza by granting him subsidies in return for his cooperation in the resettlement program. The increased availability of food from the new lands after irrigation channels (*kuhls*) were constructed was apparently a major factor in reducing mortality and improving the standard of health in what was a food-deficit area. While the process of change was slow, the expansion of services and formation of new settlements had a major impact on the rate of growth of population. Of course, the pressure of population on resources started to build more rapidly due to changes in the last thirty years.

The period from 1947 to 1950 was a watershed for northern Pakistan in that the British withdrew and the Dogra rule was overthrown in Baltistan, Diamar, and Gilgit.[8] The states of Chitral, Hunza, and Nagar acceded to Pakistan, as did the territories ruled by the Dogras. Chitral as a princely state was abolished in 1969 and made a district of North West Frontier Province (N.W.F.P.) in 1970. The states of Nagar and Hunza were abolished in 1972 and 1974. The Government of Pakistan also abolished all vestiges of feudal power under its Land Reform Acts. The traditional authority of the Mehtar in Chitral was transferred to the provincial Government in N.W.F.P. and of the Mirs and Rajahs to the federal Government in the districts of Baltistan, Gilgit, and Diamar, now collectively called "Northern Areas." With the formal abolition of the feudal authority of Mirs and Rajahs, landholders became the real owners of lands on which they had acquired the traditional rights to cultivate.

The abolition of princely states, and with them the feudal power of former rulers (and their agents at the village level), created an *institutional vacuum* in two important respects. First, in the areas which were not "settled"—most of the district of Gilgit, and all of Diamar and Chitral—it created the need to identify and recognize private property rights in land at the village level.[9] Perhaps a more serious problem was created in the regulation of rights and management of common property such as (low and high) pastures and forests. The mediating role of the feudal authority of Mirs and Rajahs in disputes between individuals and groups or neighborhoods—clans, hamlets, villages, and valleys—has not been effectively replaced by the state or even by informal groups at the village or valley level. In some areas, as in forests, the role of the state has exacerbated the problem of management of common property. The uncertain state of common property has led to overgrazing of pastures and overharvesting of forests in many areas of northern Pakistan.

The relationship of people with the postcolonial state is very different from their relationship with the feudal state. With the latter there was usually a well-defined patron-client relationship, in which the reciprocal obligations (though asymmetrical) were well known and stable. The instruments of oppression were often balanced by primordial loyalties and patronage. The postcolonial state has developed no organic bond with the people because it has not substituted the patron-client relationship with a new social contract. The superstructure of the state rests on a nominal system of representation, in which the state bureaucracy exercises considerable power without accountability to the people. The decision-making power is now with the nominal representatives and bureaucrats. The development of Village Organizations (VOs), supported by the Aga Khan Rural Support Program (AKRSP), is an informal but an entirely participatory institutional arrangement to provide the missing link between the state and the rural poor.

THE ECONOMY IN TRANSITION

In order to understand the present state of the economy of northern Pakistan, two general comments must be made. First, the household economy is still affected mainly by the intricate and highly localized farming systems, dictated by land, altitude, and water. The major economic relations are at the village level. Second, the exchange economy between villages is limited, although in the small

urban centers it has developed more rapidly. The overall economy of these areas has developed significant exchange relations with Pakistan, particularly after the opening of the Karakorum Highway (KKH) in 1978. An important aspect of these relations is that in value the imports of the northern area economy from Pakistan far exceed exports. This area also participates—formally and informally—in the transit trade between China and Pakistan through the KKH.

Human Resources

The population of northern Pakistan is about 820,000, almost equally distributed in the districts of Baltistan, Gilgit, and Chitral. They make up about 108,000 households scattered in 1,230 villages (See Table 1.1). An average household has seven to eight members and the village has about eighty households, although there is considerable difference in the village populations. Most of the population can be regarded rural; the three major urban centers are the towns of Gilgit (40,000), Skardu (20,000), and Chitral (15,000). The population is very young: children under fifteen years make up 45 percent of the population. Males outnumber females both in urban and rural areas, although male migration is not insignificant. High female mortality (as infants and adults) and their underenumeration may be the two major reasons. The growth rate of population in the last thirty years has increased from about 2 percent to nearly 3.5 percent per year. A major reason for this has been a sharp decline in mortality without a significant fall in birth rates. However, infant mortality is estimated at 150 to 200 per 1,000 births.

The standards of education and health are even lower than those reported for Pakistan, which are among the lowest in the Third World. The overall literacy rate in northern Pakistan is twenty percent with less than four percent for females and less than fifteen percent for adult males. Expansion of private and public schools at the primary level in the last decade has increased the literacy rate among young males and females. There is significant expansion in the demand for schooling in most communities. It is particularly impressive in the Ismaili Shia villages, from which a significant proportion of male and female youth go to schools and even colleges.[10]

The state of health is generally poor, partly reflecting malnutrition and undernutrition. But it also reflects poor hygiene and sanitation, including poor quality of water, which affect children more than adults. Waterborne diseases are a common cause of high incidence of morbidity and mortality in the population. The supply of health care

Table 1.1
General Statistics of Gilgit, Chitral, and Baltistan

Indicator		Gilgit	Chitral	Baltistan
Area (sq.km)		28,500	14,850	25,850
Number of Villages		306	600	324
Number of Households		29,600	36,000	32,396
Population (000)				
1961		113	113	132
1972		158	159	169
1981		228	201	224
1990		277	270	272
Government Schools				
Primary:	Male	90	186	152
	Female	22	77	16
Middle:	Male	36	28	36
	Female	3	10	3
High:	Male	14	35	11
	Female	3	3	1
Government Colleges				
Inter.:	Male	1	1	0
	Female	1	1	0
Degree:	Male	1	2	1
Government Health Services				
Hospitals		10	4	11
Beds		309		253
Doctors		56	30	50
Dispensaries		43	16	59
First Aid Posts		30		28
Rural Health Centers			3	
Paramedical Staff		392		413
Livestock Centers				
Hospitals		6	1	
Dispensaries		17	14	
Aga Khan Health Services				
Hospitals		3		
Health Centers		15	15	1
Dispensaries		1	5	
Doctors		11	2	
Lady Health Visitors		32	22	

Table 1.1 (continued)

Indicator	Gilgit	Chitral	Baltistan
Aga Khan Education Services			
Primary Schools	77	34	
Middle Schools	43	11	
High Schools	3	1	
Model High Schools	2		

is expensive, though available. As with education, private and public sectors are gradually responding to the growing demand for accessible and relatively inexpensive health care.[11]

A very small proportion of the rural households—perhaps no more than 10 percent—have access to piped water of good quality and sanitation facilities. A major project is now underway in the public sector to improve the quality of potable water and sanitation at the village level.[12] An important aspect of the recent expansion in schooling, health care, water supply, and sanitation in northern Pakistan is the participation of rural people through self-help projects. As will be discussed in a later chapter, AKRSP has been playing a leading role through the VOs in coordinating these projects and activities between the funding agencies and prospective beneficiaries.

While there has been a discernable shift of labor to other sectors—public and private services in particular—in recent years, three-quarters (if not more) of the household labor force is engaged in farming. Most of the rural labor works within the household, although sharing is a common method for constructing and maintaining *kuhls*, harvesting of field crops, and grazing of livestock in the low and high pastures. Children and females make a significant contribution to the production system, in addition to their numerous activities in the household. Migrant labor between places in the region—for work in private and public sectors—and outside the region is a major source of cash income to many households. There is evidence that nonfarm income through wages and salaries is essential for nearly two-thirds of the rural households. A high proportion of the migrants are still temporary workers and return to the village for part of the year to participate in household production and related activities. There is increasing evidence that permanent migration may be on the increase

among the educated youth, destined to towns in northern Pakistan and to the plains.

The Geographic Setting

The AKRSP project area—districts of Chitral, Gilgit, and Baltistan—is situated between longitudes 71°2'E and 75°4'E and latitudes 35°3'N and 36°5'N. It covers 69,200 km^2 and supports about 820,000 people scattered in just over 1,230 villages. The physiography of northern Pakistan is rugged and hilly, with steep and heavily dissected slopes. Most elevations in the area are at least 1,500 meters above sea level and more than half are above 4,500 meters. It contains nineteen peaks higher than 7,600 meters. Watercourses, carrying water from glaciers and snowmelt, have been built along the slope faces and valley bottoms. The landscape is highly irregular and the terrain unstable due to secondary and tertiary incisions, landslides, and erosion. The geology is a mixture of igneous and metamorphic rocks, consisting of slate, quartzite, limestone, marble, mica-rich gneiss, and crystalline schist. The soils are mixed with stones and boulders; low in clay content and, due to extreme dryness, very low in organic matter and nitrogen; and low to adequate in phosphorus and potassium. They have a low water-holding capacity and are highly susceptible to leaching when irrigated. Farmers traditionally use a lot of farmyard manure to cultivate a number of annual and perennial crops.

The region displays great ecological variation over relatively short distances, both vertically and horizontally. Soils, rainfall, and temperature vary with topography, elevation, and aspect, shaping both the natural and manmade environment. The region lies in partial rain shadow and receives few monsoon rains. It receives about 100–900 mm of rain, mainly as snow in winter. Precipitation below 3,000 meters is minimal, rarely exceeding 200 mm in a year, but there is a strong gradient with altitude and heavy precipitation (the equivalent of 2,000 mm) falls as snow at heights above 6,000 meters. In this fragile and harsh environment, people have established their livelihoods in a variety of ecological conditions. These include old river terraces and fans on valley floors, unstable slopes on valley sides, and high-elevation forests and meadows. Surface water is available from seasonal river flow, springs, glacial streams, and snowmelt. Being dry and away from the sea, the thermal climate is continental and dictates the length of the growing period and types of crops grown. The growing seasons and cropping patterns change with the altitude and

microclimates of the valleys. Except for the alpine pastures, almost all crop production depends on irrigation water from snowmelt, glaciers, springs, and occasionally rivers.

Agriculture: Resources and Production

Agriculture is constrained by scarcity of land and irrigation water. But land and water *per se* are not scarce: the real scarcity is of flat land with access to dependable water supply and in close proximity to the settlement (village). Agriculture is still by far the largest economic activity in northern Pakistan: it provides a major proportion of income and consumption to over 80 percent of the households. The farming systems can be described as arable crops mixed with (fruit and forest) trees and livestock. While there is a range of farming systems in the region, they all contain the common cereals (wheat, barley, and corn), grain legumes, fodders (lucerne and clover), vegetables, small livestock, fruit and nut trees, and trees for fuel and timber. Low- and high-altitude pastures, usually used in summer as common property by villages or neighborhoods, are an integral part of the intricate crop-animal nexus. Specialization for commercial use is limited, though there are visible signs of transition from a subsistence to an exchange economy at the village level.

Farming in northern Pakistan is characterized by three main features. First, a basic objective of most rural households is to maintain self-sufficiency in the face of high transport costs of bulky grains. Of course, this objective is now achieved by a small proportion of the village population, reflecting increased pressure on land; new cash incomes through employment; increased access to markets and sale of small surpluses for exchange; and access to subsidized grain and flour.

The second feature is the interdependence of crop cultivation and livestock husbandry: animals are needed for manure to improve crop yields and provide power to plow; livestock in turn depend on fodder and straw from crops in the harsh winter months. This interdependence is also undergoing change as the livestock population is falling due to the shortage of labor; the introduction of farm implements; the use of chemical fertilizers and new varieties of grains; the shortage of fodder; and the shrinking grazing lands and pastures.

The third feature is the effective integration of mixed farming with altitude. The highest altitudes provide snow and ice for irrigation; the intermediate altitudes provide pastures for animals and timber for

fuel; and the lowest altitudes provide sites for human settlements and cultivation of crops with a growing season long enough for crops to reach maturity. Seasonal crops are rotated according to the altitude and the length of growing season: two seasons—wheat or barley followed by corn—are quite normal for heights of 2,000 meters or lower; then there is a transition zone from about 2,000 to 2,400 meters, varying with the valley, in which one quick-growing crop is followed by another. For heights above 2,400 meters there is usually only one crop season, although farmers try to harvest a major crop on heights of up to 3,000 meters. The importance of livestock increases significantly, creating heavy demands on forage from trees, shrubs, and grasses that are highly seasonal. The pasture and forest economy—and with it the fragile environment—is being threatened by overgrazing and overharvesting, reflecting poor management of common property and the increasing pressure of population without investment in conservation and plantation.

Despite the increasing accessibility to subsidized wheat in the marketplace, most rural households devote a major part of their resources to producing cereals for consumption. The varieties planted are mostly traditional, due to their adaptability to local growing conditions, high straw yields, ability to tolerate water stress, and the limitations of minor elements in the soil. The new varieties of wheat have not spread widely, although they were introduced in the early 1970s. They require high doses of chemical fertilizers and better regulation of water supply to outcompete the local varieties.

As stated earlier, one-quarter to one-third of the wheat consumed in the region is brought from the plains of Pakistan. There is also evidence that the potential for cereal production is not as promising as that for pulses and vegetables. The potential for seed potato on high elevations has been explored and farmers are getting involved in its production and trade. Similarly, a variety of fruits are grown, and some of them have already shown great promise in recent years, such as apricots, cherries, and mulberries. The increasing dependence of people on imported livestock, particularly in towns, reflects the serious problems in increasing the quality of livestock products in the region.

Common property management for the hill irrigation and alpine pastures requires a high degree of cooperation at the village and valley levels. Local institutional arrangements for cooperation with sanction of the feudal rulers have survived. The feudal authority of Mirs and Rajahs began to decline in 1947 and formally ended in 1974. The effectiveness of former arrangements for management of common property also declined. Common rights in water and pastures were generally accepted, but the rules and sanctions were not

effectively enforced. The large investment of labor required to construct and maintain the *kuhls* and to transport animals to pastures was disrupted somewhat. However, there is a strong realization that the individual household can benefit from common property only if the reciprocal obligations are accepted and enforced. It is this legacy of the traditional arrangements and the need for sharing that AKRSP has effectively used to establish the VOs.

The Technology in Agriculture

The annual cycle of activities and the technology used in northern Pakistan have been developed through trial and error. They were well adjusted to the isolated mountain economy and adequate for the needs of the population. The system, evolved through generations, reflects compromises with the physical environment and natural conditions. Changes in the system with outside influences have to be introduced with great care, although some of the changes are internally induced because of the increasing pressure of the population on meager resources and access to markets and inputs.

The great variation in the cropping system and technology observed in this region reflects the effects of altitude, aspect, access, and source of irrigation. At low altitudes two cereal crops are harvested. At high altitudes either two quick-growing crops or only one main crop is grown, and dependence on livestock increases. Between the low and high altitudes are the transition zones with a variety of combinations of crops and livestock. Crop choices are also affected by the source of water and its temperature. Occasionally crops are harvested before maturity to avoid the second crop being eaten by returning animals in the autumn.

Irrigation is based on *kuhls* and water is applied to the field by border strips or furrows. Overwatering and long intervals between turns cause leaching and loss of nitrogen from the soil. The traditional field infrastructure for irrigation is not well protected against water loss, although trees are planted on field channels to stabilize their structures. Crop seeds are not tested for their quality, and their sowing is based on simple broadcasting with a high seed rate. Chemical fertilizers have been introduced, but their interactions with water, soil structure, and manure are not known, with wastage and damage to the soil. A lot of weeding is required because of the high seed rate and to feed the animals.

Livestock breeds are local, evolved through centuries of localized and mixed breeding. They are set free for grazing during the summer

and fall seasons and are stall-fed in winter. The summer distant pastures are crucial for the rural economy. Animal manure maintains soil structure and fertility and allows the use of machines and fertilizer. The summer migration of animals reduces the supply of organic matter and demands labor. Winter feeding is a serious problem in maintaining the quality of animals. Animal diseases are not well identified or controlled.

A large variety of fruits are grown in abundance in several valleys of northern Pakistan. But there is no organized fruit culture: individual households have a number of fruit trees from which they harvest the fruit for household consumption in fresh and processed (dry) form. Fruits are harvested and dried in traditional ways, subject to considerable wastage of the produce.

The Exchange Economy

The process of rapid economic and social transformation in northern Pakistan began only recently. One of the major factors for opening the northern area economy was the development of transport infrastructure and communications. The historical isolation of many of the villages and hamlets due mainly to topography has been broken by the construction of roads. Until 1947 the region had access mainly to Kashmir through Baltistan and Astore. The links to Afghanistan and China were based on routes that were difficult to pass for several months in the year. Chitral still has only one road access from N.W.F.P. through the Lowari pass, which is impassable for four to six months. Similarly, its access to Gilgit through the Shandoor pass is restricted to six to eight months in the year. After the de facto division of Kashmir in 1949, the first link with the south of Pakistan was established by air from Rawalpindi to Gilgit and Skardu and from Peshawar to Chitral. A road for jeeps was built through the Babusar pass in 1958 to reach Gilgit from the south through Kohistan district of N.W.F.P.

The most important event in opening the northern economy was the completion of KKH in 1978. It was built in about twenty years with Chinese assistance. It passes through Hazara, Chilas, Gilgit, Nagar, and Hunza, and connects Islamabad with the Khunjerab pass at the Chinese border. KKH has also been linked to Skardu in Baltistan by a paved road since 1984. The Gilgit to Chitral road is being gradually improved and paved. Additionally, several old roads have been improved and many link roads built. Movement of people and goods—the "Suzuki revolution"—is in evidence in many parts of

northern Pakistan. KKH has reduced the cost of moving people (including tourists) and goods. New services, including hotels, are growing. Urban growth is visible not only in major towns but also in small valleys.

The opening of the northern economy, particularly its links with other parts of Pakistan, has increased the migration and wage employment of people, hence the cash nexus. A large variety of goods are imported in bulk into the region, but not matched by equivalent value of exports. Similarly, there are still a limited number of small-scale industries for processing raw materials produced in the region; its fruits, vegetables, timber, and mineral wealth are waiting to be developed and processed for sale in other markets. Major sources of income from outside are the remittances from workers in other parts of Pakistan and the recent growth of the tourist trade. In general, the northern economy is clearly a deficit area, dependent on imports and government subsidies. (See Tables 1.2 and 1.3.)

Considering the isolation of northern Pakistan, its general state of backwardness, and its strategic position, it has received considerable attention from the governments in Islamabad and Peshawar. The public sector investment has risen from Rs.23 million in 1960–65 to Rs.466 million in 1989–90 for physical infrastructure of transport and communications; supply of electricity; construction of irrigation channels; schools and health care centers; agriculture and veterinary extension services; and rural water supply and sanitation.

Economic and financial subsidies are provided by the government for transport by not including the additional costs of freight to Gilgit, Baltistan, and Chitral for supply of essential commodities like grain and fuel. Bus and air travel are also subsidized; electricity is sold at reduced cost; subsidy is given on chemical fertilizer and for imported live animals for meat sold in urban centers. A major consequence of these subsidies is that they are not necessarily equitably distributed by income groups and residence; they also tend to distort consumption and production patterns. Cheap imports of grain and livestock provide little incentive for increased production but induce people to produce cash crops or move to cash employment to buy the imported grain and meat. Sustainable development in northern Pakistan will have to depend on increased production capacity through improved management of natural resources of forests and pastures, specialized and new production enterprises, creation of new skills, and provision of support services with the greatest impact on productivity.

Table 1.2
Imports into Gilgit, Chitral, and Baltistan (Million Rupees)

Commodity	Gilgit	Chitral	Baltistan
Wheat (grain/flour)	70.00	23.00	3.60
Rice		13.00	
Pulses (lentils)	7.00		
Ghee (hydrogenated oil)	37.00		
Fresh Vegetables	9.30	1.61	2.74
Fresh Fruits	5.04	1.83	0.68
Beef and Mutton	29.95	1.21	10.01
Poultry Products	18.30	0.84	5.72
Milk and Products	17.57	5.00	0.64
Fruit Juices	1.25		
Kerosene Oil	6.06		
Total Value:	151.41	90.49	23.39

Note: These estimates were made by the Marketing Section of AKRSP in 1989. They are based on a detailed survey of major commodities coming from the plains of Pakistan into these districts. There is limited export of goods from northern Pakistan to other areas. The general impression is that the region has a substantial deficit in its balance of trade, but its estimates are not available. The district of Gilgit also benefits from the transitory trade between Pakistan and China.

It is also true that the public sector itself cannot be the most efficient vehicle for the development and management of resources at the village and valley levels. The bureaucratic and centralized management model followed by public agencies—even if the workers are accountable to elected representatives and not corrupt—is seldom suitable for delivering those inputs and services that most small farmers and the poor really need to mobilize their resources and improve their standards of living. In fact, in many countries with similar circumstances, the poor and peripheral people develop their own strategies to circumvent the bureaucracy. One such strategy is organization. It is this strategy that AKRSP has adopted in northern Pakistan for the rural poor to establish a sustainable basis for economic development and social stability.[13]

Table 1.3
Government Expenditures in Northern Areas and Chitral (Million Rupees)

Expenditures	Northern Areas[1]	Chitral
Current Expenditure[2]		
1983–84	210	
1989–90	266	45.20
1990–91 (Budget)	450	
Annual Development Expenditure[3]		
1983–84	150	70.00
1989–90	424	42.00
1990–91 (Budget)	500	

Notes:

1. "Northern Areas" include the districts of Gilgit, Baltistan, and Diamar.

2. Current expenditures in Northern Areas include financial subsidies (transfer payments on wheat flour, sugar, salt, and POL), which amounted to Rs.27 million in 1983–84; Rs.20 million in 1989–90; and Rs.20 million budgeted for 1990–91. The financial subsidies in Chitral district were Rs.5 million in 1983–84; Rs.7.8 million in 1989–90; and Rs.9 million budgeted for 1990–91.

3. Roads and power development are the two major items of investment in the annual development programs in each area.

The Farm Family Profile

An economic profile of rural households in the program area was recently developed by AKRSP, based on the data gathered in 1988–89. (See Table 1.4.) The three program districts are dominated by small landholders with low incomes and a relatively egalitarian distribution of assets and incomes. The average rural household has between three-quarters to one hectare of land under the plow; two to four large animals; five to eight ruminants; a few birds for meat and eggs; some fruit trees dispersed in the village; and a vegetable patch

Table 1.4
Household Profile for Gilgit, Chitral, and Baltistan

Indicator	Gilgit	Chitral	Baltistan
SIZE OF HOUSEHOLD	8.4	7.7	5.8
Males	52%	52%	53%
Females	48%	48%	47%
M:F Ratio	108:100	108:100	115:100
< 10 years	50%	50%	41%
LITERACY RATE	39%	29%	20%
Male	53%	42%	35%
Female	25%	15%	3%
5–20 years	64%	50%	33%
RURAL RESIDENCE	90%	94%	94%
VALUE OF ASSETS/ HOUSEHOLD (Rs.)	755,000	468,049	296,208
Land	77%	69%	60%
Shelters	14%	14%	20%
Trees	6%	12%	15%
Animals	2%	3%	5%
TOTAL ASSETS PER HOUSEHOLD			
Land	1.78 ha	1.25 ha	0.69 ha
Fruit Trees	40	36	81
Other Trees	195	358	71
Animals	15	17	13
Birds	8	10	2
VALUE OF LAND PER HECTARE (Rs.)	327,793	257,636	261,353
CONCENTRATION OF ASSETS (GINI)	0.39	0.23	0.36
Bottom 20%	6%	11%	6%
Top 20%	44%	35%	40%

Table 1.4 (continued)

Indicator	Gilgit	Chitral	Baltistan
HOUSEHOLD INCOME (Rs.)	43,201	40,338	29,767
Per capita	5,143	5,239	5,132
CONCENTRATION OF INCOME (GINI)	0.38	0.21	0.34
SOURCES OF HOUSEHOLD INCOME			
Crops	27%	18%	15%
Fruit and Forest	13%	30%	31%
Livestock	12%	8%	9%
Farm Labor	13%	9%	18%
Nonfarm Labor	10%	16%	11%
Remittances	14%	—	9%
Sale of Goods, Rent	11%	18%	7%
HOUSEHOLD EXPENSES			
% of Income	75%	69%	68%
% of Expenses on Food	45%	29%	65%
% of Food Budget Spent on Grains	32%	62%	75%
HOUSEHOLD CONSUMPTION per capita/year			
Meat	5 kgs	16 kgs	6 kgs
Grain	104 kgs	139 kgs	160 kgs
Milk	56 lit	64 lit	98 lit
Eggs	22	25	25

Table 1.4 (continued)

Indicator	Gilgit	Chitral	Baltistan
% HOUSEHOLDS			
Saving	93%	85%	62%
Investing	88%	—	80%
In Debt	77%	92%	58%
Borrowing	69%	72%	42%
HOUSEHOLD (Rs.)			
Savings	12,807	10,132	8,168
Investment	11,444	—	2,084
Loans	6,630	5,586	1,084
Debt	7,535	4,719	1,443
LANDHOLDING PER HOUSEHOLD	1.78 ha	1.25 ha	0.69 ha
Cultivated	1.40 ha	1.20 ha	0.67 ha
CONCENTRATION OF LAND (GINI)	0.55	0.53	0.23
Bottom 20%	3%	4%	5%
Top 20%	60%	58%	50%
75% HH have	< 2 ha	< 1.75 ha	< 0.8 ha
CROP AREA			
Grains	61%	68%	67%
Fodder	25%	17%	19%
Vegetables	4%	3%	6%
Others	10%	14%	9%
HOUSEHOLD OUTPUT			
Grains	1.27 mt	1.16 mt	1.16 mt
Fresh Fruits	820 kgs	933 kgs	1306 kgs
Milk (cow)	455 lit	396 lit	382 lit
Milk (goat)	138 lit	—	184 lit
Eggs	252	182	158
Beef/Mutton	50 kgs	44 kgs	42 kgs
Poultry Meat	5 kgs	—	3 kgs

Table 1.4 (continued)

Indicator	Gilgit	Chitral	Baltistan
USE OF FARM INPUTS PER HOUSEHOLD			
Manure/ha	1063 kgs	2522 kgs	3050 kgs
Fertilizer/ha	242 kgs	94 kgs	94 kgs
N+P on wheat per hectare	84 kgs	52 kgs	67 kgs
% HH using Fertilizer	78%	75%	67%
% Area Fertilized	46%	67%	55%
ANNUAL WORKING HOURS IN HOUSEHOLD			
per male	731	847	642
per female	1883	1372	1620
per child	1697	1066	793

Note: Data are from an AKRSP Survey of 2,882 households in forty two villages of Gilgit, Chitral, and Baltistan, 1988–89.

attached to the homestead. Most of the land is used for food and forage crops and some is given to fruit trees and timber. The households share a common pasture and forest for grazing animals and timber. Its farm income is often supplemented by nonfarm activities.

The agricultural year begins in spring, when villagers take their animals to meadows at high elevation and the winter wheat emerges in the fields. *Kuhls* are cleaned and repaired collectively and a second cleaning is done in summer months. Summer months are the most active: crops to harvest and sow; fruits to gather and store; livestock to keep away from the fields. Labor shortages are felt at weeding and harvesting times, although most of the household labor (male and female, young and old) is intensely involved in one or the other activity. By the fall season, people and animals reach their best form, followed by the long and often harsh winter. Animals are brought back from the high pastures; crops are collected and fodder stored.

Winter, for both people and animals, means withdrawal to the one-room structure. Food becomes more scarce as winter progresses because of isolation and not enough production. Meals become less frequent and diets get skimpy. Supplies may be brought from outside with cash income of those who find outside employment. Fuel for heating the home in winter months is from trees, including fruit trees, as the fuel supply dwindles. Firewood, food, and fodder are often nearly exhausted even before the tail end of winter in March, when temperatures are still quite low. The farm activity cycle resumes as the first signs of spring appear.

The division of labor in the family usually means that adult males maintain and repair *kuhls*; plow the land; collect the firewood; work off the farm; maintain and repair the structures; and occasionally go to pastures. Adult females do almost all the household chores: cooking, washing, raising children, and weaving. They also do the harvesting of fruits and drying; weeding and harvesting of crops; maintaining the vegetable patch and birds; and feeding animals. Children, both male and female, assist the adults in all and sundry activities, but particularly in weeding and collecting fodder, tending animals, and running the household chores. Their increased involvement in schooling in recent years has stretched the supply of household labor with consequent effects on the use of machinery and the number of animals the household can support.

NOTES

1. The term "northern Pakistan" is used loosely for the five federally administered districts of Baltistan, Ganche, Diamar, Gilgit, and Ghizar (called Northern Areas), and the provincially administered district of Chitral in the North West Frontier Province (N.W.F.P.). Since AKRSP is involved in four districts of the Northern Areas (Baltistan, Ganche, Gilgit, and Ghizar) and in the district of Chitral, all references to northern Pakistan in this book are for the project area of AKRSP. The administrative districts of Ganche and Ghizar were created in early 1990 in Baltistan and Gilgit, respectively. All references to Baltistan and Gilgit include the new districts.

2. Nanga Parbat in the Himalayas; K-2, Haramosh, and Rakaposhi in the Karakorum; and Tirich Mir in the Hindu Kush.

3. There is considerable debate about the nature of private property in the former ministates. The Government of Pakistan has recognized the right to private ownership on the basis of evidence about its control and cultivation. The former rulers and their village agents have been treated on the same principle and not on their actual or implied claims on land as feudal lords.

4. The ministates can be classified as cephalous and acephalous. The cephalous states were headed by individual rulers and maintained a feudal hierarchy of power and economy. They comprised Chitral, Gilgit, Hunza, Nagar, Yasin, and Punial in the districts of Chitral, Gilgit, and Ghizar; Skardu, Shigar, Khapulu, Rhondu, and some others in the districts of Baltistan and Ganche; and Astore in the district of Diamar. The acephalous states were republican in that the elders of the community, with the consensus of their members, made the major decisions affecting internal and external relations. No authority was recognized without the consent of the community. These states comprised Darel, Tanger, and Chilas in the district of Diamar.

5. There is almost an even proportion of the three sects in northern Pakistan, although they are not evenly distributed. The largest concentration of the Athna Ashari Shia is in Baltistan and Nagar. The Sunni population is mostly in Gilgit and southern Chitral. The Ismaili Shia are predominant in Hunza, Gilgit, Yasin, Punial, and northern Chitral. In some areas, the sects live in neighboring villages or in the same village.

6. Most of the area in northern Pakistan had little surplus to exchange with outsiders. Plunder and systematic looting of the trade caravans were a major means to acquire commodities. Slaves were used to service the local economy and were sold as a commodity to outsiders, particularly in Central Asia, in exchange for comforts and luxuries to be consumed by the rulers. See references in John Staley, "Economy and Society in the High Mountains of Northern Pakistan," *Modern Asian Studies*, 3, no. 3, 1969, pp. 225–243.

7. See, for instance, A. H. Dani, *History of Northern Areas of Pakistan* (Islamabad: National Institute of Historical and Cultural Research, 1989).

8. Contrary to the principles of division of British India into two sovereign states (India and Pakistan) in 1947, the Dogra Maharajah acceded to India the state of Jammu and Kashmir, including the territories which now constitute the district of Baltistan, parts of the districts of Gilgit and Diamar which the Maharajah had controlled under the British tutelage since the 1870s. The Mehtar of Chitral and Mirs and Rajahs of Hunza and Nagar acceded their states to Pakistan. The popular uprising against the Dogra rule in northern Pakistan at the departure of the British, followed by the dispute between India and Pakistan, effectively divided the state of Jammu and Kashmir. Pakistan regards the former state of Jammu and Kashmir as "disputed" territory. The Northern Areas in Pakistan (districts of Baltistan, Gilgit, and Diamar) are treated as wards of the federal Government. The present political status is a cause of anxiety and concern to the people of the Northern Areas and a potential source of political instability.

9. Revenue "settlements" are the basis for land tax. They are in turn based on recorded titles of individual ownership of land. Almost all of the agricultural lands in the district of Baltistan are in this sense "settled" but not in the districts of Chitral, Gilgit, and Diamar, although de facto control and ownership rights are exercised by individuals or families. There are increasing cases of disputes between individuals and groups about the control of both individual plots and common property such as pastures and forests.

10. The work of the Aga Khan Education Services (AKES) has been in progress for over thirty years. AKES is now involved in providing assistance to other communities as well.

11. The Aga Khan Health Services (AKHS) have been involved in providing health care services, including trained personnel and health care units, in several areas populated mainly by the Ismaili community. However, AKHS has extended its services to other communities as well. There is increased collaboration of AKHS with the government health services.

12. The Government of Pakistan, with assistance from UNICEF, is launching a major rural water supply and sanitation project to improve the supply of potable water and sanitary conditions.

13. The Appendix to this chapter gives details of the administrative structure in the three program districts.

APPENDIX: THE ADMINISTRATION OF GILGIT, BALTISTAN, AND CHITRAL

The Northern Areas

The districts of Gilgit and Baltistan are two of the three districts—the third is Diamar, where AKRSP is about to start its experiment—in an administrative unit called "Northern Areas." The Northern Areas are administered by the Government of Pakistan through its Ministry of Kashmir and Northern Areas. The administrative head of Northern Areas—a civil servant appointed by the government—is called Administrator with his headquarters in Gilgit town. He is assisted by a Development Commissioner, Additional Commissioner, Finance Secretary, and Chief Engineer. In each of the three districts the administrative head is the Deputy Commissioner. The Deputy Commissioners are aided with law and order by the police department, and by the line departments of Livestock, Agriculture, Public Works, Health, and Local Bodies and Rural Development. People in Northern Areas are exempt from all direct taxes (including land revenue) and receive financial subsidies from the federal Government.

There are two layers of elected officials. At the upper level, the Northern Areas Council consists of sixteen members, who are directly elected by the adult population for four years. The Northern Areas Council receives development funds from the Annual Development Program for Northern Areas allocated by the Government of Pakistan on the basis of population for each district. The Council has authority to sanction projects of up to Rs.30 million. The second layer of elected officials consists of the District Councils and Union Councils. Each District Council has twelve members. These Councils receive funds for

executing small-scale projects through the Department of Local Bodies and Rural Development. The funds for the District Councils are allocated by the federal Government from the special funds, with various names for the small-scale development schemes. The Union Councils have almost no revenues of their own, although they have made a beginning with local cesses and duties on movement of goods, etc.

District of Chitral

Chitral was a "princely" state until 1969, when it was merged into the North West Frontier Province (N.W.F.P.). It was made a district as were the former states of Swat and Dir. These three districts became administrative parts of Malakand Division in the province. The Divisional and District level administrations are similar to the system followed in other parts of the country: the Commissioner is the administrative head of the Division, and each district is headed by a Deputy Commissioner. The Deputy Commissioners are assisted by the police and line departments. The Malakand Division is treated as a "Provincially Administered Tribal Area" (PATA). It means, first, that the people in Chitral, as in Northern Areas, do not pay direct taxes and receive financial subsidies from the government. Second, the judicial system is partly operated by the *jirga*, in which many of the personal disputes are settled through consultations of the tribal elders and the traditionally recognized leaders.

There are three layers of elected officials in the district, a system similar to other districts in N.W.F.P. In Chitral, the top layer has two elected representatives: one is elected directly to the National Assembly and the other is elected indirectly to the Senate. The second layer consists of two representatives elected directly to the Provincial Assembly. The Local Councils consist of a District Council and numerous Union Councils for rural and urban areas. Their members are elected directly by the adult population every four years.

2

The AKRSP Model and Strategy

INTRODUCTION

Most rural people in underdeveloped countries are poor, no matter how poverty is defined. The rural poor are not a homogeneous group, nor is the incidence of poverty equally distributed among them. They do, however, share the underlying causes of their poverty. Landlessness—or scarcity of productive land—and poor prospects of employment or low wages are among the major factors.[1] In some regions, such as northern Pakistan, the physical and natural environments exacerbate the conditions of poverty, even if the poor have reasonable entitlements to land. The prospects of improved living conditions for the rural poor depend on many factors. The major ones seem to be population growth, technical progress, markets, and public policy. The contribution of each of these factors is not easy to identify, because they act on the human condition in an interdependent and complex way. In many underdeveloped countries, the forces of market and government policies work against the rural poor.

The rural poor (small landholders and the landless), like their counterparts in urban areas, are a peripheral people. The rich are at the center in both places. There is, however, one big difference between the rural and urban poor: the latter group can share with the rich some of the services and facilities that the rural poor have no way of accessing. This is partly due to the indivisibility of these services and partly because of the capacity of the urban poor to organize and agitate. The rural poor do not have the rich living in their midst; nor do they have the capacity to organize because of their isolation,

division, etc. Added to this is the fact that industrial growth is concentrated in urban areas fed by the agricultural surplus produced mainly by the rural poor.

How can the rural poor acquire greater control of their physical and social environments to improve their living standards? The answer to this question lies in their access to opportunities to exploit the potential they have rather than their exploitation and dispossession in the process of development. The difference of approaches to the development of rural people is based primarily on the division between theoretical perspectives on the causes of mass poverty and the sources of its alleviation. Three conceptual models have been used in analyzing the issues related to rural development.[2] They are the *individualist* (capitalist) model, the *collectivist* (communist) model, and the *organizational* (cooperative) model. The division between the first two is embedded in the mutually exclusive ideologies of development.

