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Chapter 7

Village-based Development in the High Mountains of Pakistan: Lessons from the Aga Khan Rural Support Programme (AKRSP)

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INTRODUCTION

This case presents an example of village-based participatory rural development, initiated by the Aga Khan Rural Support Programme (AKRSP) in 1982 in the extreme northern parts of Pakistan, that later became the precursor for an active Rural Support Programme movement in Pakistan and elsewhere. Initially started in the five districts of the Northern Areas and Chitral district of the North West Frontier Province of Pakistan, this participatory rural development model has now been widely replicated across Pakistan and in many countries in Africa and Central Asia. The experiences of AKRSP and those of its replicas share important commonalities in terms of both the approach and the ultimate impact upon the communities. This case is however focused on AKRSP and looks at its experiences as a key rural development agency in the remote and mountainous areas of northern Pakistan.

Source of data

Most of the information for this case comes from the proceedings of an international workshop organised by AKRSP in December 2003 to celebrate its twenty years of experience in rural development. About 10 different thematic papers were produced for this conference to capture the lessons in rural development, and this case study has greatly benefited from those papers. In addition, a recent study entitled 'Scaling up Rural Support Programmes (RSPs) in Pakistan'¹ was another important paper that has fed into this study, particularly the sections on the conceptual model and impact on poverty and livelihoods.

¹ This paper, co-authored by this author, was presented at a global conference on scaling up success in reducing poverty and sustaining growth, Shanghai, 25th- 27th May 2004.

Contextual settings

The six districts of northernmost Pakistan that constitute the Programme Area of AKRSP are located in the middle of the four highest mountain ranges in the world at the juncture of China, Afghan Wakhan, and Kashmir. Spread over an area of 87,298 sq. km., the Northern Areas and Chitral (NAC)² provide a home to an ethnically diverse population of about 1.2 million. Three decades ago, the area was among the poorest and most geographically isolated parts of Pakistan. Most people were relying on subsistence agriculture for a living and in most cases production was inadequate to fulfil the minimum consumption needs. The problem was further exacerbated by a chronic deficit of basic social, physical, and market infrastructure. Key developments in the 70s and early 80s, such as abolition of princely states, construction of the Karakoram Highway (KKH), and growing attention of the government to the region due to its proximity to flash points like Siachin and the Indian border, were, however, offering a promise for change towards betterment.

THE INCEPTION OF AKRSP

The launch of AKRSP by the Aga Khan Foundation (AKF) in 1982 was one such landmark event in the history of the NAC. Starting its operations initially in one district, i.e., Gilgit, AKRSP was able to expand quite rapidly to cover almost all of the five districts in the Northern Areas as well as Chitral District, eventually working with a population of about one million people. The primary aim of this programme was to improve the living standards of the people in the NAC. AKRSP started its work as a catalyst for rural development by organising communities, working with them to identify development opportunities, and promoting the provision of services needed to tackle the specific problems of high mountain regions.

AKRSP started out with an approach that looked at three constraints: a) lack of organisation; b) lack of skills (technical, organisational, and management); and c) dearth of capital. The assumption behind focusing on these three elements was that if people are organised and have the needed skills and capital, they can take on larger development challenges by making effective use of their resources and opportunities. Based on this premise, all households, including the poorest ones, were encouraged to come together to form village organisations, including organisations that gave voice to women, and identify projects that would benefit everyone.

² The Northern Areas and Chitral fall under separate administrative units of Pakistan. The term NAC is being used as an easy acronym of the programme area of AKRSP and does not represent a formal term.

Members were encouraged to save money and to build their capacity in the skills ranging from credit and accounts' management to pest control for crops. ~

The conceptual model

Faith in the ability and willingness of people to improve their lot is the cornerstone of the AKRSP model. What poor communities need is a catalyst that can harness their true potential by motivating them to organise into community-based organisations which can then serve as multi-stakeholder fora for planning and managing development in a participatory manner. This model was based on ideas and practices learned from more than a century of experience, beginning from the cooperative movement in nineteenth century Germany, and continuing on through the work done in Comilla (then East Pakistan, now Bangladesh) in the 1950s and 1960s (Rasmussen et al. 2004).

