

THE AGA KHAN RURAL SUPPORT PROGRAMME

Mfn - 231

FIRST ANNUAL REVIEW, 1983 Incorporating the Fourth Progress Report

309.209549
AGA
1. Rural dev. projects - Pakistan (N.A.S.)
2. Pakistan (N.A.S.) - rural dev. projects.

AKRSP
Babar Road, P.O. Box 506
Gilgit, Northern Areas
PAKISTAN

Phones : 480; 779



CONTENTS

<i>Foreword</i>	<i>Page No.</i>
1. Leading Article. Principles and Implementation for Small Farmer Development ..	1
2. Social Organisation: Concepts and Management of Community Participation ..	16
3. Productive Physical Infrastructure: Planning for an Invigorated Agriculture	23
4. Extension and Supplies: Lessons for an NGO	28
5. Experimenting with Cooperative Marketing	31
6. Budget and Accounts: Integration with Activity Reporting	35
7. Performance and Future of Village-based Banking: Savings and Loans	40
8. Women's Programmes: Stumbling over Stereotypes	43
9. Monitoring, Evaluation and Research: Eyes and Ears and All That	47
10. Plans for 1984	51
11. Annexure — I	
12. Annexure — II	
13. Annexure — III	

List of Tables

1. Gilgit District. Annual Statistical Abstract, 1983	53
2. Gilgit District. Village Organisations formed during 1983, with Activities Undertaken.	55
3. Gilgit District. Village Organisations. Membership and Equity Capital by Sub-division, End of 1983	57
4. Gilgit District. Productive Physical Infrastructure. Commitment, Disbursement and Physical Progress, 1983	58
5. Gilgit District. Dry Fruit Marketing. Market Differentials for Produce Transported to Gilgit and Rawalpindi	59
6. Gilgit District. Fertiliser Credit. Performance by Sub-Division, 1983	60
7. AKRSP Expenditures, 1983	61
8. Gilgit District. Productive Physical Infrastructure. Aggregate Physical Indicators and Unit Costs, 1983	62
9. Gilgit District. Donor Funds and the PPI Programme, 1983	63
List of Members of the Board of Directors and the Staff of AKRSP	65

FOREWORD

In May 1983, when he visited AKRSP offices in Gilgit, His Highness The Aga Khan inquired about the possibility of publishing evaluations of AKRSP projects that could prove useful to development agencies elsewhere in the world. We replied that such evaluations could be prepared within three months. Surveys were conducted and data were tabulated within three months. Then we realised that the evaluation of a handful of small rural projects, though useful in itself, would convey very little about the entire process of development that AKRSP is sponsoring, and of which the productive physical infrastructure projects are only one part. Indeed, such evaluation might well focus more attention on brick-and-mortar components of AKRSP than on its emphasis on true and lasting community participation. To accomplish the objective of sharing our experiences with the rest of the development community, we decided to undertake the *First Annual Review* of all the activities of AKRSP. Quite separately, individual project evaluations will be built into case studies of the development of individual villages. Finally, when enough data have been gathered, the PPI programme as a whole can also be evaluated on its own merits. We are thus responding to His Highness's query on three fronts, all of which are essential to a deeper understanding of the sort of community participation that AKRSP is promoting.

The completion of the *First Annual Review* marks the end of a year-long series of internal reviews that have resulted in a number of course-corrections during the year. As published, the *Review* cannot do justice to the process of continuous evaluation and rethinking that has gone into our first year. The lessons we learn every day in Gilgit are far too numerous to be recounted here. The *Review*, then, is not the sum of our experiences during our first year. Rather, it is a reasoned discussion of the themes and programmes we have pursued so far. As such, one is likely to find it neither too adventurous nor overly tame; neither euphoric, nor depressing. Nor, for that matter, is the *Review* designed to be absolutely realistic, for visualising about the future has its own rhetoric of imagination. We present our visions with reasoning, and without apology to the realists.

The *First Annual Review* covers the period between December 1982 and December 1983. However, the Chitral programme, started in June 1983, has been omitted from it; it will be included in the next such effort. All AKRSP programmes are discussed in the *Review*, though there is a particular emphasis on Social Organisation and community participation. The general subject of principles and implementation for small farmer development has been covered in the leading article on that topic. This article was originally written by the General Manager and Programme Economist for presentation at the annual conference of the Pakistan Society of Development Economists on 17-20 March, 1984. It is reprinted in the *Review* because it gives the appropriate historical and theoretical perspective to the approach we are following at AKRSP.