The individualist model has its roots in the classical and neoclassical theories of private or "free" markets as the only rational vehicle to improve the material welfare of the rich and poor alike. The individual's right to private property in the means of production is the fountainhead of enterprise, and competition among these individuals is the assured way of efficiency. More importantly, it is also regarded as the basis of a just order, because free markets reward the participants according to their contribution in the process of production. The uneven distribution of assets and resources cannot be blamed on the operation of the capitalist model. Uneven development and inequitable distribution are not accepted as the inevitable products of a capitalist economy. The disappearance of the American family farm—or of similar traditional arrangements based on household labor and small parcels of land—and their gradual subsumption by corporate farms or plantations are regarded as economic progress. The development of a capitalist agriculture, based on the forces of private (and free) markets, is seen as a fortuitous circumstance for alleviating poverty among the majority of rural and urban people.

In many underdeveloped countries, the same "bimodal" strategy of rural development has been promoted. One of its major consequences has been the proletarianization of peasantry (smallholders and tenants alike) and dependence on wage labor at one end and accumulation of land and capital at the other. Several Latin American countries, and some in Asia and Africa, have followed this route with disastrous effects on the society: displacement of smallholders and their flight to urban areas in search of jobs and incomes for survival are among the most visible signs of the process

of change. Specialized production based on capital-intensive methods and oriented to markets for value has also deeply affected the availability of products that the peasants used to produce for the household. The increasing involvement of smallholders in the cash nexus and contraction of land as an asset threatens their survival. The transition from a subsistence to a cash economy then victimizes the vulnerable groups in the marketplace. Slums of the poor and enclaves of the rich in urban areas are only two of the major manifestations of the development process. Should the rural poor wait for the promised "trickle-down" effect of the invisible hand of market? There is much evidence, now and in the past, that the answer to this question cannot be in the affirmative.

The collectivist model is premised on Marx's critique of classical theory and favors abolition of private property in the means of production (land and capital). Private property and markets are seen as the basic cause of division of society into antagonistic classes and observed inequalities of income and wealth. Abolition of private property and its replacement by collective ownership and management are regarded as the only assured foundations for harmonious social and economic development. There is, however, no general agreement about the nature of collective control, particularly of land and labor.

The Russian collectivist model, practiced in several countries until recently, was plagued with problems of inefficiency because of excessive state control without autonomy for the peasants. The Chinese commune system, as a variant of the Russian model, was faced with similar problems of rigid and hierarchical structure of production and distribution with little incentive for the individual's effort. Recent changes in the collective and commune systems—particularly long-term leasing of land by the state to the individual and cooperatized peasant households—reflect clearly the weakness of a centralized regime to rapidly improve the living standards of peasants. This change in several communist countries is part of the larger and even revolutionary attempt at freeing the economy from state control. It must, however, be noted that some of these changes are cosmetic. But if they are real, as apparently is the case in some Eastern European countries and China, they produce serious contradictions between the ideology and practice of communism. Some communist countries are disowning even the trappings of Marxian ideology.

The organizational model is skeptical about the ideological claims of the other two models. It favors neither pure individualism nor pure collectivism. In the organizational model, the institution of private property in land is not abolished. Its claim is that the pooling of

individual endowments or resources within a cooperative framework would avoid the costs inherent in other models of rural development. A participatory mode of organization would reduce the vulnerability and isolation of the individual households and foster the development of an equitable and self-sustaining socioeconomic system. The purpose of this chapter is to develop the basic concepts and strategy of the organizational model, with particular emphasis on the approach adopted by AKRSP in northern Pakistan.

THE DEBATE IN RURAL DEVELOPMENT

In countries where a collectivist or communist model has not been accepted, there is considerable debate about the impact of the individualist (capitalist) and organizational (cooperative) approaches. The individualist approach can exist in both the feudal (landlord-tenant) and peasant (owner-operator) agrarian systems. In the feudal system, broadly defined, the landlord lives mainly on the rental income appropriated from the output of land produced by the sharecropper or tenant. The existing distribution of landownership excludes the tenant from access to land without the landlord. In the peasant system, small parcels of land with family labor are the basis of production for the household and market. Given these agrarian structures, the introduction of capital and technology by both the forces of market and government policies creates new pressures on the landless tenants and small landowning peasants. Their displacement from the land becomes a necessity for development. They must look for work as wage laborers, mainly outside agriculture. Their entitlement to land as a source of income is lost. Steady employment and a reasonable wage can now be the only sources of sustenance. In the capitalist development of agriculture, the process of adjustment is often quite costly both for the dispossessed peasants and the society.

Rural development in the individualist approach is a catchphrase, usually devoid of content. If its objective is to provide opportunities for the rural poor to improve their living standards, it must depend on the organized and collective efforts of this group. But a collective and cooperative effort requires certain conditions that usually run counter to the interests of the rural elite. How can the small farmers, tenants, and landless workers organize to articulate their needs and mobilize their resources for higher standards of living if the elite see little gain or much loss in rural development? Alleviation of rural poverty in an agrarian system based on the highly unequal endowments of land and capital poses a formidable challenge to practitioners. Should we insist

that rural development under these conditions is highly unlikely, because the rural elite will either resist or subvert the program by which they either gain little or lose much? Should we first make a "frontal attack" on the distribution of land itself, because it is the basis of inequities both now and in the future? If radical land reforms—such as were introduced in Japan, Taiwan, and South Korea after World War II—are not on the agenda, should we conclude that no strategy of rural development will work? Should we become negative and even cynical? Or should we perhaps try to provide to the rural poor a framework in which they can organize for self-improvement? Is there a gain-gain scenario for the rural elite and the poor?

The frontal attack approach, if it succeeds, can lay the foundation for rapid rural development through cooperative resource management within a private property system. The basic problem in many countries is that the rural elite are too well-entrenched to give up the basis of their economic and political power through genuine land reform measures. The chances of radical change in the agrarian structure are slim under normal circumstances. Political upheavals and foreign interventions are perhaps the only major sources for restructuring the existing land system. In the absence of land reforms, the challenge to the practitioners of rural development in this system is both immediate and intimidating. It is immediate because the transformation of a bimodal system through technology and market displaces the peasants and increases the ranks of the poor in rural areas. The challenge is also intimidating, because the practitioner has to find a strategy by which the rural poor can gain without a loss to the elite. In other words, a feasible model of outside intervention for the rural poor within a cooperative framework in the bimodal land system is not easy to develop and manage.

In communities where most rural people are land-poor and live in a harsh or isolated environment, there is usually a long and well-established tradition of cooperative or collective behavior for survival. They know that the management of their own meager resources and of common property in the village must depend on reciprocal obligations. They are well aware of the benefits from economies of scale and the price of waste. Outside intervention with emphasis on articulated needs and cooperative management of resources can bring about new choices for these rural people. These choices are not imposed on them, but are made available in response to their collective demands and capacities. Their organization can unleash a self-sustaining and equitable process of rural development, because outsiders would be involved on a self-liquidating basis. A "diagnosis-

prescription" approach to alleviate rural poverty, on the other hand, is often based on outsiders' arrogance about their knowledge of the rural poor. Rural development, as a strategy to improve the well-being of this group, is premised on outsiders' views and perceptions. The poor themselves are rarely a part of the strategy: they do not participate in providing information, in making decisions, and in managing the rural development projects and programs. In fact, some development programs increase their powerlessness and vulnerability to both physical and economic environments.[3]

BASIC FEATURES OF AN ORGANIZATIONAL MODEL

At the conceptual level, the organizational model involves three basic components: a program, participants or prospective beneficiaries, and a support organization. The success of the model depends on a "high degree of fit between program design, beneficiary needs, and the capacities of the assisting organization."[4] In other words, the model is responsive to the expressed needs of beneficiaries through a strong organization capable of making the program work. The concept of "fit" in the context of rural development is central to the understanding of why some programs succeed and many do not. Underlying this notion is the assumption that it is best achieved through learning and not by following a blueprint or plan. It uses the "learning by doing" method.

The fit between the participants and the program involves their needs and the specific resources and services supplied as program outputs. Of course, the beneficiary needs will depend on the social and political context of the village. The supporting organization's fit with the beneficiaries is determined by the means used to express the needs and the ways in which the organization responds. This will include the capacity to organize and to make decisions in response to the expressed needs that galvanize the beneficiary organization. Finally, the fit between the organization and the program involves activity requirements of the program and competence of the support organization to deliver inputs for program outputs. The technical and social capabilities of support organization are the critical factors for it to play its role effectively. Let us examine the three fits (relationships) in the context of a strategy for rural development based on the organizational model.

The prospective beneficiaries—small landholders—must participate fully in each stage of the development of a specific program, starting from articulation of their needs and assessment of their

resources. The program has to address those needs of the beneficiaries that increase their capacity for sustainable development. It must offer to the participants outputs that use their resources and assist in making their organization viable. Organization is the vehicle through which the program provides inputs and services and outputs are realized by the participants on a sustainable basis. The program and beneficiary needs have to be welded together through a participatory organization.

The partnership of the support organization with the participants must be based on reciprocal obligations. The entry point has to be selected with great care to glue the participants to a common and productive activity which will act as a foundation for the development of "social organization." The supporting organization must have the capacity to evaluate the expressed needs of the participants and act as a catalyst in the evolution of social organization for mobilizing the individual and collective resources to generate a process of equitable and sustainable development. The success of this relationship would depend mainly on the managerial skills and credibility of the support organization in organizing the beneficiaries and in providing the inputs that strengthen the capacity of participants both as individuals and groups to become self-reliant.

The technical and social capabilities of the support organization are the crucial factors in making the program efficient and effective. They will include assessment of needs, identification of the entry point for social organization and activists, speed and flexibility in management, cost-effectiveness of program packages, and development and delivery of inputs and services directly related to the outputs the participants expect and need. The key to these capabilities is the learning-by-doing approach, in which innovations are induced in response to and by the experiences and resources of participants. The program and the support organization have to be guided by the principle of participation in developing the social organization to meet its basic objective: strengthen the poor—individual households at the periphery of the society—and create the collective capacity to improve their economic and social environment.

The concept of fit and the learning approach are the basic ingredients in a successful program of rural development. The learning approach greatly helps in achieving the desired fits because there is always some specificity or uniqueness in the circumstances and timing of a program. While the general principles stay intact, adjustments may have to be made in the program packages for specific target groups or regions. The practice has to be flexible and evolutionary: developing through learning. For example, what may

work for a rather homogeneous community of the poor living in an isolated and harsh physical environment would not be workable in a community that is highly differentiated on the basis of endowment of assets such as productive land and capital. In the first case, there is probably a long tradition of reciprocal obligations of member households to survive in a hostile physical and natural environment. In the second community, the interests may be fragmented, depending on one's position in the rural hierarchy based on the ownership of land and related assets. An effective fit is seldom achieved in those rural development programs that have followed a blueprint approach, guided mainly by fixed ideas and run by centralized bureaucracies without the participation of prospective beneficiaries. The examples are too numerous to mention.[5]

THE AKRSP MODEL

The principles guiding the AKRSP approach in northern Pakistan are similar to those outlined in the organizational model. The basic approach is participatory, flexible, and evolutionary. It has at its core the idea of a fit between the participants, program, and support organization. The program emphasizes productivity, equitability, sustainability, and replicability. Its claim is simply that it works: it rests on the generalized principles of cooperative behavior through participation, distilled from experiments in Germany and Japan; it is capable of making adjustments to suit specific circumstances and needs; it learns and evolves. It is not an idiosyncratic experiment in social engineering; it is not based on some unique qualities (like charisma) of its leaders but on their unequivocal commitment; it is not expensive; it does not require complete homogeneity of prospective beneficiaries.

Assumptions and Conditions of the AKRSP Model

The organizational model used by AKRSP rests on several conditions and assumptions.

1. The rural poor as individuals (or individual households) lack the capacity and resources to change their harsh physical and social circumstances.
2. The poor know their needs and priorities, but live in a system of constraints in which their choices are limited or even nonexistent.

They can well define their needs and are prepared to mobilize their resources.

3. The poor must form a legitimate and credible Village Organization (VO) in partnership with a support organization of outsiders, in this case the AKRSP. The organization of the poor must be based on equal participation by members of each VO. The terms of partnership are clearly stated: reciprocal obligations are identified and accepted, and a mechanism for enforcement of agreed sanctions is established.
4. The partnership of the two organizations—VO and AKRSP—must be based on reciprocal obligations, of which the primary obligation is of the poor to establish equity capital through whatever initial savings each member can contribute to the VO's savings fund. The other part of their obligation is to elect and appoint two VO members as President and Manager, who are among the village activists, enjoy the confidence of the members, and are accountable to them.
5. The entry point for the outside support organization—in this case the AKRSP—as a catalyst must be determined by a clearly defined need of the VO. The purpose here is to invest in activities that will have a direct impact on the welfare of the target group on a continuing basis and around which members can be glued to the VO. Individual involvement and participation in the collective or common infrastructural and productive activities is a basic condition of access.
6. The institutional capabilities in the village are built before introducing technical change by identifying the village activists who are able and willing to work for the organization.
7. The support system should aim at packages of inputs and services for the VO that it can manage and that have a direct impact on productivity and equity. The members should develop specialized skills usable for the benefit of all in the VO.
8. The support system should not create dependence of the poor on outsiders, but initiate a self-sustaining process of development without outside support. The aim is to produce capacity for self-reliance.
9. The organization of the poor should act not only as a delivery system but also as a pressure group to demand from the institutions of the state those services and infrastructures that it cannot establish through its resources. It can also make more effective the delivery of services by public and private sector agencies.

10. A final requirement needed for the AKRSP model to work well is that it depends on a trial-and-error strategy. It is based on participation and flexibility, because a rigid, bureaucratic, and centralized management approach with a fixed ex ante design or plan is a sure way to failure.

Since the concept of a social organization is at the heart of the AKRSP model, it is important to expand upon the importance of participation in the social organization. What does participation achieve?

1. For one thing, it creates and enlarges the social consensus on common issues related to development. It permits the group to identify common needs and reduce the areas of conflict and dispute. Articulation of perceived and real needs through participation clarifies the major issues in establishing priorities. It builds confidence and trust and develops the capacity to share responsibilities and make important decisions that will affect the individual households in the short and long term.
2. Participation acts as a deterrent against "free riders" in the case of public goods or management of common property. Also, it assures equal access to new inputs, packages, services, savings, and loans, and makes the distribution of benefits equitable and diffused.
3. The economies of scale are of particular importance to small farmers, especially in the mountain areas, in acquiring inputs and services and in marketing their products.
4. The prospective beneficiaries can demand and monitor program outputs. Centralized organizations do not generally find it possible to monitor the quality of outputs; their management can at best cope with monitoring and delivery of inputs.
5. Participation permits cost-effective delivery of inputs and services. Participatory organizations with their own functionaries supported by farmers offer a cost-effective mechanism to reach the individual beneficiary. Many of the roles played by governments at high cost, and without effective delivery to a majority of small farmers, can be performed by using a participatory organization as the major delivery and receiving system.
6. Organization assists in mobilizing resources for local development on a sustained basis. Considering the magnitude of what is demanded by a growing population with rising incomes, resource mobilization and improved organization cannot be achieved in an ad hoc manner through voluntary contributions of land, material, and labor. The participatory approach offers an institutionalized partnership between the people and outside agencies, including the state and private sector.
7. In areas or regions with great diversity and heterogeneity in natural resources and climates, such as the high mountain valleys, planning for the future can best be done through local institutions in which prospective beneficiaries are equal participants. Centralized planning for local needs is a poor and even counterproductive alternative.

Objectives and Strategies of AKRSP

AKRSP was established to promote four basic objectives. These are then linked to the conceptual framework of the organizational model and its strategies.

1. Raise the incomes and quality of life of about one million mostly poor people in the high mountains and isolated regions of northern Pakistan.
2. Develop institutional and technical models for equitable development.
3. Evolve sustainable, long-term strategies for productive management of natural resources in a fragile environment.
4. Demonstrate approaches and packages that can be replicated elsewhere.

AKRSP is about the *how* of rural development. It has not adopted a fixed strategy in achieving its basic objectives. The approach has been evolutionary, hence flexible. From its very beginning, AKRSP has emphasized organization, capital, and skills. They have been the basic elements of its strategy even as it has evolved to (a) establish a social organization around a sustainable productive activity in which the members would participate on a long-term basis, (b) generate savings to build equity capital to be used as collateral for obtaining credit for individual and collective investments, and (c) produce new skills or upgrade the existing ones to increase productive capacity at the VO level.

In keeping with its objectives and the three-pronged strategy, AKRSP has adopted three basic models: an *economic or incentive model* as an entry point; a *social or institutional model* to lay the foundation for sustainable and self-reliant growth; and a *technical or*

production model for grafting new technology and methods to raise productivity.

The economic or incentive model underlies all others. The rural poor (small landholders) are typically risk-averse because their resources are stretched and incomes low and unstable. They require high returns from any innovation to offset the risk associated with its adoption and the extra demand on their family labor. The infrastructural projects funded by AKRSP have high returns, because their externality can be internalized by the participants, and they increase the productivity of other resources for additional returns on a continuing basis.

The institutional model—building the VO and its new linkages—is at the core of AKRSP and needs careful attention, since the VOs soon begin to develop their own initiatives and demands, which may be threatening to some groups. Managing these emerging relationships between the VOs and others requires constant vigilance and good judgment. Their links with the government agencies and private sector groups must be fostered with great care and attention. The roles of the village activists and AKRSP catalysts (Social Organizers) are critical in nurturing the VO and in strengthening the outside links.

The technical or production model contains a variety of packages and services to build the capacity of the VO and its members to increase production and sell surpluses. Numerous specialized and complex means are required to find new appropriate technologies, adapt them to the working environment, and convey them to a large number of smallholders. Considerable resources (material and human) are required to develop these packages for VO members and to impart managerial and technical skills to "village specialists."

The objectives of AKRSP and its emphasis on organization, capital, and skills have not changed. The three-pronged strategy has been modified to reflect the achievements already made and the need to complete the program for which AKRSP was established. The emphasis would now be on four basic issues.

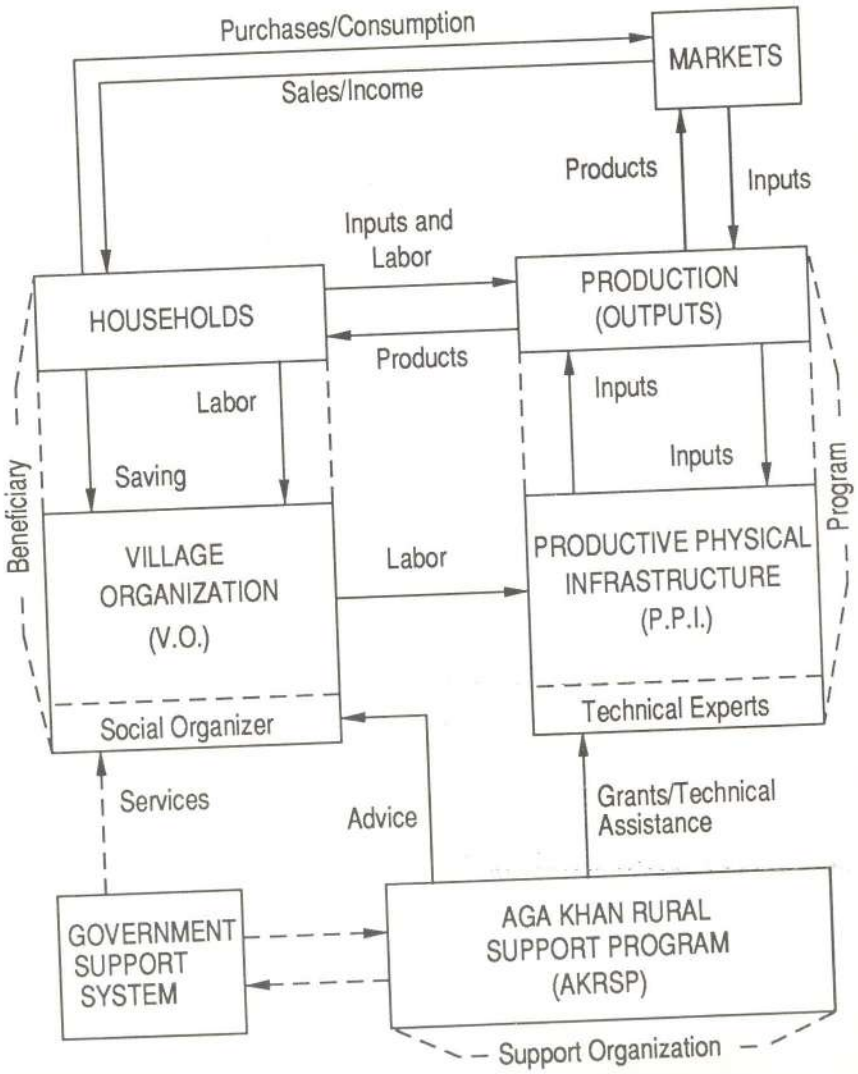
1. Institutional Maturity: The emphasis on completing the organizational model at the village level includes three major elements: a participatory social organization, a minimal support mechanism, and institutional linkages with development agencies in the public and private sectors. The broad-based social organization is encouraged to establish itself as a democratic institution at the local level with the will and means to move towards self-reliance by accepting increased managerial and financial responsibility. AKRSP is gradually reducing its managerial and financial functions by facilitating access to other agencies and nurturing the local institutions for greater self-reliance. The experiment of VO banking underway is a major step to this goal. New institutional links of the VOs with private and public development agencies are being fostered by AKRSP to complete the work of building sustainable social organizations.
2. Sustainable Livelihood: The strategy of sustainable livelihood for smallholders and the poor requires approaches in two directions. First, small farmers are encouraged to allocate their individual and common resources to specialize and diversify production on the basis of comparative advantage. They are also encouraged to apply part of their new incomes to improve social services and living conditions. The second element of this strategy is the integration of environment—its protection and enhancement—in planning and designing new production packages for agricultural resource management.
3. Financial Self-Reliance: To encourage local economic growth, and consistent with the four objectives of AKRSP, the social organizations are being encouraged to develop into financial institutions. Financial self-reliance will strengthen the long-term prospects of equitable economic growth in the region.
4. Human Resource Development: To enhance the effectiveness and sustainability of the organizational and technical functions, and to support the replication of its general approach, AKRSP is directing its efforts at expanding its training program. The development of human resources will be a key not only for the sustainability of the village (social) organizations but also for producing skilled human resources to replicate the experiment of AKRSP in rural development.

Structure of the AKRSP Model

Three central elements of the AKRSP model are a support organization, a beneficiary organization, and a program of activities. Their schematic relationships are shown in Figure 2.1.

The support organization (AKRSP) performs three basic functions. First, it provides a social organizer as a catalyst to the social organization (VO) to develop itself around at least one major (productive) activity or project that the members need and in which they can all participate. Since women play a major role in the rural economy of northern Pakistan and share many of the activities with male members of the household, AKRSP has assisted them separately

Figure 2.1: The Aga Khan Rural Support Program Model



and jointly with men to form Women's Organizations (WOs) for the same purpose as the VOs. Second, AKRSP gives a one-time grant to construct a Productive Physical Infrastructure (PPI) project—which acts as AKRSP's entry point for establishing the social organization—and some technical assistance in developing expertise at the village level about the use of agricultural inputs, related technology, and marketing of products. This role includes the development of human resources through training for the VO specialists. A final role of AKRSP has been to coordinate with the existing agencies, governmental and nongovernmental alike, involved in hastening an equitable and self-sustaining process of development.

The backbone of AKRSP model is the social organization represented by the VO, through which the support organization (AKRSP) channels its packages and on which it hopes to build a self-sustaining institution for rural development in northern Pakistan. The VO as representative of the prospective beneficiaries plays a double role. First, it glues the members around a commonly needed project by pooling labor and savings from the member households. The emphasis on accumulating equity capital through regular savings is a central part of the AKRSP experiment. It helps in binding the members in the VO, in using the collective savings as collateral for acquiring production loans from the banking system, and in building financial institutions that the VO would manage and that the members will use to meet the individual and collective needs for investment and consumption. The other role of the VO is to build new capacity through joint (collective) efforts of the members to undertake activities in production and marketing. Finally, the VO identifies some of its members as "village specialists," trained by AKRSP in skills that all members can use at cost for the major income-generating assets and inputs.

The program in which the support and village organizations work together normally includes (a) building a PPI project (e.g., irrigation channel, link road, flood protection wall), (b) increasing collective savings and investments of member households, (c) introducing new inputs and activities that increase productivity and reduce the workload and drudgery for women, (d) introducing products to markets, (e) creating new skills through training and developing the capacity to plan at the village level, and (f) increasing the coordination with public and private agencies involved in developmental work, including the social sectors of water supply and sanitation, health care, and education.

One of the important reasons for the success of AKRSP has been its "capacity for responsive and anticipatory adaptation." This capacity has been built on three important criteria:

1. The management of AKRSP "embraces error," which reflects effective, but not necessarily charismatic, leadership. Workers are encouraged by the leadership to discuss openly all issues and admit errors, so that the lessons can be used to improve their effectiveness. They use mistakes as a "vital source of data for making adjustments to achieve a better fit with beneficiary needs."[6] The management style of AKRSP is based on trust and accountability within the support organization and *vis à vis* the social organization. The leadership principle contains two basic elements: commitment and inspiration. The leadership has an unequivocal commitment to the organizational model. Its inspirational aspect is based partly on this commitment and partly on the ability to use new information and knowledge. The open and flexible style of management avoids the pitfalls of insulated leadership. The hierarchical structure of the organization is based on specialization, but specialized skills are not compartmentalized. In relation to the social organization, the AKRSP management stresses partnership with reciprocal obligations. The principle of partnership is used with great advantage for communications and adjustments in specific packages or projects.
2. It plans with the people, building on what the villagers know and the resources they possess. Therefore, it stresses participation by the membership of social organization in all phases of the program. There are several advantages of planning with the people. For one thing, the outside intervention opens up new options without imposing methods and technologies that the villagers cannot integrate into their socioeconomic environment. The continuous process of interaction of social organizers with the village organization and activists has been a necessary tool in developing microlevel plans for the social organization. The planning process is a two-way street, involving "dialogues," changing and evolving as the experience builds and new information is acquired. Planning with people builds new capacity in the social organization without increasing the risk of failure and dependence on outsiders. It can also act as a method of resolving disputes about management of resources and the rights of members in accessing inputs and benefiting from outputs. Finally, the process of planning creates awareness in the social organization about the claims it can make on public-sector services and infrastructure and helps to make cost-effective the delivery of services from outside agencies.
3. It links the building of knowledge with action, because it emphasizes learning by doing. There is a high degree of integration and not differentiation in the roles played by planners, technical experts, and managers. The program is highly interactive not only among these cadres within the support organization but also with the village organizations. In developing specific packages or projects, it emphasizes testing with VO members and uses their knowledge and experience to make adjustments for desired effects. Learning by doing also allows AKRSP to minimize unanticipated shocks to the program. It is particularly important in an experiment of "social engineering" that risks are minimized because the penalty of failure for the support organization can be very high. As a catalyst the support organization has to operate its experiments through induced innovations in which the prospective beneficiaries play a major role.

The next three chapters will contain a detailed analysis of the experiences of AKRSP in order to highlight the workings of its organizational model. They will trace from its inception the evolution of the program and the adjustments it has made in light of new data and requirements. They will focus on experiments that worked and others that did not and had to be modified or abandoned. We believe there are in this story major lessons for AKRSP in its ongoing program and for practitioners of rural development elsewhere.

NOTES

1. See, for instance, Michael Lipton, *Land Assets and Rural Poverty*, World Bank Staff Working Paper No. 744 (Washington, D.C.: The World Bank, 1985).

2. B. F. Johnston and W. C. Clark, *Redesigning Rural Development: A Strategic Perspective* (Baltimore: Johns Hopkins University Press, 1982).

3. The commonly used "bureaucratic" and "representative" approaches to rural development in countries like Pakistan over the last forty years have exposed their common and basic problem: they are not based on the principle of participation. Both are premised on the "superior" knowledge of the bureaucracy and local representatives, elected or not. Sometimes the two approaches have been used simultaneously but often at cross-purposes.

4. David Korten, "Community Organization and Rural Development: A Learning Process Approach," *Public Administration Review*, 40, no. 5, 1980. Ford Foundation Reprint, p. 17.

5. The experiments of Village-AID, Rural Works Program, and Integrated Rural Development Program (IRDP) are the prime examples in Pakistan. Similar examples from other countries are cited by the World Bank in *Rural Development: World Bank Experience, 1965–86* (Washington, D.C.: The World Bank, 1988).

6. See Korten, "Community Organization and Rural Development," p. 19.

3

Interface of AKRSP and Rural Communities

THE ENTRY POINT

Since organization is the key to sustainable development of small landholders, the first question is: what brings the villagers together? The AKRSP experience has confirmed at least three generalized principles. First, the villagers are capable of identifying one basic activity—call it a public good serving a common purpose—around which they would remain glued in a continuing relationship. Second, the portfolio of needs may be large, but it reduces to one major activity in the production sector (irrigation, roads, etc.). Investment in the social sectors (health, sanitation, education) is no less important, but the priority in the final selection is on a public good that will generate income streams on a sustained basis. Third, the support organization has to make investment in the social organization through a grant (subsidy) for the project finally selected by villagers. Before analyzing the "diagnostic survey" approach of AKRSP—a process by which the entry point is selected and the village organization established—it is important to develop the arguments implied in the three propositions.

Needless to say, the rural poor face numerous problems or constraints, particularly in a harsh physical environment. They have multiple needs and all are basic to them. In the production sector, they are constrained by the lack of physical infrastructure and services (including inputs) that have a direct impact on their capacity to produce and earn income on a sustained basis. In the social sector, the

quality of life suffers even more by the absence or inadequate supply of potable water and sanitation, primary health care, and education. An important aspect of poverty of small landholders is that as individuals they have hardly any capacity to generate surplus for investment. This is exacerbated by the lack of support services in the public sector and the inability of the rural poor to demand and receive public goods to enhance their incomes. An outsider entering the village is literally overwhelmed by the variety of grievances and a long shopping list of private and public goods that the villagers would like to receive. They are not simply receptive but keen to accept outside intervention to alleviate their poverty. The long shopping list of needs also reflects differences in perceptions about what can best improve the individual's welfare. Perceptions are in turn conditioned by one's absolute and relative economic position in the village. The hierarchy of needs is a function of the existing standard of living and the constraints faced by the individual in alleviating poverty.

The second argument is that villagers can identify one major public good or service that meets three criteria: it is of common interest, generates new income or welfare, and binds them together on a sustained basis. The first criterion requires little explanation, because it is common interest that brings people together and is the basis of an interest group. The common interest in this context is to be defined by villagers themselves. The second criterion emphasizes investment for new streams of income. The reason simply is that a direct attack on poverty can best be sustained by improving the means of production for the individual household. A social sector activity can of course also contribute to the quality of life, but its impact on productive capacity is neither direct nor immediate. Further, investment in the social sector cannot be sustained by the poor if their individual incomes do not rise fast enough. The third criterion is perhaps the most important, particularly with respect to the formation of social organization. What can best bind the poor together on a sustained basis? A public good that produces income streams for all participants and thus maintains an incentive for them to stay organized. In this sense the public good is an entry point for the outsider and an investment in the organization of the rural poor.

The third argument is that the support organization should give to villagers as a grant the cost of the public good—we call it Productive Physical Infrastructure (PPI). Since investment in a PPI is considered the key to the establishment of the VO (because without it community participation will not be forthcoming), two of its major aspects need explaining. The first issue concerns the one-time "subsidy" in the

grant for PPI given to villagers. The second problem concerns the element of "self-help" in implementing the PPI by VO members.

The case for a subsidy (grant) for the PPI is premised on two arguments. For one thing, the rural poor do not have the individual and collective resources immediately available to build the PPI themselves. The resources required for PPI include not only labor and material but also technical expertise normally beyond the means of small landholders. The second reason is even stronger in that the PPI is an investment in organization: it brings people together and can build their organization. Organization is the goal; PPI is only a means, albeit a crucial one, to that end. The subsidy implied in the PPI grant is not a transfer payment but an investment for production and organization. The amount of subsidy is determined by the nature of PPI and the capacity of the VO to implement, complete, and manage. The AKRSP experience shows that the investment in PPIs has not only a high payoff but also induces investment in new PPIs by villagers themselves.

The other feature of the investment in PPI is self-help by villagers. As its terms of partnership with AKRSP, the VO is only allowed to employ contractors or outside labor if the VO members find it absolutely necessary to get outside help. A major contribution of villagers in implementing the PPI after it has been identified and assessed in cooperation with AKRSP is their labor. It is paid labor, because free labor is hard to organize and defeats the purpose of self-help. Wages serve as a real incentive for efficient implementation of the project, because a large part of the responsibility for completing the PPI rests with the VO members. Their participation also serves the purpose of imparting new skills in accounting, management, and construction. Wages are negotiated with the VO as part of the estimated cost of PPI. Their level is slightly below the market wage rate, because work is provided at the doorstep and the labor builds an asset from which the villagers directly benefit on a long-term basis. The PPI is the workers' own asset for future incomes. There is another important role these wages perform: they add to the household consumption and savings of the VO.

FORMATION OF THE VILLAGE ORGANIZATION

The conceptual basis for the formation of the VO as a social organization was explained in the last chapter. A few words are now in order about its mode of formation. The first condition of the partnership between AKRSP and the VO is that it must be

participatory and democratic. The principle of participation has to be reflected by the involvement of the general body in the decision-making process of the VO. The democratic principle has to be reflected by regular meetings and major decisions of the general body. The VO general body elects a team of activists (President and Manager) to manage its affairs who are accountable to it on a regular basis. The VO is not run by an elected committee of officials with a fixed mandate. Regular meetings of VO members are an assurance for participation and management of the VO. They are also the forum for maintaining savings and loans; resolving disputes; planning future activities; making decisions on management and development of common property; and interacting with the support organization.

How large should the VO be? Its size (membership) has to be guided by a simple principle: that it represents an interest group with geographic proximity to the households and the willingness of over three-quarters of the population to form a VO. The VO is not coterminus with the village, because a village may not represent a socioeconomic compact with common needs and interests. It may also be the case that a small number of households represent an autonomous agroeconomic system because of their geographic isolation in the high mountain valleys. What is important is that the VO create a sustainable autonomy for the interest group. Similarly, the relationship of the VO with the PPI varies, depending upon the post-PPI interests of the individual VO. A VO can subdivide after completion of the PPI in the interest of regular meetings, savings, and participation in other packages offered by AKRSP. As part of a large VO, members may feel inhibited in receiving full benefits of the AKRSP packages other than the PPI. The staff of AKRSP and the VO membership have to exercise vigilance with regard to the decision on splitting an existing VO. In some cases it may be used as a ploy to get another subsidized PPI; it may even be symptomatic of the division engineered by opportunistic elements in the VO.

What will sustain the village organization? Why should the VO stay organized once its identified need has been fulfilled or its PPI completed? There is an element of sustainability inherent in the PPI as a catalyst for organization. If the PPI must be maintained to ensure continuing gains, the VO has to survive to perform this function. However, the more important factor is the development of a program package for implementation by the VO. Here the expertise and the ingenuity of the village activists and the staff of AKRSP as a support organization play a central role. Without this support in the initial stages the VO remains fragile and vulnerable. A major test of the viability of a VO rests in the capacity of support organization to graft

new technology packages on traditional activities and induce innovations in response to the needs of VO members.

RURAL WOMEN AND THE AKRSP

Women in the rural households of northern Pakistan play a dual role: as mothers and housewives they are responsible for all domestic and child-rearing activities, and as agricultural workers they contribute a substantial proportion of the household labor required on the family farm. They are also primarily responsible for processing and storing food for household consumption during the winter months. There is normally a clear division of labor in the household, with women doing almost all of the domestic work and a great part of the labor required in the household production and processing of food. They do the weeding and thinning of crops and collect fodder for animals; raise poultry and grow vegetables around the homestead; process milk, food, and fruits; and make handicrafts for the household and market. The migration of men into wage employment and schooling of children, particularly male, also means that women have to work harder and spend more time on farming.

It is also a fact that women do not participate equally in making all of the decisions that affect the welfare of the household. While their opinions and decisions carry considerable weight in the household, their participation is less visible, if not entirely absent, at the village level in activities that affect the public and private good, such as the development of the village infrastructure and management of common property. One of the major reasons for the observed asymmetry in the roles of men and women is the lack of educational opportunities for females in the village. Segregation of sexes in public discourse and interaction is both a symptom and a cause of gender differentiation. The gender inequality can be a major constraint in improving the quality of life for women and in the development of rural households.

A major objective of AKRSP was to help the rural women increase their productivity and to reduce their workload in the tasks they traditionally perform. Initially the vehicle for women's involvement and participation was conceived to be the VO. But the AKRSP experience is that in most villages male and female participation in the VO was not quite workable: in many villages the male-female segregation would not allow common meetings and open discourse on affairs and activities related to males or females; in others, even if women joined the regular VO meetings, they were unable to articulate

their needs and responses freely. Women do not in these circumstances fully participate and become an integral part of the social organization. AKRSP had to adopt an alternative strategy of encouraging the village women to establish Women's Organizations (WOs) as counterparts to the VOs to initiate a process by which women share experiences, workload, and make decisions. Women see several advantages of the WO:

- it brings women together on a regular basis for social interaction;
- it overcomes their isolation as individuals;
- it increases their awareness of their own potential and helps in articulation of problems and perceptions;
- it enhances their status because they are organized, work collectively, and earn discretionary income; and
- it allows women to acquire new skills in management both at the individual and collective levels.