Based on twenty years' experience, the role of AKRSP can be categorised into three broad categories. First, AKRSP has mobilised and organised communities to stimulate more effective demand for better public goods and services, targeted at both the household and village levels. Second, it has fostered linkages between organised communities and service providers (government, private sector, or others) for the supply of services. Third, it has directly supplied services where there was a dearth of supply or the supply lacked quality (Rasmussen et al. 2004).

The interventions

AKRSP did not go to the communities with a blue print of activities to be carried out. The interventions were, however, broadly defined by AKRSP's overall focus on organising people, improving their skills, and building the capital base. The actual activities carried out under these three broad categories were, in fact, evolved in response to the needs and strengths of the communities—a true reflection of participatory development. Not surprisingly, the greatest demand came for development of infrastructure, e.g., irrigation channels and roads and skill building in farm management; a logical choice made by the communities in view of their dependence on agriculture and their geographic isolation.

The portfolio of activities, therefore, grew and evolved over time in response to the changing needs of the communities that they articulated through their village-based institutions called Village Organisations (VO) and Women's Organisations (WO). In broader terms, the programme components of AKRSP consisted of social organisation, women's development, natural resource management, physical infrastructure

development, human resource development, enterprise promotion, and microfinance. Table 1 gives a brief summary of the interventions made over the last twenty years.

Table 1: Summary of achievements on the input side

Activities	NAC
1. Total number of community organisations formed (No)	4,147
2. % of households covered	78%
3. Community members trained in various skills (No)†	24,230
4. Total number of infrastructure projects completed (No)	2,512
5. Forest trees supplied (million)	25.0
6. Fruit trees planted in partnership with AKRSP (million)	3.92
7. Improved seeds of cereal, fodder, and vegetables (kg)	926,643
8. Improved breeds of livestock (No)	6,410
9. Poultry birds supplied (No)	724,716
8. Entrepreneurial and vocational training (No)	7,192
9. Total savings with VO/WO's (US \$ million) ††	7.7
10. Total amount of lending to the communities (US \$million)	30.4

† Around 80% of the training was related to management of natural resources

†† 1 US \$ = Pakistan Rupees 57

Source: AKRSP Records

Experiences and lessons

The impact on poverty and livelihoods

Table 2 depicts the economic picture of the Northern Areas and Chitral for the period (1991-2001). It shows that incomes were less than one-third of the national average in 1991, rising to more than half of the national average in 2001. While national economic growth slowed considerably in the 1990s, the NAC economy experienced an impressive growth in per capita income of 84% from 1991 to 2001.

Table 2: Trends in income per capita from 1991-2001

	Pakistan	Northern Areas and Chitral	NAC as percentage of Pakistan (US\$) ^a
1991	424	131	31
1994	440	176	40
1997	487	232	48
2001	415	241	58

Source: Government of Pakistan, Federal Bureau of Statistics; AKRSP, Farm Household Income and Expenditure Surveys

^a 1 US \$ was equivalent to Pak Rupees 23 in 1991, 31 in 94, 38 in 97, and 58 in 2001.

This economic growth has had a direct impact on poverty as well. Table 3 shows that while poverty showed a rising trend in the national economy, it dropped dramatically in the NAC from about two thirds to about one third of the population from 1991 to 2001

Table 3: Trends in poverty (1991-2001)

	Head count index (%)	
	Pakistan	Northern Areas & Chitral
1991	26.1	67
1994	28.7	54
1997	29.8	45
2001	32.1	34

Source: Government of Pakistan, Planning Commission; Wood and Malik (2003)

Notwithstanding the usual problems with attribution, the available evidence is strong enough to suggest that the contribution of AKRSP to economic development in the NAC has been substantial. For instance, the incomes of village organisation member households were found to be 15-20% higher than those of non-members. This difference increased with the number of members per household and the length of their membership. The economic rate of return (ERR) on AKRSP investments also points towards the substantial benefits generated by AKRSP. Using conservative assumptions, the calculated ERR for AKRSP's investment falls in the range of from 16 to 24%, well above the usual experience in similar programmes (World Bank 2002).