A considerable effort has been put into the *First Annual Review*. Social Organisers worked overtime to compile Village Organisation records for equity capital, membership and attendance. Engineers collected data from the field on the physical progress and problems of PPI projects. The Budget and Accounts Section went deeper and deeper into its ledgers to find figures on PPI disbursements and on group loans. Similarly, the Extension, Training and Supplies Section completed yet another inventory of all the fertiliser issue-slips of 1983. All these individuals and Sections performed these tasks in addition to the performance of their already overwhelming responsibilities. For this, they deserve the warm appreciation of all of us who are now looking forward to reading this *Review*.

In the Monitoring, Evaluation and Research (MER) Section, Maliha Hussein and Ahsan

① Area Manager
② A.C. Manager
③ S.D. Manager

Tayyab proved old hands at polishing off their assignments in record time. Zahir Meghji, brought to the MER Section through the courtesy of Aga Khan Foundation Canada, established himself firmly as a competent analyst and writer. And Tariq Husain, once again, did more than his unfair share of thinking and writing. The MER Section also managed to entice Mutabiat Shah and Hussain Wali Khan into contributing handsomely to this *Review*. Our erstwhile colleagues Hasan Mehdi Naqvi and Feroz Shah also deserve a mention here. The diligent typing of this considerable outpouring of thoughts and figures was shared by Abdur Rauf and Shah Makeen amid frequent bouts of gloom; its publication, presentation and get up were the responsibilities of Ali Dad, Mohammad Sadiq, Shakoor Ali and Karim Jan. In fact, the *Review* is the distillation of the hard work put in by everyone in the AKRSP from the peons and drivers to office staff, field functionaries and the Management Group, and above all the villagers of Gilgit district. The General Manager, in accordance with the old Chinese saying, "did nothing himself but left nothing undone". The *First Annual Review* had acquired a life of its own. We thank all those who gave it this life, and hope that our readers will find it as creative as did our writers.

Shoaib Sultan Khan
General Manager

CHAPTER ONE. LEADING ARTICLE

PRINCIPLES AND IMPLEMENTATION FOR SMALL FARMER DEVELOPMENT

Shoaib Sultan Khan and Tariq Husain*

I. INTRODUCTION

This paper is about rural development when the target group consists of small farmers: it is not about national planning for development, nor does it deal specifically with other segments of the rural population. The principles that are outlined in Section III address the problems of the small farmer. Likewise, the implementation strategy presented in Section IV is best understood as a planning exercise in which small farmers are the effective planners. In Section V, there is a discussion of how small farmers could act in concert to manage their resources. Sections III-V, therefore, focus directly on the subject of this paper.

Once removed from the subject, but equally important to our argument, is an analysis of the specific problems of smallholders that call forth the principles proposed here. Such an analysis is contained in Section II. At the other end of the paper, in Sections VI and VII, we address the inevitable question of the replicability of the proposed strategy, and postulate a scenario under which such a strategy could lead to a comprehensive and self-sustaining development process in the countryside.

Throughout this paper, an attempt is made to present suggestions that have tangible policy content. For this reason, experiences of several countries are cited, and examples are given from projects in which one or both of the authors have participated. Examples from personal experience are drawn from the Comilla Pilot Project, Daudzai Project, Mahaweli Ganga Development Project in Sri Lanka and the Aga Khan Rural Support Programme (AKRSP) in Gilgit. In terms of theoretical justification, these examples can be appreciated with reference to both development administration and economics theories. The theme that unifies the examples and the disciplines is, quite simply, that village — level planning does not lend itself to a distant planning process, and that villagers themselves can best identify and solve their own problems.