The WO is similar in structure to the VO: the general body chooses its President and Manager; meets regularly; deposits savings in the joint account; selects individual women for AKRSP training programs; and determines packages for collective or individual management. The formation of WOs has several benefits for AKRSP as a support organization: the presence of the WO activists (President and Manager) provides a focal point for contact with the village women and allows the development of a formal relationship mediated through elected individuals rather than amorphous groups or unrepresentative individuals. WO is the vehicle through which AKRSP can introduce innovative packages with impact on productivity and income of women and their households, and assist in establishing links with the social sector agencies offering specific services for women such as health care and education.

Two more comments about the WOs. First, AKRSP has not taken a rigid stand about the formation of WOs in all villages that have established the VOs: it is optional for women to join the VO or establish the WO. Where WOs have been formed, the terms of partnership include the availability of women field staff and the training of women specialists in the village. The objective of AKRSP remains clear: to improve the capacity of individual males and females in the village to become self-reliant on a sustained basis through organization. The second comment is that AKRSP has not found an activity or public good for the formation of the WO as effective as the PPI for the VO. It has been experimenting with various packages and projects. The initial obstacle of identifying a PPI for the WOs has

probably been overcome with the introduction of horticulture and poultry packages.[1]

THE CATALYSTS

Two catalysts are of paramount importance in determining the sustainability of a VO or WO: the village activist and the AKRSP Social Organizer (SO). The village activist is the moving spirit behind the VO. The activist helps the VO members understand the vision of development through organization; gives time and takes the program messages to the general body of the VO; brings about changes in the existing management of resources in the village; and makes the AKRSP services accessible to VO members. The activist is not motivated by sentiments of altruism: he or she sincerely believes that his or her own welfare can be increased with the welfare of other villagers through organization. The VO provides him or her the forum to achieve this objective. Without the VO, everyone in the village is left to individual devices to further his or her cause. No wonder, then, that individuals with some resources, entrepreneurship, and contacts leave others, not so well endowed or fortunate, far behind.

The AKRSP experience is that it is not impossible to find activists in the village, but they need an institutional framework to come forward and bloom. The success of a VO is directly attributable to the VO activist, usually the Manager of the VO. In most cases he is ably supported by the President. In addition, there is a cadre of village specialists, individuals selected by the VO and trained by AKRSP, who help in implementing various packages. The specialists are remunerated by the VO membership so that they maintain their interest in providing the expected services effectively. Thus the actual responsibility for implementation of the program packages is borne by the VO through its cadre of specialists, including the President, Manager, and others selected to perform specific tasks. As discussed later, the training program for these specialists is of great importance for the viability of the VO in the long run. In making the village activists effective, it is also important that all VO members participate and that the former are always accountable to the general membership.

The other catalyst for the development of the VO and for the transmission of AKRSP packages to VO members is the SO, the frontline worker of AKRSP. The first role of the SO is motivational. The SO must describe in detail the concepts of community

participation in order to reformulate the traditional patterns of thinking and behavior about the development of the individual and common resources. The age-old system of patron-client relationships, often managed within a rigidly hierarchical structure, has to be replaced by the concept of equality and participatory management at the village level. A cooperative method for evolving consensus must be introduced or strengthened where it exists in an amorphous form. An entire system of incentives has to be created anew, demonstrating the requirements and rewards of cooperative management. In the absence of any indigenous capacity for catalyzing this change, AKRSP through the SO has to perform this role in the initial stage.

The discovery of local capacity through village activists is an equally important function of the SO; selection of effective village activists is crucial for the development of VO. His/her other role is even more important: to nurture the VO itself by monitoring the implementation of the PPI; regular VO meetings; maintenance of books and records; accumulation of VO savings; utilization of loans for productive activities and inputs; and assisting the village specialists in acquiring the needed material and inputs. However, the role of SO is not routinized but helps to accept and adopt new ideas, methods, and inputs. He/she has to play the team leader, at least for a while. The team consists of the AKRSP field staff and village specialists. His/her credibility rests on his/her capacity not only to motivate the VO activists and members to experiment with new inputs and develop new skills but also to make the management of the VO effective by using the AKRSP expertise and resources in response to the needs of the VO. He/she is the major link between the VO and AKRSP in the development of their partnership and in the evolution of the VO as a sustainable social institution at the village level. The success of the SO as a catalyst would, therefore, be reflected in the growth of the VO as a viable and sustainable institution.

The role of SO is not static; it must change with the growth of the VO. In the first stage, the motivation for collective action is often the PPI. A VO can become dormant after the completion of the PPI, because the VO members took PPI as the goal and not a means to organization. At that stage the SO has to assist the VO with introduction of productive packages; loans for and supply of inputs, training, and use of trained village specialists; regular VO meetings and savings; and village planning for land development and plantation. Once the VO has acquired some of this capacity and its activists can play the lead role, the SO would not be required to act as a motivator. Some of his/her earlier and much needed functions would be performed on a regular basis by the village cadre of activists and

specialists. These are the first and definite signs of institutional maturity of the VO.

But the role of the SO does not end yet. The VO's long-term autonomy depends on its capacity to serve as the basic village institution for the individual and collective development of VO members. AKRSP in cooperation with the VO membership has found that in the long run the VO has to act as a savings and loans association for its members, or what is termed VO banking. The transformation of the VO into a local bank for all VO members is perhaps the most important and a final stage in the evolution of the VO as a sustainable institution. In the experiment on VO banking, to be described in a later chapter, the role of the SO as a leader and tutor assumes great importance. The SO has to assist the VO management in creating the capacity to establish the banking functions on a stable footing with respect both to its financial solvency and its accessibility to the VO members. Here the basic problem is not one of creating motivation among members, but managerial capacity to make use of the VO capital for the development of the local economy.

THE DIAGNOSTIC SURVEY

As discussed in the last chapter, AKRSP operates its organizational model on two basic propositions: (a) the villagers know their needs and, if asked, can prioritize the needs according to their resources, and (b) the village organization must be a participatory institution in all respects. The initial interface of AKRSP with villagers consists of a *diagnostic survey* based on an interactive series of three dialogues between the Management Group (MG) of AKRSP and the general body of each village or settlement in which a partnership is to be established. The purpose of the diagnostic survey is to identify and assess the needs of villagers and to establish the terms of partnership for the VO with AKRSP.

In the first dialogue, the aims of AKRSP are explained and villagers are invited to form the village organization and to select a project that will generate income for all participating households. In the second dialogue, the AKRSP staff works with the villagers to design the PPI and estimate its costs, making use of the villagers' knowledge. A major portion of the costs are for labor that villagers are required to provide against compensation. The first and second dialogues serve to identify and prepare the PPI, including its design and cost estimates. In the third dialogue, the project is fully discussed, appraised, and approved, and the terms of partnership between the VO

and AKRSP are agreed upon. After the third dialogue, the PPI is implemented and completed according to an agreed schedule, and arrangements are made for its long-term maintenance. The third dialogue is used to spell out clearly the terms of partnership or the conditions on which the VO can be formed. The general body of the VO, to which these terms are presented, must agree that members understand the terms and are prepared to accept their obligations.

One of the major aims of these dialogues is to establish a consensus among villagers about the reciprocal obligations each party—the VO and AKRSP—must meet to make the partnership work.

Obligations of the VO:

- villagers form a VO, with more than three-quarters of the households in the same settlement as members of the VO;
- VO members in a general body meeting elect the VO President and Manager, individuals whom they trust and who would be accountable to the members; the two individuals will maintain records and books and transact business on behalf of the VO and its members;
- VO general body meets weekly or biweekly at an appointed place and hour to debate, consult, plan, and make decisions;
- VO Manager collects in each general membership meeting cash from members to build the VO savings; each member's contribution to the VO savings should be proportionate to his economic status or based on any other equitable basis;
- a two-thirds majority of the VO members can remove any office bearer;
- VO general body will nominate its members for specialist training in agriculture, livestock, marketing, etc.
- VO will give full cooperation and support to programs offered by government organizations and other development agencies;
- each member will be individually responsible for repayment of his production loan contracted through the VO;
- VO will encourage members to participate in collective management of common property, land development, and marketing of products;
- VO will assist women either in forming separate organizations or in participating freely as equal partners in AKRSP packages that enhance their incomes and reduce their workload;

- VO members will fully participate in all stages of planning, construction, implementation, and maintenance of the PPI they have selected;
- all disputes about land and water rights or sharing arrangements within the VO or with another settlement will have to be resolved by the VO and its members;
- VO members will compensate village specialists and office bearers according to the services they perform; their services are not free; and
- office bearers and specialists will coordinate their activities with the field staff of AKRSP for provision of inputs, loans, and other services.

Obligations of AKRSP:

- it will provide a one-time grant for the completion of PPI selected by the VO; the grant will be accompanied by technical assistance in every aspect involved in completing the project;
- it will give training to village specialists in a variety of courses to introduce new skills;
- introduce production packages and technologies both in response to the expressed needs of VO members and as innovations for grafting onto the existing methods;
- facilitate provision of inputs and related services from other agencies and markets;
- assist in collective marketing and establishment of new enterprises;
- provide loans for production inputs and related investments based on VO savings; and
- assist the VOs to develop new capacities to manage their financial affairs as village banks for local development.

One major point about the partnership of AKRSP and the VOs is that it has changed over time in response to the growth of VOs and to meet the anticipated and unanticipated circumstances or situations. Some VOs have not developed as well as they were expected to at the beginning; some never really took off because of deep divisions in the village or for some other reason; and some have stayed dormant. A majority of the VOs have shown strong growth and maturity, although they have not grown at a uniform pace or accepted all packages with similar enthusiasm or success. Of the majority that are visibly stable, some have started the experiment in VO banking, reflecting clearly their self-confidence and increased capacity. We will discuss these issues in some detail in the next chapter, but it will not be out of place

here to give a flavor of the diagnostic survey from examples of two early VOs in Gilgit.

The Dialogues in Passu

The village of Passu, located in Upper Hunza, is 160 km northeast of Gilgit town on KKH at an altitude of 2,430 meters. It is wedged between raging rivers and two massive glaciers, Batura to the north and Passu to the south. Batura glacier is the source of water for Passu's *kuhl* constructed by the villagers in collaboration with AKRSP. There were about 61 households (containing 500 people) in the village in 1983. The people of Passu claim their ancestry from Badakhshan, now in Afghanistan and the U.S.S.R. Local folklore traces Passu's origins from 400 to 1,000 years ago. The people of Passu seem technically and economically more advanced than those in other villages. They have a long history of effective organization to improve their quality of life.

The people of Passu held their first dialogue with AKRSP on March 8, 1983. The villagers identified two possible projects. One was a protective wall against erosion of their valuable land by the river. The other was an irrigation channel from Batura glacier to increase the cultivable land. They agreed to form the VO and accepted the terms of partnership with AKRSP. Passu had two series of the third dialogue. The first was held on April 22, 1983. The villagers considered the protective wall and the channel interlinked and equally important. AKRSP's management and experts were skeptical about the water channel because seven previous attempts before AKRSP were foiled by the movements of the glacier. As the people had to choose only one of the two projects, they opted for the protective wall. However, the GM and his associates promised that their engineers would still assess the feasibility of a *kuhl* in view of the interest shown by the VO members. The villagers were very happy with this decision. They also used the occasion to choose the office bearers of the VO and decided about the weekly meetings and collective savings.

The AKRSP engineers demonstrated their customary resourcefulness in conducting the feasibility of the *kuhl*. Using a Chinese glaciological study of the Batura glacier, they were able to overcome the handicap of previous attempts. A safe range for the channel head was established and the 3,900 meter-long *kuhl* was engineered to originate from within this margin. The good news was shared in the second series of the third dialogue on June 5, 1983, and the VO members were jubilant about the construction of the proposed

channel. There was some dispute about the ownership of land in the area to be affected by the *kuhl*. It was later resolved with the representatives of the government, who had raised the issue in the first place.

The Dialogues in Chatorkhand

Chatorkhand is situated in the Ishkoman valley about 80 kms northwest of Gilgit town. The route from Gilgit is accessible by jeep but takes over four hours. Situated at an altitude of 2,133 meters, it is a single-crop area with wheat, barley, and corn as its main crops. There were 170 households in the village, with a population of about 2,500 in 1983. The average landholding in the village is 2.53 hectares. In this village, Karam Ali Shah, known to everyone as the *pir* (religious leader) of Chatorkhand, wields real authority and his influence is highly visible in all substantive matters. His dominant influence pervades the functioning of the VO as well. He owns considerable land in several surrounding villages. Some of his land is cultivated by sharecroppers. He has earned a well-deserved reputation as an accomplished manager of his considerable landholdings. In fact, he acts as a model farmer in the area.

The Management Group (MG) of AKRSP visited Chatorkhand for their first dialogue on December 27, 1982. The *pir*—who had initially held reservations about AKRSP but now was a convert to the cause—used his skills and authority effectively to convey the message of AKRSP to the gathering. The villagers from Chatorkhand identified two possible projects, flood protection spurs and a fruit nursery. The AKRSP engineers pointed out that they were not quite convinced of the benefits of the protective works because of their experience in other areas and valleys. Also, there was some skepticism about the distribution of benefits in the village. Since there were invariably a limited number of beneficiaries, the whole village body would have little incentive or motivation to participate in maintaining the structures (spurs). The fruit nursery was also not considered a long-term project around which the VO members could be glued.

The VO members of Chatorkhand finally settled on an irrigation channel as their PPI. The channel was surveyed and found technically feasible by the end of 1983. The AKRSP senior staff came to the village for the third dialogue on December 18, 1983, almost a year after the first dialogue. The VO had expanded rapidly in that year: its membership numbered 207 and its collective savings stood at Rs.8,250. The AKRSP technical team in collaboration with the VO

members estimated the cost of the proposed *kuhl* at Rs.108,360. The *pir* was asked to present the first installment check from the AKRSP grant to the VO Manager. The work on the channel began in February 1984 and it was completed by the end of April 1984.

AKRSP AND THE VILLAGERS: THE BEGINNING OF A PARTNERSHIP

The proposal for setting up AKRSP was made in November 1981 by a team of experts of the Aga Khan Foundation (AKF). AKRSP was established by the Aga Khan Foundation Pakistan (AKFP) in 1982 as a private, nonprofit support organization for rural development, particularly for northern Pakistan. It is registered with the Government of Pakistan under the Company's Act of 1913 (as amended in 1984) and is governed by a Board of Directors, whose twelve members represent the Aga Khan Foundation (AKF) network, administrators, policymakers, development activists, and prominent individuals from northern Pakistan. AKF retains the majority control in AKRSP.

The establishment of AKRSP was a practical expression of concern of the Aga Khan—spiritual leader (*Imam*) of the Ismaili community—about the welfare of rural people in northern Pakistan, of which a vast majority lived in poverty. It was also an extension of the work of the AKF network on education and health care (AKES and AKHS), which had existed in the region for some time. AKRSP was expected to assist the rural poor in increasing their productive capacity to alleviate their poverty. The sponsors of AKRSP were clear about two things: that the Aga Khan had made a long-term commitment to realize his vision of a self-reliant and prosperous rural community in northern Pakistan, in the fulfillment of which AKRSP would play the role of a catalyst. AKRSP was expected to use a regional development approach and also serve as a model to other development agencies concerned with problems elsewhere but in similar environments.

AKRSP was designed to initiate and direct activities in the following fields:

- investment in infrastructure, especially roads, power, and land and water development;
- development of skills, organizational forms, inputs, and marketing channels necessary to realize the agricultural potential of the region;

- a large-scale training program to upgrade the level of skills in the region, including tree pruning, fruit grading, agricultural extension, machinery maintenance, veterinary care, and cooperative management;
- determination of appropriate strategies and inputs to improve the long-run productivity of the environment through erosion control, reforestation, and pasture improvement; and
- determination of investment possibilities in industry and tourism.

The administration of AKRSP, with its headquarters in Gilgit and an office in Chitral, was supposed to consist of a Management Group (MG) in Gilgit, which would include a General Manager (GM) as its chief executive supported by professionals with backgrounds in agriculture, engineering, economics, accounting, and human resource development. The seed money—or the budget at least for the first year—would be provided by the AKF network. Since the resources required for AKRSP would have been beyond the capacity of AKF, it was proposed to identify and assess funding opportunities. The sources could include public and private agencies in Pakistan, private donor agencies abroad, and international bilateral and multilateral donor agencies. The important point was that the AKRSP as a nongovernmental organization (NGO) should have access to sizable resources with a long-term commitment from its donors so that its work could be expanded horizontally and its activities intensified for a significant impact on rural households and the regional economy of northern Pakistan.

AKRSP began its work after the arrival of the GM in Gilgit in December 1982. Two major decisions were made at that time. The first had to do with the basic approach and strategy of AKRSP and the second with the area in which AKRSP would first concentrate its work. The district of Gilgit was selected because of the convenience it offered to AKRSP and its nucleus staff. The plan, of course, was to expand the work horizontally in Gilgit as experience accumulated and to extend the operations to Chitral and other districts as the demonstration effect took hold and the credibility of AKRSP established. The organization's strategy was also to be determined by the availability of resources and capacity of AKRSP to respond to the demands for its presence.

There were three key elements in the strategy: organization, capital, and skills to make the rural people self-reliant and their economic development sustainable. Since we have already discussed the AKRSP model and its practical implications in the last chapter, we will turn our attention to the diagnostic survey technique, comprising

three basic dialogues of AKRSP with the villagers to establish the village organizations. The technique of diagnostic surveys has not been altered in the last eight years as it has worked well, although adjustments have been made in the dialogues according to the specific socioeconomic conditions of the village or settlement. Also, with the expansion of work of the AKRSP field staff, the dialogues for establishing the VO and implementation of PPIs are normally carried out by the Regional Program Officers (RPOs) and not the MG from Gilgit. However, the GM and senior professionals from Gilgit are constantly interacting with villagers through field visits and participating in the major dialogues on new issues or problems. Field visits on a regular basis are a key to the interactive process underlying the success of this experiment in rural development.

The GM and his colleagues wasted no time and started consultations in early 1983 with the government administrators (officials) and elected representatives involved in various activities in Gilgit. The basic purpose of these consultations was to explain the objectives, strategy, and scope of AKRSP and to seek advice and assistance from these individuals and agencies. These meetings were intended to build trust and establish working relationships. The increased collaboration of AKRSP with the governmental and nongovernmental agencies was built on the demonstrated will and capacity of AKRSP to act as a catalyst and not as a competitor replacing other agencies or organizations in the development process. AKRSP's work was to supplement the efforts of others by helping villagers to develop the VO—the "missing link"—as a conduit for the delivery of resources, services, and inputs to raise the standards of living of the rural people in the region.

The experience of AKRSP in the last eight years has shown that the consultative process and the formal and informal links established in the early stage made a significant contribution to the effectiveness of AKRSP in Gilgit, Chitral, and Baltistan. In fact, these early links and the spread of the AKRSP message in Gilgit through the VOs played an important role in formally extending the AKRSP experiment to Chitral and Baltistan in early 1986. The experience of Gilgit and the increasing demand for the VOs in non-Ismaili communities by 1985 was the high watermark in breaking the initial hesitation and in allaying the misplaced fears. Some of the early resistance in the non-Ismaili villages or areas was based on misperceptions about the role of AKRSP in northern Pakistan. Some of it was based simply on the political and religious narrow-mindedness of a few disgruntled but influential individuals. AKRSP's intervention as a support organization has acted as a cementing force for the poor irrespective of their sectarian affiliation or political association.

The building blocks of the partnership of AKRSP and the villagers are always the three dialogues in the diagnostic survey. They provide the entry point to AKRSP; they allow villagers to make the first important decisions about the VO and its conditions; and they identify the village activists and introduce the SO as the key player. One gets a glimpse of the VO at the end of the third dialogue. The first test comes early in the process of implementation and completion of the PPI. It reflects the ability of the villagers to participate cooperatively in allocating their labor and in resolving disputes if they arise. During the period of construction of the PPI, the VO members have to develop practical rules for regular contribution of labor and savings. Also, they should reach a consensus on the mechanisms by which these rules are enforced.

The next stage is even more critical in that the VO must establish the basis of regular meetings, collective savings, use of production loans, training and use of village specialists, and management and development of village resources as new land, trees, etc. An early sign of a VO's development is the participation of VO members in these activities: if it falters or slackens, the VO may be in trouble. The viability of the VO depends on the capacity of the village activists and SO to monitor, assess, and redress the warning signals. The surface cohesion in the VO is still fragile within. The SO has the prime responsibility for monitoring the village activists and supporting the VO to develop cohesion, establish routine behavior about attendance in the VO meetings, supervise VO savings, utilize and repay loans, supervise technical packages, and provide timely feedback to AKRSP. He/she is a troubleshooter and a fire chief. The SO must establish his/her credibility early for the partnership established through the three dialogues to survive and last.

NOTE

1. A detailed study of "Women in Development" with regard to the AKRSP intervention is by Emma Hooper, "Study of the Women in Development Program of the Aga Khan Rural Support Program, Chitral," (Gilgit: AKRSP/ODA Consultant's Report, July 1989).

4

Responses of Rural Communities to AKRSP

INTRODUCTION

The initial response of rural communities to the ideas and packages of AKRSP was enthusiastic for several reasons. For one thing, AKRSP began its work in the mainly Ismaili villages of Gilgit district. Since AKRSP was sponsored by the Aga Khan—the *Imam* of Ismailis—and the AKF network was already involved in several social welfare activities in the Ismaili villages, its introduction was seen as a beneficent act for the rural poor. The Ismailis had had some experience of community participation for about twenty to thirty years, and their family structure had considerable room for male-female interaction at the community level. What AKRSP offered on behalf of the Aga Khan was even more important: a package of practical methods based on the principle of equitable participation for alleviating poverty on a sustainable basis.

The emphasis of AKRSP on a partnership based on village organizations was an equally attractive proposition for improving the quality of life. People—ordinary and poor individuals—were given the option to organize and actively participate in all activities of the social organization designed to make them self-reliant. While the idea of organization was not entirely new, they were offered the opportunity to be their own masters with collective strength for individual gain through participation and equity. This option existed neither in the days of the Mirs, Rajahs, and Mehtars nor in the schemes sponsored by the government today.

The one-time grant of AKRSP for a PPI project with a direct impact on the individual and collective incomes of small farmers made the idea of organization more credible. Its immediate benefits were wages for the labor contributed by villagers in the construction of PPI and its long-term benefits were the income streams accruing to all participants.

The prospects of mobilizing individual savings and their use as collateral for productive loans from AKRSP were no less appealing. As individuals, the villagers did not have the capacity to generate either enough savings or contract loans to meet their needs for inputs and marketing services. The idea of collective savings as the basis for building equity capital and access to credit was eminently sensible to small farmers.

There was also the promise to create new skills at the village level to increase the productive capacity of villagers. These skills would be acquired by active farmers selected by the VO members. The village specialists, trained in a variety of production and marketing-related techniques, would offer their services to all members at a reasonable cost. Some of these specialists would also act as model farmers.

Finally, AKRSP was offering support for making production inputs available through credit and for introducing new inputs and technologies or grafting them to the existing systems of production and management of the individual and collective resources. In the existing system, a vast majority of the farmers had no access to institutional credit, and few if any new inputs or packages of technology came their way through the public sector because its delivery system was woefully deficient in terms of both effectiveness and cost.

The dialogues of AKRSP in 1983 with villagers in the Ismaili areas of Hunza, Punyal, Yasin, and Gilgit—followed by the implementation of PPIs and extension of collective loans based on VO savings for inputs like fertilizer—made a visible impact on village life. By the end of 1983, there were 180 VOs with a membership of 15,449 and nearly Rs.850,000 in VO savings; the VOs initiated 104 PPIs and completed 23, including, widening and extending old *kuhls* or building new ones, link roads, protective works, and water reservoirs; nearly 75 VOs were given Rs.1.01 million in short-term credit, mainly for fertilizer, for 5,241 beneficiaries; a limited number of loans were also given to some VOs for collective marketing of their members' surpluses outside the village. Several training courses, new and refresher, were conducted for the village activists and model farmers. The important point is that all of this was achieved at the initiative of and in cooperation with the VO members.

The Management Group (MG) of AKRSP also kept itself busy in establishing formal and informal links with the elected representatives and officials of the national and local government departments, nationalized banks and credit institutions, fertilizer and seed agencies, other NGOs, and private business companies and individuals. The objective was to inform these organizations about the AKRSP philosophy and approach and to elicit their support. Another purpose of these contacts was to develop coordination strategies for effective implementation of the program initiated by AKRSP and the villagers. These contacts and the demonstration effect of the new VOs played a major role in creating a new demand for partnership with AKRSP. The impact was equally important and visible in attracting the interest of foreign and local donor agencies for support to AKRSP.

By the end of 1984, or two years after the program started, there were 404 VOs with 30,612 member households and Rs.5 million in VO savings. The acceleration of the program was reflected by the completion of 114 PPIs; seventeen courses were completed with 419 village trainees; short- and medium-term loans of Rs.4.18 million were given to 28,928 beneficiaries for fertilizer, marketing, seeds, and land development. The field staff of AKRSP was active with experiments in new packages and inputs for increased production in agriculture and livestock: fertilizer, seeds, pest management, crop rotations, nursery and tree plantation on new lands, fodders and feeding, new breeds, and health protection of livestock and poultry. While most of this expansion was in the district of Gilgit, VOs were also organized in some areas of Chitral, particularly those with predominantly Ismaili communities. In Gilgit, progress was also made in establishing WOs: 81 of them were in existence with Rs.500,000 of savings; women were trained as specialists in poultry and nursery management; a limited number of loans were also given for appropriate technology packages.

In the first two years of AKRSP in northern Pakistan, it was apparent that most villagers, irrespective of their sectarian affiliation, wanted to establish a partnership with AKRSP. In fact, negotiations were intensified and the pressure on AKRSP visibly increased to expand its activities in the mainly non-Ismaili areas of Chitral and Baltistan. It was certainly the case that in the Shia (Athna Ashari) villages of Gilgit (Nagar) and Baltistan, if there was some initial resistance to or hesitation about the work of AKRSP, there were clear signs of keen interest by the early 1985. Similarly, in the mainly Sunni villages and areas of Gilgit and Chitral, the majority of villagers and their enlightened leaders were willing to adopt the AKRSP approach for alleviating poverty. It must readily be added that the

consensus in these communities, unlike the Ismaili villages, was achieved with restraint and after the demonstrated success of AKRSP in assisting the VOs on a credible basis. Institutional or structural change—often affecting power relations and sometimes challenging deeply held convictions—is not an easily acceptable proposition. AKRSP's offer of partnership for participatory development through organization was not without this challenge, at least to some in authority.

In any case, after three years of work, mainly in Gilgit and in some areas of Chitral, AKRSP began its dialogues with rural communities in the district of Baltistan and all areas of Chitral in early 1986. By the end of the fourth year in 1986, or what has been called its First Phase, AKRSP had its institutional model working in 571 VOs, in which 39,994 participating villagers had nearly Rs.16 million as collective savings; they had completed 257 PPIs at an average cost of Rs.165,000; short- and medium-term loans of Rs.25.02 million were used by 74,321 beneficiaries for a variety of inputs and services; training was provided through seventy one courses to nearly 1,431 individual villagers. There was further progress, but mainly in Gilgit, in the establishment of WOs as well: 130 of them with 5,800 members had accumulated nearly Rs.2 million by the end of 1986. Several appropriate technology packages were being tested and introduced; training in poultry, vegetables, and nurseries was imparted to 250 women activists. Some of the packages, mainly involving women, were introduced through the VOs in those villages in which the WOs did not exist.

The first three years of the Second Phase of AKRSP—from the beginning of 1987 to the end of 1989—was a period of consolidation of the institutional model in a majority of the VOs in Gilgit and the horizontal expansion in Chitral and Baltistan. It was also the period in which several production packages and small-scale technologies were tried for both VOs and WOs; some of the experiments were dropped and others radically adjusted if their adoption was not evident; some packages were consolidated and more widely distributed in response to their demand. In view of the concerns about management of common property in forests and pastures and their relationships with the environment, a program for environmental protection and resource conservation was introduced. Some VOs undertook the self-financed PPIs and land development projects because of the demonstrated benefits of the AKRSP-sponsored PPIs. A program for "clustering" of VOs was introduced in response to the need for efficient distribution of inputs and marketing services, planning and construction of new infrastructure, and use of common resources. A

bolder experiment of "VO banking" has been undertaken by many VOs since late 1989 to achieve financial autonomy and develop new capacity to meet the local investment needs of VO members.

In terms of numbers, in the three years ending with 1989, 614 VOs were added, but more than 80 percent of them were in Chitral and Baltistan. Almost all of the new VOs in Gilgit were made by splitting the existing VOs for reasons of cohesion and operational efficiency. The VOs in Chitral and Baltistan consisted of about 16,000 new members. Collective savings during the period were increased by Rs.44.9 million, of which Rs.25.7 million were added by the VOs of Gilgit. The progress in the formation of WOs was accelerated in Chitral and Gilgit but not in Baltistan: of the 175 new WOs, eighty six were formed in Gilgit and only thirteen in Baltistan. Their membership increased by 5,542 and their bank deposits by Rs.5.7 million. The acceleration of the program was reflected in several related activities: 375 PPIs were completed; Rs.95.8 million were used in loans by 152,094 beneficiaries; training in different courses was received by 2,606 individuals; almost 5,000 hectares of land were developed for crops, fruit, and forest trees; and marketing loans of Rs.16 million were utilized by 23,000 members in 664 VOs for selling 1,658 metric tons of various agricultural products with total sales of Rs.20.1 million.

When the authors started writing the book in July 1990, AKRSP was in the eighth year of its operation in northern Pakistan. It had gone through two evaluations—in 1986 and 1989—by World Bank experts for a professional assessment of the work AKRSP was doing and the areas for improvement to make the program more effective in achieving its objectives.[1] The donor support, particularly from bilateral agencies of Canada, the Netherlands, and the United Kingdom, had expanded from Rs.22.78 million in 1983 to nearly Rs.110 million in 1990. Similarly, AKRSP expenditures increased from Rs.14.54 million in 1983 to Rs. 161.19 million in 1990. The important point here is that nearly 60 percent of the AKRSP budget was spent on various components of the VO programs, including PPIs, credit, training and demonstration, and research and development; 10 percent was used for capital expenditures; and the rest for office and vehicle maintenance, administration, staff salaries and benefits, and travel.

By the end of 1990, AKRSP had helped villagers of northern Pakistan in establishing 1,385 VOs with 63,565 member households or nearly two-thirds of all rural households in the region. There were 434 WOs with 15,690 participants. The VOs had saved about Rs.77 million and the WOs another Rs.10.4 million, with average savings of

Rs.1,212 per VO member and Rs.663 per WO member. The VOs had used Rs.130 million in 5,656 group loans from AKRSP for 261,881 beneficiaries. The loans to the WOs amounted to Rs.6 million, affecting 11,196 individuals. Nearly three-quarters of these loans were used for purchase of production inputs, and all loans were based on the collective savings of VOs as collateral. Over one-half of the 765 completed PPIs consisted of irrigation channels, followed by 122 link roads. The total cost of PPIs was Rs.188 million. The development of new land, after irrigation, affected 5,562 hectares, for which 13,455 beneficiary households spent Rs.31 million. The training and demonstration program offered numerous regular and refresher courses for management and technical skills to 6,137 male specialists and 2,656 female specialists; nearly 6,000 females participated in demonstrations of new technology packages and inputs. The experiments on the VO clusters and VO banking, limited mainly to the district of Gilgit, had established fifty seven clusters involving 658 VOs/WOs and 22,802 participating members; 155 VOs with 8,200 member households were involved in the banking operations with a capital base of Rs.17.20 million from their collective savings.[2]

The arguments and facts presented so far were designed to highlight the response of rural people to the ideas and packages offered by AKRSP as terms of partnership for establishing an institutional structure in the village to be used as a vehicle for equitable and sustainable development in the region. To what extent this partnership has progressed and the VO established as a viable and self-reliant institution for development and mediation is a question on which we plan to reflect in the next chapter. We will make a general assessment of the partnership and present the conclusions we have reached about the major components of the ongoing experiment. In the remainder of this chapter, we will discuss the processes by which the villagers and AKRSP have reached their present stage.

THE SOCIAL ORGANIZATION: VOs AND WOs

Since the basic premise of AKRSP is that institutional change at the village level is a prerequisite for the development of small farmers, it has attempted to create a single multipurpose organization to cover social, economic, and institutional life in the village, within reasonable reach for the farmer. The innovation introduced by AKRSP was the formation of VO, a coalition of all village residents whose economic interest is best served by undertaking specific development activities collectively rather than individually. The VO is meant to be a self-

sustaining institution that can enter into a partnership for development with government and private agencies. In order for the VO to achieve this status, it must be viewed by all parties, especially the villagers, as legitimate and credible.

The VOs have several features in common. The membership of the VO is open to all households in the village. The general practice is that one male from each household joins the VO, but exceptions are made whereby an occasional household contributes two members. When women participate actively, it is either through the WO or by attending the VO meetings. In traditional villages, there is little active participation by women. In many Ismaili villages—particularly in the Wakhi-speaking community—men and women meet in a joint assembly and, in other cases, women may be represented in the VO by selected (male or elderly female) individuals.

In a large village with dispersed neighborhoods, there are multiple VOs organized on the basis of neighborhoods. Where the neighborhood coincides with access to the same irrigation channel, each VO will have its own land development plan and loan; otherwise land will be developed jointly by the concerned VOs. Similarly, when one PPI project must be implemented by several VOs, each VO is apportioned a share of the work by consensus. The multiplicity of VOs within a village does not affect the management of forests and pastures common to the village, because generally the common property rights are honored according to the established tradition.

The initial purpose of the VOs is to implement and maintain the PPI project, start a collective (group) savings program, and nominate and support a cadre of village specialists trained by AKRSP. The members are expected to hold regular weekly meetings as a general body. Over time the VOs have acquired a longer-term perspective on village development and many now participate in all of the program packages offered by AKRSP and collaborating agencies. After the VOs have completed their PPIs, their weekly meetings become less frequent, perhaps once or twice a month.

One sign of a vibrant VO is the regularity with which meetings are held and the attendance of all members at these meetings. In the VO meetings, matters of mutual interest are discussed; options offered by outside agencies are examined; and every member has the right to express his opinion. Decisions are reached by consensus or majority vote. These meetings are also the occasion on which the VO manager collects cash from members to build the VO savings, which belong to the members collectively and separately. The VO decisions are communicated to AKRSP by means of a resolution of the VO. The resolution is forwarded to the area's SO, whose recommendation is

almost always accepted by the Management Group. The SO keeps in constant touch with the VOs in his area through contacts with the VO managers and by attending the VO meeting once a month. In addition, frequent field visits are undertaken by the Management Group. The regional monthly and annual VO conferences—for the VO Presidents and Managers—and refresher training courses provide further contacts between the VOs and with AKRSP staff. The proceedings of VO conferences are published and sent to the VOs through the Social Organization Unit (SOU). The SOUs have a nucleus field staff—agriculturist, engineer, accountant—under the leadership of the SOs.

Each VO identifies, implements, and maintains one PPI project. The PPI grant covers the cost of material and a negotiated labor cost. Labor is provided by VO members for which they are paid from the grant. The payment is based on the individual's contribution to the construction of PPI at a rate equivalent to about two-thirds to three-quarters of the daily wage rate. VOs establish their own rules and methods of enforcement of voluntary and involuntary labor required for the PPI. The members of most VOs contribute to the VO savings from one-quarter to one-half of their PPI wages. In fact, in the initial stage of a VO, this is a substantial contribution to the VO fund to be used as collateral for acquiring group loans from AKRSP. The maintenance of PPI is entirely the responsibility of the VO. The VO establishes procedures by which the members can pool their labor as required and share in the expenses for maintenance and operation.

The mobilization of resources among VO members is subject to a variety of rules. For VO savings, contributions from members may be raised by one of several ways: a fixed minimum to be contributed by each member; an equal contribution by each member; contribution in proportion to perception of benefits; contribution on the basis of economic status; and left to the decision of the individual. Most VOs started with the first option, but AKRSP has persuaded them to follow the fourth option, which a majority of them have accepted in practice. This option benefits the VO as a whole and results in no disadvantage to the individual member, because profits are distributed in proportion to the individual's share in VO savings.

The VOs get short- and medium-term loans from AKRSP, based on their collective savings. The short-term loans—for fertilizer, plants, marketing, etc.—are given out by the VO according to the household's demand for inputs or the contribution to the produce that is marketed. The VO activists, mainly the Managers, either themselves or through nominated individuals acquire the inputs and supply them to VO members at cost, including a fee for the supplier.

The medium-term loans for land development are divided equally among VO members, the rationale being that a minimum amount must be available to each member to preserve equity in the use of a rationed input. Agricultural machinery or similar equipment purchased by the VO through a medium-term loan from AKRSP is managed by the VO for collective and individual use based on a service charge. The VO formalizes the arrangements by which a committee maintains and operates the equipment and is accountable to the VO general body.