AKRSP's experience of tackling poverty contains many lessons. The first and foremost lesson is specific to the remote and geographically isolated and landlocked mountainous terrains that often form spatial poverty traps - such as the Northern Areas and Chitral. The experience shows that such areas can and do benefit from non-targeted, mainstream rural development interventions (such as interventions aimed at improving physical infrastructure, agricultural extension services, etc) particularly during the initial phases of intervention. This is true because, in such spatial poverty traps, often the majority falls in the poverty bracket due to physical, human, and natural resource limitations and, hence, there is little need for targeting (Malik and Mujtaba 2003). In the NAC, relatively equal distribution of key natural resources, e.g., land, has been instrumental in making the non-targeted approach work for the majority.

Having advocated the efficacy of a non-targeted approach, it is also important to mention here that some level of targeting is essential to keep the relevance of rural development programmes for those who do not have the capacity to take advantage of such interventions. Such groups

often fall into the category of the chronically poor, excluded groups, and poorest people, and these special forms need to be distinguished from others and should be addressed through a combination of productive and social protection measures (Wood and Malik 2003).

The second lesson is pertaining to the connection between poverty and vulnerability. Vulnerability remains an important challenge for even graduating households in such areas, owing to the fragility of geographic environment, greater dependence on meagre natural resources, heavy dependence on limited human resources, and volatility of the off-farm sector. Explicit attention to inherent risk posed by limited diversification of income sources and limited integration with mainstream markets for goods and services is a prerequisite. Safety nets and continued mainstream packages remain important areas of intervention for such areas (Wood and Malik 2003).

The third, but crucial, lesson is regarding the integration of such remote areas with the mainstream markets. AKRSP's experience shows that the effect of rural development interventions is best felt when there is better macro-economic growth and when the communities are better linked to mainstream markets. This was demonstrated by the growth performance of incomes in northern Pakistan; higher in the first half of the 1990s and much lower in the second half, following broad national trends (Parvez and Rasmussen 2002). Similarly, better integration with the national markets and improved public policies, for example, greater investment by government, clearly increased the effectiveness of AKRSP's interventions. Chitral and Gilgit showed differential gains owing to differential access and public investment in those two districts of the NAC (Malik and Piracha 2003).

Village-based institutions and collective action

Through organising communities into village-based institutions, AKRSP has undoubtedly created a vibrant mechanism at the grass-roots' level that has the ability to deliver development services in an effective and accountable manner by forging partnerships with various service providers including the state, private, and citizen sectors. At the same time, well aware and mobilised communities are now in a better position to articulate their voices to obtain better services from the state and other providers and consume those services in an efficient manner. There are many examples in which the organised communities of the NAC have forged partnerships with other players in the health and education sectors to access social services, thus synergising the interventions of AKRSP with those offered by other agencies.

Seen in the light of AKRSP's experience, social mobilisation models aimed at promoting collective action seem to prove more effective when a) such models are embedded in the local institutional history; b) when such models foster institutions that follow local preferences and needs, instead of relying on fixed and blueprint approaches; and, c) when these institutions are infused with democratic norms, renewed with new organisational knowledge, and backed by broad-based public support (Wood and Shakil 2003).

The pursuit of organising communities into village institutions has generated interesting debate in AKRSP. Collective action is increasingly threatened by the forces of individualisation and the changing socioeconomic needs of the people. As a result, while some old institutions are losing their relevance, a diverse set of new institutions has emerged—largely influenced by the work of AKRSP—to take on new challenges (Wood and Shakil 2003). Thus, there is a need to look at the social organisation as the 'ability to do collective action when need arises' than just looking at it as a 'permanent and fixed' arrangement.

Women's programme and gender

Perhaps, the formation of separate institutions for women—Women's Organisations(WO)—was the most significant step towards encouraging women to play a role in the public sphere. On the surface, it may appear to be an arrangement that segregated women instead of mainstreaming them, but it rather proved to be a strategic step towards allowing women to discuss their problems and take on village-level challenges in the socio-culturally sensitive context of the NAC (Gloekler and Seeley 2003). These institutions provided a unique platform for rural women of the NAC to access various development services, significant among them was the opportunity to save their money with formal systems. In a context in which women have had very little control over resources, e.g., land and household properties, the WO savings proved to be a unique tool for empowerment (AKRSP 2004).