II. THE PROBLEM AND A SOLUTION

1. The Problem Explained

Economists and policy makers once believed that economic development of smallholder farming systems was constrained by the other-worldly and non-acquisitive preferences of farmers in poor countries. The argument was said to hold quite generally; it has also been shown to be invalid, quite generally. The small farmer's problem is not his optimisation behaviour: scores of books and articles since Schultz [26] have demonstrated that big and small farmers alike are, indeed, economic maximizers at the same time as they might be political maximizers and other-worldly as well.¹ The point bears repetition, for it is fundamental to our rejection of those

* The authors are General Manager and Programme Economist, respectively, of the Aga Khan Rural Support Programme, Gilgit. Much of what they have written here imitates or is inspired by the work of Dr. Akhter Hameed Khan, to whom the authors owe a deep and lasting intellectual debt. The authors are also particularly grateful to Mr. Robert Shaw and their colleagues in Gilgit, without whose constant support and dedication this paper would have been silent on many practical aspects of rural development.

1. A recent study in the tradition of the Sol Tax & David Hopper studies mentioned in schedule [26] is [7]. It was undertaken by two economists in the Indian village of Palanpur.

strategies of rural development that assume the existence of a superior allocative mind only in urban planning centres and universities.

Development administrators of the ilk of F.L. Brayne once held that the government officer, as the fount of knowledge and priest of enlightenment, was at once the necessary and sufficient condition for rural reconstruction. Brayne's view, of course, was that the rural dweller in colonial India had only himself to blame for his poverty and misery: ignorant, lazy and morally bankrupt, the Indian villager, quite naturally, was not the stuff that development is made of. (2) Again, we reject this portrait of the small farmer, together with any programmes that predicate rural development on the superior wisdom and ethics of urban administrators.

In a trivial way, the problem of the small farmer can be said to be the small size of his landholding. More specifically, the small farmer is handicapped in exploiting available opportunities because, by himself, he cannot do so profitably. In other words, he is constrained by the scale of his operations in acquiring resources, as well as in marketing the output. Having stated the problem this way, one's attention is drawn immediately to questions of economies of scale and indivisibilities in inputs. These are addressed next.

Analyses which explain the slow or non-adoption of modern agricultural technologies by small farmers often refer to the indivisibility of such technologies. As stated, the argument is incomplete, for the variety of technical designs and sizes, as well as the growth of rental markets, act as substitutes for economies of scale inherent in large holdings. Real indivisibility would occur for those inputs for which there are no rental markets, or for which the use of smaller machines is not possible in a particular setting. There could be a number of reasons for observing either of these phenomena temporarily or as permanent features. Caste differences preventing the growth of rental markets, government policy discouraging small machines, transactions costs impeding banking operations in rural areas — these are some of the ways in which indivisibilities in the use of inputs might work to the detriment of the small farmer. Moreover, even if differential rates of adoption of new technology disappear over time, large farmers are often the early adopters who earn rents early in the process and capitalise these rents into increases in wealth (3). Small holdings, therefore, seem to handicap rapid improvements in technology and incomes.

An example of transactions costs preventing the growth of institutional credit sources comes from our recent experience in Gilgit. Under a directive from the Pakistan Banking Council, Pakistani banks are required to provide up to Rs. 6,000 in interest-free credit to eligible small farmers as a production loan. In practice, not a single such loan had been given by most banks in Gilgit in the three years prior to 1983. The reason is the small size of loan required by most farmers — Rs. 100 to Rs. 200, for one or two bags of fertiliser. The banks find it unprofitable to service thousands of small farmers individually; and the farmers find that the expense of travelling to Gilgit, staying there while the loan application is processed, and returning to repay the loan is simply not worth the increased yield from fertiliser on a tiny, fragmented holding. (This heuristic analysis is also supported by a number of rigorous studies as, for example, [23] for Bolivian small-farm households.) The implication of this finding would not change even if

2. The general class of behavioural models to which F. L. Brayne's contribution belongs has been chronicled and convincingly rejected in Edward Said's [25], in the context of the intellectual interpretation of the Orient by Western Orientalists.

3. See the survey of adoption of technology by Feder, Just and Silberman [10].

there existed non-institutional credit sources to lend to large numbers of small farmers. For money-lenders, too, have to charge for specific transactions and risks of lending to smallholders, though a local money-lender makes it possible for the small farmer to reduce his own cost of transacting the loan. The basic problem of economising on credit transactions still remains, together with its implications for investment.

As another example of the effect of small landholdings on development work, consider a two-mile link road that might connect village fields to an arterial road. If all village fields belonged to one owner, the owner would construct the road if his investment resulted in sufficiently higher value-added for his produce. The same outcome, however, would not be guaranteed if there were 200 small owners. For a single, big landowner can internalise the benefit of the road, while 200 small owners usually cannot. Unless, of course, an institution existed through which the gainers could compensate those who lose precious land. Such institutions, unfortunately, are far from universal in our villages.