Technical services for the VOs come from AKRSP, the AKRSP trained village specialists, and collaborating agencies in the private and public sectors. The SOU of AKRSP is mobile enough to reach the VOs for assistance in introducing new inputs and packages, demonstrations, troubleshooting in emergencies for maintenance or repairs, assisting in self-help projects, and collecting information from VOs for feedback to the AKRSP management. The SOU's resource persons are expected to keep in close contact with the village specialists for transfer of technology and provision of services for which they have been trained. The village specialists for plant protection and paraveterinary practice provide their services to individual VO members for a fee that is in proportion to the services utilized. In each VO, there are also individuals, male and female, trained in new techniques for fruit and forest nursery, seeds and vegetables, poultry, animal husbandry, marketing, and accounting. These village specialists work on projects that are cooperatively managed by the VO members.

The VOs interact formally and informally with a large number of religious, social, business, and government organizations. All villages have regular religious and traditional gatherings in addition to the VO meetings. Many villages have a formal religious organization working in the village. The Ismaili villages participate in the programs of various services of the Aga Khan Foundation for education, health, and housing; some have cooperative societies as well. The contacts of VOs with the public sector services are through their elected Union and District Council members and the line departments of the government. The technical support is provided by the Departments of Local Bodies and Rural Development (physical infrastructure), Agriculture (extension, demonstration, and plant protection), and Animal Husbandry (disease control). The Departments of Education and Health establish and provide educational and health care services. The VOs have become an important conduit for the effective and equitable delivery of many economic and social services to villagers. Similarly, villagers can now use their VOs to negotiate individual and

collective deals with the private and public commercial and financial institutions, whose current methods of operation largely neglect the needs of the individual small farmers and poor rural households.

The VOs have developed by consensus a variety of basic rules of collective and individual behavior. Errant members of the VO are disciplined through a series of graduated measures. One who breaks the VO's rule for the protection of common property is expected to pay the stipulated fine. An offender who has injured the interest of part or whole of the VO will be asked to render compensation to the injured party. The refusal to honor the decision is met, initially, by an attempt by the elders and activists to convince the offender to obey the decision of the VO. If this and other means fail to bring around the dissenter, then the traditional penalty of social boycott of the offender's household can be imposed. The ability of a VO to establish the basic rules with regard to the regulation and management of VO affairs, including common and individual property, and its capacity to enforce the rules equally and consistently is an important indicator of its strength and viability.

Although sponsored by AKRSP, the VOs are instruments of the villagers. Therefore, the extent to which they take initiatives on their own is also a sign of their vibrance. Examples include: borrowing for and building a self-financed PPI, undertaking marketing of products, establishing schools and health centers, and establishing new links with business and government organizations for services and inputs. Two recent developments should be highlighted at this stage in the evolution of VOs as autonomous and self-reliant entities with a reduced role for AKRSP as the support organization.

The first has to do with the "clustering" of VOs, in which several VOs work as a unit, delegating the management authority to a committee of VO representatives. The main purpose for which the clusters were established was to purchase and distribute inputs such as fertilizer, provide services, and maintain the infrastructure shared by several villages, such as roads, irrigation channels, etc. The first role of the VO clusters was to act as intermediaries for supply of inputs to the VOs in order to reduce the cost of distribution and increase the convenience. The second purpose was to act as the domains for introducing production packages, resolving disputes, and motivating the less vibrant VOs and activists.

The cluster management team—comprising representative managers and activists of the member VOs—is required to meet regularly at monthly intervals. The VO representatives identify the kind of input supply each VO wants. The cluster committee is then asked to prepare a demand for all inputs from their members. The

annual VO demand is given to the cluster activist. The demand for loans (credit) is met by AKRSP with the VO savings, and AKRSP helps the cluster activist contact local and outside suppliers of inputs such as fertilizer, seeds, plants for fruit and timber, agricultural machinery, etc. The VO members are asked to sign against their individual demands to guarantee acceptance once the supplies reach the village. They are also told that they cannot change their demand for any commodity once submitted to AKRSP, as firm arrangements are made to procure the inputs for delivery at the VO's doorstep.

A number of problems have arisen with the implementation of clusters. The management of credit at the cluster level has proved problematic. Cluster activists have exercised authority over the distribution of funds after collecting money from AKRSP against the individual demands from the member VOs. They have distributed the funds without consulting the VOs. In many VOs and clusters, members have not accepted the fact that AKRSP intends eventually to phase out its involvement, and new and sustainable arrangements at the village and cluster levels have to be established. The challenge for AKRSP is to define the VO-cluster relationship in the system without AKRSP. Can the VO cluster be developed into a supravillage social organization? One thing is now clear: that the cluster has to act as a unit of development administration but not as a new level of decision making; it has to be accountable to the VO general body and not to the VO representatives. An equally important requirement for the cluster to stay viable would be to produce the cluster-level specialists who can work as extension agents and trainers of the VO specialists.

The other and more recent development is the initiative on VO banking, in which the VOs are asked through dialogues if they are prepared to experiment with financial autonomy as a springboard for independence and self-reliance. The VO will assume the status of a village-level bank by activating the VO savings for investment in and for the village. Most of the functions now performed by AKRSP will be shifted to the VO. AKRSP will act as the facilitator and monitor in this process. We will examine the experiment in some detail in the section on savings and loans. This experiment is a crucial test of the eventual sustainability of the VO as a basic development institution for villagers without the crutches or support of AKRSP.

In the previous chapter, we presented several arguments for the need to establish Women's Organizations (WOs) as part of the organizational model pursued by AKRSP. An important advantage of the WOs for rural women is the control they retain over income and savings and the access it gives them to credit. The collective voice and opinions of the WO are more likely to make an impact on the village-

level decision making than are individual women addressing the VO where they can. When AKRSP first introduced its program for women in 1984, the objective was to involve women of northern Pakistan in the development process and organize them on a responsive rather than a proactive, target-led, basis. AKRSP placed emphasis on (a) developing viable income-generating activities, such as quilt making, basket weaving, and home-based poultry, and (b) strengthening the institutional capacity of rural women to enable them to promote their welfare and that of their household on an ongoing basis. In view of the high workload placed on women, AKRSP has attempted to focus on three major objectives for women: increased productivity, enhanced institutional capacity, and a reduced workload.

Initially it was left to the willingness of women to organize and become VO members without much encouragement from AKRSP. In some VOs, women formed a separate section to receive AKRSP packages aimed at achieving the objectives for women. It is well known that programs aimed at women but delivered through men in a rural society segregated by gender have the disadvantage of leaving women outside the decision-making process. In the dialogues with women, it was observed that they were vocal about their expectations and concerns. The women's program in AKRSP took a definite shape in 1986 and a formal link was established between the women's program and the professional sections of AKRSP management.

AKRSP's approach is incremental: grafting new methods on the traditional production systems. For women, this has meant a focus on those agricultural activities which occupy a large proportion of their time. Initially, several possibilities were tried in an effort to develop packages that could be widely distributed in the program area. As a result of these trials for about three years, three major interventions were identified and are now being disseminated: a vegetable production package; a home-based poultry package; and an appropriate technology package developed from pilot studies. We will discuss the progress of these packages in the sections on agriculture, livestock, and technology. The initial response to these packages has been very positive. The socially conservative areas in Gilgit, like Nagar and the Juglote cluster of villages, have also been increasingly drawn into vegetable production and poultry management and the related training programs.

Apart from the spread of the three packages, there have been other significant developments in the women's program in terms of the role of WO as a social organization. As a result of the increase in WO numbers, and the recent rise in the demand for WOs in the traditionally more conservative area of Baltistan, AKRSP has

expanded its support staff to strengthen the institutional capacity of the WOs. A female Assistant Social Organizer (ASO) will work within the SOU to provide specialized backup for the SO in relation to WOs. The female coordinators, working on separate packages, and the ASOs will form a nucleus in the SOU to promote the aims of WOs. The implementation of various packages is supported by a widespread field-based training and extension program for women. The training programs are designed to overcome the constraints on women's mobility, difficult geography, and diversity of languages. Courses are held for a maximum of about twenty to thirty villagers at a time, and instruction is given in the languages of the participants.

The women's program in AKRSP is in its initial stage. The response by women has increased substantially as the males in many areas have come to realize the importance of equal partnership with women for improving the welfare of the household.[3] The accelerated rate at which WOs are now being formed, and the increasing demand for productive packages, are two strong indicators of the progress underway. Some of the earlier WOs in Gilgit are now involved in the experiment on VO banking. AKRSP's capacity to meet the rapid increase in the demand for services to women is being tested. AKRSP also has to discover a stable basis on which the WOs can be formed and their activities sustained, a task slightly more difficult than in the case of VOs.

As the WOs increase in number and expand their capacity to organize women, they become important vehicles for the introduction of innovations and services that are beyond the scope of AKRSP. For example, it is likely that a number of social sector interventions related to health, sanitation, water supply, and education would best be channeled through broad-based forums like VOs and WOs. At least in the last one to two years, outside agencies in the public and private sectors have started considering the VOs and WOs as appropriate and sustainable vehicles for delivery of these social services. In the next chapter, we will discuss more fully the role of VOs and WOs as institutions through which the village population can receive and the outside agencies can provide both the physical infrastructure and social sector services.

INVESTMENT IN THE VILLAGE INFRASTRUCTURE

An essential element of the AKRSP strategy is the construction of one grant-assisted PPI in each VO. The PPI package has three major objectives. First, it serves as an entry point to foster collective

participation and help strengthen the local capacity for development through organization. Second, it injects into the village economy productive capital from which the villagers would get new income streams and build their own capital reserves in the future. Third, it can create new resources and expand the existing resource base in the program area.

AKRSP has assisted the VOs so far with grants of about Rs.188 million to complete 765 PPIs. About 450 PPIs are in various stages of completion. Supply of irrigation water, protection of the relatively scarce productive land from the ravages of rivers and streams and the link roads between the village and the main roads have been identified as the most important needs in most villages. These priorities are well reflected in the distribution of the completed and under construction PPIs: over 54 percent of the PPIs are related to irrigation; 18 percent are link roads; flood protection works account for 14 percent. It is estimated that nearly 60,000 households are benefiting from investments in the village PPIs.

Since the majority of the PPIs are irrigation projects, mainly improved or new feeder channels or *kuhls*, many villages have expanded their cultivable area. About 23,000 hectares of land have been brought in the irrigation range and additional water is available to 35,000 hectares. It is estimated that when all irrigation schemes are completed, the potential new land for cultivation will be 27,000 hectares. Consequently, AKRSP has been actively involved with VOs in the development of land for cultivation of field and tree crops. In several VOs, the initial focus in developing the new lands was on the traditionally high-priority items such as grains and fruit trees. AKRSP has continued to assist villagers with planning that takes into account the suitability of land for various uses and concern about its ecological sustainability. Efforts are directed at large-scale plantation of multipurpose trees, with delayed but significant benefits to the VO members. One of the major services the AKRSP field staff provides to VOs is in their land development projects, whether based on individual or collective plans. They work with the VO on preparing plans and layouts for land use on large tracts opened up by the availability of water from the new or improved *kuhls*.

The close collaboration of the AKRSP field staff—engineers and others—with VO members has been a valuable experiment in several respects. For one thing, in the process of planning and implementation of the PPI, the AKRSP staff have grafted modern techniques onto traditional methods, and introduced new inputs in building the structures. Costly mistakes have been avoided and the work completed quickly and efficiently because of the active participation of the

beneficiaries. The efficiency and cost-effectiveness of all of the PPIs, and particularly irrigation schemes and link roads, compare very favorably with those constructed by the public sector through private contractors or government agencies. Studies have shown that the PPIs constructed by VOs have a high payoff. In the next chapter, we will discuss some of the economic benefits of major PPIs completed by the VOs.

One of the main conditions of partnership between AKRSP and the VO is that the latter will construct only one grant-assisted PPI. The emphasis is on a project that generates new income streams and in which all of the VO members participate in construction and maintenance. It can also act as a catalyst for the VO to undertake investment in additional PPIs, since most villages need and can benefit from more than one productive infrastructure. The VOs may decide to invest, from their own resources or through the government agency, in a link road if they have completed an irrigation scheme with the AKRSP grant to improve the transport system for movement of people and goods. The incentive to the VO to invest from its own savings is clearly provided by the first PPI in that collective participation can result in the creation of new resources from which the benefits accrue equally to all members. In fact, more than twenty VOs in Gilgit and Baltistan have undertaken self-financed PPIs.

The investment in physical capital can generate incomes on a sustained basis only if the capital is well preserved through careful operation and maintenance. Based on the traditional rules for management of common property, the VO makes it obligatory for the members to contribute toward the maintenance of their common project. The maintenance and operation involves labor time of members, purchase of materials, and hiring of individuals to do specific jobs. AKRSP staff assist the VOs in the planning and technical aspects for proper maintenance schedules, etc.

As new institutions evolve, especially at the cluster level, new needs are being identified for the management of common property resources and for the area development planning and zoning. These include the supravillage PPIs, (e.g., large irrigation schemes serving several villages; significant link roads for opening up the valleys); facilities for the repair and maintenance of farm machinery located sufficiently close to farmers in isolated environments; construction machinery and equipment, (e.g., bulldozers, compressors, and drills, that are vital for speedy and effective construction of the physical infrastructure); and cold storage and processing plants as the volume of marketable surplus grows. AKRSP has a role in preparing the designs and monitoring these facilities. The AKRSP staff are debating

about the issues of ownership of these assets, the role of and relationship to the government in the supravillage structures, and whether subsidies may be required to promote investment in these facilities. The AKRSP budget has provided some flexibility to test various approaches to meet the needs that are becoming apparent at the supravillage level and that are likely to constrain regional development.

VILLAGE SAVINGS AND LOANS

So far we have discussed the two basic requirements for establishing the social organization, namely, the VO and PPI. The sustainability of the VO as a mediating institution for village development will depend on the mobilization of resources for investment and creation of usable new skills. We will first discuss the progress VOs have made in mobilizing their members' resources into collective savings and in using the loans with assistance from AKRSP. Credit and banking have been among the major support functions performed by AKRSP in nurturing the VOs in the formative stage. But VO savings have been a major achievement of the villagers themselves.

A large part of the capital required to increase the productive capacity of villagers has to be generated from their own resources or savings. The VOs/WOs have proved to be an effective forum for generating collective capital: they have accumulated Rs.87.42 million in less than eight years. These collective savings create and stimulate cohesion and a sense of thrift and they have acted as the base for securing loans. Through these savings, nearly 64,000 households in 1,385 organizations have had access—at least equal to their individual share in the VO savings—to the credit-based inputs. The collective management of the members' credit needs by the VO has several benefits: members save time, transactions and transport costs, and registration of collateral. The VO savings are used as collateral for acquiring group loans.

The regionwide replication of the VOs has provided to small farmers not only a mechanism for generating collective capital through individual savings but also the basis for accessibility to credit for major inputs and services. AKRSP had to enter the credit field at an early stage for two major reasons. On the demand side, small farmers needed credit to acquire access to productivity-increasing inputs and to cope with the expanding cash nexus due to market forces. Provision of timely credit and inputs can speed up the process

of adjustment for the small farmers from a subsistence to an exchange economy. On the supply side, small farmers could not get agricultural credit from the institutional sources, because the transactions costs were very high. The noninstitutional sources were both inadequate and expensive. Relatives and friends were usually not a dependable source because they were themselves strapped for cash. Moneylenders were naturally expensive but unavoidable, at least for those needs that could not be postponed. It was against this background that AKRSP started to fill the vacuum by ensuring accessibility to credit and inputs for small farmers through the VOs. Experience has shown that AKRSP's intervention in the supply of credit and inputs acted as an added incentive to the VOs to enhance their collective savings.

The genesis of the credit and banking functions of AKRSP was embedded in its three basic principles: organization, capital, and skills. On the basis of VO savings in early 1983, AKRSP embarked on a productive lending program after the Board of Directors approved this move and the Habib Bank—one of the nationalized commercial banks in Pakistan—made Rs.200,000 available from its interest-free portfolio for agriculture to AKRSP on its own surety. In a meeting with bankers, including the Chairman of the Pakistan Banking Council, in Gilgit in early 1983, it was revealed that not a single interest-free loan had been advanced in Gilgit since 1980, although the small landholders were entitled to a loan of up to Rs.6,000 in each crop season. The reason was not that these farmers did not need credit but that banks found it impossible to reach them according to their rules and procedures. Most farmers needed much less (perhaps no more than Rs.330), but the administrative costs to reach the farmers were prohibitive. For example, the Agricultural Development Bank of Pakistan (ADBP)—the premier institution for agricultural credit in Pakistan—extended Rs.55 million to only 1,500 individuals in nearly 500 villages of Northern Areas during the 1988–89 financial year.

AKRSP began its lending program for VOs in 1983 and disbursed Rs.1.01 million in the first year, mainly for fertilizer. It started giving medium-term loans in 1984, with Rs.0.47 million for land development. The credit program has since greatly expanded and diversified. By the end of 1990, the VOs and WOs had used nearly Rs.136 million, of which Rs.82 million was given as short-term and the rest as medium-term loans. Nearly two-thirds of the short-term credit was for fertilizer, one-quarter for marketing, and the rest for seeds, plants, poultry, and pesticides. In the medium-term loans, land development received 63 percent of the value, followed by agricultural machinery (25 percent), with the remainder used for appropriate technology and sundry enterprises. The absolute amount of total

lending by AKRSP may seem small in comparison with public sector lending, but its accessibility was far greater. AKRSP has provided 5,942 short and medium-term loans since 1983, with a beneficiary base of 273,000. In 1989 alone, nearly Rs.32 million was disbursed in 1,227 group loans, with a beneficiary base of 40,000.[4]

AKRSP has operated its lending operations through short-term and medium-term credit schemes. The former is meant for a period of less than one year to purchase productive inputs and the latter is for more than twelve months to be used for development activities. AKRSP has not demanded collateral for short-term loans, except the collective collateral of VO savings and a 100 percent cash collateral for marketing loans. The medium-term loans have been extended with a 30 percent cash collateral from the VOs.[5] AKRSP's policy on interest rates has been evolutionary, starting from a policy of interest-free loans in keeping with the government policy. Since 1987, AKRSP has been charging 10 percent per year as a service fee. Similarly, the service charge on medium-term loans has increased from 5 percent at the beginning to the present 10 percent to 15 percent per year. The point is that AKRSP has gradually raised the price of credit, because cheap credit does more harm than good. This was being emphasized even more in the banking initiative taken by the VOs in the spring of 1990, which we will discuss presently.

The rapid expansion of the credit program has exposed AKRSP to problems inherent in managing loans in any system, namely recovery and default. AKRSP has managed to keep these problems within acceptable limits. There are two possible causes for default, namely, misfortune (involuntary) or malevolence (voluntary). The agricultural production systems are affected by the natural and market forces that can disturb the cash flow of the farmer. The AKRSP experience is that a vast majority of small farmers pay their debts at the end of the season, barring the most exceptional hardship. The unwillingness to repay the loan can be considered at two levels. At the VO level, management skills and motivations can be the deciding factors in clearing the loans promptly. At the individual level, refusal to repay the loan could be for several reasons, including displeasure with the VO leadership. If the VO is active, it can use various social pressures to recover the loan from the defaulter since it is responsible for repayment on the member's behalf. However, if the VO is dormant there is hardly any pressure on the individual to pay back the outstanding loan. AKRSP defines default separately for the short- and medium-term loans: for the former the loan is in default if it is not repaid within twelve months after disbursement, and for the latter the installment is considered in default if it is not paid on the due date.

The total default on short-term loans was Rs.2.07 million—for total loans of Rs.87 million in eight years—of which nearly 62 percent was in Gilgit district where the credit program was the most advanced and hence exposed.

We should now explain a new—some say a perilously bold—initiative the VOs and AKRSP have launched in making the VOs work as village banks. In the AKRSP parlance the experiment underway is called *VO banking*. Let us look at its background first. AKRSP's operations in savings and loans were characterized by arrangements with the VOs acting as informal banks to their members. The members deposit their savings with the VO, recorded in the VO savings register and reflected in the savings passbook issued to each member. The collective savings of the members are deposited in one of the scheduled banks or post office in the name of the VO and the account is operated by the VO's President or Manager, who is nominated by the general body. No withdrawals can be made from the VO savings account without the approval of the AKRSP General Manager or his nominee. This authority is obtained through a VO resolution lodged with the concerned branch of the bank or post office. The collective savings of the VO act as collateral for all short- and medium-term loans extended by AKRSP.

The *raison d'etre* of the AKRSP credit program is that the loans are available to the largest number of small farmers to meet their genuine credit demands for production purposes. Since there is no likelihood that the other credit institutions will make radical adjustments in their operations to reach most small farmers, AKRSP has no choice but to remain in this field. The challenge is to formalize the present arrangements in a way that the management of savings and loans becomes a self-sustaining activity of the VO in the long run.

Since 1984 considerable thought has been given to formalize the existing informal system of savings and loans to achieve the ultimate aim for the VO to become a self-reliant and sustainable social and economic institution at the village level. An early proposal for establishing a two-tier cooperative banking system was not accepted because of its susceptibility to abuse by the vested interests at the expense of majority of VO members. This was a reasonable response to the idea in light of the experience of the cooperative credit system in countries like Pakistan. Discussions continued for another five years, culminating in three major options.[6]

The first proposal, made by three Chicago consultants in mid-1989, had three parts:

1. Savings of all VOs should be pooled in one account to be operated by AKRSP. A revolving fund, equivalent to 20 percent of the pooled savings, should be established for lending the short- and medium-term credit to VO members. The size of the revolving fund for credit should be increased by plowing back a gradually rising percentage of the pooled savings, rising to about 60 percent in five to six years. The revolving fund would also be augmented by contributions from donors to meet the credit needs of the VOs.
2. Recoveries of loans, especially for the medium-term, should be reorganized with the VOs starting the repayment in reasonable installments soon after the disbursement of loan rather than after the maximum period of two years now allowed.
3. AKRSP should automatically deduct from the pooled savings account the defaulted amount of an individual VO.

There were two sets of problems with this proposal. For one thing, the operation of a pooled savings account by AKRSP would expose it to the charge that since the VOs had no control over their savings, how could they ever become independent or autonomous? When and how will the learning process end? The suggestion that the individual VO default should be deducted from the pooled savings account would mean penalizing one VO for the fault of another. If the individual VO savings were to act as collateral against default of that particular VO, they might not be sufficient to cover the default.

The second proposal, made by Akhter Hameed Khan soon after the first proposal, contained a detailed critique of the first proposal and made two major recommendations:

1. Continue the existing loaning program of AKRSP without change in its terms and conditions.
2. Let the VOs use the residual savings, after meeting the cash collateral for loans, for lending to the individual members to meet their production and nonproduction needs.

A major problem in this proposal concerned the recovery of defaults. With the present requirement of 30 percent cash collateral, AKRSP would be exposed to considerable risk of default. Further, if AKRSP maintained its existing lending program, it would be left with all the work associated with the evaluation of applications, etc. This would mean revamping the existing procedures in terms such as the Chicago consultants suggested.

The Management Group of AKRSP gave considerable thought to the two options and held a number of dialogues with the VOs—representatives and members of nearly 100 VOs in Gilgit and Chitral districts—and elicited their opinions on these and other possible options. Considering the existing VO savings and credit system, the fact is that the VO already carries most of the responsibilities of banking, disbursement, and collection of loans. The VO is, therefore, quite capable of handling the loan operations without reference to the AKRSP Regional Program Officer (RPO). The only functions the SO and RPO perform have to do with the maintenance of accounts and monitoring the system. Following the dialogues in the fall of 1989, two generalized conclusions were drawn:

1. The credit needs of the VO do not exceed the current VO savings. In other words, the revolving fund of about Rs.60 million with AKRSP is adequate to cover the credit needs, which are not likely to increase annually by more than 30 percent in the next five years.
2. A close examination of the medium-term loans revealed that, except for purchase of agricultural machinery, a period of twelve months was sufficient to recover the loan. In the case of loans for land development, there was no relationship between the actual utilization and repayment of the loan. The loans were taken for five years simply because they were available for that period and were inefficiently used as *Khas* (special) deposits. A loan of Rs.100,000 was used only once when it could have been revolved by the VO five times in the same period.

The VOs were offered two options. The first would be to continue the existing system. The second option had two parts:

1. The individual VO savings would be deposited in the *Khas* Deposit Certificates (KDC) or other high interest-bearing accounts jointly in the name of the VO and AKRSP, with AKRSP to have the authority to draw the money unilaterally to meet the VO default. An added advantage of KDC would be that the VO funds are invested in noncontroversial and secure government bonds.
2. An amount equivalent to the VO savings would be advanced to the VO by AKRSP for loans to members. This amount would be deposited in the Profit and Loss Savings (PLS) account and the money would be withdrawn from this account for the purpose of lending. The VO would be charged 7 percent—which is about

the same rate the PLS earns for the VO—on the money advanced by AKRSP. The VO would have to charge its member loanees a minimum of 12 percent to cover the 7 percent for AKRSP and 5 percent as the cost of operating the system, including compensation to the VO Manager and other functionaries for their services.

The response to the second option was so enthusiastic that the Management Group decided to refine the proposal further and let the more advanced VOs start the experiment. The experiment began in a limited number of VOs in January 1990, and by the end of the year about 155 VOs with 8,500 households were using Rs.17.20 million of their savings for the new banking operations.

At this stage it is necessary to highlight the refinements in the basic option that the VOs and AKRSP have accepted in practice. It has been realized that village-level banking, controlled and managed by the VO, will ensure easy and timely access to capital by all members of the VO. It will help attain economies of scale and reduce overhead costs. The VOs have accumulated sufficient capital to meet the ordinary investment and nonproduction needs of the members. The banking experiment has, therefore, been operating on the following conditions.

1. AKRSP would provide to each VO a sum equal to its collective savings. This would act as the basic fund for loans to members. The VO savings would be invested in high-yielding (at present 12 percent per year), safe government certificates or similar financial instruments. This means that the base of VO savings would expand with time and provide access to larger amounts for lending in the future.
2. The VO will keep the capital it has received from AKRSP in the PLS account, currently yielding a return of 7 percent per year. AKRSP will charge the VO this rate for the capital it has advanced to the VO for lending. If the VO fails to pay this rate to AKRSP, it will be deducted from the VO savings kept in trust by AKRSP, thus reducing the base of VO savings.
3. The lending system will be guided by one basic principle: that the VO general body is the supreme arbiter for all current loans. The VO can lend to its members for both production and nonproduction (personal) purposes for a period not exceeding twelve months. Production loans will be extended as before. For the personal loans—used normally in emergency or to meet the temporary problem of cash flow—the VO should use only 20 percent of its total capital for this purpose and give no more than Rs.2,000 to any individual. The purpose here is to save the small farmers from going to more expensive sources. For the individual loan, a loan committee, selected by the VO general body, of five members (including the President and Manager) would make the decisions and keep the general body informed on a monthly basis.
4. The basic principle for the production and personal loans would be that the individual can get a minimum amount equal to his own savings with the VO. In case the individual wishes to contract a production (investment) loan of a larger amount, one or more guarantors from among the VO members would be required. The guarantor's surety will not exceed the amount of his savings provided he has no outstanding loan or encumbrance against his savings at the same time.
5. The charge on each loan should cover at least the cost of capital extended by AKRSP (at present 7 percent per year) and the cost of operating the system (about 5 percent per year). The higher the charge above this minimum rate, the more quickly the VO can expand its base for future lending. In other words, the VO should attempt to maximize the spread between the rate it charges and the cost of its capital and operations. This would provide an incentive to guarantors to allow others to use part or all of their savings for borrowing from the VO. Also, the VOs are encouraged to give a large number of production loans for periods of less than twelve months, because the shorter the period of each loan the more capital will turn over and increase the total earnings.
6. The VO management should diversify the loan portfolio, but in no case should it extend the loans to nonmembers, or for investment in activities or enterprises outside the village. The purpose is that the village capital is invested for the welfare of the villagers. One of the advantages of investment in the village would be the "multiplier effect" on household incomes and their capacity to save and invest.
7. The VO profits from lending would be distributed at the end of the year to each member in proportion to his share in the total savings of the VO. The profits will be recorded in the individual's passbook and plowed back into the VO savings to build the capital base for future lending.
8. In the initial stage, it is imperative to give intensive training to the VO personnel in loan management, bookkeeping, and auditing. Similarly, monitoring by the SOs would be systematized through

predetermined VO meetings at least once each month. AKRSP has prepared detailed guidelines for operating the banking system, including the various options for service charges, group and individual loans, lending and recovery periods, and penalties for default. The ongoing dialogues of the Management Group with the VOs and training sessions with the SOs are also being used to transmit the basic ideas of the system.

With the beginning of the experiment in VO banking, the partnership of AKRSP with the VOs enters a critical stage that will test the capacity of the VOs to manage the members' savings and help them grow through carefully selected investments. The initial success of this experiment will strengthen the VO as a participatory social and economic institution. How well the capacity of the VO to manage the members' savings and increase their investments grows—in which AKRSP must play its training and monitoring roles—will determine the viability of the VO as an independent institution for the development of rural people in northern Pakistan. That some VOs have accepted this challenge is indicative of the confidence their members have acquired in their ability to increase the use of their equity capital for more rapid development of the household and village resources.

DEVELOPMENT OF HUMAN SKILLS

Human skills are central to the development of sustainable village organizations in northern Pakistan. For one thing, the economic conditions in the region are fast changing with the development of roads, growing opportunities for trade and exchange, and changes in land use due to new technologies and population growth. Rapid adjustments are being made in resource allocation in response to the increasing shortage of rural labor due to education and migration. The survival of rural communities in the harsh and hostile environment of the Karakorum and Hindu Kush mountains is a testimony to the existence of an impressive knowledge base responsible for the evolution of survival strategies through centuries. AKRSP has found that time-tested indigenous knowledge and experience can be used as a filter to screen modern technologies for appropriateness. At the same time, villagers will need new skills to cope with the dynamics of the development process underway.

Two basic kinds of skills were regarded as essential for the VOs to acquire in order to sustain their work in the long run: managerial and

technical. The program of human resource development started with basic training for village managers in leadership, management, and recordkeeping. The training of managers has over time evolved into Managers' Conferences held on a monthly basis in each of the three program regions. These conferences serve several purposes. They provide a forum for managers to practice their leadership skills; serve as the venue for public discourse between the RPO staff and managers as VO representatives; introduce new production packages, of which the terms and conditions are discussed, evaluated, and revised; provide crucial feedback from managers on new packages and performance of the ongoing packages; and enable managers to learn from experiences of other villages. The information flow is both vertical (between the VOs and AKRSP) and horizontal (among the VOs). Repeated reviews of program packages at conferences serve as refresher courses and help clarify the intricacies of the packages. The managers are continuously reinstructed to act as informed and motivated activists to lead their VOs into new ventures and activities for the welfare of their members. Each manager attends at least three conferences each year. These conferences are held on a rotational basis in each of the three regions because of the large number of VOs. Since 1983, over 100 Managers' Conferences have been held and about 3,000 individuals have participated.

A second vital component in generating skills at the village level is the training of villagers as "specialists" in various agriculture related activities and enterprises. One of the major goals of this program is to produce a stock of basic skills in services that the villagers need to increase their production and productivity levels. It is an efficient alternative to the use of an army of hired extension agents. For one thing, it would have been beyond the financial capacity of the support organization to reach most villagers by this option. Also, it would have kept the villagers dependent on external agents. A network of trained village specialists would keep the cost of basic services low and make the VO gradually self-reliant.

The training courses are designed basically to reduce losses in the existing production system through disease control; enhance productivity through fertilizer, new seeds, etc.; and ensure the utilization of methods to conserve and expand the resource base. AKRSP has organized and paid for the training of village specialists; provided them with simple equipment to utilize their skills; provided credit for major agricultural inputs; established an input supply system to ensure the timely availability of inputs; and followed up on the training and advice through village dialogues, demonstrations, field trials, etc. The village specialists—individuals first nominated by the VO general

body for training—are expected to be remunerated for their services by the villagers they serve. The service fee includes the cost of materials as well, to avoid creating dependence on subsidized services and to provide an incentive for the specialist to give good and reliable service.

The training program for village specialists began in 1983 with an emphasis on crop and livestock production. However, with the passage of time and in response to the expressed needs of the VOs, separate training courses were introduced in poultry management, marketing, accounting, and appropriate technology. The VOs were encouraged to nominate different individuals for each training course. The aim was to maximize the number of trained individuals working within an interdependent system of services in the village. AKRSP now offers about 150 regular courses, in addition to several refresher courses, and organizes numerous field demonstrations. Since 1983 about 11,000 individuals have been instructed through the AKRSP training system. Most of them have acquired skills in livestock (51 percent) and agriculture (32 percent), followed by marketing (9 percent) and other specialists.

The training needs of women have not been neglected, particularly after 1986 when the program for WOs gained momentum. One of the first areas identified for training was in poultry, including vaccination, feeding, and rearing of birds in the homestead. Since then women have been trained in management of nurseries, improved vegetable production, livestock and poultry management, and use of appropriate technologies. The training program for women has been flexible in view of their relative immobility. Regular courses have been combined with field demonstrations in the villages. AKRSP has recently augmented its female field staff to provide more effective training to women in all of the activities and packages in which rural women play a major role, irrespective of their membership in the VO or WO.

While the village male and female specialists are able to provide technical services to their respective VOs/WOs, the development of complex production packages requires skills that the short-term courses offered by AKRSP cannot readily produce. More intensive training for complex skills would not be feasible for each VO for several reasons. The first problem is the paucity of resources within AKRSP. Also, there is not enough demand in each VO for the intensive services to justify the existence of an advanced specialist. Finally, only a small proportion of the village specialists show the potential for advanced training, because many are barely literate and not highly motivated.

With the emergence of VO clusters in 1988 as the higher level of organization for supply of inputs and resource management, it was possible to offer more intensive and extended training courses to a small group of promising and motivated VO specialists. The cluster specialists could even act as trainers for the VO specialists and provide more advanced services to the VOs/WOs in their cluster. The cluster-level training was initiated with a four-month course in the use and maintenance of agricultural machinery and basic mechanical skills. The intention was to encourage the establishment of repair workshop in each cluster. Two such courses have been conducted so far and fourteen specialists have been trained. Similarly, three training courses have been completed for account specialists to act as trainers at the cluster level for the VO accountants. These future trainers are being assisted by the Field Accountants from RPOs in hands-on training for audits and accounts for the experiment in VO banking.

Although it is important to upgrade the capacity of AKRSP to conduct training, it would not be cost-effective to establish the facilities for advanced training in agriculture and livestock. It was, therefore, decided to finance the advanced training of cluster specialists at the national institutes equipped with the necessary personnel and hardware. Consequently, starting in 1990, the training for cluster specialists has been organized at the Agricultural Training Institute in Peshawar, Poultry Research Institute in Rawalpindi, and Livestock and Dairy Development Department in Lahore.

When AKRSP initiated its activities in northern Pakistan in early 1983, virtually no staff familiar with the prerequisites of a participatory rural development program existed in the region. In fact, there was a dearth of such expertise in the entire country. A majority of the professional staff came initially from outside the program area. Since AKRSP was committed to generating local expertise, it has hired 140 individuals locally (about 97 percent of all professionals); has trained a majority of them on the job through an internship program; and is using their skills in northern Pakistan. There is an ongoing program of staff training in specialized institutions in the country and abroad. So far it has provided foreign training to thirty two individuals, through eight degree courses and twenty four short courses in a variety of fields. Also, an in-house training facility has been provided to the staff since mid-1989 to improve their proficiency in English.

The issue of human resource development in AKRSP has assumed increased significance in the last two years. First, the training needs to sustain the development processes initiated by AKRSP have to be met on a regular and systematic basis. Second, new training needs are

becoming apparent in northern Pakistan, which may be met on a carefully selected and cost-effective basis by AKRSP in areas as diverse as carpet making, tourism, tanning of hides and skins, minihydels (small electricity-generating units based on waterfalls), plumbing and water supply, and production of handicrafts. Third, the AKRSP experience in establishing the VOs has generated considerable interest elsewhere in Pakistan. The model is now being tried by two other NGOs and still others are considering modeling their rural development projects on the same principles. It makes sense for AKRSP to assist these organizations in learning from its model and experience in northern Pakistan. In view of these factors, some thought has been given since 1989 to create a permanent institution to act as a repository of the lessons learned in AKRSP, a clearinghouse on rural development in Pakistan, and a training center. We will return to these ideas in Chapter 6.

NOTES

1. See: World Bank, *The Aga Khan Rural Support Program in Pakistan: An Interim Evaluation* (Washington, D.C.: The World Bank, 1987) and *The Aga Khan Rural Support Program in Pakistan: Second Interim Evaluation* (Washington, D.C.: The World Bank, March 1990).

2. Detailed statistics about various components of the program are given in Tables 4.1 to 4.6 of the Appendix to this chapter. The data are taken from the AKRSP Annual Reviews and Quarterly Progress Reports.