Despite AKRSP's continuous efforts and gains quoted above, women in the NAC still lag behind men in terms of their attainment on the education, health, and employment fronts. Similarly, their role in the public sphere, particularly on the political front, is still marginal. AKRSP has learned that lack of a clear understanding of gender concepts, lack of frequent dialogue between the staff and quarters of stakeholders who resist the greater role of women, e.g., religious groups, and excessive focus on gender sensitisation instead of devising tangible programmes are some of the problems that slow down the pace of gender mainstreaming in development (Gloekler and Seeley 2003).

The promotion of gender equality interests in culturally sensitive areas like the NAC, therefore, requires efforts to improve the clarity of gender concepts among all stakeholders, investment in programmes that directly improve the conditions and position of women, e.g., employment generation, and frequent dialogue with the leaders of religious and cultural opinion with the objective of building pro-equality constituencies (Gloekler and Seeley 2003).

Community-managed infrastructure

AKRSP became involved in the business of developing community infrastructure not because it was a part of some preconceived package, but because communities were prioritising the physical infrastructure, particularly irrigation channels and roads, as their topmost development priority; not surprising, given the heavy dependence of people on agriculture and the lack of mobility which they faced due to lack of feeder roads and bridges. In response to this huge demand, AKRSP invested in physical infrastructure but always looked at grants for infrastructure as investments in the social organisation, in the belief that they provided an incentive to the communities to form village organisations. Interestingly, it is the infrastructure projects that have had the greatest impact on rural livelihoods through increasing the stock of their productive assets, e.g., land, and through increasing the mobility of goods and services to and from the villages (Malik et al. 2003).

Experience shows that infrastructure projects implemented through community institutions are better maintained, i.e., more than 90%, and are cost effective (Rasmussen et al. 2004; Malik et al. 2003). Furthermore, operational insights suggest that not only are the impacts of community infrastructure very visible, but a whole range of process and financial innovation has taken place at each stage of the Project Cycle that provides a sound basis for promoting ownership, transparency, and accountability in community infrastructure. One key process innovation was the introduction of a three-stage dialogue process (Diagnostic Survey) for participatory project identification, preparation, and appraisal. Similarly, 100% responsibility of the community for project maintenance was another procedural innovation that helped to create a better sense of ownership and sustainability in community infrastructure (Malik et al. 2003).

Management of natural resources

Repeated evaluation studies have confirmed the substantial impacts created by AKRSP's interventions in agriculture, livestock, and forestry. In aggregate terms, the natural resource management (NRM) component

of AKRSP was able to generate economic rates of return (ERR) of around 25%. This success was made possible through creating synergies with other programme components of AKRSP, e.g., infrastructure development and social organisation as well as with the interventions of other private and public sector players. One such synergy can be traced in the interplay between infrastructure and management of natural resources. By constructing irrigation channels in partnership with AKRSP, communities were able to increase the stock of land and irrigation water, thus increasing production and productivity in agriculture. Not only did the production increase but the pressure on wild resources, such as wildlife and natural forests, was substantially reduced (Gloekler 2003). Similarly, construction of link roads and bridges resulted in better integration of farms with markets through facilitating the mobility of farm produce and inputs to and from the villages (Malik et al. 2003).

Another important example of synergy was between AKRSP's social organisation and the management of common properties. There are examples of communities forming effective institutions for the management of common property, thus making conservation work for their own benefit. AKRSP has learned that natural resources, particularly those shared by many villages, are better managed through the formation of grass-roots' institutions that forge effective linkages with relevant partners. One such example is the Khunjerab Valley Organisation (KVO) (a cluster of Village Organisations fostered by AKRSP) that is involved in the conservation of Khunjerab National Park in partnership with the government forest department and IUCN (Gloekler 2003).

Enterprise promotion

Increased production of agricultural produce as a result of AKRSP's NRM interventions, coupled with increasing integration of the NAC into local and national markets, motivated AKRSP to apply its collective action model to the marketing domain by introducing collective marketing. The experience of cooperative marketing has, however, shown mixed results with many of the collective marketing institutions dropping out of the market over time. In retrospect, the debate on what works in collective marketing essentially boils down to the importance of business acumen, better understanding of the market, and ability to match the supply (in terms of product quantity and quality). Only those who possessed the right ingredients of the factors quoted above were able to survive and benefit from this approach (Afzal 2003).