Continuing with the example of the link road, consider the problem of maintaining the project after completion. Again, maintenance will be carried out either by a single, large landowner, or by an entity that can induce voluntary participation of all the small landowners. The same is true for all public goods that might be of benefit to the village as a whole.

Next, consider the simple project of enclosing village fields with stone walls in areas where there is free-grazing of animals. The returns to such investment are proportional to the area of the enclosed field. The costs, however, are proportional to the perimeter. With rectangular fields, then, quadrupling the area of the plot to be enclosed, merely doubles the cost. So the net benefit of enclosure reflects the economies of enclosing large rather than small fields.⁽⁴⁾

Finally, comparisons of the lobbying powers of large and small landowners have often concluded with obvious implications for cooperative behaviour among small farmers. But such behaviour has been observed only in a small number of countries where institutions have been nurtured as small farmer interest-groups which convey tangible benefits to their members. For it is more difficult to reconcile the interests and police the behaviour of thousands of smallholder-members, than it is to manage a lobbying group of a small number of big landowners.

In sum, then, there exist opportunities which small farmers can exploit to their own advantage only by cooperative behaviour and cost-sharing. The same opportunities could be profitable for individual farmers with much bigger scales of operation. Thus the problem of smallholder development is one of transferring the advantages of large holdings to settings in which there are mostly smallholders.

2. An Acceptable Solution

One solution to the problem of small scales of operation is collectivisation of the kinds implemented in China and the Soviet Union. This solution is socially and politically unacceptable for Pakistan.⁽⁵⁾ Similarly, one cannot envisage the rapid transformation of Pakistan's agriculture

4. We are grateful to our colleagues Husain Wali and Maliha Hussein for bringing this point to our attention in the light of their experience with AKRSP's Women's Programme. The example is valid for circular fields as well.

5. That is not to deny the relevance of many aspects of the Chinese experience to Pakistan. For sympathetic evaluations of institutional reforms in China see, for example, Sartaj Aziz [5] and Akhter Hameed Khan in [6]. A discussion of the economic costs of the Chinese experiments is contained in [19].

into a corporate system. The solution we propose preserves the private ownership of land, at the same time that it calls for the pooling of resources and their cooperative management at the village level. This is neither a new proposal, nor a revolutionary one. But it does address itself to the needs of the small farmers in ways that lead to permanent improvements in the small-holder's position in society.(6)

More specifically, we are proposing a combination of principles and implementation methods which have been employed successfully to organise small farmers around their interests, and to service these rural organisations in a permanent and profitable manner. The principles proposed below are extracted from the experience of countries with flourishing smallholder agricultural sectors. These are the principles of Raiffesen used with success in the institutionally-based development of German agriculture. The same principles were pursued by the Japanese half a century ago. In the period after the Second World War, these principles of village organisation have been adopted with encouraging results in both Taiwan and the Republic of Korea.(7) In Pakistan, these ideas were first made the basis of a rural development effort by Dr. Akhter Hameed Khan when he initiated the Comilla Project in former East Pakistan in 1959. The basic strategy was re-enacted at the Daudzai Markaz, near Peshawar, under the Integrated Rural Development Programme of the early seventies. The guiding spirit of the Daudzai Project was Dr. Akhter Hameed Khan. The results of the experiments in Pakistan have often been debated with passion. In this paper, we merely refer the interested reader to the wealth of Dr. Khan's writings that has now been published as [6].

Having acknowledged our intellectual debts, and identified their real-world context, we now state the three principles of small farmer development that can be interpreted, as necessary, either as principles of development administration for government departments, or as principles of rural support for non-governmental organisations (NGO's). The endeavour will be to explain the general principles with examples from both the government and private sectors.