3. In Baltistan, the first WOs were formed in late 1989. The general opinion was that, since Baltistan was inhabited by the Shia Athna Ashari who were perhaps equally if not more conservative in outlook than the Sunni population in Gilgit and Chitral, the Balti men would never allow the women to come out and form separate organizations. This has proved to be an inaccurate assumption. The demonstration effect of WOs in other regions on Balti women has persuaded them to form WOs. They were supported in this endeavor by the men and their village organizations. The establishment of WOs in Baltistan seems very encouraging and efforts are being made to form more WOs.

4. The importance of the role AKRSP has played in meeting the credit needs of small farmers in northern Pakistan was revealed in a household survey carried out in 1988–89. It shows that AKRSP was the primary source of agricultural credit for small farmers in the region: 94 percent of the credit for agriculture came from AKRSP. It also revealed the fact that 95 percent of the borrowers received agricultural credit from AKRSP. The credit for the household needs was provided by friends and relatives.

5. The first medium-term loan was advanced in 1984 out of a soft loan of Rs.5 million given to AKRSP by the National Development Finance Corporation (NDFC) at a 1 percent rate of interest. This amount was augmented by funds provided by donors. The donor commitments now amount to over Rs.60 million.

6. See details in AKRSP's *Seventh Annual Review, 1989* (Gilgit: AKRSP, June 1990).

APPENDIX: AKRSP AT A GLANCE

Table 4.1
AKRSP, 1983–90

NUMBER OF VOs: 1,385	NUMBER OF WOs: 434	
MEMBER HOUSEHOLDS: 63,565	MEMBER HOUSEHOLDS: 15,690	
COLLECTIVE SAVINGS:	VOs	WOs
Total	Rs.77.02 M	Rs. 10.40 M
Saving Per VO/WO	Rs.55,610	Rs.23,963
Saving per VO/WO Member	Rs.1,212	Rs.663
COLLECTIVE LOANS:	VOs	WOs
Total	Rs.129.5 M	Rs.6.08 M
Short-Term	Rs. 77.40 M	Rs.4.58 M
Medium-Term	Rs. 52.10 M	Rs.1.50 M
Number of Group Loans	5,656	286
Number of Beneficiaries	261,881	11,196
PPI PROJECTS COMPLETED:	Number	Cost
Irrigation Channels	323	Rs.82.8 M
Other Irrigation Systems	31	Rs.14.6 M
Link Roads	122	Rs.34.8 M
Flood Protection Walls	96	Rs.20.7 M
Pony Tracks	23	Rs.3.1 M
Storage Reservoirs	38	Rs.7.9 M
Others	43	Rs.7.9 M
Total	765	Rs.188.1 M
LAND DEVELOPMENT:		
Area Developed	5,562 ha	
Total Cost	Rs.31.18 M	
Participating Households	13,455	

Table 4.1 (continued)

	VOs	WOs
HUMAN RESOURCES:		
Managers Trained	2,630	692
Village Specialists	3,507	1,964
Participants in Demos.	—	6,073
VO CLUSTERS:	57	
Number of VOs/WOs:	658	
Member Households:	28,802	
VO BANKING:		
Number of VOs	155	
Banking Capital	Rs.17.20 M	

Note: Data are cumulative from January 1, 1983 to December 31, 1990.

Table 4.2
Membership in Social Organizations and Bank Deposits

	Village Organizations			Women's Organizations		
Year	Number of VOs	Members	Bank Deposits (M.Rs.)	Number of WOs	Members	Bank Deposits (M.Rs.)
1983	180	15,449	0.84	5	302	0.03
1984	224	15,163	5.16	76	3,701	0.53
1985	83	5,157	4.55	27	1,183	0.76
1986	84	4,225	5.35	21	614	0.65
1987	191	5,198	15.09	43	1,612	1.38
1988	231	5,961	15.52	75	2,079	1.49
1989	192	4,675	14.27	57	1,851	2.81
1990	200	7,737	16.24	130	4,348	2.75
Total	1,385	63,565	77.02	434	15,690	10.40

Table 4.3
The Productive Physical Infrastructure

Year	Number of Initiated PPIs	Number of Completed PPIs	Total Cost of Initiated PPIs (Million Rs.)
1983	104	23	14.2
1984	114	91	17.1
1985	108	81	19.9
1986	94	62	16.8
1987	163	118	24.6
1988	187	139	31.9
1989	142	118	26.5
1990	162	133	37.1
Total	1,074	765	188.1

Table 4.4
The Credit Program

Year	Short-term Credit		Medium-term Credit		VO Bank Loans		Total Credit	
	Number of Households Borrowing	Amount of Loans (Mill.Rs.)	Number of Households Borrowing	Amount of of Loans (Mill.Rs.)	Number of Households Borrowing	Amount of of Loans (Mill.Rs.)	Number of Households Borrowing	Amount of of Loans (Mill.Rs.)
1983	5,241	1.01					5,241	1.01
1984	13,255	2.69	432	0.47			13,687	3.16
1985	20,991	4.58	2,224	3.73			23,215	8.31
1986	29,478	8.04	2,700	4.48			32,178	12.52
1987	35,192	12.45	5,239	13.32			40,431	25.77
1988	54,857	21.66	6,219	12.91			61,076	34.57
1989	42,921	16.89	6,367	15.18	1,299	3.35	50,587	35.42
1990	24,765	10.16	748	2.00	7,196	13.85	32,709	25.92
Total	226,700	77.48	23,929	52.09	8,495	17.20	259,124	146.68

Note: "Short-term" credit is for fertilizer, marketing, and related seasonal needs. "Medium-term" credit is for land development, machinery, and implements.

Table 4.5
Human Resource Development

Year	Livestock		Agriculture		Poultry		Marketing		Accounts		Appr. Techn.		Total	
	C	T	C	T	C	T	C	T	C	T	C	T	C	T
A. Regular Courses														
1983	2	45	2	46									4	91
1984	3	65	2	45	3	69							8	179
1985	4	90	5	78	3	72	2	38					14	278
1986	5	85	8	135	1	58	2	49					16	327
1987	6	150	9	133	4	58	4	49	1	16			24	406
1988	8	173	12	207	10	217	4	48	2	33	1	28	37	706
1989	6	124	9	212	9	150	4	47	3	62	6	74	37	669
1990	7	158	23	427	15	285	4	47	12	220	5	37	66	1,174
Total	41	890	70	1,283	45	909	20	278	18	331	12	139	206	3,830
B. Refresher and Other Courses														
1984	3	60	2	89									5	149
1985	5	68	3	27	1	14							9	109
1986	6	151	6	97	1	18	2	32					15	298
1987	4	159	6	98	2	15	2	24					14	296
1988	3	46	3	77	1	0	2	15	1	22			10	160
1989	4	171	2	108	1	67	2	23					9	369
1990	20	200	22	240	3	10	2	12					47	462
Total	45	855	44	736	9	124	10	106	1	22			109	1,843

Note: "C" stands for number of courses and "T" for number of trainees.

Table 4.6
Cooperative Marketing by Village Organizations

Year	Number of Participating VOs	Volume of Market Surplus (metric tons)	Value of Sales (Mill Rs.)	Marketing Expenses (Mill. Rs.)	Net Sales (Mill.Rs.)	Number of Beneficiary Households
1983	11	46	0.32	0.06	0.27	514
1984	8	22	0.16	0.03	0.13	251
1985	45	176	0.94	0.13	0.81	1,070
1986	128	293	2.73	0.17	2.56	4,372
1987	191	431	3.43	0.18	3.25	6,581
1988	251	712	6.37	0.63	5.73	8,522
1989	222	515	10.33	0.44	9.90	7,824
1990	246	1,031	9.03	0.26	8.76	5,636
Total	1,102	3,226	33.31	1.90	31.41	34,770

Note: Figures for 1990 are through June 30.

5

Adoption of Production Packages and Technologies

INTRODUCTION

In the first four years AKRSP concentrated on establishing the VOs and in assisting the construction and improvement of the productive infrastructure at the village level. As a complement to the institutional model, and to realize the benefits from infrastructural investments, a production model was developed in the last three years. It incorporates the development of infrastructure, agricultural technologies, and marketing of surpluses. The basic aim of the production model is to increase productivity and to improve resource management on a sustainable basis. Given the complexity and interdependence of the existing systems of farming and rapid economic changes in the region, AKRSP has paid increasing attention to the issues of sustainability and environmental protection, particularly where the innovations are introduced by AKRSP.

The idea of intervention in the existing system of resource management and production is based on the premise that innovations —new technologies or methods and inputs—are best grafted onto the traditional systems, making use of considerable indigenous resources and stock of knowledge and methods. AKRSP is aware that imported biological or any other technology has to be adapted to the local ecological conditions, farmers' preferences, and their production systems. Also, it has to be sufficiently profitable for the average farm household to adopt quickly. Improved biological technology forms only one part of the production package; it also includes training in

technology and resource management, setting up supply lines, supply of credit on demand, and introduction of marketing options. Given the rapid speed at which the general economy is changing in the region, it would be fair to say that AKRSP is aiming at a moving target. However, using the learning-by-doing approach, AKRSP realizes that change is a gradual, incremental process. Big and bold experiments entail great risks and the penalty of failure can be disastrous.

In this chapter we will discuss the responses of villagers to various production packages offered by AKRSP in the last three years. But first a perspective on the process of change underway in northern Pakistan is necessary, in order to assess the AKRSP interventions and the VO responses. Perhaps the most important source of change in the region was the completion of KKH in the late 1970s. It has linked the region to the rest of the country and created new opportunities for the flow of goods and people. With the growth of the service sector due to tourism, migration of workers, and increased participation of the youth in schools, labor is no longer in abundant supply, readily available for agricultural activities. Farmers have responded to this situation by reducing their livestock herds and adopting mechanical methods for the harvest and postharvest operations. The land-augmenting development of the productive infrastructure with assistance from AKRSP at the village level has been another important factor for visible changes in the local farming systems.

The region's organizational, managerial, and financial capacity for development is likely to benefit from the continuing institutional change that is taking place. The evolution of local government and the VOs, strengthening of the government line agencies, and arrival of new financial institutions, development agencies, and projects will have strong and favorable impact on regional development. These changes are complemented by increasing investments in the physical infrastructure, including link roads, telecommunications, power generation, irrigation channels, and commercial and official establishments. They will act as stimuli for further integration of the region into the national economy, increase the movement of people and goods, and bring new land under cultivation. At the farm level, expansion of irrigated land and improved accessibility to and from markets are factors affecting the current pattern of resource use and the farmer's assessment of local comparative advantage. New options in resource management are also created by the growing availability of technologies and inputs that increase the productivity of existing resources and production of outputs.

With the increased integration of the region with the national economy, imports of basic foods—wheat flour, livestock and poultry products, vegetables and fruits—will continue to grow. The policy of import substitution has to be pursued carefully to avoid misallocation of scarce resources. AKRSP is aware that local farmers cannot compete with the grain farmers in the plains, but they can switch from labor-intensive staples to high-value products such as fruits and vegetables. Similarly, composition of livestock herds and their methods of feeding may have to shift to meet the market demand as the accessibility to markets increases. However, specialization will not be universal so long as the farmers' needs for food and fodder security are not met by the market and the state. The process of diversification and specialization based on comparative advantage will be slow. The emphasis in the meantime must be on enhancing the levels of productivity in the ongoing activities through adoption of suitable inputs and packages of technology. New technologies are reaching the region, and changes in the use of resources due to market forces are also serving as incentives to farm households to adopt the new methods and inputs.

Agricultural credit can be a great facilitator of change in resource management. While the formal banking sector in the region has greatly expanded its network in recent years, its lending is focused mainly on a small number of individuals who invest in transport, tourism, land and buildings, and trade. A vast majority of the small farmers are left out in the cold. AKRSP's intervention in the last seven years has made credit accessible to small farmers for agricultural development as it meets their relatively small credit needs. Access to credit means new options to improve the allocation of resources and productivity of inputs.

Given these changes in the regional economy induced by a variety of factors, AKRSP's aim is to assist the VOs in building a more productive and equitable farm economy with increased sustainability of the resource base under varied agroclimatic conditions in northern Pakistan. AKRSP has, therefore, focused on four specific objectives in its activities with the VOs in agriculture, broadly defined to include crops, livestock, and forestry: (1) introduction of improved packages for production of crops, including cereals, fruits and vegetables, and forest products; (2) organization of technical inputs to improve resource management at the household, village, and valley levels; (3) dissemination of results of trials on improved packages through courses, field demonstrations, establishing supply lines for inputs, and collaborating with government agencies; and (4) promotion of

awareness about agricultural sustainability and devising new methods to reduce the visible threats against it.

As in other high-altitude mountain areas of the world, the farming systems in northern Pakistan are complex and highly interdependent. Acute agroecological variations due to altitude, slope, aspect, and soil across short distances are responsible for the observed complexity. Traditional isolation and dependence on the vagaries of nature have forced farmers to undertake many interdependent activities to meet their subsistence requirements. Two major examples will illustrate the problems of interdependence of farm enterprises.

The basic interdependence is between cereals and livestock: (a) wheat varieties are chosen partly for the grain yield and quality of straw; (b) corn, barley, and millet are grown after wheat only for fodder in some areas; (c) high seed rates in wheat and corn are used to get the green fodder through thinning and obtain high straw yields; (d) wheat, barley, and broad beans are variously combined in the diets for vulnerable animals; (e) free-grazing animals in and around the village are a serious menace to the out-of-season (catch) crops; and (f) farmyard manure affects the quality of soil and the planting date for wheat in late fall. The second interdependence is between the trees and livestock: (a) trees planted along the field boundaries provide leaves and bark for animals; (b) dried leaves are collected by women in the fall to be used as fodder; (c) poplars are felled in the fodder-scarce areas for use as fodder and firewood; and (d) high pastures and natural forests need protection and rotational grazing for regeneration.

CROP PROTECTION AND PRODUCTION PACKAGES

Given the complex and highly interdependent nature of the farming systems in northern Pakistan, and given the lack of relevant adaptive research suited to these conditions, the development of new agricultural packages—involving biotechnology for grafting on the local conditions—is necessarily a slow process. AKRSP has, however, made some progress in the prevention of crop losses, spread of wheat technology, production of vegetables and seed potatoes, and plantation of fruit and forest trees. AKRSP responded first to the farmers' expressed need to reduce the losses caused by diseases in field crops, fruits, and vegetables. It also allowed time for the professionals to study the local farming systems and identify technology packages and inputs with potential for rapid and widespread adoption and impact.

Farmers suffer considerable losses from incidence of a variety of pests and diseases. If they are not controlled, the adoption of new technology becomes problematic. It is also a fact that pest management can yield positive results only if it is performed sensibly and regularly. While the government has had a loss prevention facility for years, it lacks resources to reach the individual farmer. AKRSP decided to reach the farmer through the VO. The loss prevention package that evolved in AKRSP had two components: training VO specialists and supply of plant protection kits with easy access to pesticides and insecticides. Training to nominated individuals from the VOs is provided by the regional training centers for three weeks. Refresher courses are also held to upgrade skills. The training emphasizes identification of plant diseases and their control aided by proper management of chemicals and kits. Initially, AKRSP acted as a supply line for pesticides, but the VOs are now dependent on private suppliers.

To make the plant protection facilities widely available, AKRSP and the government's Department of Agriculture also pool their resources. The pooling takes place not only at the training centers, where the government specialists participate in the training courses, but also in the field, where the government staff, supplies, and logistics are pooled with AKRSP resources. In 1989 alone, about 36,000 fruit trees were sprayed in Gilgit district under this arrangement. A study of the impact of plant protection measures in 1989 showed that the value of sprayed apples increased by 50 percent and the rate of return on apple spray varied between 16 percent and 23 percent per rupee invested.[1] However, the 1989 Impact Study also showed that the coverage of plant protection measures was quite limited in the region: only 7 percent households in Gilgit, 19 percent in Chitral, and 4 percent in Baltistan sprayed their fruit trees.[2]

A major reason for the low coverage is the farmer's perception about the value of the fruit saved. Damaged or diseased fruits can be used for animal and human consumption. The absence of orchardlike production of fruits and insufficient surplus for the market are other factors. It is also likely that some village specialists are not active or get poor quality of pesticides. AKRSP is trying to reduce dependence on chemical control by testing the mechanical and biological methods. Given the variable performance of plant protection specialists in the VOs, AKRSP has decided to discontinue the provision of training facilities and the pest management kit. But it will continue the collaborative campaigns with the government as they have proved to be more effective. Further, AKRSP will provide power sprayers to the VO clusters with active village specialists. This is to

ensure wider application of plant protection measures, for if the coverage is not universal these measures will be ineffective and short-lived.

Wheat is the most important crop in the region, occupying about 39 percent of the crop area in Gilgit, 54 percent in Chitral, and 40 percent in Baltistan. It is also the most important staple in the diet of rural households. AKRSP has been involved in the development of the seed-fertilizer packages for wheat in the region in collaboration with the Pakistan Agricultural Research Council (PARC) and the International Maize and Wheat Improvement Center (CIMMYT). Initially, informal surveys were undertaken for diagnostic purposes. These showed that wheat was a dual-purpose crop: grain for the humans and straw for the livestock. It was discovered that the dominant varieties were a mixture of traditional seeds, producing long stalks, low output of grain due to rusts and pests, but a substantial amount of straw. Some farmers planted the old improved varieties—which probably came in the late 1970s—which had lost their yield potential due to the seed mixture and suboptimal use of fertilizer. The challenge for AKRSP was to identify and test suitable varieties, that is, high biomass yielders of grain and straw, resistant to pests and diseases, responsive to fertilizer, and adapted to the varied agroecological zones in northern Pakistan.

AKRSP began its farm trials with three main semi-dwarf varieties, Pak-81, Suneen, and Pirsabak, which perform well only under a good water and fertilizer regime. Since AKRSP had begun its credit program and set up the supply line for fertilizer, farmers could receive fertilizer at their doorstep through the VO. In the 1986 crop season, the wheat trials showed that Pak-81 had outyielded the local and old improved varieties by a wide margin both in grain and straw. Also, the net benefits per hectare were nearly doubled. With the visible success of the seed-fertilizer package, demand for the new seed increased manifold and was met by supplies from local farmers and the Punjab. By the end of 1989, AKRSP had distributed thirty seven metric tons of improved seed—most of it of Pak-81—in Gilgit district. A survey organized by AKRSP in collaboration with PARC and CIMMYT showed that 45 percent of the farmers were using the improved seed with fertilizer on about 41 percent of the wheat area. Farmers' preferences for various wheat varieties have produced mixed results: 63 percent of them liked the new varieties for grain output, but 83 percent preferred the old seeds for straw yield. The 1989 Impact Study shows that the use of fertilizer has had a significant impact on wheat yields and produced high net returns per hectare.

The development of improved wheat technology and its diffusion have not been limited to Gilgit district. Efforts are underway to spread the new varieties in Chitral and Baltistan by increasing the distribution of improved seeds. So far AKRSP has made significant impact on the local farming system by providing the new wheat technology—incorporating new seeds and making fertilizer accessible—to a large number of small farmers in northern Pakistan. However, farming improvements on a sustainable basis have to be based on a continuing process of testing and demonstration. This is important as any given variety will degenerate by increased susceptibility to diseases and pests and by mixture of seed through mismanagement at the farm level. Also, from the perspective of food security, it is important that the region does not remain dependent on any single variety. Seed trials so far have shown that Pak-81, Pirsabak-85, and Shagesti are the high-yielding varieties. The last (Shagesti) is particularly suited to high altitudes. The seeds of Pirsabak-85 and Shagesti will have to be produced and multiplied locally, since only the Pak-81 seed can be obtained from the Punjab.[3]

The other major crop is corn, grown in summer months in the districts of Gilgit and Chitral. Like wheat, it is a dual-purpose crop: humans consume the grain and the stalks are fed to animals. Most farmers grow only the local varieties, which are highly susceptible to diseases. AKRSP has conducted trials to select the high-yielding and disease-resistant varieties. The trials so far have had mixed results: the Kashmir Gold variety, suitable for the double cropping zone of Gilgit, was distributed to farmers, but did not produce the expected results due to the supply of substandard seed; the New Shaheen variety has done quite well in Chitral and farmers are planning to expand their area for this variety. To overcome the problem of selection and multiplication of new corn varieties, AKRSP has incorporated its corn improvement program in the "Mountain Seed Development Project."

The localities at higher altitudes in the region are well suited to the production of seed potato. The government's Department of Agriculture and the FAO/UNDP (project) introduced in 1984–85 a new potato seed which performed well and was highly profitable. As the market for seed potato is in the plains, linkages were developed with a private company to purchase the certified seed. The company has used the VO for contracts with individual farmers. Initially potato production was mainly in upper Hunza, but it has spread to other accessible high altitude areas. The major problems in expanding the production of seed potato are an absence of good information about the downcountry or distant markets and wide price fluctuations. The development of a well integrated production and procurement system

that ensures reasonable returns to growers would require greater collaboration than that currently observed between researchers, farmers, and commercial and government organizations. Research has also to be directed at verifying the possibility of storing seed potato for supplying to the plains (Punjab) in the fall planting season because at present the supply is limited to meet the spring planting.

All rural households grow vegetables on tiny plots (0.03 to 0.05 hectare) around the homestead. The average household production is 270 kg, almost all of which is used to meet household needs. Vegetable production is constrained by traditional technology (poor quality seeds, etc.) and lack of knowledge about the marketing options. The agroecological conditions in the region are well suited for producing a variety of vegetables. New marketing possibilities are opening up with greater accessibility to and the integration of local markets. There seems to be a definite potential for supplying off-season vegetables to markets in the Punjab. The improved vegetable technology will not only help raise the nutritional standards of rural households but also contribute to their incomes.

Since vegetable production in all villages is the domain of women, AKRSP has developed an improved technology package to encourage vegetable production on a semi-commercial basis along with the training and marketing components. The package includes improved seeds, tools, and production techniques introduced through on-site demonstrations and training on the collectively managed plots in the village. The basic aim of the package is to increase the productivity of an important traditional activity—vegetable gardening—through improved physical inputs and human skills. The collective plots are intended to demonstrate the potential increase in production from improved inputs. After the introduction of the package women are encouraged to expand production either on the collective plots, where the WO members contribute their labor, or on the individually owned parcels of land. The vegetable package is particularly suitable for the region because it can meet the increasing local demand and even supply to markets in the plains during summer months, and it can add to the discretionary income of rural women.

In the development of the vegetable package the WO/VO specialists act as catalysts in their respective areas: they impart training; and transfer information on varieties and seeds, seed bed preparation, transplanting techniques, sequential planting of vegetables, and overall management of the crop. The demonstration plots play a key role in the extension of new vegetable technologies. The AKRSP field staff assist the WO/VO at critical stages in the crop season to give on-site training: about 570 women have been trained as

specialists and about 200 plots have been established in the program area. To promote the cultivation of high-value vegetables, seed production has been included in the Mountain Seed Development Project. AKRSP is also exploring linkages with intermediaries in the local markets to enhance the capacity of farmers to make adjustment to market signals, thus generating larger profits for the enterprise.

The present pattern of fruit production has evolved in response to the subsistence needs of rural households in the region. All households have some fruit trees scattered around the homestead and on the farm. Rarely they are grown in orchards. With greater market integration and the availability of new planting material, opportunities have emerged to exploit the region's comparative advantage in producing a variety of fruits. The region has the added advantage of its seasons. What is basically needed is a reorientation of a large part of the existing fruit culture to take advantage of the growing demand for fruits in the local and distant markets in the plains. So far AKRSP has introduced three packages: improved species of fruit types with market potential; fruit nurseries with improved rootstock; and organized orchards. About 250,000 improved plants, mostly of apples, of various varieties have been distributed in the program area, and nearly 410,000 trees were planted by farmers from their own resources. Numerous nurseries have been established for collective management by the WOs/VOs, in which women play a key role; some of these nurseries will be managed by the village specialists for future growth and incomes. AKRSP has assisted the VOs in building sixty orchards to act as demonstration units; it has trained several individuals, male and female, in the management of nurseries and orchards.

It needs to be stressed that in all of the packages and technologies related to crop production in northern Pakistan, AKRSP has attempted to graft new technologies with great sensitivity to the existing resource base and the stock of knowledge of farmers in the region. At the same time, it has taken into account the potential for developing new comparative advantages in the farming system in response to the changing conditions of demand and market signals. Creation of skills at the village level to sustain the development of new lines in agriculture and to increase productivity of resources is a major complementary component of the AKRSP strategy of assistance to the VOs. However, AKRSP alone cannot establish and sustain a support system in applied research and extension on a regional basis to meet the rapidly changing conditions of the economy.

LIVESTOCK AND POULTRY PRODUCTION

In the highly integrated regional farming system of northern Pakistan, livestock constitutes a very important component and its economic importance is most likely to grow as household incomes rise and urbanization expands rapidly. Rural households will increase their investment in livestock, but the emphasis in investment must shift from quantity of the stock to its quality. At present, livestock animals contribute nearly 3 percent of the value of rural assets and 15 percent of income of the average rural household. They are kept to meet the nutritional requirements of the household, to generate cash from the sale of surplus, to maintain and build up soils by farmyard manure, to plough the fields, and to supplement the household income by the sale of animals themselves.

AKRSP has identified several factors that constrain the development of livestock in the region:

- mortality rates are high due to several endemic diseases (e.g. anthrax, black quarter, foot and mouth, pleuropneumonia, mange, and newcastle in poultry); free movement of animals from one area to another has recently spread new diseases, resulting in increased mortality;
- density of animals is very high in relation to the supply of animal feed, resulting in free grazing that exacerbates the deficiency of food; the feed gap is around 26 percent in dry matter, and 48 percent in TDN and crude protein;[4]
- animals are managed poorly, including inadequate and unhygienic sheds and poor feeding practices;
- animals are not bred in any systematic or planned manner, which limits their production potential; and
- a high proportion of the demand for animal products, particularly in Gilgit, is met by relatively cheap imports from the plains.

In view of this assessment, AKRSP has followed a three-pronged strategy to improve the productivity of livestock in the region: disease control, feed improvement, and breed (genetic) improvement.

The first priority of the local farmers was to reduce losses due to diseases; AKRSP responded initially with a disease-control package. As in crop production and protection, the approach was simple: to create a cadre of village specialists, trained by AKRSP, who can identify the disease and apply preventive and curative measures that are cost-effective. The VO members are expected to pay the specialists for their services, including the cost of medicine and vaccines. AKRSP

arranges the supply of material at cost to the specialists through the VOs. Since women normally manage the household poultry, AKRSP has likewise trained women specialists for vaccinating the birds and treating their common ailments. AKRSP provides refresher courses in the field to upgrade skills, particularly with regard to the vaccination needs of livestock and poultry. Initially there was resistance to the idea of payment for services, because the government dispensaries were supposed to provide such services free of cost. However, a vast majority of farmers now use these services and pay for them to the village specialists because the so-called "free" services in the public sector were both unreliable and inadequate. The 1989 Impact Study shows that 70 percent to 80 percent of villagers get their livestock routinely vaccinated. The impact of the AKRSP vaccination program is also reflected in significant reductions reported in the mortality rates of livestock and poultry.[5] AKRSP is strengthening the disease control program by revising some of its regular and refresher courses and is planning to demarcate the disease-specific zones in the region.

Inadequate feeds and fodders and wasteful feeding practices have also been major factors responsible for the poor health and low productivity of animals. AKRSP has focused on three major components of improved feeding. First, it has encouraged the VOs to regulate grazing around the village in the fall months after the animals return from the high altitude and distant pastures. A large number of VOs have established rules and adopted necessary procedures to prevent animals from wasting the scarce feed resources so desperately needed in the winter months. In fact, VOs have been given the (corn) fodder seed in Baltistan in return for effective regulation of open grazing. The second activity, first introduced through field demonstrations in 1988, involves making silage to provide succulent feed in the winter. The silage trials have been extended to many VOs in Gilgit and Baltistan. They have been supplemented by urea-treated straw to retain protein in the fodder. With the financial support from OXFAM, AKRSP is also experimenting with feed mangers to improve the use of scarce fodder. Experiments are also underway to introduce catch crops as feeds in the village and new species of grasses and legumes in the high pastures. A modest research program was started in 1990 to improve animal nutrition, in which PARC will provide the laboratory support for analyzing the nutritive value of various types of fodders and feeds suitable for the region.

The breed improvement program of AKRSP—introduction of crossbred cows, dairy goats, and purebred bulls—has produced mixed results and generated considerable internal debate. It has also highlighted the difficulties in grafting the new breeds and in making

new institutional arrangements for their management. The early experiment in artificial insemination showed that it was expensive and unsustainable. In 1987–88, AKRSP gave to eight VOs in Gilgit several crossbred cows and purebred bulls—under the so-called Heifer Project—for collective management. They were expected to form a nucleus stock for the propagation of new breeds. However, serious problems in collective management—requiring complex decision-making skills and cohesion in the VOs—and requirements of high cash outlay for feeds were generally not favorable to the viability of the experiment. The lesson was soon learned and animals were distributed in the VOs for individual ownership and management. The initial results of individual management of these animals and their propagation in the village have been encouraging. The success of crossbred animals managed on an individual basis to improve the productivity of livestock will depend upon their feed resources and health care. AKRSP also started in 1990 a program of selecting and distributing high-quality animals from the indigenous stock to improve the local herds and avoid the high risk of failure involved in adapting the crossbred animals to the local environment. AKRSP clearly realizes that since the process of improvement in feeds and breeds is naturally slow, it must be undertaken with great care and planning. It has, therefore, experimented so far with various ideas in keeping with its basic philosophy of learning by doing on a small scale.

AKRSP's poultry package aims at generating new cash income for rural women and increased protein supply for the household. Poultry management, like vegetable production, is a traditional activity for women, but not one aimed at producing for the market. The rapid growth of local demand for poultry products is a new factor encouraging the acceptance of the AKRSP package. It has two major components focusing on increased productivity through improved inputs. The first has to do with disease prevention through vaccination, for which women specialists have been trained and provided with vaccination kits and drugs. The other component is breed improvement. It was tried first in 1986–87 as an integrated commercial project of broiler production based on orchards and vegetables. It became quite expensive because of the interruptions in supplying feeds and chicks from the plains. Also, the intensive and personal care needed for the chicks could not be provided through collective management. Commercial farms require high technical inputs and monitoring systems, which were beyond the capacity of the VOs/WOs unless they were at least initially available on a subsidized basis.

From the experiment on commercial poultry, AKRSP has moved since 1988 to a home-based poultry package, in which the emphasis is on introducing scavenging birds that produce three times as many eggs per year as the indigenous birds. Women have been trained in winter feeding practices, vaccinations, and marketing of eggs. The response of women to the package has far exceeded the early expectations: starting with 15,000 Fayoumi chicks in 1988 for thirty five VOs in Gilgit, the demand for 1990 was estimated at 50,000 in Gilgit and Baltistan. AKRSP is closely monitoring the egg production levels and mortality rates and has started distributing wooden cages to prevent the poultry from damaging vegetable crops around the homestead. While the home-based poultry package has been successful, as reflected by the rising demand in the VOs/WOs, considerable losses occur during the transportation of chicks from the Punjab to Gilgit town and eventually to the VOs. AKRSP has conducted dialogues with selected VOs to establish hatcheries—based on kerosene-oil incubators—at the cluster level to produce the chicks locally. Poultry specialists will be trained at the Poultry Research Institute in Islamabad to manage the cluster hatcheries and supervise the distribution of chicks to the VOs in their areas. AKRSP is currently studying the impact of the poultry package on the household income and consumption.

USE OF APPROPRIATE TECHNOLOGIES BY WOMEN

A major concern of AKRSP from the start of its experiment in 1983 was to find methods and resources to help rural women in saving time, reducing the drudgery of work in the household and on the farm, and creating new skills for higher productivity and income. Rural women in northern Pakistan were faced with an increased burden of work, normally done by children and males, because of the increased opportunities for schooling and male migration to towns and cities. AKRSP's response to reduce the cost of this adjustment for women was to experiment with various forms of appropriate technologies for domestic and farm use. Most of these technologies were tried as part of its Research and Development (R&D) activities designed to test their levels of use and cost of adoption by rural households. Some technologies were abandoned at an early stage of experimentation because of their high cost and lack of suitability to the economic and physical environment in the region.

The studies of appropriate technologies have shown that only one technology related to the drying and processing of apricots, namely

the sulphur tent, has been accepted and diffused in the VOs. The sulphur-dried apricots fetch much higher prices than the traditionally sun-dried apricots, and the process involved in the former saves considerable time as well. Other technologies, including butter churns, nut-cracking machines, and spinning wheels, have been found to be either expensive (though practical) for the individual household or less effective than the existing methods. One of the major lessons AKRSP has learned is that collective management of the technologies tested in the VOs was less practical than expected and hence abandoned by women at an early stage. Also, it required a field support system that AKRSP could not provide at a low cost.

DEVELOPMENT OF SUSTAINABLE FORESTS

Northern Pakistan is a dry mountainous desert, reaching some of the highest altitudes on the globe and containing the largest number of glaciers outside the arctic region. In the inhabited areas, a continental Mediterranean climate is characteristic: there is little rainfall, although at high altitudes snow feeds the glaciers that form the main source of irrigation water so vital for crops, pastures, and forests. The irrigated pastures in the village are complemented by the communal pastures at around 3,500 meters. The alpine pasture is home for the herds and herdsmen for around four months each summer. At altitudes higher and lower than these grazing lands and mainly on northern aspects, where moisture is conserved, pockets of forest with juniper, spruce, pine, fir, and birch are found. Although they are currently exploited beyond their sustainable limit, they are the major source of timber and firewood.

In the long run, it will be necessary to coordinate the management of natural resources at the valley and watershed levels at which the larger ecosystem functions. A practical approach in the short run would be to develop village forestry, which is fundamental to the management of the watershed and required for its economic benefits to rural households. New plantations would provide timber and fuel, reducing the pressure on the natural forest, which is important for the protection of the watershed. Village plantation has the added advantage of providing fodder for livestock and can help improve the soil structure so necessary for a productive agriculture in the mountains.

The forest cover in northern Pakistan is quite sparse; it has low productivity and is being depleted and degraded by unscrupulous exploitation. Few villages have forestry plantations to meet the basic needs of fuel, fodder, and timber. Demand for all forest products is

outstripping supply: timber is imported and firewood needed for the winter months is expensive, particularly for households with low cash income. The scarcity of irrigated land has forced most farmers to grow food crops. AKRSP's support for irrigation channels in the VOs has helped increase the size of irrigated holdings to accommodate forest and fruit plantation in and around the villages.

In view of the importance of forest development for improving the rural economy and sustainability of the region, AKRSP has encouraged tree plantations through development of land after the construction of new or improvement of the existing *kuhls*. The VOs have themselves mobilized enormous labor for planting trees soon after the process of land development began in the villages. It is estimated that since 1988 VOs in the three regions have planted nearly 4.5 million trees. Forest nurseries have been established by several VOs with the help of government's Department of Forests. Considerable though these achievements are, the traditional methods of tree plantation and management have serious drawbacks. The failure rate of plantation can be as high as 60 percent; tight spacing is not the best strategy for maximizing the biomass per unit area; and good forestry management practices are not well known or followed. There is thus considerable scope for systematic teaching and demonstration to yield sustained and continuous production of fodder, firewood, and timber.

In order to integrate the practice of productive and sustainable forestry with the development of land in the village and to explore the possibility of enhancing conservation and development of natural resources at the watershed level, AKRSP established a partnership with the International Union for the Conservation of Nature and Natural Resources (IUCN) in 1987.[6] A two-year "Sustainable Pilot Forestry Project" was initiated in upper Hunza with three main objectives: (1) to prepare and refine forestry packages suitable for implementation by the VOs; (2) to develop and test appropriate training and extension material for the promotion of suitable packages; and (3) to set up clonal trials to screen out potential plant material of interest to the VOs. The basic aim of the project was to establish a sound basis for the development of a forestry extension package in AKRSP leading to sustainable forestry and large-scale afforestation in northern Pakistan. The pilot project made it clear that continuous on-site extension and demonstration would be required to develop forestry as an integral and sustainable part of community life. The demonstration village forests will form an essential part of the next phase of forestry extension in the VOs. They will serve as centers for training, research, and grant support, so that demonstration of the village nursery, afforestation, and forest management packages—and eventually the

forest utilization packages—become accessible to most villages in the region.

AKRSP and IUCN have started a five-year "Sustainable Forestry Program," beginning with Gilgit in 1990 and followed by Chitral and Baltistan in 1991. IUCN is providing the funding and technical leadership so that natural resource management and sustainable forestry become integral parts of the village economy. It has three major components. The central thrust would be on training and extension, supported by research and demonstration, leading to broad-scale afforestation. The basic component of the program, training and extension, will be built on the diagnostic survey technique used by AKRSP. It will include participatory village appraisal, monitoring, and evaluation as part of the terms of partnership with the VOs. The research and demonstration component will use the existing nurseries of the Department of Forests. The broad-scale afforestation will be parallel to forestry demonstrations, using the existing local practices and mixing with small areas of the improved forestry packages.