Under its enterprise promotion theme, a second set of interventions carried out by AKRSP included supporting individuals and groups of entrepreneurs

in setting up businesses. This experience again showed mixed results where some businesses that were based on a true comparative advantage survived while others suffered (Afzal 2003). Then, AKRSP experimented with setting up wholly-owned enterprises in key sub sectors such as seed production, wool processing, and apricot processing where it learned how non-government organisations (NGOs) often found themselves at a cross roads due to divergent values and bottom lines vis-à-vis businesses, i.e., equitable development versus profits (Afzal and Malik 2004). One realisation that came out of the experience in providing direct services to individual enterprises and setting up wholly-owned businesses was that these two approaches carried a high risk of distorting the market and offered limited outreach. Based on these lessons, AKRSP is now shifting towards a facilitative role.

Microfinance

AKRSP's microfinance programme has been unique in many ways. It started out with a savings' programme for VO and WO members as an integral part of its conceptual model (organisation, skills, and capital). This collective saving served as collateral for accessing bulk credit from the AKRSP credit programme and, later, provided the basis for initiating an internal lending programme by the village and women's organisations themselves.

One of the key features of AKRSP's microfinance programme was lack of attention to the issue of sustainability during the initial years. Since microfinance was developed in response to the needs of the communities, as opposed to a preconceived package, the question of sustainability could not catch attention during the early years. It was only after 1996 that AKRSP started levying market rates to gain the objective of financial sustainability. Greater pressure to attain financial sustainability eventually led AKRSP to experiment with poorly-performing products, and those that were not entirely appropriate to its objectives of social and economic development (Hussain and Plateau 2003).

AKRSP's microfinance programme has had a substantial impact on social organisation. The use of collective savings as collateral for group lending to VOs and WOs proved very damaging in those cases where individual loan defaults were realised from collective savings; an undue burden borne by the savers who were not borrowing. Similarly, the inherent conflict between the twin objectives of VO microfinance, i.e., savers wanted higher returns and borrowers wanted lower interest rates was another source of damage to the collective spirit. Contrary to these fragmenting forces, the WO savings' programme, in particular,

proved to be a cementing force for organising women. The WO savings' programme was an important attraction for women to meet regularly (Hussain and Plateau 2003).

The question of sustainability

The very premise of forming village-based institutions was to develop a self-propelling development mechanism at the grass-roots' level. Community-managed infrastructure projects, sustainable internal lending programmes practised by VOs and WOs, and financially viable agricultural input stores run by groups of AKRSP-trained master trainers are some examples of ensuring sustainability through village institutions. Yet, the greater challenge lies in continuing the institutional support to these village institutions in developing capacities to address emerging challenges posed by increasing socioeconomic differentiation in the NAC. AKRSP as a support institution continues to depend on donor funds for this value-added intermediation. A cautious effort is, however, being taken by AKRSP to develop financially sustainable institutions that offer greater cost recovery prospects. The formation of the First Microfinance Bank by AKRSP in 2002 is one such example of making development services' sustainable.

Painting on a larger canvas: impact on policy

Through demonstrating the effectiveness of the participatory rural development model in the NAC, AKRSP has influenced the thinking of government, donors, and communities to replicate its participatory model in other parts of Pakistan as well as outside Pakistan. So far, nine RSPs have been formed in different parts of Pakistan and most of these RSPs are backed by the government both financially and politically. Similarly, there are eight rural development programmes initiated by the Aga Khan Development Network outside Pakistan, including those in Africa, Central Asia, and the Gulf region.

Besides indirectly influencing the government to initiate RSPs in Pakistan, AKRSP, together with its replicas, has been instrumental in influencing government policies and practices. As a result of the success shown by AKRSP and other RSPs, the word community-driven development, once unknown, now appears in all significant national and provincial development policies and projects, including the recently approved Pakistan poverty reduction strategy paper (PRSP). RSPs have also had significant influence on poverty-reduction strategies, approaches to local governance, and the adoption of micro-finance and community-owned infrastructure as mainstream development strategies (Rasmussen et al. 2004).

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