III. PRINCIPLES OF SMALL FARMER DEVELOPMENT

1. Village Organisation

It is a trivial implication of theories of cooperative behaviour that people cooperate (or collude) only when cooperation is profitable. Similarly, long-term collusion requires continuing benefits to the members. The immediate implications are that organisations that seek to represent small farmers in the market, and to provide for their economic needs must be broad-based (within a village) and multi-purpose. Thus the Village Organisation (VO) we propose is a mass coalition of all those residents of a village whose continuing economic interests are best served by organising as an interest-group. Such an organisation can be created around a single activity of over-riding importance to most of the villagers (as described in Section III. 2). And it can be nurtured over time by basing all manner of development activity on the VO (as explained in Section III.3).

The Village Organisation is meant to be a self-sustaining development institution at the village level that can enter into a partnership for development with governmental and private agencies. In order for the VO to achieve this status, it must be viewed by all parties, especially

6. It might be classed with what Sartaj Aziz has called "intermediate solutions," as opposed to "partial solutions". See [5:133].

7. On Korea's Saemaul Movement, see [9].

the villagers, as *legitimate* and *credible*. The organisation will be legitimate if it does not compromise existing social and political institutions. And it will be credible if it continues to convey benefits to its members.

To ensure that the Village Organisation remains a broad-based institution with a potential for self-reliance, two fundamental rules have to be observed at all times. Firstly, the organisation has to meet as a general body on a regular basis, preferably weekly or fortnightly. This requirement is necessary so that all members might review the needs and performance of their organisation regularly. The responsibility for the comprehensive development of a village cannot be undertaken by individuals and committees, for all members must participate in the development process in their village in order to benefit from it. The second fundamental rule to be followed is that all members must make savings deposits at their regular meetings. The accumulation of this equity capital is of paramount importance to the viability of the Village Organisation: this equity is the anchor to which an entire savings-and-loans system can be tied. Savings generated by individual members are the liability of the VO, and are announced in public in each meeting. (The uses to which this capital can be put are discussed in Section V.1.)

The Village Organisation has to be the necessary primary unit on which to base a programme of comprehensive development for the countryside. It is the essence of successful development at the village level. The point needs to be emphasized because, even though Pakistani planners have often promoted the role of physical and administrative infrastructures in our plans, they have done so to the exclusion of what might be called a social and economic infrastructure — a series of Village Organisations of the kind described here (8). The thrust of this paper is towards restoring the balance to incorporate the human resources of the countryside into our planning process.

2. Discovering the Incentive to Organise

What single activity will galvanise the residents of a village into group action? The only guidance theory gives us is that group action should improve the welfare of the participants. Results from development programmes around the world lead to the observation that farmers often experience large increases in income as a result of improvements in the stock of their productive physical infrastructure. So although the general principle requires discovering any activity around which farmers will organise, the specific problem might well be of identifying a productive physical infrastructure (PPI) project that commands broad-based acceptance in a village. This assessment of the role of PPI as the "entry point" for village organisation is simply a recognition of the importance that most farmers attach to permanent increases in their individual and jointly-managed stocks of physical capital. Experience indicates that a PPI project can usually induce the sort of broad-based village participation that is so essential to the success of any development effort. In other words, true and lasting community participation can often be obtained only with PPI as an entry point for subsequent development work.

It is worth pointing out that Pakistan, like most developing countries, has already experimented with a large number of community development programmes, with results that have been discussed elsewhere.(9) In a nutshell, the problem with these programmes has been their

8. Further reading on the importance of Village Organizations might include the senior author's [17] and [18], as well as Akhter Hameed Khan's writings in [6]. For an NGO's experiences, see [1], [2] and [3].

9. Akhter Hameed Khan's "Ten Decades of Rural Development" in [6] is a useful summary, as is the senior author's [16]. Recent official thinking in Pakistan reflected in many of the articles in [24].

failure to identify the appropriate entry point for community participation. Clearly, programmes that sponsor extension education in areas where lack of irrigation or land, or soil erosion are the foremost problems, cannot be expected to attract broad-based and continuing support from the farmers. This lesson was learnt early in the life of both the Comilla and Daudzai Projects. It is being brought home to us again in Gilgit almost daily: in only 13 months, villagers in Gilgit have identified 363 PPI projects, worth Rs. 48.3 million, as their top-most priorities for village-level development.⁽¹⁰⁾ Clearly, the communities concerned expect to derive significant improvements in welfare from PPI projects. Hence the usefulness of PPI in organising these communities.⁽¹¹⁾

The discussion of PPI projects in the preceding paragraph remains valid even if the programmes to be introduced to the community are in what is usually called the social sector. If community participation is an objective in such a programme—of nutrition, sanitation, etc.—it can be achieved effectively by initiating the programme with income-generating activities. The participation so obtained, and the organisation formed as a consequence, can then be utilised for any development programme. This, indeed, was the procedure followed with success in a UNICEF programme in Sri Lanka.⁽¹²⁾ More generally, this approach to community organisation can be adapted for use in specific programmes targeted at any segment of the low-income population. The procedure that must be employed in discovering the entry point for effective organisation is outlined in Section IV.