COMMERCIAL AND INDUSTRIAL DEVELOPMENT

The first four years of AKRSP were devoted primarily to establishing and strengthening the village social organization. To reinforce the sustainability of the VO as the basic institution for rural development, it was necessary to build the productive capacity of villagers by introducing production-oriented innovations. AKRSP also began assisting the VOs in selling the marketable surplus of their members on a collective basis to increase cash incomes. A logical extension of the production model of AKRSP was to integrate the demand side in its overall strategy to benefit the rural economy from the rapid growth and change underway in the structure of markets both in the region and the plains.

AKRSP's approach was to act as a catalyst in the transition at the village level from subsistence farming to a sustainable and equitable commercial economy that is increasingly integrated into the growing regional and urbanized economy. The initial strategy for promoting this objective was to generate cash incomes by encouraging the sale of available surpluses in the village. AKRSP was correct in emphasizing close coordination between the supply of inputs, production, and marketing. It encouraged the VOs to become directly involved in joint marketing ventures. The idea was that farmers, by pooling their resources, could reap substantial benefits from selling their surpluses.

The VOs and AKRSP soon learned that their general ideas about comparative advantages based on production conditions were not entirely correct: the demand for specific products had to be taken into account, particularly in transporting fresh produce to the distant and competitive markets. The market showed that there were considerable risks in the sale of fresh fruits and vegetables. The early strategy was also flawed because it emphasized generalized production for import substitution in the region. The experience of marketing in the early stages has highlighted the interdependence of several factors: the structure of market demand, the volume of marketable surplus, the role of market intermediaries, the effectiveness of collective marketing, and the importance of interim finance.

The total sales through collective marketing increased from less than Rs.1 million in 1985 to Rs.10.3 million in 1989, when the number of participating households was nearly 8,000. One of the important changes was the shift from VOs to private channels in selling fresh fruits and vegetables, particularly to the local markets. Two important components of the AKRSP-supported collective marketing by VOs are the training of market specialists and short-term credit. The marketing specialist is typically a village activist—a role often played by the VO Manager—who acquires skills through training on the job. The specialist is involved in all aspects of product improvement and sales, including the dissemination of technical and market information, diffusion of technologies, standardization in processing, arrangements of inputs, credit and transportation, and maintenance of accounts.

Traditionally farmers borrow cash and commodities from the village shopkeeper to meet their urgent needs and pledge their produce in return. This arrangement leaves the small growers with little control over their produce. The credit terms are usually vague and verbally contracted, giving substantial latitude to shopkeepers to interpret them to their advantage. Crop prices are also determined largely by shopkeepers and tend to have little relation to market prices. Farmers with no access to alternative sources of credit have little freedom to sell their produce outside the village. The purpose of AKRSP's short-term credit was to enable the farmers to sell their produce in more profitable markets. A study of the collective marketing experience of VOs in 1989 revealed two important aspects of interim financing by AKRSP.[7] First, it assisted the VO members in selling their produce outside the village and reduced their dependence on the village shopkeeper. The second point was that most VO members used the AKRSP credit for purposes other than financing their marketable produce because their credit requirements were far

smaller than their borrowings from AKRSP. In the light of this evidence, AKRSP has changed its policy of interim financing in favor of the more comprehensive and cost-effective credit program (called VO banking) discussed in the next chapter.

The commercial development program assisted by AKRSP has so far been too narrowly focused on collective marketing by the VOs. Commercial activity in the region is fast expanding and VOs are not the only actors in the changing environment. AKRSP has, therefore, decided to expand its search for sustainable means of livelihood by encouraging all forms of business in the region: individual, cooperative, and corporate. It will increase its focus on market-driven programs with particular attention to integrating the local production with larger markets and to streamlining production and product improvement. Also, it will encourage viable local enterprises and attract outside private-sector investment to the region. However, the shift in emphasis from the narrowly focused sale of products to the provision of broad-based business advice and market information will not imply insensitivity to the needs of small farmers or producers: the object remains the protection of their interests in regional and distant markets.

NOTES

1. Muhammad Asghar Cheema, "Income Impact of the Fruit Spray Package in Gilgit District," (Gilgit: AKRSP Consultant's Report, September 1989).

2. Mahmood H. Khan, "Impact of the Aga Khan Rural Support Program in Northern Areas, Pakistan," Two Volumes (Gilgit: AKRSP Consultant's Report, October 1989).

3. The "Mountain Seed Development Project" has been initiated with the collaboration of Cereal Crops Research Institute, Cargill Co., Federal Government's Seed Certification Department and the Department of Scientific and Industrial Research, New Zealand.

4. M. Wardeh, "A Preliminary Study of Livestock Production in Gilgit District of the Northern Areas of Pakistan," (Gilgit: AKRSP Consultant's Report, August 1989).

5. S. M. Ishaque, "Impact of Livestock Vaccination Program in Gilgit," (Gilgit: AKRSP Consultant's Report, June 1989).

6. IUCN is based in Switzerland and is the largest professional organization in the world working on conservation of and care for global soils, lands, and waters. It provides knowledge on these issues to develop the practical tools for environmentally sustainable development.

7. Imtiaz Mohammad, "Collective Marketing with AKRSP Short-Term Marketing Program in Gilgit," (Gilgit: AKRSP, August 1989).

6

Future Challenges: The Transition

INTRODUCTION

The basic aim of AKRSP is to help the rural poor in developing an institutional framework at the village level in order to promote a process of development that is both equitable and sustainable. Its organizational model rests on participation in the village organization as a necessary condition to maintain equity. Its emphasis on building capital—stressing savings and investment—and skills right from the beginning is to make the village organization a sustainable vehicle for raising the living standards of the poor and small farmers. The network of village organizations developed in northern Pakistan with the support of AKRSP is also expected to function as a conduit for establishing many of the social sector services, such as health care and education, sponsored by private and public agencies. Some of this has already started to take shape, and AKRSP is playing a major coordinating role. One of the strengths of the AKRSP model is that it is not based on a blueprint, except for the vision of a self-reliant rural community based on the principle of participatory social organization. The AKRSP approach is evolutionary, in which the specific form of the response by AKRSP rests almost entirely on what best suits the villagers to achieve as their ultimate goal.

The commitment to organize small farmers and to assure their participation was translated into reality by the formation of VOs and with the implementation of PPIs as the beginning of these projects. The process of assessing the development needs has, however, revealed the importance of addressing the issues at four levels:

1. the household or farm level: by identifying the priorities of small farmers and implementing appropriate responses either directly through the VO or through other agencies;

2. the VO level: by institutional development for village functions, organizational linkages with private and public agencies, direct technical support, and coordination with specialist agencies for higher standards of living;

3. the supravillage or valley level: by institutional development, technical support, and financial assistance for the intervillage infrastructure, and rehabilitation of the natural resource base; and

4. the regional level: by gradually building the potential for local institutions and supporting them in expanding their functions, and by selectively facilitating the flow of resources from other development programs into the region.

In the formative phase, AKRSP concentrated on promoting the establishment of participatory VOs through investment in PPIs; established the VO-based system for savings and credit; developed managerial and technical skills; experimented with production packages in agriculture and livestock; and initiated experiments in post-harvest management. The AKRSP experiment is now entering the transition phase, in which the emphasis is on moving from:

1. VOs that are supported by AKRSP to financially self-reliant VOs serviced by local institutions and linked increasingly to private and public sector agencies; and

2. a production-oriented technical approach to one that encourages specialization and economic diversification at the village and household levels to take full advantage of economic opportunities; relates higher income to improved living conditions; and ensures environmentally sustainable use of natural resources.

The transition is meant for the VOs to acquire self-reliance in many of the basic activities and services for which AKRSP has acted as the major provider and supporter in the formative stage. At the same time, the role of AKRSP as a support organization has to change with increasing emphasis on (a) quality control in the development of human resources and VO banking, and (b) intermediation between the VOs and other institutions—both formal and informal—involved in

the building of physical and social infrastructures. Therefore, consistent with its aim of establishing an institutional framework at the village and regional levels with the capacity for development without dependence, AKRSP must adopt a strategy for the transition that includes attaining institutional maturity; building resources and the environment; creating financial self-reliance; and developing human resources. The problems of the transition are no less serious, and are probably far more complex, than those the AKRSP had to face in the formative stage. There is no consensus so far about the exact institutional structure that the VOs should develop at the regional level in relation to each other, to AKRSP, and to other institutions of the society. The somewhat ad hoc experiment of VO clustering has revealed the complex and dynamic social setting at the village and regional levels in which AKRSP and VOs are just two of several groups.

INSTITUTIONAL MATURITY

One of the basic achievements of the AKRSP experiment in northern Pakistan is that the rural people are convinced that village organization as an institution for participatory development is both desirable and workable.[1] The challenge in the transition is to help them develop the VO as a formal, resilient, and long-standing institution capable of undertaking diverse activities. A basic test of the formal institutionalization of the VO would be its capacity to manage collective goods and act as a vehicle for dealing with government and other outside agencies. AKRSP hopes to meet this challenge by emphasizing the following in its strategy for institutional maturity:

1. The village organization sustains and renews itself as a broad-based local and democratic institution with the means to move toward self-reliance. The clustering of VOs is an initial response to the need for development of a genuine local government in the valleys to manage and develop collective goods and resources.

2. AKRSP reduces its managerial and financial responsibilities by nurturing the growth of local institutions and facilitating access to other agencies for infrastructure, inputs, and credit. It emphasizes organizational linkages with development agencies and institutions to enhance the region's access to financial resources, managerial skills, and technical knowledge.

To hasten the process of institutional maturity, AKRSP and the VOs have so far experimented in at least four directions. First, VOs have been allowed to split in response to local needs and common interests. Second, the practice of collective production and management has been abandoned in all goods and services that can best be owned and managed privately. These policies are direct results of the flexible learning-by-doing approach on which the AKRSP model was based. Third, the experiment on VO clusters—organized to strengthen the expanding activities of VOs as the basic unit of decision making—is being reviewed in the light of its effects on the future viability of the VOs themselves. Finally, AKRSP has initiated the development of strong organizational linkages of the VOs with other public and private sector agencies for regional development to take advantage of the macroeconomic changes underway in northern Pakistan.

The Partitioning of VOs

The splitting of existing VOs into new ones has been the major source of increased numbers of VOs formed in the Gilgit region in the last three years. The same pattern may develop in the program regions of Baltistan and Chitral. The division of VOs reflects a healthy process of adjustment and consolidation, although it was initially treated with skepticism and even alarm. The motivation underlying renegotiations for new VOs is clearly not the second PPI project, because the original terms of partnership with AKRSP excluded a second grant for PPI. This would be an untenable basis for the division of the VO. An equally unsustainable ground for the division may be initiated by conflicts of interest among the village activists. The fact is that a very small (almost negligible) proportion of the VO division was engineered through conflict and discord in the membership. Divisions of VOs for this reason have been prevented largely by the timely intervention of the SOs. The dim prospects of survival after fragmentation due to conflict were another major deterrent.

The VO divisions are a reflection of the fact that participatory management of collective goods is difficult when the size of the group exceeds a certain number; for example fifty. Some of the original VOs consisted of eighty- to 100-member households. The basic argument here is that the VO has to find an operational scale that its members can manage with reasonable cohesion. The division also reflects the fact that not all villagers have the same resources or equal access to resources. For example, the existence of traditional rights to

use the high pastures and forests, which were based on institutions that predate the feudal period, means that not all villagers have access to the same pastures and forests. Thus divisions exist along the very old tribal or clan lines, and some of the splits in VOs reflect these divisions. Further, some villages are located on different though adjacent pieces of land—some separated vertically and others laterally—and this separation affects the working relationship between various groups. Thus the division of some VOs seems a reasonable outcome, consistent with the broadening of the function of these groups as an effective institution for the collective management of common property.

While the division of VOs itself is an indicator of the process of adjustment and maturity, it is not clear what the dynamics of movements in and out of village organizations are. A small number of VOs have experienced decline in membership and stagnating savings after the initial enthusiasm associated with the implementation of PPI. The efforts of AKRSP in identifying these VOs and seeking explanations for their predicament have so far yielded no positive results. A number of factors can trigger the decline of a VO, of which the symptoms could also differ. The challenge for AKRSP professionals is to detect the early signs and adopt effective measures to arrest the decline or restore the VO. A major outcome of the second evaluation by the World Bank in 1989 is that a monitoring device based on diverse criteria of viability has been developed, though not tested as yet, to classify the VOs with regard to their capacity and development.

An area of concern for AKRSP was the consistent failure of projects involving collective management of production. Production projects based on collective management—sponsored by AKRSP and managed by the VOs—have met with little or no success. The experiments in collective ownership and management of the poultry units, Heifer project, and appropriate technology packages (including tractors and related equipment) were major failures, initially appealing though they were for ideological or social reasons. The major reason for their failure was not simply that there was a "free rider" problem. In fact, the VOs lacked the appropriate managerial and technical skills with a paucity of key inputs. The VOs were not adequately equipped to cope with the operational requirements of the projects. While the financial cost of these experiments was not high, their effect on the VO tended to be divisive if not altogether destructive. The shift from collective to individual management in the case of poultry and livestock has already yielded positive results. The walled gardens—orchards and nurseries—managed collectively by women are perhaps an exception to the rule of failure of collective management in

production. The reason for their success is that they are not purely a production program: they work as a demonstration unit, provide training, produce seed, serve as a place for social interactions, and yield a consumable surplus. In its future strategy for institutional maturity, AKRSP has decided to abandon the idea of production through collective ownership and management of resources because of its ill effects on the viability and growth of village organizations.

The Clustering of VOs

Perhaps no other issue has generated as much debate in the AKF network, and indeed inside AKRSP, as the experiment of VO clusters as a possible supravillage institution to facilitate the institutional maturity of the VOs at the regional level. We propose to explain first the basis on which the experiment was started in 1989 and then highlight some of the problems encountered in developing the VO clusters as a viable institutional arrangement. In this, as in other experiments, AKRSP professionals have realized the need to follow the learning-by-doing approach and avoid falling into the trap of a living or defunct dogma about the ideal institutional structure above the VO level.

The clustering of VOs as a pragmatic arrangement was initially encouraged by AKRSP in view of the high cost of specific activities that the individual VOs were performing, such as supply of inputs and marketing of produce, or that the VOs were unable to do themselves, such as servicing and maintaining the infrastructure and production resources shared by several villages. The development of clusters was also an outgrowth of the splitting of VOs and of the general trend toward smaller VOs among the new groups. The VO clusters were assumed to possess other advantages besides economies of scale. For instance, they could act as a supravillage institution for (a) pooling resources to establish physical and social infrastructures beyond the capacity of the individual VO, (b) providing specialists as trainers to develop skills in the VOs, (c) mediating in the inter-VO disputes, (d) negotiating with the government and other agencies about the use of common resources and provision of the social sector services, and (e) motivating laggard VOs through demonstration, in which the successful VOs would serve as role models.

From the point of view of institutional maturity, and in keeping with the priorities of AKRSP, the VO cluster was first considered as a viable form of supravillage organization, but with a clear understanding in practice that the cluster would not represent the General Body of the VO but be accountable to them. The cluster would act as a unit of development administration but not as a level of decision making, which must stay at the VO level. The primacy of the VO in making the decisions was to be kept in tact. The principle of accountability of the cluster to VOs was reinforced by the observed tendency of cluster supervisors and committees to act on behalf of the VOs on matters for which the liability was limited to the individual VO. The cluster could act effectively as a supravillage institution only as long as it was accountable to the VO membership.

This organizational structure, with specialists trained at the VO and cluster levels and paid for their services by the members, was expected to form the core on which all other programs of AKRSP would be based. The purpose of training the cluster specialists was to transfer the training of VO specialists from AKRSP to the clusters. The plan for intensive and prolonged training by AKRSP for the cluster specialists was to provide technical support to VO specialists and create a pool of trainers and extension agents for the VOs. The challenge here was to transfer to the valley supervisors and cluster specialists the routinized functions of SOs and to deploy the SOs for motivational activities into those areas where the program was expanding. As the valley supervisors begin to coordinate the work of large number of VOs, the SO's role in stimulating institutional development would devolve increasingly to them. The role of the SO as intermediary would also change as VOs demonstrate their independence and begin interacting with other agencies through VO clusters as the supravillage institution. The implications for AKRSP were that at the cluster level adequate capacity would be created for AKRSP to function as a support system for the VOs. The Social Organization Units (SOUs) will have to intensify their assistance to clusters and VOs in improving their planning and management capacities and facilitating the formation of linkages to other agencies that can provide services to these organizations.

A major advantage of clustering would be to plan for and develop PPIs for which the individual VOs did not have the capacity and resources. The attempts to pool resources for PPIs with the Local (Union) Councils—the lowest tier of elected representatives—have not been successful. Some of the reasons have to do with the radically different approaches followed by AKRSP and the Councils. A specific obstacle that arises in the case of PPIs is that the Local Council funds are allocated by the government on a grant-sharing formula and not on the basis of project requirements. Another obstacle is the utility of Local Council funds to the elected members for distributing patronage and getting all the credit for implementation of the project. It is a

fact that the lack of physical infrastructure above the VO level has been a major constraint to rural development in northern Pakistan. AKRSP could assist, but not necessarily on a grant basis, the VO clusters in building the new supravillage PPIs. The construction of PPIs at the cluster level, funded mainly by the VOs, were expected to reinforce and even multiply the potential benefits of the established PPIs at the village level.

As the supravillage institutions evolve, new needs are also being identified for the management of common property resources and planning for zoning and area development. These include the need for supravillage PPIs, such as roads for opening and joining the valleys, large irrigation schemes to provide water to a number of villages; repair and maintenance facilities for farm machinery located sufficiently close to farmers in isolated conditions; need for heavy construction machinery (e.g., bulldozers, compressors and drills) as a vital component in speedy and efficient construction on a large scale; and the demand for cold storage and processing plants as volumes of the marketable surplus grow. One of the major challenges for AKRSP is to play a leading role in design, construction, and monitoring of these facilities. The modalities of its assistance to the private or public sectors will have to be worked out in the next few years. There are heated debates within AKRSP on such issues as the ownership of these assets, on the role of and relationship to the government in building and maintaining the supravillage infrastructure, and on whether or not subsidies are required to promote investment in these facilities. To answer these questions, AKRSP is in the process of evolving a conceptual framework. Depending on the outcome of discussions within AKRSP and with other agencies, AKRSP can make meaningful offers in two areas, both of which could promote new models of interagency collaboration. If these models accomplish their objectives, they will contribute to greater institutional maturity of the VOs, by linking them with the government and Local Councils and, in one instance, by encouraging the development of clusters.

The first area of institutional development through PPIs is the construction of supravillage physical infrastructures. The AKRSP offer would recognize the statutory role of the District Council—the second tier of elected representatives above the Local (Union) Council—in maintaining the completed projects. If the District Council is willing to accept the responsibility for maintenance, AKRSP would offer to contribute part or all of the cost of these projects as a grant; it would also provide technical support services, if requested, to complement those of the Department of Local Bodies and Rural Development (LB&RD). This offer would be subject to the condition

that the VO cluster identify and implement the project, including construction.

The second area of collaboration is in the context of the Rural Water Supply and Sanitation (RWSS) project for the Northern Areas (including the Gilgit and Baltistan regions) being sponsored by a consortium of donors led by the World Bank. The donors and the government have agreed that the maintenance of the village water supply projects should be done by the beneficiary communities. AKRSP has suggested that the Local (Union) Councils were not equipped to do this; only VOs can perform this function effectively at the village (neighborhood) level. AKRSP has proposed to the government that the VO should be accepted as the implementation unit and LB&RD would act as the executing agency. LB&RD would enter into partnership on specific terms with the VOs for the project. Donors would provide the project budget to LB&RD to procure the necessary technical support services, including training of staff. LB&RD would have the option to purchase these services from AKRSP.

These two initiatives will have to be observed carefully with a view to assessing their impact on the VOs, clusters, and their relationships with other agencies. Only after a careful assessment will it be possible to decide whether AKRSP can generalize from this approach to other interagency collaborative ventures to strengthen the role of VOs and clusters as the mediating institutions for rural development.

Two other types of supravillage infrastructure projects being considered would be those involving the traditional common property regimes for natural resources and those smaller projects that have no traditional antecedents as common property. We will discuss in a later section the supravillage projects related to the use and development of natural resources (e.g., pastures and forests) for cooperation between VOs whose members have the recognized rights over these resources. The second category of supravillage projects involves activities that are neither in the purview of the Local Councils nor associated with the traditional common property regimes, namely, hydroelectric power generation, storage, and processing. AKRSP's own experience and numerous examples from other settings suggest extreme caution in adopting a management system based on collective ownership. AKRSP may, therefore, undertake a few small projects to test the idea of management by the mature and well developed VO clusters and in the meantime look for the viable private sector alternatives.

We have so far described the expectations, and some of the plans and limited experience, about the role of VO clusters since their emergence in 1989. It is much too soon to be definitive about their

future role in what appears to be a dynamic and complex social setting in which actors other than AKRSP and the VOs are playing an active role in the development process. Indeed, as recent assessments have indicated, the future of VO clusters is not as clear or optimistic now as it seemed when they were initiated.[2] There are two basic reasons for skepticism. First, some of the initially perceived—even persuasively argued—advantages of clustering have not materialized, hence the evidence of stagnant demand for VO clusters. The bonding process probably underestimated the fragility of VOs themselves. The second, and perhaps a more important, reason is linked to the issue of establishing a sustainable institutional arrangement—recognized in law and accepted in practice—for VOs in the transition period in which AKRSP changes the structure of its present support system. In view of the evident weaknesses of the clustering experiment, and given the other and possibly better alternatives to meet the supravillage needs of VOs, the VO clusters may remain and act at best as informal arrangements.

The Future of WOs

We have so far focused on transitional strategies for the institutional maturity of the VO. The challenge with regard to Women's Organizations (WOs) is far more daunting because AKRSP has only limited learning experience in dealing with the difficult problems of creating effective programs for women in traditional and segregated societies. In the last three years, AKRSP tested the concept of incorporating women into the VO as direct participants in making the general development decision making and activities. However, there was limited progress in bringing men and women together in the joint forum. Instead there was a steady growth in the formation of separate WOs, and in older WOs an awareness was developing that collective action through organization contributes to an enhanced status for women. If income generation or training for skills were the limit of the women's program, these aims could have been achieved through the VOs alone. But if the larger aims of social organization, fostering local activists, and development of managerial and leadership capacities are to be met, it seems that some form of separate organization for women should be pursued where appropriate. The collective voice and opinions in the WO are more likely to make an impact on decisions at the village level than are individual women addressing the VO.

It should be stressed that WOs are a means to develop the capacity of women, and have been developed on a responsive rather than a proactive (target-led) basis. In some cases, women are already involved through VOs. The major reason for this has been the success of packages developed especially for women in the production of vegetables and poultry products, which are showing real gains in income and nutrition. The tree-nursery and some of the appropriate technology packages have also shown considerable promise. Just as the PPIs served as incentives for the formation of VOs, the women's packages are acting as incentives for women's participation in the development process. The direct income potential of the packages also provides an entry point for introducing collective forms of production and marketing, and gives a sense of purpose to WO meetings and activities. Finally, AKRSP now has a number of effective, local women coordinators in each region and has made good progress in developing training programs that are appropriate for and attractive to women. The result is that in a number of villages, women are showing greater initiative and management capacity than men. The WOs have also been used to deliver the primary health care program of the Aga Khan Health Services.

The AKRSP strategy in the transition to institutional maturity of WOs will focus on the use of successful technical packages and links to the social sector services to expand the involvement of women, and to increase the skills and leadership abilities of women. In the sphere of income generation, much work is required to refine the successful technical packages, particularly to integrate a marketing component as volumes for sale grow. The technical sections of AKRSP, with assistance from outside consultants, will continue to develop and test new packages that are appropriate to the status and role of women in northern Pakistan. Of particular importance are the family enterprise packages that build on the successful experiments in home-based poultry and vegetable production. Similar household packages for livestock management, and fruit and forest trees in the homestead, are being tested. These packages would build on women's traditional activities, with a view to increasing productivity in an integrated and systematic fashion. In addition to these income-generating activities, the WOs would play a more active role through linkages with government agencies, NGOs, and donors in providing the social sector services, particularly in the areas of health care, sanitation, and children's education.

The active, integrated involvement of women in the development process is an imperative for institutional maturity of the AKRSP experiment. Thus effective links between WOs and VOs are necessary, while preserving and increasing the role of women in decision making at the village level. The VO should serve as a facilitator for the WO as

the cluster serves the VO. Both VOs and clusters would benefit the women's program by facilitating the supply of inputs, storage, and marketing. To strengthen the women's program, AKRSP must face the problem of trained field staff and develop systematic training for women. The (female) Field Coordinators (FCs) play a dual role as technical specialists and social organizers. It is not clear at this stage whether the development of clusters and the emergence of the cluster functionaries will substitute for the dual role played by the FCs. The seclusion of women in most communities in northern Pakistan means that only female staff will have access to village women for communication purposes. AKRSP will experiment with the recruitment and training of women cluster specialists to take over some of the responsibilities of the FCs. One of the immediate challenges for AKRSP is to maintain adequate female field staff and more importantly concentrate on training programs at three levels:

- the village-level training to women in skills related to production packages and management of collective activities;
- the SOU-level training for field workers in extension and management skills; and
- the regional-level training for supervisory staff in technical skills for production packages, management, and monitoring.

The long-term outlook for women's role and participation in the development process is quite optimistic for two important reasons: the spread of VOs and WOs as genuine vehicles for development and the rapid growth of educational opportunities for females. Both of these processes should bring about increasing integration of males and females as equal partners in the struggle for improved quality of life and the environment.

ORGANIZATIONAL LINKAGES

A major strategy of AKRSP as a support organization is to help the VOs develop linkages with government and other agencies so that they are integrated into the existing network of institutions for delivery of inputs and services that are being provided either directly by or through AKRSP in the transition stage. AKRSP started with the premise that there was an institutional vacuum at the village level, reflected in the poor state of the physical infrastructure in the region. In pursuing the path of institutional development, AKRSP has been confronted with a continuing dilemma: institutions cannot be developed and sustained without project inputs, and most inputs are, at least in theory, the domain of existing agencies that have their own institutional arrangements. For the VOs to thrive as viable institutions they must begin obtaining inputs from other agencies, which, in turn, have to recognize the value of working through this network of community institutions. The potential for sustainability of the VOs can be enhanced by shifting the emphasis in AKRSP from providing inputs to controlling the quality of services and acting as an intermediary between the VOs and other institutions.

AKRSP's general strategy has been to develop and demonstrate the institutional innovations that AKRSP and VOs have found useful, and to facilitate access to the VOs by interested agencies and entrepreneurs. But this strategy has not been free of problems. The crux of the problem lies in the difference between two cultures of development administration: the culture of participation versus the culture of prescription. The latter culture—whether bureaucratic (managerial) or political (representational)—is characterized by expectations, norms of behavior, and working rules that are contrary to those of the culture of participation. Participation represents an open and transparent process; prescription represents organizational closed shops. For there to be meaningful linkages between the AKRSP (or VOs) and other agencies, what is needed is a process of bureaucratic reorientation to encourage more open dialogues. This presumes internalization of a different set of norms and rules—a behavioral and organizational change—by representatives of the agencies that are expected to assist and service the VOs.

The primary institutional mandate of AKRSP was to develop organizations to service the local people and to encourage the internalization of norms of organizational behavior, appropriate to those functions of the new organizations and the economy, among villagers who manage these organizations (the VOs). At the same time, the VOs had to be strengthened by developing formal linkages to the private sector and government agencies. AKRSP has taken into account three major considerations in developing the interagency collaboration:

1. that an NGO such as AKRSP will not have the staff, resources, and statutory authority to meet all of the demands that villagers will make upon it, hence the imperative for AKRSP to function as a catalyst—a facilitator—for interaction between the VOs and other agencies;

2. that the institutional linkages between VOs, AKRSP, and other agencies will not be meaningful and lasting unless there are adequate incentives (bureaucratic and financial) for collaboration;

3. that the basis for interagency collaboration has to be the willingness of all parties to test and develop the idea that the VO acts as the contractor for rural development.

AKRSP has depended, to varying degrees, on three basic mechanisms for establishing links with other agencies: informal contacts based on personal relations, formal coordinating mechanisms, and resource-sharing arrangements. The personal (informal) contacts helped ease some of the early apprehensions among established organizations, particularly in the public sector. They have also created opportunities for ad hoc institutional collaboration and a few models of interagency resource-sharing. Attempts at establishing formal mechanisms to coordinate activities with the public sector (government) have not been entirely fruitful, except for a resource-sharing arrangement on a limited basis with the Department of Agriculture. A practical model of collaboration with the government has, however, evolved with three basic components: (a) the VO is the implementation agency at the village level, (b) government provides skilled manpower, available supplies, and physical facilities, and (c) AKRSP provides the necessary operational resources that the government agencies do not usually wish to allocate, such as vehicles, POL, travel allowances, and honoraria.

In the transitional phase, AKRSP has to work actively to create additional linkages with:

- government agencies, by generalizing selectively from the existing operational model to create other resource-sharing arrangements, particularly in the sector of physical infrastructure in which the government and Local Councils have a substantial and continuing presence;
- private sector, for establishing supply lines for inputs and marketing channels; and
- other NGOs—including the Aga Khan Foundation network—for social sector (health and education) services and activities.

The challenge now is to get the VO accepted as the main vehicle and contractor for building the physical and social infrastructure, whether sponsored by the public sector (government agencies and parastatals) or by NGOs. One of the conditions for acceptance of the

new status of VOs would be that they are independent, with adequate technical and managerial capacity. The experiments underway in the formation of clusters and VO banking in a number of VOs should serve as the crucial building blocks for the full maturity and eventual independence of VOs.

BUILDING NATURAL RESOURCES AND THE ENVIRONMENT

A basic goal of organizing small and poor farmers was to assist them in increasing their standards of living and quality of life by improved management of their resources, including regeneration of natural resources (pastures and forests) and conservation of the environment that sustains their resource base. The emphasis has, therefore, to be on both productivity and sustainability. The practical task before AKRSP is to continue the flow of income-generating technical packages appropriate to the needs of the region. At the conceptual level, production packages have to be developed according to the dynamic notion of comparative advantage and designed as integrated approaches to the use of resources. At the operational level, the assessment of comparative advantage has to be translated into specific technical packages for the individual rural household, the village/valley, and the regional economy. The framework for future action has three aspects: managerial, analytical, and technical.

The AKRSP's management framework would apply to the planning and implementation of specific activities. AKRSP has reached a stage in which developing the production potential in northern Pakistan would have to include the following key elements:

- identification and understanding of location-specific comparative advantage through formal and informal diagnostic techniques and surveys;
- development of suitable technology, including its testing and refinement;
- diffusion of technology through demonstration, backed by supply lines, credit, and training; and
- assessment of consumption requirements, including subsistence and marketable surplus, and formulation of marketing plans.

The analytical framework would be based on the idea of location-specific comparative advantage, which would depend on (a) an available combination of resources, (b) the subsistence needs of rural households, (c) accessibility to markets for obtaining inputs and

selling outputs, and (d) a mix of ecological factors such as altitude, slope, aspect, and water regime, which may all significantly vary over a very small area. The analysis of long-term regional trends is a key element in determining the dynamic comparative advantage, to be supplemented by location and commodity-specific analyses. AKRSP has already completed a variety of multidisciplinary studies which, in combination with secondary data, can be used to initiate systematic zoning for setting priorities, and comprehensive and vertically integrated plans for establishing priorities for the development of resources and production of commodities.

Based on its present assessment of the potential long-term comparative advantage, AKRSP has to work in a technical framework that continues to exploit the integrated resource use, while yielding higher levels of production for both the subsistence and marketing needs of rural households. This framework is based on the recognition of dichotomies within the household and collective decisions and between subsistence and commercial agricultures. Traditionally the range of production and consumption opportunities in northern Pakistan was dominated by subsistence needs and limited by altitude and similar ecological factors. These constraints produced mixed and highly integrated farming systems in each village, with a high degree of similarity across villages at a given altitude. However, over time, rapid population growth, migration of labor, differential access to markets, new technology, and physical infrastructure have resulted in a growing differentiation in the use of resources among villages and among individual households in the same village. In the present situation, technical approaches must be developed for the subsistence and commercial farms (households). In both cases, high-value and laborsaving production opportunities are needed to increase farm income, given the rising cost of labor in the region. In the context of subsistence farming, this might imply a family-enterprise package of vegetable and fruit gardening, multipurpose farm forestry, and improved livestock and poultry production together with disease-resistant and high-yielding cereals appropriate to each agroecological zone. For commercial farming, a wide range of possibilities for specialization exists, including dairy and poultry farming near the major population centers; meat production near the alpine pastures; vegetable and potato seed production at high altitudes; and dry fruit marketing from remote locations.

Additional opportunities for exploiting the comparative advantage exist at the VO and cluster levels. Some of the major resources are collectively managed in varying degrees such as irrigation water in the *kuhls*, newly developed land due to irrigation channels, the alpine and

winter pastures, and natural forests. All these resources are present in what is traditionally acknowledged as the territory of a village or group of villages. AKRSP has encouraged the VOs and clusters to devise improved collective management systems for natural resources. Slowly the VOs have begun to understand and adopt improvements such as pasture rotation, social fencing, and use of paid specialists for traditional and new activities like irrigation, fruit nurseries, and forestry extension. While tentatively practical ideas for the villagers are beginning to emerge, particularly for fodder and forests on new land, most research is still not at a stage where it could lead to practical recommendations for the VOs. The R&D efforts underway in pasture development, irrigation agronomy, and forestry will have to be enhanced and reinforced in the transitional stage. The future direction of AKRSP efforts must include the development of well-tested advisory packages for diffusion and perhaps supporting arrangements for credit, training, and marketing.

The emphasis on territorial development, including resource planning and management at the VO and cluster levels, must include efforts to regenerate the depleting resource base and maintain the stability of the fragile environment in the high mountain valleys. From a practical point of view, AKRSP has to pursue an integrated approach to the region's resource base and the environment. The efforts of AKRSP in assisting the VOs to develop new land after irrigation with fodder and tree crops serve well the objectives of productivity and sustainability: they increase incomes and reduce pressure on the diminishing upland pastures and forests. At the same time, AKRSP, in collaboration with IUCN, has undertaken a major project to regenerate some forests and pastures at high altitudes that is expected to demonstrate to the VOs methods by which they can increase the resource base and protect the environment. A major challenge for AKRSP is, however, constantly posed in promoting inputs and methods for higher crop yields that may have an adverse impact on the environment and human health. Increased dependence on chemicals as pesticides and fertilizers for higher productivity must be balanced by the long-term need to protect human health and the environment and to maintain a sustainable resource base. In this area, AKRSP will have to forge strong links with other research and extension agencies, including external consultants and institutions.

THE VO BANKING EXPERIMENT: RURAL BANKS?

We have already explained at some length in Chapter 4 that the banking experiment started in late 1989 by a number of VOs with assistance from AKRSP. It is perhaps the boldest first step for the VOs toward institutional maturity and autonomy. It may also be the foundation stone for a viable rural banking system operating in a few years in northern Pakistan. Since the aim, at least in the short run, is to shift the major responsibility for credit and loans from AKRSP to the VOs, the challenge in the transition is to establish financial discipline through close supervision and monitoring of the VO banking system. Once this has been achieved, the stage would be set to form a financial (apex) institution to manage and recycle the VO savings supplemented by external grants for development investment to meet the long-term credit needs of the region. The successful institutionalization of the banking experiment will be the means to meet the four major objectives that AKRSP was established to achieve in its experiment on rural development: productivity, equitability, sustainability, and replicability.

While the response to the idea of VO banking has been quite positive and has spread rapidly, the early impressions of the experiment indicate clearly its fragile nature. One of the most important prerequisites for success is that the SOs and VO managers understand the basic principles and practical implications of the banking system. A major psychological barrier to overcome in the first stage is the idea that a positive real interest rate implying zero subsidy has to be charged, because cheap credit is harmful to the user and does not expand the capital base for future investments in the local economy. In several underdeveloped countries, there is overwhelming evidence of the harmful effects of subsidized credit, including the low saving rate, misallocation of resources and inputs, and maldistribution of credit often unavailable to the weak and poor. One of the major aims of the VO banking experiment is to improve the saving rate and reinvest the capital (savings) in the local economy with a positive (multiplier) impact on rural incomes.

The apparently high nominal rates of 20 percent to 24 percent are not too difficult to understand. For one thing, the actual charge to the borrower as a member of the VO is about one-half of the nominal rate because of the distributed profit in proportion to the member's share in the VO savings. The other fact, often not taken into account, is that most small and poor farmers already pay these (and even higher) rates for loans they acquire from local shopkeepers or moneylenders. The substantially lower nominal rate on credit from the institutional sources is of no relevance to them because they have no access to that credit. Finally, in most communities (villages), the returns to investment are high enough to make it worthwhile to borrow at annual rates of 20 to 24 percent. The fact, however, is that the psychological barrier to charging these seemingly high interest rates on loans is quite real, and can only be broken if the SOs and VO Managers really understand these implications. The earlier they understand, the better for the banking experiment. But the job does not end there.

In practical terms, financial discipline has to be imposed on VO management, for which training and guidance for both SOs and VO managers would be absolutely essential. In fact, the role of the SO must shift from the routinized functions to supervision and guidance for the banking activities. The SO's role as a catalyst must change from a preacher/policeman to a business/investment agent for the VO and its members. This role transformation is still evidently lacking and its adverse effects are visible in the field.[3] Similarly, the VO Managers and accountants have to be trained in banking skills and AKRSP auditors have to assist them in establishing the appropriate working routines and norms of behavior. Strict adherence to rules and procedures must become part of the work ethic since the money managers are acting as trustees of the funds of VO members. The VO Managers have to learn to combine judiciously conservative banking habits with the principle of participation. They should strictly observe, at least in the initial stage, the banking rules laid down by AKRSP to protect the integrity of the experiment and to consolidate the banking system at the VO level. Of course, the banking rules are not sacrosanct; they would be subject to change with experience and new knowledge to make the system more effective and flexible.

A large and early dividend of sound training and strict supervision in the initial stage would be an increased capital base of the individual VOs through interest income and new savings. The more rapidly the capital base expands—which in turn would depend upon the interest rate, loan turnover, and the rate at which the VO savings grow—the earlier the VOs can acquire autonomy and terminate their financial dependence on AKRSP. The increased financial independence of VOs would also permit the rapid development of a rural banking system that can draw upon its own resources and also attract capital from the national banking institutions.

It is safe to say that AKRSP and VOs will have their plates full in the next few years. The optimism with which they have undertaken the banking experiment—as a crucial first step to the financial autonomy of VOs and the foundation stone for a full-fledged rural banking system—can materialize only if they meet the challenges of financial

discipline, integrity, and accountability. AKRSP's responsibility is the greater, because it must invest in human skills through training, supervision, and monitoring. This would perhaps require a major adjustment in the attitudes and behavioral norms of the field staff, particularly SOs, and VO Managers. It will test not only the motivation of these leaders but also their ability to make major changes in the things they do and the ways in which they are done. The human resources developed by AKRSP have to respond effectively to the challenge now posed by the banking experiment. But there is apparently no other option if the aim is to make the VO truly an autonomous and viable local institution for rural development in northern Pakistan.

The exact institutional structure of VO banking in the long run would depend on the legal status of the VO and the role of AKRSP as a support organization. Its links with the other financial institutions, government and private agencies will likewise depend on the structure of the VO. The important point is that the VO must remain the basic decision-making unit for an equitable development of the individual and collective resources of rural people in northern Pakistan. It is equally important that any model or approach proposed for the investment organization takes into account at least three conditions. First, its basic aim should be to help mobilize resources and promote investment at the local (VO) and regional levels to meet the individual and group needs of rural people. Admittedly, it is easier to mobilize savings than to find profitable opportunities for investment at the village (local) level. Second, it should be based on workable (doable) norms and practices, given the cultural environment and quality of human resources. Third, it should adhere to strict financial discipline, requiring constant training and monitoring.[4]

HUMAN RESOURCE DEVELOPMENT: AN ACADEMY FOR RURAL DEVELOPMENT?

AKRSP's facilities for human resource development (HRD) are stretched to the limit at a point in time when even greater demands are being made upon them. These demands arise from a variety of factors:

- continuing the planned expansion of AKRSP activities in new areas will require increasing the volume of the existing VO training programs;

- as the number of VOs increase and as older ones mature, the number of refresher courses will have to increase and improve; new techniques and packages, focusing on location-specific problems, will be required;
- new training programs, with considerably more depth than has been the case in the past, have to be developed for the cluster specialists, individuals providing services and training to VOs, and their specialists to reduce dependence on AKRSP;
- development of AKRSP's women's program has highlighted the increasingly specialized requirements as well as the special efforts required for meaningful impact;
- training requirements for AKRSP staff will increase as the demand for its own HRD facilities rises; and
- as the AKRSP model has generated considerable interest for replication, there is increasing demand for dissemination of the AKRSP experience through formal training to outsiders as practitioners of rural development.

A major strength of the HRD effort by AKRSP has been its ability to provide instruction by practitioners of innovative approaches. This strength must be preserved and exploited by integrating the resources of individual AKRSP sections with new initiatives in HRD. At the general level, AKRSP's distinguishing strength has been in the design, management, and field implementation of agricultural and rural development programs with small-farmer participation. If this is to evolve into a strategic approach to HRD to meet the growing demands, it must be supported by several additional management functions:

- recruitment of senior professionals with expertise in nonformal adult education and development and use of audiovisual materials to suit these educational functions;
- improved and enhanced content of existing HRD programs by strengthening the skills of the staff in nonformal adult education, monitoring, and evaluation;
- development and delivery of training programs for the cluster-based "master trainers" in a range of disciplines;
- development of a range of new vocational programs and approaches, with particular reference to women;
- increasing the strength of AKRSP's technical sections for instructional capacity in their respective areas of expertise and functions; and

- development of a training center (in Gilgit) with necessary office, training, and accommodation facilities to service the HRD functions of AKRSP.

It seems that the HRD functions of AKRSP would outlast its support functions in northern Pakistan. In fact, the World Bank's evaluation team in 1989 strongly supported the idea of establishing a permanent "Rural Development Academy" to institutionalize the important training functions, research, and evaluation activities of AKRSP. The impetus to establish such an institution in Gilgit has been provided by the growing demand for HRD to service the ongoing AKRSP experiment in northern Pakistan and to support the training needs of other institutions with interest in replicating the AKRSP model in other areas of Pakistan and even abroad. The internal training needs of northern Pakistan to sustain the development process initiated by AKRSP are fast expanding and must be met adequately. AKRSP appears to be the only organization capable of and likely to respond to the diverse and increasing training needs. The external demand for training is already evident in the replications being attempted in other regions of Pakistan, such as the Sarhad Rural Development Corporation in N.W.F.P., the Pakistan Rural Support Project in one district of the Punjab, and the Pak-German Self-Help Project for Rural Development in Baluchistan. These are basically NGOs using the AKRSP model in different socioeconomic conditions. AKRSP has a commitment to assist such organizations in learning from its model and experience.

The idea of establishing a permanent training center—call it a Rural Development Academy—preferably in Gilgit seems quite consistent with the transition of AKRSP experiment toward institutional maturity. As the growth of the program stabilizes and the direct management responsibilities decline, AKRSP will itself gradually assume the characteristics of a training organization rather than an institution directly involved in the management of a rural development program. The training center will be based firmly on AKRSP's commitment to training by practitioners and will reflect the current blend of training and technical functions. It will maintain and develop links with other institutions in Pakistan and abroad for exchanging information, research findings, and, possibly, professional staff. AKRSP expects to develop the HRD center initially by donor funding—for which the initial response has been quite positive—and operate its activities mainly on a cost-recovery basis from institutions sponsoring trainees for various courses or programs. In order to meet

this challenge—establishing the Rural Development Academy—the HRD efforts of AKRSP must be doubly strengthened in the transition.

NOTES

1. The AKRSP experiment in northern Pakistan has reached a stage in which the lateral expansion of VOs encounters no social or political obstacles. The initial reservation about or resistance to the idea of organization, based mainly on misperceptions, has evaporated in all communities irrespective of their sectarian composition.

2. The ongoing debate in AKRSP about the future shape of the program has led to several studies. A sizable study on this issue, including the future role of VO clusters, was completed recently by Waldemar Kasprzik, "The Future Structure of the VOs and AKRSP," (Gilgit: AKRSP Consultant's Report, August 1991).

3. A brief analysis of major problems associated with VO banking in Gilgit was done in the summer of 1991 by Mahmood H. Khan, "VO Banking in Northern Areas," (Gilgit: AKRSP Consultant's Report, August 1991).

4. The AKRSP management had commissioned in September 1991 a team of consultants to study the state of VO banking and future structure of the program, keeping in view the declining role of AKRSP.

7

Donor Assistance

THE NATURE OF DONOR ASSISTANCE

AKRSP is truly a success story in attracting, managing, and effectively utilizing the bilateral and multilateral assistance. In fact, a major reason for its success in northern Pakistan is the financial and technical support it has received from several donors since its inception. This unusual spread of support indicates the impact AKRSP's achievements have had on the donors and is a compliment to its effective relationship with the donor community. The commitment of the Aga Khan to the goals of AKRSP and the continuing assistance provided by the Aga Khan Foundation (AKF) network—with headquarters in Geneva and national units in Canada, Pakistan, the United Kingdom, and the United States—have played a significant role in attracting other donors. The fact is that without this support the AKRSP experiment could not have been launched and sustained. The backup support of the AKF, as a founding sponsor, includes handling all external relationships as well as quite extensive direct involvement in the major decisions on strategy and management. In addition to the support of the four national members of the AKF network (Pakistan, Canada, the United Kingdom, and the United States) and substantial assistance from Geneva in management backup and donor coordination, AKRSP has received assistance from five bilateral donors: Canada (CIDA and Alberta AID), the Netherlands (MDC), the United Kingdom (ODA), the United States (USAID), Pakistan (GOP), and Norway (NORAD); one multilateral donor: Commission for European Communities (CEC); and four international NGOs: OXFAM, Heifer Project International (HPI), the Konrad Adenauer Foundation (KAF),

and the Ford Foundation. The Norwegian aid has been channeled through the International Union for the Conservation of Nature and Natural Resources (IUCN).

AKRSP had received Rs.457.30 million in funding from donors from December 1982 through the end of June 1990. (See Table 7.1.) The three largest donors were Canada (27.3 percent), the Netherlands (25.4 percent), and AKF (19.1 percent), followed by the United Kingdom (17.5 percent), the United States (3.8 percent), and Alberta AID (2.2 percent). The official donors (bilateral and multilateral) gave 78.4 percent of the funds and the rest came from NGOs, of which the predominant portion (88 percent) was from the AKF network. The individual donors have participated in different parts of AKRSP activities and contributed to the different regional programs (See Table 7.2.) The AKF and CIDA have funded the management functions based in the Gilgit "core" office of AKRSP and some other components of the program in the three regions. The Netherlands supports the Baltistan program, including the credit and women's components. The assistance from the United Kingdom goes to the Chitral region to meet the requirements of all of its components, including credit. USAID funded the initial revolving credit, and GOP has contributed to the women's program. OXFAM and CEC are assisting the rather difficult work at high altitudes, and KAF is contributing to the VO training program. IUCN is supporting, with funds from NORAD, the development of forests and pastures, and HPI has assisted in the introduction of new breeds of cattle. These funding arrangements—donors earmarking their funds for specific components of the program—have of course increased the workload for AKF, in Geneva and Karachi, and AKRSP in Gilgit. In the first two years of operation of its short-term credit program for farm inputs, AKRSP was generously supported by credit lines from Pakistan's National Development Finance Corporation (NDFC) and Habib Bank Ltd.

Unlike many other donor-assisted projects—in which a major part of the "aid" is tied to and spent on imports—AKRSP has used the foreign and local contributions to promote directly the three basic aims of its partnership with the rural people in northern Pakistan: building physical capital, increasing savings and financial capital, and developing skills. The donations have been tailored to the needs of the program and not the other way around. What is even more important is that the program has made little demand on foreign exchange for importing material, equipment, and technical assistance. Nearly 59 percent of the AKRSP spending so far has been on the *development components*, including PPIs, credit, VO training and demonstration,

Table 7.1
Donor Contributions to AKRSP, 1983–90 (in Million Rupees)

Donor	1983	1984	1985	1986	1987	1988	1989	1990	Total
CIDA	5.3	9.2	11.2	14.8	18.6	27.5	38.1	—	124.7
Dutch	—	—	4.1	7.7	20.5	30.9	37.7	15.3	116.2
AKF	14.9	10.1	12.8	17.4	14.2	8.3	9.3	0.6	87.6
ODA	0.3	0.9	2.1	3.5	0.2	33.8	21.9	17.3	80.0
USAID	—	—	1.4	4.1	5.8	6.0	—	—	17.3
A-AID	0.2	2.2	3.5	—	4.1	—	—	—	10.0
OXFAM	0.6	0.6	0.5	1.4	1.7	0.3	0.5	—	5.6
CEC		—	—	—	2.4	2.4	—	—	4.8
GOP	—	0.1	0.1	0.9	3.2	—	0.3	—	4.6
KAF	—	—		—	—	1.3	1.8	—	3.1
Ford	1.3	—	0.5	—	—	—	—	—	1.8
HPI	—	—	—	1.5	—	—	0.1	—	1.6
Total	22.6	23.1	36.2	51.3	70.7	110.5	109.7	33.2	457.3

Source: AKRSP *Annual Reviews* and *Quarterly Reports.*

Table 7.2
Donor Participation in Various Components of AKRSP

Donor	Core Office	RPO Gilgit	RPO Training	RPO Chitral	RPO Baltistan	AKRSP Credit Program	AKRSP Women's Program	High Altitude Program
AKF	X							X
CIDA	X	X	X	X	X	X	X	
Dutch					X	X	X	
ODA				X		X		
A-AID			X					
USAID		X				X		
GOP							X	
CEC								X
OXFAM								X
HPI		X						
Ford		X	X					
KAF			X					

Note: RPO is the Regional Program Office in each of the three districts.

and R&D directly related to the adaptation and extension of new technology and methods. All of the funding for these purposes has been spent on goods, material, and labor services produced or acquired in Pakistan. The *nondevelopment spending*—comprising salaries and wages for staff and workers, office administration and maintenance, vehicle operation, and travel—has claimed 31 percent of the total AKRSP budget (See Table 7.3.) Almost all of it was spent on services and materials that were locally produced or procured and have a major impact on the income of several thousand households. Capital costs account for only 9 percent of total spending, and most of these are in foreign exchange for importing equipment and vehicles. The foreign exchange requirements for technical assistance, including training of AKRSP staff, and short-term visits of consultants and interns, have been a very small part of the budget.

The effectiveness of donor contributions can be gauged by the use to which the funds were put. One-third of the funds (or Rs.172 million) have been channeled to the VOs as one-time grants to build village physical infrastructures (e.g., irrigation channels, link roads, and flood protection walls). These PPIs were used not only as entry points for AKRSP but to unify the VO members. The immediate impact of the PPIs is in the form of locally-acquired material and equipment and payment to villagers for their labor used in construction. A large part (nearly three-quarters) of the wages paid to VO members are plowed back into VO savings to build equity for collective loans. The credit program is the second major item for which donor funds—comprising about Rs.84 million or 16 percent of the AKRSP budget—have been used. The short- and medium-term credit facility to all members, based on VO savings, has been a major source of productivity-inducing inputs, land development, purchase of labor-saving equipment and machinery, and marketing of agricultural products. The VO banking experiment underway is the latest evidence of the cooperation of donor funds and VO savings in building financial capital for investment and new incomes in the villages. The third major use of donor assistance has been for the development of human capital, including training of VO members and AKRSP staff, and technical assistance through consultants and interns. AKRSP has spent nearly Rs.57 million (or 11 percent of its funds) to develop new skills by direct training and use of technical expertise.

AKRSP has been particularly careful in utilizing the donor assistance for human resource development, involving foreign training of AKRSP staff and use of consultants and interns for specific activities. As stated earlier, most of the AKRSP staff was hired locally and trained on the job. Of the thirty one individuals trained abroad,

Table 7.3
Annual Expenditures of AKRSP, 1983–90 (in Million Rupees)

Expenses	1983	1984	1985	1986	1987	1988	1989	1990	Total
Development Expenses									
PPI	7.1	12.1	13.7	15.5	20.5	26.4	30.1	46.9	172.2
Credit	0.5	1.1	4.8	6.7	15.1	13.8	8.9	32.8	83.7
Training	0.3	0.9	2.8	1.4	4.6	4.8	5.7	10.6	31.1
Research & Surveys	1.8	4.0	4.5	1.1	1.8	2.8	3.9	6.0	25.7
Total	9.7	18.1	25.7	24.7	42.0	47.8	48.6	96.3	312.7
Capital Costs	1.8	2.0	2.7	4.0	3.4	9.0	3.2	22.4	48.5
Nondevelopment Expenses									
Salary	1.8	2.6	3.9	10.7	16.7	18.9	22.7	29.8	107.1
Travel	0.5	0.5	0.7	3.2	3.7	4.3	4.1	5.7	22.7
Vehicles	0.3	0.3	0.6	1.6	2.2	2.8	3.5	3.5	14.8
Admin.	0.0	0.2	0.1	1.5	3.4	3.2	3.1	2.1	13.7
Office	0.5	0.5	1.1	1.0	1.4	1.7	2.4	1.4	10.0
Total	3.1	4.1	6.4	18.1	27.4	30.8	35.8	42.5	168.2
All Costs	14.5	24.2	34.8	46.8	72.8	87.6	87.6	161.2	529.4

Note: Figures for 1990 are estimated expenditures.

twenty four participated in short-term courses directly related to their specific field of work. Seven individuals who completed degree programs were trained to increase the effectiveness of their work with AKRSP. Foreign and local consultants of high quality, though not necessarily expensive, have been used to assist AKRSP in a number of activities, ranging from Akhter Hameed Khan's words of wisdom during and after his periodic visits to the evaluation reports and specific studies by other consultants solicited by AKRSP to make its own work more effective. So far sixteen foreign and nearly a dozen Pakistani consultants have provided short-term but valuable assistance. Each year AKRSP also hosts, but usually does not bear the total cost of, nearly five Pakistani and foreign "interns," who are graduate or undergraduate students with an interest in the activities of AKRSP. In addition to their contribution to their own education and the learning experience, some of the interns have produced thematic and case studies of considerable value. As outsiders they provide new perspectives on the ongoing partnership of AKRSP and the rural people in northern Pakistan. The consultants have played an important role in testing and assessing ideas and activities contemplated or undertaken by AKRSP. Their role in imparting new skills to the AKRSP staff has been no less important. These benefits are partly the result of the fact that outside technical assistance was not imposed by donors but carefully chosen by AKRSP according to its own needs.

THE SPONSOR AND DONOR RESPONSE

AKRSP owes its existence to the commitment of the Aga Khan to assist the small and poor farmers of northern Pakistan in their struggle for economic development. His preference for the AKRSP organizational model (approach) speaks for his vision as well. The AKF—a nonprofit NGO—was used initially to establish a nucleus of resources in Gilgit sufficient to launch the bold experiment of cooperation with the rural people. In fact, nearly two-thirds of the first year's budget and capital costs of AKRSP were contributed by the AKF network with assurance to meet the future needs of a sustainable program. There was an equally strong commitment, backed by high expectations, to sell the idea to others with resources and the will to support. The AKF management in Geneva, supported by its branch in Pakistan, took nearly two years (1981–82) to give final shape to the organization called the Aga Khan Rural Support Program (AKRSP). The initial proposal, prepared in mid-1981, was reinforced by the first

strategy paper written by the Management Group (MG) of AKRSP in early 1983 and was used as the foundation document to guide the field work and attract donors for contributions. It is a credit to the continuing and active support of the AKF management in Geneva and its national offices that AKRSP has been successful with so many donors since its modest beginning with the AKF funding in December 1982. AKF is now genuinely recognized as an effective NGO working in a variety of fields dealing with the socioeconomic improvement not only of the Ismaili community but of other groups as well. The AKRSP experiment is indeed one of its boldest expressions of cooperation with and assistance to the poor irrespective of their ethnic or religious affiliations. Admittedly its involvement is concentrated in those countries or regions in a country in which there is a sizable Ismaili community.

AKF has continued to be a basic source of strength for AKRSP in several ways. The long-term commitment of the Aga Khan to the project has buttressed the contributions of the Ismaili community the world over. By mobilizing funds on a regular basis through the national offices, particularly in Canada, the United Kingdom, and the United States, the AKF provides concrete evidence of its support and makes it attractive for donors to give matching contributions to AKRSP. The management group of the AKF network, and particularly the management personnel based in Geneva, have been very active in soliciting assistance from the bilateral and multilateral donors. They have used a variety of approaches to promote AKRSP, including personal presentations, distribution of videos, and arranging field visits for influential individuals and groups. The receptiveness of prospective donors was also greatly influenced by the personal and professional contacts of key individuals working for AKF and AKRSP. The aggressive salesmanship in the first two years was bolstered by the positive and quick response of the rural people to the terms of partnership offered by AKRSP. There was also the element of faith in the experiment, given the track record of the leading practitioners of the organizational model in other settings. Their proven credibility and its additional evidence in the initial period of AKRSP gave strength to the AKF professionals and managers in promoting their cause to prospective donors.

The response of donors to the AKRSP experiment has indeed been impressive, whether judged by the level of funding or conditions on which it was extended. Canadians were among the first bilateral donors, with CIDA and Alberta AID contributing more than one-quarter of the donations in the first year of AKRSP. Since then CIDA has remained the biggest single donor with Rs.124.9 million, or a

share of 27 percent, in the total donor funding so far. CIDA support in the first three years sustained a major part of the program in the Gilgit and Chitral regional offices, including the "core" office, the PPIs, and credit components. Since then it has continued to support all of the activities in Gilgit. One of the distinguishing features of CIDA support to AKRSP is that it has been the least demanding of the donors and quite flexible about the use of its funds and resources. The CIDA officials evaluated AKRSP in 1987 and 1989 for their multiyear funding, but they, as other bilateral donors, have relied mainly on the World Bank evaluation missions of 1986 and 1989. The AKF (Canada) has acted as the conduit for CIDA assistance, a role it has played with great effectiveness. Two of the major studies completed for AKRSP in 1989 were done by Canadian consultants.[1] AKF Canada has proposed to CIDA to donate about U.S.$11.5 million (Rs.263 million) in support of the work of AKRSP in the Gilgit region for the next five years.

The Dutch support to AKRSP has been second only to that of the Canadians, amounting to Rs.116.3 million or 25.4 percent of the total funds received by AKRSP from all sources. Their involvement in the program began with the successful visits of the Dutch Embassy officials in the summer and fall of 1984. A grant of U.S.$1 million was made for two years, beginning in January 1986, to support AKRSP in extending its work to the Baltistan region and strengthening the women's program. A second and larger grant of U.S.$5.5 million for three years was made in 1987 to further support the ongoing projects. Like the Canadians, the Dutch have made their own periodic evaluations of the AKRSP component they have supported. Their technical assistance included training of AKRSP staff in the Netherlands and support of some interns working with AKRSP. The Netherlands government has been asked to provide a third grant of about U.S.$14 million (Rs.286 million) for five years, starting in mid-1990. The Dutch officials, particularly the Ambassador in Islamabad, were very positive in their initial response.

The government of the United Kingdom started making contributions to AKRSP on a small scale in 1983, followed by a matching grant of Rs.2.8 million for two years, beginning in 1985. The AKF office in the United Kingdom provided equal funding from its resources, totaling a contribution of Rs.5.7 million (or £352,100). These funds were used to support the PPI grants to thirty five VOs, twenty one in Gilgit and fourteen in Baltistan region. ODA agreed in January 1987 to give £2 million as a multiyear grant to AKRSP to meet all of the expenditures on PPIs, credit, and women's components in the Chitral region. After intense negotiations and the visit of an

ODA Mission to Gilgit in April 1987, a grant of £3.7 million for four years was approved for the AKF network in Chitral. The share of AKRSP in the grant was £2.5 million or Rs.72.7 million. Under this grant, ODA has assisted AKRSP not only with funds for local expenditures on PPIs, credit, and women's programs, but has also given considerable technical assistance in the form of foreign training and study of AKRSP staff and services of consultants. Two major consultant reports, funded by ODA, were completed to improve the women's program in Chitral and the overall monitoring and evaluation activities of AKRSP.[2] ODA has sent regular monitoring missions since 1987 to assess the AKRSP components in Chitral. AKRSP has asked ODA to continue its support for the Chitral activities in the next five years (1990–94) with £9 million or Rs.286.5 million. It is likely that CEC gives one-half of the requested funds as its contribution to AKRSP. This funding proposal is part of the five-year program of AKRSP, for which it has also approached the Canadian and Dutch governments.

The fourth bilateral donor agency was USAID, whose total contribution to AKRSP was U.S.$900,000 (or Rs.17.3 million). USAID was first contacted for a grant by the AKRSP and AKF officials in May 1984, by which time AKRSP had well established its initial program in Gilgit with assistance from the AKF network and CIDA. The American donation was given in two one-year grants, the first in 1985 and the second in 1986. AKRSP was free to use the grants in Gilgit according to its priorities. Most of the grant money was spent on PPIs and the credit components. While USAID has not directly participated in the AKRSP experiment on a similar scale as the other four bilateral donors, it has helped to promote the organizational model in another region of Pakistan. A major consequence of the contacts with USAID was the development of an AKRSP clone project for two districts in the N.W.F.P., funded by USAID. In fact, an NGO—called the Sarhad Rural Support Corporation (SRSC)—has been established along the lines of AKRSP by the government of N.W.F.P. specifically for this purpose. USAID and the government of N.W.F.P. had involved the AKRSP management in providing the conceptual and organizational assistance to develop the administrative and legal structure of SRSC. We will have more to say about the AKRSP clone projects in the next chapter.

The aid from Norway (NORAD) has been used with the assistance of IUCN. The relationship of AKRSP and IUCN, which began in the summer of 1986, has developed into a full-fledged working partnership for the promotion and development of sustainable forestry and pastures in northern Pakistan. Based on a report by an

IUCN-funded consultant in early 1987, it was agreed that a two-year pilot forestry project would be undertaken to establish the groundwork—identification of problems and possible interventions—for a long-term project as an integral part of the AKRSP efforts. The two-year (1988–89) pilot project was approved at the end of 1987 with the NORAD funding of Sw.Fr.60,000. The project, led by an IUCN consultant, was located in the Hunza region of Gilgit and tested various workable research and extension components for the development of integrated and sustainable forestry. AKRSP staff was assigned to work on the project to develop the necessary skills for integration with the other components of AKRSP.

The pilot project was evaluated at the end of 1988, and it was decided to expand the work in the second phase starting in 1990. IUCN is committed to contributing U.S.$2.68 million to meet the requirements of the forestry project over the next five years.[3] In view of the important role that forests and pastures play in sustaining the environment and the living standards of rural people in northern Pakistan, the NORAD-funded forestry component would be a major contribution to the work of AKRSP. It involves large-scale development of skills, including trained forestry workers in the VOs; establishment of basic research and extension-type forest nurseries for demonstration and production of rootstocks; integration of forest farming with crops and pastures; and assistance to the VOs and VO clusters in planning for economically and environmentally sustainable forestry. The forestry project of AKRSP also expects to develop strong links with the government's Department of Forests in all of these aspects to manage and develop the forest as a renewable resource of considerable economic value to rural households in the region.

AKRSP has also been helped by CEC as a multilateral aid agency. AKRSP began its contacts with CEC in the spring of 1986. A project proposal for High-Altitude Development, to be tied with the ongoing OXFAM assistance, was made in mid-1986, for which the funding was expected from CEC, OXFAM, and AKF in the United Kingdom. The CEC approved a contribution of ECU360,000 (Rs.5.8 million) for two years to provide the PPI grants to VOs in the high-altitude regions. It placed no conditions on how the grant was to be used by AKRSP. Following the meetings with the CEC officials in 1989, AKRSP submitted a proposal for the second and much larger grant from CEC to support its activities in Chitral in the next five years. The request was for Rs.142 million (U.S.$7 million), or one-half of the contribution expected from ODA. The European Community has

shown keen interest in continuing its support to AKRSP through a multiyear grant for its five-year program beginning in 1991.[4]

The contributions of the international NGOs to AKRSP, though relatively small in amount, reflect their strong commitment to international cooperation in promoting welfare and peace. It also reflects their confidence in the capacity of a small-size NGO to facilitate effectively the alleviation of poverty by the poor themselves. Of the four NGOs, excluding the AKF network, OXFAM was the first—starting its support in May 1983—and has been the largest donor with Rs.5.7 million, or almost one-half of the NGO contributions. A major concern expressed by the OXFAM officials in their aid program to AKRSP was that it would be focused on small-scale schemes that directly affected the poor in the remote and high-altitude areas. This goal was quite consistent with the general approach of AKRSP based on participation by the poor and small farmers in all of the major components of the program.

The first OXFAM grant of £30,000 (Rs.603,00) was given for PPIs in the Ishkomen and Yasin valleys, two of the remote and high-altitude areas. It was followed by a second one-year grant of £60,000 (Rs.1.1 million) in 1984. The third grant of £132,743 (Rs.3.4 million) was contributed in 1986 for a period of three years. These funds were also used mainly for constructing the PPIs. The last contribution of nearly £63,000 (Rs.1.9 million) was made by OXFAM in late 1989 for two years (1990–91). These funds are being used for two specific components of AKRSP's work on livestock and poultry in the high altitudes: construction of feed mangers and cluster hatcheries. The OXFAM officials have made regular, almost annual, visits to assess the progress of their specific components in AKRSP. Their personal and continuing interest in the projects itself has been a source of strength and has been much appreciated in AKRSP. One of their consultant's field reports have made a valuable contribution to the monitoring and evaluation activities in AKRSP.

Two U.S. NGOs, the Ford Foundation and the Heifer Project International, have contributed Rs.3.5 million, with the former first donating in May 1983 in response to the request of AKF in the U.S. for a matching one-year grant of U.S.$100,000 (Rs.1.3 million) for the PPI and VO training components. The role of the first grant was quite important as AKRSP needed the funds badly for PPIs to establish the VOs and to act as a builder of confidence in AKRSP. The second grant of U.S.$50,000 (Rs.495,488) was given by the Ford Foundation in 1984, again mainly for the PPI grants to VOs. The Ford officials were pleased to see the use of their grants during their visit to Gilgit in late 1986.

The Heifer Project International (HPI) is a U.S.-based NGO that assists individuals and groups in improving the quality and production of cattle breeds. AKRSP first approached HPI in 1985 for funds to introduce new breeds of cattle—its so-called "Heifer Project"—for improved productivity of the indigenous stock. The HPI donated nearly U.S.$115,000 (Rs.2 million) in early 1986 for three years. Two subsequent grants of nearly U.S.$19,000 (Rs.328,000) were given in 1987 and 1988. All of these grants were used to supply to selected VOs a limited number of crossbred cattle of Friesen/Jersey/Sahiwal stocks. The initial aim was to develop a VO-owned and managed livestock package—including new breeds, shelter, and feeding—for demonstration and multiplication in the VOs. As discussed earlier, the experiment of collective management had to be abandoned after the first year. However, subsequent transfer of the initial stock to individual VO members has had a marked impact on their productivity and has increased the demand for improved breeds. In fact, in some VOs the individual holdings have become the nucleus for multiplication in the village. The HPI funding played an important role in testing a new package of technology and allowed AKRSP to make adjustments in its initial approach to the package. The field visit by one of the HPI leaders in mid-1988 was very useful in assessing the Heifer Project.

The Konrad Adenauer Foundation (KAF) of Germany joined other donors in 1988, but it has shown great generosity in its assistance to the development of human resources, which is one of the most important components of AKRSP. In response to a grant proposal by AKRSP in late 1987 for Rs.2.24 million to support its training program, KAF approved a three-year assistance package of Rs.5.9 million (DM590,000) starting from 1988. The KAF representatives began in 1989 an assessment of the need for establishing a Training Center in Gilgit to pursue a comprehensive program of human resource development (HRD) for AKRSP. Various possibilities were explored in early 1990, ranging from DM350,000 to DM 850,000 per year to meet the human resource development activities in Gilgit and to establish the Training Center. The KAF officials indicated in July 1990 that they would support the Training Center project with an annual grant of about DM750,000 (Rs.46 million) to meet the HRD requirements of AKRSP in its five-year program beginning in 1990.

We have described so far the individual contributions of donors to AKRSP, including the continuing role of the AKF network as the sponsoring institution. We should now highlight the role the Pakistani public institutions have played in making the AKRSP experiment the

success it is. Their contribution in terms of funding has been modest, limited to two credit lines from NDFC and Habib Bank for the credit program and a grant of Rs.4.7 million from the Government of Pakistan (GOP) for the women's program. The credit lines were given early in the program, which facilitated greatly the supply of inputs, particularly fertilizer, to VO members. The GOP's contribution to the women's program was part of its efforts to assist the NGOs in promoting activities with direct impact on rural women. We want to turn to the more important contributions the Pakistani public institutions have made to the AKRSP experiment since its beginning in December 1982.

AKRSP has enjoyed the support of policymakers in Pakistan irrespective of the structure or color of the government. That there are now a few AKRSP clones in Pakistan is partly a reflection of the interest in and support for AKRSP at the higher levels of policy-making in the country. With the exception of some disgruntled or narrow-minded individuals, the elected representatives and local elites in northern Pakistan have likewise given their blessings and credible support. In fact, the elected members of the Northern Areas, District, and Union Councils have by and large played a constructive role in promoting the AKRSP experiment in northern Pakistan. In some cases, AKRSP has collaborated on a cost-sharing basis with members of the Local Councils in building the physical infrastructure.

Contrary to the general observation, the role of the state bureaucracy has been equally helpful. One can argue about the extent to which government regulations and requirements inhibit private activity. AKRSP's experience is that, given the structure of rules and regulations, the officials at all levels have been flexible and responsive to the needs of the program. AKRSP's funding proposals to the foreign bilateral and multilateral donors were always supported by government officials at the regional and national levels: in the Northern Area Administration, the Government of N.W.F.P., and Ministries of the Government of Pakistan. In fact, a considerable number of activities involving interaction with public servants were performed by informal contacts, avoiding long and expected delays. It has worked well this way partly due to the personal contacts of AKRSP's senior management. Part of the explanation was that support was given to AKRSP by the powers that be because they thought it was a credible experiment. The important point is that the public sector officials, elected or appointed, have helped to create a reasonably good working environment for AKRSP as an NGO.

Admittedly, AKRSP has not generally done as well in collaborative activities with the existing government or public agencies. A

major reason for this involves the divergence of approaches among AKRSP and the public sector agencies. We analyzed this issue in some detail in the preceding chapter. Suffice it to say that by helping the rural people in establishing viable VOs, AKRSP is laying the foundation of a mediating institution for the development of much-needed physical and social infrastructures using their own and society's resources. The point to be stressed is that the AKRSP's advocacy role for VOs with the public sector agencies has increased with the expansion of VOs and their continuous interaction with public officials. There is increasing evidence that the government institutions appreciated the role of mediation and even coordination that AKRSP was willing to play. The increasing demands placed on AKRSP to promote or coordinate the social sector activities and functions are a consequence of the success of the AKRSP experiment.

NOTES

1. Mahmood H. Khan, "Impact of AKRSP on the Northern Areas of Pakistan"; and I. Smilie, "Human Resource Development: Strategy and Operational Design, 1990–1992," (Gilgit: AKRSP Consultant's Report, November 1989).

2. Emma Hooper, "Study of the Women in Development Program"; and David Marsden and Paul Webster, "Draft Report on Monitoring, Evaluation, and Research Section of AKRSP," (Gilgit: AKRSP Consultant's Report, July 1990).

3. IUCN sent a "High-Pasture Mission" in April 1989 to explore the assistance needed in selected areas for improving the quality of grasses, etc., in the pastures used at high altitudes. Some of the recommendations of the Mission have been included in the five-year forestry project funded by IUCN.

4. The funding requested by AKRSP for the period 1991–95 from Canada (CIDA), the Netherlands, the United Kingdom (ODA), and CEC have since been approved by the respective donors, more or less, at the level solicited.

8

Lessons for Rural Development

INTRODUCTION

There are two major aims of this book. One is to tell the story of partnership of the rural people of northern Pakistan with AKRSP, the former acting as the prime movers and the latter as a catalyst in the process of change through organization and participation. The other, and a more ambitious, aim is to draw generalizable conclusions from this experiment for practitioners of rural development working in other or similar environments elsewhere. Based on what we have presented so far, we can finally focus on the general issues raised by this specific experience, particularly those dealing with the replicability of AKRSP's organizational model in diverse social and economic environments. But first a few general statements to set the stage.

Rural development should not be perceived as a long-term or permanent solution to the problems of underdevelopment, including of course absolute poverty. A major aim of rural development is to provide a stable period of relatively improved circumstances during which new generations can become educated and find employment beyond the farm and even the village. Farming populations will decline and the farms would grow through a process of amalgamation as economic circumstances change. A failure to recognize the important larger goal of economic transformation may severely restrict the initiative of participants in rural development programs. The role of rural development should be seen clearly in this perspective. Dissatisfaction with rural development programs is sometimes caused by misplaced expectations about their goals. It should be added that rural development as a strategy remains

meaningless rhetoric without institutional support to the rural poor and small farmers. At a minimum, the macroeconomic policies of the government should support the efforts of these people to become more productive and their economy sustainable.

AKRSP was established to assist small farmers of northern Pakistan in developing an institutional structure, based on participatory organization, in which they are the decision makers in mobilizing their resources for improved standards of living. It emphasizes the role of capital and skills to make the social organization a sustainable vehicle for rural development. The idea that organization is good is neither new nor revolutionary. AKRSP rests on the premise that organization works to the advantage of small farmers, who as peripheral people are far too dependent on their physical and social environment. It makes no grand claims about the short-term direct impact of its strategy on the economic life of the participants. In the long run, it expects significant changes in the patterns of resource allocation and productivity as capital and skills develop with the maturity of the social organization. The development of a participatory organization is also expected to have a strong stabilizing effect against the process of differentiation commonly observed in other economic environments. In fact, a major expectation is that the organized poor will not be treated by the state (or society) as peripheral individuals.

The early signs of sustainability of the VOs established by farmers in northern Pakistan are beyond doubt. It is, however, still perhaps too early to draw a sketch of the exact institutional structure the VO system is likely to develop and its relationship with the legal and political structure of the larger society. The important point is that the VO has become the basic unit of decision making, whose recognition will grow as a mediating institution between the rural community and other groups or institutions in the society, particularly the state. The partnership of AKRSP and the VOs—particularly a majority of those in existence longer than five years—is entering the transition stage, in which the VOs are acquiring increased autonomy through demonstrated capacity for sustainability. The formation of VO clusters and the experiment of VO banking are the first steps in that transition to maturity. The evidence is mounting that the VOs can and will be used by the rural community and by outsiders (such as the state agencies, NGOs, and other private sector organizations) in establishing the much-needed physical and social infrastructures in rural areas and in strengthening the market relationships.

Finally, a general comment on the question of "replicability" of the AKRSP experiment. The organizational model on which it is

based is flexible and can be adapted to seemingly diverse circumstances. Since it is based on a learning-by-doing approach, it has a great capacity for experimentation within the general framework. The experiment's success requires two basic conditions. It requires, above all, an unflinching (almost obsessive) belief in and commitment to the idea of social organization, in which the prospective beneficiaries make the choices for themselves. The support organization, acting only as a catalyst, enters into a partnership with the rural community on the basis of reciprocal obligations. The goal is to make the village organization a viable vehicle for an equitable process of development that can be sustained in the long run. The second condition, and on which the success of the particular experiment would depend, is that it requires close attention to certain basic factors in the process of implementation. Of course, these conditions cannot be reproduced in exactly the same form in all experiments, hence the need for adjustments and even improvization.

It has been argued that the AKRSP experiment is in some sense unique and cannot be applied as a general model of rural development. Three arguments have been advanced in support of this position. First, AKRSP found particularly fortuitous circumstances in northern Pakistan in that:

1. there was little economic and social differentiation in the population, which faced similar circumstances of a harsh physical and natural environment;

2. with the disintegration of the traditional hierarchy ruled by Mirs and Rajahs, there was a vacuum at the village level for an alternative institutional structure to take hold;

3. there was a long history of cooperative behavior (based on reciprocal obligations) in the village population because of the particular physical and economic environment;

4. the long association of the Aga Khan Foundation with the Ismaili people had already prepared the ground for AKRSP to work effectively; and

5. while the government's bureaucracy and administrative structure were nominal, creating few barriers to the work of AKRSP, there was also unusual support and attention of the government in building the road system and its generous funding for various subsidies.

The second argument is that the leadership of AKRSP is charismatic: it possesses qualities not commonly found or acquired to promote effective organization and cooperation among the rural poor. Finally, the AKRSP experiment is expensive in terms of the external resource requirements. Before we turn to these issues in some detail, a few general remarks are in order.

The first argument contains several half-truths and some serious misconceptions about the role attributed to various factors in facilitating the work of AKRSP in northern Pakistan. The real challenge to the AKRSP model will be posed in those villages or regions in which the social structure is highly differentiated and the state bureaucracy is well entrenched and closely aligned with the interests of the dominant groups. What would or can serve as the entry point for a support organization? What will be the basis of organization for the rural poor? What strategy must be followed to promote rural development with or without the active support of the existing elites? What relationship should the support organization establish with the existing bureaucracy of the state? The second and third arguments are easier to dismiss. There is nothing charismatic or superhuman about the AKRSP leadership. It has followed a management style that is open and flexible; it emphasizes partnership with the villagers; it identifies village activists and uses their services effectively; it is willing to learn and adapt; and it maintains incentives attractive enough for high-quality personnel to work in harsh and remote areas. The AKRSP experiment is not expensive. The World Bank estimates (1987 and 1990) that its cost per beneficiary is favorably comparable to other rural development projects which are not half as successful.

HOMOGENEITY OF PEOPLE AND RESOURCES

The rural people in northern Pakistan are poor, poorly educated, isolated, lack physical infrastructure, are disorganized from a collective management viewpoint, are more or less alienated from the existing government agencies, and are perhaps even despairing, at least of perceived opportunities in their immediate location. These features are common to village communities in most underdeveloped countries; they need emphasis in any discussion about the applicability of the organizational model for rural development. Of course, one of the favorable conditions for the success of the model would be if the social and economic structure of the village was relatively undifferentiated. In northern Pakistan, there is indeed a high degree of economic equality among villagers as reflected by the distribution of

assets and income. It is also true that villagers are socially well integrated by virtue of kinship and cultural factors including religion. But in most villages—more in the districts of Baltistan and Chitral than in Gilgit—there is a caste-like division of the village community, based on lineage, ownership of assets, and traditional authority of the feudal and religious elites. These characteristics are not, however, unique or specific to the region. A vast majority of the village populations in many underdeveloped countries of Africa and Asia have similar social and economic structures. The decline of the feudal, tribal, and colonial institutions—leaving a relative power vacuum but a long tradition of cooperation—is a common pattern in many regions. Similarly the need for cooperative management of common property, including communal land, and infrastructure such as roads or irrigation systems, is typical of agrarian societies. The need for cohesion and organization in dealing with merchants, government officials, and encroaching neighbors is a concern of virtually all such communities. The lack of access to education, improved technology and alternative economic opportunities is a common frustration for most small and poor farmers.

The organizational model of rural development faces a special challenge in cases where the villages exhibit a high degree of economic differentiation, created either historically by the unequal distribution of assets (particularly land) or emerging with the commercialization of agrarian economies. In both cases, the collective interests of the village are either incompatible with the superior position enjoyed by the traditional landed elites in the existing arrangements or less important for some given the broader economic opportunities outside the village. In the extreme case of a feudal or caste-ridden society—in which only a small proportion of the community enjoys land rights and the rest are excluded from these rights except by dependence on the first group—the AKRSP approach would admittedly be difficult to implement unless the existing structure of authority were altered by the redistribution of land, which is the major productive asset and the basis of much power. But the AKRSP experience shows that moderate inequalities, usually emerging from the progressive commercialization of subsistence villages, do not undermine the effectiveness of cooperative management so long as the approach consistently emphasizes participation. It also shows that the traditional elites can be used to advantage, particularly if their economic or social position is not directly threatened. In fact, many of them—including the spiritual or religious leaders and the former feudal elites or their village functionaries (*numberdars*)—have willingly played an important role

in the establishment of VOs. They have in turn used the outside intervention as a source of strength to their own position in the village community.

We should not overemphasize the positive role played by the relatively homogeneous economic and social structures at the village level. It is certainly not a sufficient condition; it may not even be necessary for the organizational model to work. The role of other factors may be equally if not more important to the success of a cooperative approach to rural development. There is no evidence in the AKRSP experiment that the performance of VOs varies greatly between villages with different distributions of income and assets within a reasonable range. Even in those communities, such as Baltistan, in which there is a high incidence of tenancy, VOs have been formed and are active. The factors that have been found to have a significant effect on the formation and viability of VOs reside in the organizational model itself, including the managerial and technical capacity of the support organization in the initial stage.

Three factors in the AKRSP experiments have been central to the establishment and development of VOs as the social organization. The AKRSP model is based on the idea of participation, so the diagnostic dialogues become the first important factor. They assist in taking the village pulse; identifying the development needs and selecting one major income-generating project around which the VO members can initially unify; identifying the village activists; and establishing terms of partnership with the villagers. The second factor is the entry point, or the identification and selection of an important productive project as a public good to which the villagers contribute their labor and skills and to which the support organization gives a grant for materials and technical assistance. The final, and perhaps the most important, factor is the identification and use of village activists.

Participation is the key word in the AKRSP approach, starting with the diagnostic dialogues. These dialogues establish firmly the idea that decisions, no matter how trivial or important, must be based on a consensus in the community for which the individual's participation is a precondition. Participation provides information; gives access to inputs and opportunities for making new choices; discourages free riders; and makes people accountable to the collective will on which their own welfare depends. What motivates people to participate? At a general level, any activity or project that enhances their individual welfare attracts their attention. The experience tells us that almost all villagers know well what their individual and collective needs in the village are! However, the ability to participate effectively depends on several factors, including the individual's social or economic position;

skills and education; and the particular form the social organization takes as a vehicle for participation. If the village community consists of highly differentiated interest groups (or individuals) there could be serious problems in the ability of some to participate and benefit from the VO. Therefore, the entry point and village activists become the important factors in making the VO work and develop.

The major objective of the diagnostic dialogues with villagers is to reach a consensus about the terms on which they are willing to establish the VO and their partnership with the support organization. The entry point for establishing the VO is a major project that will directly contribute to the productive capacity of VO members and keep them together on a long-term basis. Who will contribute what and how the benefits will be distributed are central questions in the first stage. The homogeneity of the village community and its economic circumstances can greatly facilitate the selection of an investment project that will meet the common needs and hence keep the villagers together, at least in the initial period. The risk of exclusion must be minimized if the community is differentiated or polarized. If there are dominant traditional elites, they have to be persuaded that their interests are not threatened but promoted by the project. Selection of a physical infrastructure project as a public good is not too difficult, given the similar economic and physical circumstances faced by most villagers. In addition, the consensual approach creates its own pressure on people to make choices that minimize the perceived or real conflicts between their own and collective interests. Here again the AKRSP experience is that the diagnostic surveys clearly establish a consensus on this important issue of selecting one major public good to which all villagers are willing to contribute and to whose use and benefits they will have equal access.

This brings us to the role of village activists who possess and show the leadership qualities that facilitate the establishment and development of the VO. They are individuals who believe in the aims of the organization; are able to acquire managerial skills; are willing to give their time and resources for the common good; can influence and are trusted by a vast majority of the villagers; and can use their trust and influence to bring people together and resolve their conflicts. In short, they exhibit the capacity to act as model participants and motivate other individuals to accept change. Not all traditional elites are "natural" leaders in the sense in which we have defined the qualities of village activists. But AKRSP's experience is that many of the traditional elites can play this role, provided their individual or group interests are not directly threatened by the establishment of the VO and its activities. Many of them want to be recognized for their

influence and leadership even if the new institutional structure may replace the existing relationships in the long run. It is also the experience that the open and participatory dialogues initially held in the village expose these natural leaders, who may be from the ranks of the traditional elites, or other individuals whose skills as leaders went unrecognized until the new opportunity arose. The emphasis on consensus by participation in the VO—through regular attendance at meetings, contributions of labor and savings, and collective use and management of some resources—makes the villagers and their activists accountable to each other. Accountability through participation helps in avoiding adverse selection of village activists and reduces the cost of management. Good activists are a crucial input for the support organization in acting as a catalyst for the development of VOs as viable institutions of rural development. The evidence of this is overwhelming in the AKRSP experiment. It does really make a difference between a good (viable) and a bad (doubtful) VO.

What we are emphasizing are factors that the AKRSP model itself contains that can minimize the influence of social and economic differentiation. Cohesion, not conflict, is the aim of the organizational model. Of course, undifferentiated communities of the poor and small farmers would tend to be more cohesive, hence the chances of success for viable village organizations as vehicles for sustainable development. But seemingly cohesive societies, based on cultural and economic similarities, can be deeply divided in the process of change if other factors are either absent or not carefully selected. The AKRSP experiment provides numerous examples of villages with deep but latent divisions in the apparently homogeneous and cohesive community, which came to surface or were triggered by a variety of factors, including (a) poor leadership and an indifferent attitude to participation, (b) new technology packages requiring collective management, and (c) differences concerning distribution of benefits. In some cases, the division was probably "caused" by these or similar factors that the support organization could not or did not carefully examine. It highlights the importance of the process of implementation of the organizational model, particularly the role of social organizer (SO) as the frontline worker and the methods for testing new packages or activities. To act as a catalyst, the support organization would have to meet all of the conditions that the organizational model requires to work effectively. The experience of AKRSP is that the qualities of its field staff in nurturing the VOs and their capacity to respond quickly and effectively to the VO membership have a great impact on the viability of VOs. This includes the personality and commitment of the SOs and the technical expertise of support staff in

assisting the villagers to meet their needs and their capacity to try new packages or activities in collaboration with the VO members.

LEADERSHIP AND MANAGEMENT OF THE SUPPORT ORGANIZATION

A major reason for the success of AKRSP is the long-term commitment of the Aga Khan and his material support to the aims of AKRSP. The AKF network was initially established to promote the welfare of the Ismaili community. The operations of the Aga Khan Health Services (AKHS) and Aga Khan Education Services (AKES), focusing mainly on delivering their services to the poor Ismaili communities in northern Pakistan, precede by many years the establishment of AKRSP. A tradition of community help had been developed for over twenty years at least in primary health care and school education through the AKHS and AKES. However, these services did nothing to help the poor and small farmers in developing their resources for greater production and income. The Ismaili community had lived for centuries with the non-Ismaili Shia and Sunni communities, which had a common and somewhat turbulent history and faced the same harsh physical and economic environment. Their common institutional structures, built on the feudal power of Mirs and Rajahs, were gone and government services and institutions were nominal. The Aga Khan took the view that poverty in these communities could not be eliminated by taking a narrow approach based on sectarian, linguistic, or regional considerations or leaving it to the benevolence of the state. The poor wanted to improve their economic and social circumstances but needed some support in their struggle for development. It was this view that the Aga Khan wished to implement in northern Pakistan. AKRSP was, therefore, conceived as a private, nonprofit agency, sponsored and financially supported by the AKF network. AKRSP was to act as a support organization for small and poor farmers on a regional basis. The important point is that the sponsor, in this case the Aga Khan through the AKF network, made a long-term commitment to the aims and methods of AKRSP.

At first glance the effectiveness of AKRSP seems directly attributable to the high quality of leadership and the caliber of its professional staff. This prompts the question of whether its success is due to some unique (if not magical) personal qualities of the staff that may make it difficult if not impossible to replicate. Undoubtedly the clear vision, commitment, and credibility of the leadership have played a major role, as they should in any experiment based on

innovative initiatives. There is nothing superhuman or charismatic about the leading individuals: they have followed certain time-tested principles of leadership and management to promote the basic aim that the villagers were the prime movers and the support organization was the catalyst. In testing the effectiveness of the AKRSP experiment, instead of searching for some unique qualities of leadership, we should analyze the underlying principles and practices of the management approach used by the AKRSP leaders and professionals. The World Bank (1987) has identified accurately some of the major factors:

- equal attention is paid to institutional and technical issues;
- attempts to introduce technical change follow building the local institutional capabilities;
- building local institutional arrangements progressively, on the foundation provided by a recognized, preexisting structure or arrangement;
- relying on the village-level institution to identify the priority needs of villagers;
- planning the design and implementation of interventions jointly with prospective beneficiaries;
- planning with beneficiaries through an iterative process that focuses on specific local requirements and builds mutual respect and confidence between villagers and the support organization;
- giving equal consideration to the effects of interventions on equity and productivity;
- recognizing from the beginning the stability and sustainability effects of packages or projects;
- adopting a learning-by-doing approach and being prepared to acknowledge failure and learn from it;
- making the program staff mobile and taking senior management frequently to the field;
- fostering open communications within villages and between villagers and the program staff; emphasizing participation to maintain accessibility and accountability;
- ensuring that the program activities serve the needs of the VO, not vice versa;
- offering incentives sufficient to attract very high quality staff; and
- if outside help is needed, employing the best assistance available.

The horizontal expansion of AKRSP—starting with the Ismaili villages in Gilgit district—to Chitral and Baltistan runs counter to the claims that its success was based on the sectarian homogeneity of the

small farmer population and the charismatic leadership of the support organization. The districts of Chitral and Gilgit have large non-Ismaili populations and Baltistan is totally non-Ismaili. The district programs depend on regional offices, distant from the day-to-day guidance and interference of the central leadership. It is true that in 1983 the program was started in the Ismaili villages—but quickly spread to the non-Ismaili villages—and, since it was quite small in the first two to three years, was dependent on direct guidance and control of the head office in Gilgit. The reason for starting from the Ismaili villages was to build confidence in the implementability of the AKRSP model. After the initial input by the Management Group (MG) in developing the program in Gilgit district, the three district programs have faced no particular constraints in implementation despite the remoteness of the MG. The horizontal expansion of the VOs has become a routine, requiring minimal supervision and input from the program leadership. The major input that the district programs require is in vertical expansion. The working examples of successful VOs (and clusters) in Gilgit, and to some extent in Chitral and Baltistan, have acted as models for other areas and communities that are predominantly Sunni or Shia. The working principles of AKRSP are likewise well understood and the organization has acquired adequate capacity to train the field staff.

It seems that many of the factors responsible for the success of AKRSP experiment as a regional development program reside in the conceptual and technical approach implemented by AKRSP. Its distinguishing features are neither unique nor revolutionary for replication. Let us look closely at some of them.

1. The program is directly implemented by an independent company (AKRSP) associated with the sponsoring agency (AKF), which was also the original donor.[1] AKRSP can conduct its routine affairs, in its capacity as a Pakistani nongovernmental organization (NGO), without reference and recourse to the government but with support from the AKF network. AKRSP does not suffer from the uncertainty of annual budget approvals, although there was a shortage of donor funding at one stage. It can react flexibly to problems as they arise, including providing additional critical resources when needed. The AKRSP staff are no strangers to the area; almost without exception they are Pakistanis and the field staff (SOs and others) are qualified local people who speak the regional and national languages. The two ingredients needed in the staff to implement an AKRSP-type program are conviction of and commitment to the particular development

approach, and total accountability to the VO. The quality to listen to and respect the expertise of villagers is instilled in the staff from the beginning. The conceptual package is not difficult to understand, but requires conviction and discipline to implement. AKRSP has the freedom to hire and fire its staff, as all staff are on contract and their service depends on their effective work. Financial incentives and a professional working environment, free from bureaucratic redtape, combine to attract exceptionally good staff members from both the public and private sectors. The staff turnover is not high, despite the remoteness of the area and its difficult and even hazardous living conditions.

2. The open management style, free and easy communication along the management chain, and comprehensive recordkeeping, review, and exchange, all contribute to a dynamic and responsive problem-solving process that is almost the reverse of the typical behavior of the bureaucratic organizations. The tendency in those organizations is to be wary of disclosure, not to seek out problems and failures, but where these are found, to suppress such information. In the typical public sector environment, problems and mistakes are often not openly debated until they can no longer be ignored, and then solutions are more difficult to find. AKRSP, on the other hand, is willing to learn from mistakes and has the self-confidence to discuss them openly and on the record. Thus solutions are easier to come by, and at an early stage before the real damage is done. AKRSP has the flexibility to apply a wide range of responses to problems.

3. The original program was set in a small but dynamic way, with room to expand and develop year by year, according to a statement of general objectives. The main features of the implementation mode had been well tested elsewhere, including by the General Manager, such that AKRSP could be characterized almost as the follow-up operation to the earlier pilot projects. The first objective in implementation was to establish the institutional structure (i.e., formation of the VO) and construction of a productive infrastructure. The technology packages (inputs) and incremental output objectives came later. Since the program horizon of AKRSP is from fifteen to twenty years, it can pursue patiently the much longer-term institutional and social objectives compared to the five- to six-year cutoff for funding in many other projects (which leads to frenzied pursuit of physical targets of construction and output and not enough attention to laying the

institutional foundation for viable and self-reliant development of the poor and small farmers).

4. The village programs (projects and activities) are planned from below: villagers are the initiators and AKRSP is the participant. The infrastructure projects, which act as catalysts for building the VO, are identified by the villagers with assistance from AKRSP. Later developments for which credit is supplied are similarly based on the villagers' choice. Nothing is imposed upon the village as part of an externally determined master plan or blueprint, and, since villagers have to implement and maintain the PPIs, the chosen projects are usually of very high priority. This approach is almost the opposite of the one used in many other projects, where a standard package of works and improvements may be offered to rural communities or even implemented and then offered with little consultation on a "take it or leave it" basis. AKRSP does not treat the villagers as passive and even reluctant recipients of what outsiders regard will best meet their needs. All choices are made by the villagers through participation at each stage to assure both efficiency and equity.

COSTS AND BENEFITS OF THE PROGRAM

We will make no attempt to conduct a cost-benefit analysis of the program, but some interesting aspects of costs and benefits should be highlighted, particularly for those skeptics who consider the program too expensive for what it has done. Some of the studies recently completed by and for AKRSP have estimated the economic returns of selected program components and their impact on the life of rural people in the program area, particularly in Gilgit where VOs were formed in the first two years of AKRSP. Their tentative findings clearly support the substantial and continuing benefits derived by the participating rural households. Here we will highlight the program costs and the flow of benefits, only some of which can be quantified. We want to stress the point that benefits should be assessed in relation to the major objectives of the program.

We showed in the last chapter that, from 1983 to the end of 1990, AKRSP had spent Rs.446 million on the development, capital, and operating components of the program. We have excluded from the total expenditure of Rs.529 million the amount (Rs.83.7 million) used for the credit program. The credit component was neither spent for nor given as PPI grants to the VOs; it was used by the VOs to meet

their short- and medium-term needs for inputs and services, backed by their collective savings and repaid to AKRSP with service charges.

From the breakdown of AKRSP's total spending shown in Table 7.3, it is clear that over 50 percent of the costs were for activities and projects that directly affected the productive capacity of the VOs and their member households. The capital and operating costs (Rs.217 million) were for material and services used in implementing the program. If we look at the amounts directly transferred to the VOs as PPI grants and credit (Rs.256 million), for every Rs.100 of grant and credit delivered by the program to the VOs, AKRSP used Rs.85 of capital and operating expenditures. Compared to other rural development projects, which are generally service-intensive, the proportion of direct disbursements by AKRSP to the beneficiaries was very high. Most of the operating costs (64 percent) were payments to the AKRSP staff as salaries and benefits. The average program cost for each beneficiary household in about eight years was Rs.7,352 (U.S.$334 at the 1990 exchange rate); the cost per VO in the same period was Rs.338,935 (U.S.$15,406). It should be noted that, even if we exclude the human capital built for VOs through the training programs, over one-third of the total cost of the program was left with the VOs in the form of a productive infrastructure. The average cost per beneficiary in the rural development projects—with a lifespan of six to eight years—funded by the World Bank was nearly three times higher (World Bank 1990). An important reason for the relatively low cost of the program is that a major component of the program (i.e., PPI) is constructed by the beneficiaries with locally purchased material and technical support by AKRSP.

We can identify numerous benefits of the program. The most important and visible achievements of the AKRSP experiment are the 1,385 VOs involving 63,565 households. The formation of VOs was one of the major aims of AKRSP. The early signs of their viability have emerged in various forms, including member participation in VO activities, maintenance of PPIs, regular savings, formation of clusters, acceptance of VO banking, development of new land, plantation of forest and fruit trees, regulation of grazing and use of pastures, and village planning. The important point in the formation of VOs is that they can act as village-level institutions for enhancing the individual and collective welfare of the rural poor. There is increasing evidence that VOs will play a major role in this capacity by articulating the village demands on the larger society and mobilizing resources for the infrastructural projects in both the productive and social sectors. The VOs have helped villagers raise their consciousness about their collective strength and resources and realize the benefits from cooperative

behavior. A similar level of consciousness and strength has not been developed in the WOs because the constraints on rural women are far more numerous and serious. However, AKRSP through its women's program has made a beginning in creating better opportunities for women to increase their discretionary income and participate in the larger decision-making processes in the village. A major role for the WOs seems to lie in developing social sector activities such as sanitation, health care, and primary education.

Several of the program components and activities have created direct economic benefits shared by all participating households. The largest and a lasting source of the income stream in each village is the PPI, that is, irrigation channels, link roads and protective works. Considering the importance of irrigation water, a majority of VOs have built a new irrigation channel or renovated an existing one to improve the availability of water. The new water supply has had several effects on the village: more water for the existing cultivable area; expansion of cultivable area for use in field crops and plantation of forest and fruit trees; increased effectiveness of inputs like seeds and fertilizer; and new cropping patterns. All of the primary and secondary effects on production translate into new income streams for the households participating in the construction and maintenance of the PPI. The rough estimate is that for each rupee invested in the PPI the expected return ranges from Rs.6 to Rs.10.

The savings and loan component of the program has helped small farmers in building equity capital and providing access to new inputs through credit. The most important input made available through credit was chemical fertilizer. Its use on major crops expanded rapidly, and its impact on production was in the range of 30 percent to 50 percent. Similarly, the introduction and spread of new seeds of wheat in combination with fertilizer, in which AKRSP has played a major role, created sizable additional gains in production and income. Development of new land, facilitated by the availability of medium-term credit, has allowed many VOs to plant crops and trees, making additions to income, fuel, and fruits and assisting in the conservation of resources and the environment. The related projects of plant nurseries and orchards have introduced new income-earning enterprises for both males and females. The credit program, based mainly on the VO savings, has therefore played a major part in making inputs accessible to all VO members and has opened new sources of income. In discusing the role of credit, we should stress the fact that the VOs had accumulated Rs.77 million in collective savings, which were used as collateral for the credit (Rs.83.7 million) given to them through AKRSP. The savings and loan component of the program is entering

a new and exciting stage through the experiment in VO banking, transferring to the VOs the responsibility for financing the individual and collective investments in the village. These investments are expected to create substantial direct and secondary income effects.

The various training programs, for both males and females, have transferred a variety of skills to over 5,000 individuals, whose services as managers and accountants help make the VOs more effective; they introduce new technology packages and inputs; explore new sources of inputs and resources; graft new technology; and find new markets. The benefits of trained villagers in protecting plants and animals from diseases and in spreading new technologies and inputs are not as readily visible, except in specific services used by the VO members. The disease prevention and control program for livestock and poultry, mainly dependent on the village specialists, has prevented or saved substantial losses in many VOs. Similarly, specialized skills in horticultural crops and forestry have made a significant contribution to the development of nurseries and orchards in the villages, with direct impact on household income. Some of the new income-generating packages—home-based poultry, forest and fruit nurseries, and vegetable gardening—are in their initial stages of acceptance, although their dissemination on a large scale seems imminent in view of the already visible economic benefits for the individual households.

A significant but not easily quantifiable benefit of many of the components of the program is their motivational and demonstration effect. The one-time PPI grants from AKRSP have led to similar infrastructural projects undertaken by the VOs from their own resources: land development schemes, following the construction or improvement of irrigation channels, were undertaken by the VO households beyond the scope of the original plans by mobilizing additional resources; new sources of inputs and new markets for disposal of products were discovered and used after the initial experiments with VO marketing; and rules of collective behavior were established for management of the shared grazing grounds both inside the village and in distant pastures. But these new activities were not confined to the VOs. The clustering of VOs was designed to go beyond the individual VO for managing and developing resources and extending the demonstration effect on a regional basis. All of these changes were direct results of the partnership of AKRSP with the rural people in northern Pakistan.

REPLICABILITY: SOME PROBLEMS AND EVIDENCE

We have shown that the AKRSP model is broadly based, flexible, and carefully crafted. The model has now been refined and documented, and the program has effectively spread over three districts with success under different managements. We think we have provided reasonably good evidence of its suitability and effectiveness for rural development. It can be fairly widely replicated, provided certain prerequisites are in place. The circumstances of small and poor farmers are similar in most regions of the world. They are isolated, constrained by resources, and receive little or no support from the major institutions of the society. The real question is whether the prerequisites can be met.

In many underdeveloped countries, perhaps the most important factor would be the role of government institutions in the effective implementation of the AKRSP-type model. In this respect, two sets of policies are required. The first relates to the macro policy environment affecting the agriculture sector in general and small farmers in particular. The second relates to the provision of rural development institutions and programs. The macro policies of the government should not discriminate against agriculture, for example, by maintaining an overvalued exchange rate, high export taxes, maintaining artificially low food prices, or by maintaining inefficient distribution channels for inputs and products. Similarly, policies that maintain poor services for the rural sector, including inadequate physical and social infrastructures such as roads, education, health care, and agricultural research and extension, provide no incentive to the farmers. A supportive, largely noninterventionist, macro policy environment would be a minimum prerequisite for the success of an organizational model for rural development.

AKRSP has operated in northern Pakistan even with some of the macro policy constraints. It must be added though that governments —elected representatives and civil servants—were generally supportive of the AKRSP efforts. The initiative was almost always AKRSP's in making contacts and establishing linkages, even if they were not formally recognized or regularly practiced. The problem AKRSP has had in the areas with program interventions that are dependent on government services suggests a potentially serious constraint on the replication of the program. For example, the absence of an agricultural research and development support system has been a serious handicap in making appropriate technology packages available to small farmers. AKRSP has had, in effect, to establish its own agricultural development program, which was costly and not very effective.

An important consequence of the formation and development of VOs is that they are attracting the attention of the state and parastatal agencies, particularly in providing the costly and large infrastructural projects.

The second policy issue is far more complex and problematic, because it raises the question of sponsorship and implementation of the organizational model itself. AKRSP has developed a workable model and an effective method for its implementation. Are governments capable of undertaking similar programs of rural development? In principle the answer is yes. But the evidence, at least in the Indian subcontinent, is overwhelming that the government-sponsored/implemented projects or programs for rural development did not work because the conceptual approach was not participatory and the management system was inflexible.[2] Even the representative and elected system of Local Councils—including the village *panchayats* in India—have proved to be incapable of adopting the organizational model. The main reason for their failure was not a paucity of resources but a failure to develop and strengthen the village-level institution as a viable channel for delivery of resources to the villagers. Like the government programs, they did not rely on the participatory approach and act as the support system, but were distant and inflexible. They did not accept the primacy of the village as a unit of decision making but used the village votes to represent the villagers' interests without their participation. The success of the organizational model is premised on the continuous involvement of every small and poor farmer with the outsiders acting as catalysts, conditions that are usually absent from the conventional projects or programs no matter who implements them.

The experience is that only independent and flexible agencies or institutions can adopt and effectively implement the model on which the AKRSP experiment is based. Governments can and should provide (a) a favorable macroeconomic environment, including the institutional framework, consistent with the aims of the program and (b) resources or services that assist the village-level institution in the development process (e.g., public goods beyond the means of the village communities and the support organization). What the support organization also needs are a long-term institutional commitment, adequate sources of funding at least in the initial stage, and autonomy from the day-to-day control by the government or any other sponsor. Successful government-sponsored rural development programs can be run by autonomous yet accountable parastatal bodies with carefully crafted institutional development strategies (World Bank 1988). This applies equally to the system of elected Local Councils where they

exist and are used to implement the organizational model. The government's responsibility in this case would be to provide the necessary legal and institutional arrangements or make adjustments in the existing ones. Some thought has been given to this important aspect in Pakistan since 1986, expressed in the Report of the National Commission on Agriculture in 1988, but no definite legal and administrative framework has so far emerged to facilitate a nationwide approach to rural development using the AKRSP model.

The AKRSP experiment in northern Pakistan has generated much interest in the application of its approach on a regional and even national basis in Pakistan. This is partly reflected in some of the policy documents and statements of the governments in Pakistan, at least since the publication of the Report of the National Commission on Agriculture in 1988. However, the more immediate and important evidence of its replication already exists in the form of what can genuinely be called the AKRSP clones. The first was initiated in the N.W.F.P. in 1987, when the provincial government decided to create an autonomous NGO—the "Sarhad Rural Support Corporation" (SRSC). With the initial financial support of the government and USAID, SRSC began its work in early 1990 in two districts (Kohat and Charsada) of the province. The second program—the "Pakistan Rural Support Project" (PRSP)—was set up on a smaller scale in 1989 in one district (Sialkot) of the Punjab by a member of the National Assembly. The initial funding for PRSP was provided by the government from its budget for the much-publicized "Peoples Program." In both cases, the AKRSP management and professionals have been closely involved from the beginning in providing advice and training. Besides these AKRSP clones, the bilateral German assistance program in Baluchistan—the "Pak-German Self-Help Project" that began in 1984—recently decided to introduce the AKRSP approach and consequently sent its staff for training to AKRSP. Similarly, the IFAD-ADB-funded multilateral project in the N.W.F.P.—the "Chitral Area Development Project"—has adopted the AKRSP model for its major components and has kept the AKRSP management and staff involved in its implementation almost since its beginning in early 1989. All of these attempts, using in part or whole the organizational model of AKRSP, are practical examples of the lessons AKRSP offers for a rural development program that works.

NOTES

1. The organizational structure of AKRSP is shown in Figure 8.1 and the distribution of its management, professional, and support staff is given in Table 8.1.

2. Take the examples of grand failures from Pakistan alone, such as the Village AID program in the 1950s and 1960s; the Integrated Rural Development Program and the Peoples (Rural) Works Program in the 1970s; and the Peoples Program in the late 1980s.

Table 8.1
The AKRSP Professional and Support Staff, 1990

Staff Category	Head Office (Gilgit)	Gilgit Regional Program Office	Chitral Regional Program Office	Baltistan Regional Program Office	Total Staff (AKRSP)
Management Group	8	1	1	1	11
Senior Professionals	7	11	10	5	33
Junior Professionals	2	41	25	28	96
Support Staff	15	14	19	18	66
Drivers, etc.	26	34	24	27	111
Total Staff	58	101	79	79	317

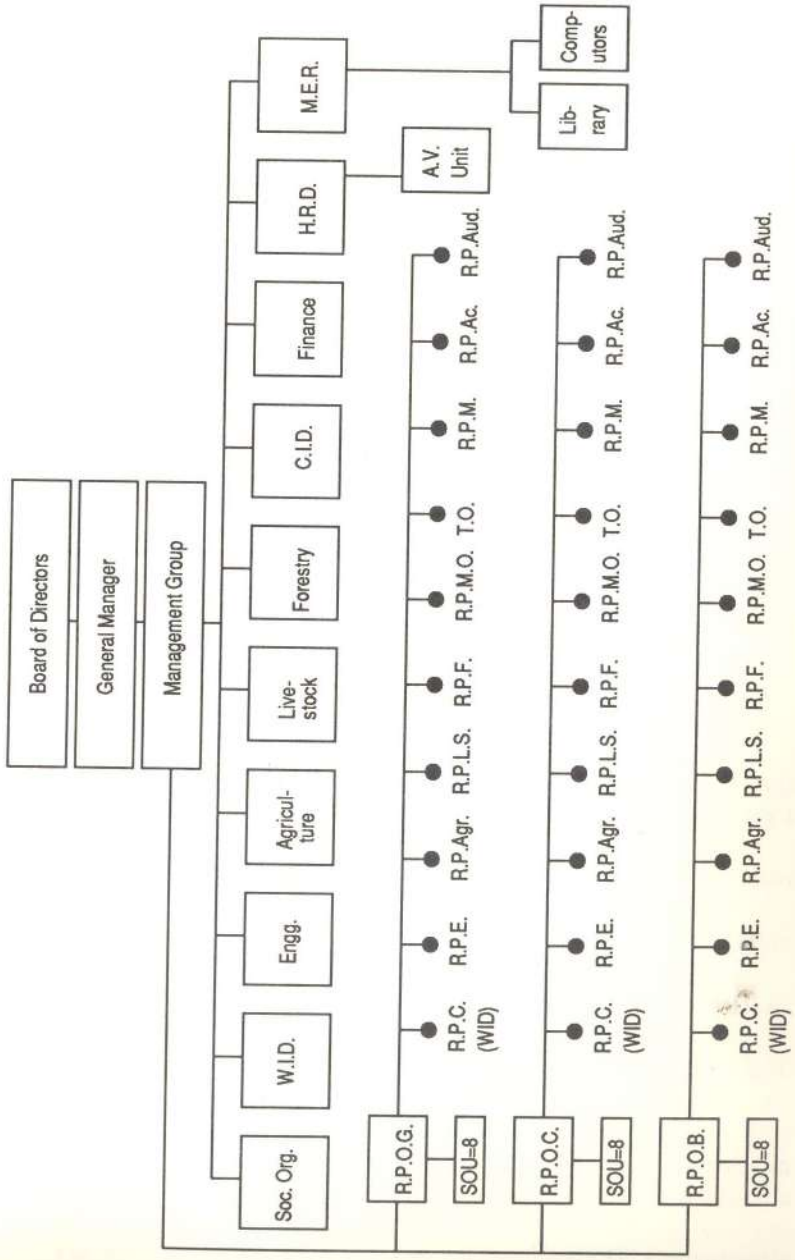


Figure 8.1: Organizational Structure of AKRSP

Glossary of Terms in Figure 8.1

Sections in Head Office: Management Group

Soc. Org.	- Social Organizer
W.I.D.	- Women in Development
Engg.	- Engineering
C.I.D.	- Commercial and Industrial Development
H.R.D.	- Human Resource Development
M.E.R.	- Monitoring, Evaluation, and Research

Regional Offices

R.P.O.G.	- Regional Program Office, Gilgit
R.P.O.C.	- Regional Program Office, Chitral
R.P.O.B.	- Regional Program Office, Baltistan
R.P.O.	- Regional Program Officer
R.P.C.	- Regional Program Coordinator (W.I.D.)
R.P.E.	- Regional Program Engineer
R.P.Agr.	- Regional Program Agriculturist
R.P.L.S.	- Regional Program Livestock Specialist
R.P.F.	- Regional Program Forester
R.P.M.O.	- Regional Program Marketing Officer
T.O.	- Training Officer
R.P.M.	- Regional Program Monitor
R.P.Ac.	- Regional Program Accountant
R.P.Aud.	- Regional Program Auditor
S.O.U.	- Social Organization Unit

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