3. Servicing the Village Organisation

The most important—and most challenging—task facing development administrators working with Village Organisations is to keep these entities alive by “feeding” them with activities that are profitable, and that enhance the ability of rural cadres to manage their resources collectively and productively. Establishing Village Organisations is a relatively simple first step, at least in terms of the ingenuity it requires. But sustaining them to the point where they can become self-reliant is another matter. Briefly, the VO’s should be capable of meeting the development needs of their members on a continuing basis: they must become the all-purpose service organisations for small farmers. Their credibility as village-level development institutions will be measured against their performance in “delivering the goods” to their members.

In this context, another kind of infrastructure has been found to meet the need — an administrative, or extension-and-supplies, infrastructure going down to the village level. To begin with, this infrastructure serves to provide villagers with agricultural inputs and with sound advice on the use of these inputs. This type of infrastructure helps increase the productivity of the material and human resources of a village. Subsequently, these channels of input delivery can be used for other inputs, and then supplemented with marketing channels for output.

The administrative infrastructure of the Daudzai and Comilla Projects was based on a two-tier system. Village Organisations within a thana (police station) jurisdiction were connected with a markaz or Thana Training and Development Centre (TTDC). The TTDC was within easy reach of most villagers, so supplies and credit could be provided quickly and cheaply from

10. See [3] for details.

11. However, urban areas might require a different entry point. In working in katchi abadi in Karachi, the Orangi Pilot Project is successfully organising lane residents around sanitation programmes. The general principle remains valid that the entry point must cause improvements in the welfare of the community to be organised.

12. The diagnosis that led to this approach is presented in the *Introduction* to [12], together with examples of the resulting community involvement.

the TTDC. Similarly, government functionaries based at the TTDC would be in regular contact with their out-reach organisations, the Village Organisations. So a conveniently-located markaz was used to provide comprehensive coverage to villagers through their organisations.

The situation in Gilgit, however, is different.⁽¹³⁾ There is no government policy to set up TTDC's; AKRSP is a small NGO; and villages are located along hazardous routes with long travel times. Thus the VO's cannot be serviced continuously from thana-level centres. Instead, the office-bearers of the VO's are encouraged to come directly to Gilgit for supplies and assistance that can be provided by AKRSP or other development agencies. The role of AKRSP is to keep the channels open for inputs, produce and training. This role is one of *supporting*, or supplementing, the efforts of government departments and other agencies working for the development of the project area. The objective of servicing the VO's is being pursued with the adaptations made necessary by AKRSP's NGO status. The effectiveness of this approach parallels that of the two-tier model used earlier in the government sector.⁽¹⁴⁾

Once the administrative or extension-and-supplies infrastructure is in place, the seasonal requirements of farmers can begin to be met adequately. However, servicing the VO's to keep them viable requires a continuous process of identifying and implementing profitable projects. There is no presumption as to any particular portfolio of projects for a given village. Opportunities have to be discovered in every village; the process through which such discoveries are made is outlined in Section IV. 2.

IV. IMPLEMENTATION OF PRINCIPLES

1. The Diagnostic Survey

In a scathing indictment of the process that is often followed in poor areas to identify and implement projects for the poor, Robert Chambers has noted six common biases that detract from the observation of rural poverty [8]. A particularly acute bias is described in this way: "Most learning about rural conditions is mediated by vehicles. This applies not only to rural tourism, but also to research. Starting and ending in urban centres, visits follow net-works of roads". [8:22]

For a number of reasons, including the one above, we feel that village-level planning does not lend itself to a distant planning process. For the purposes of creating a capacity for self-sustained development at the village level, planning from urban centres must give way to planning from the villages. The villagers must be the effective planners, and the planning process must draw upon the knowledge and experience of the villagers. The process of identifying projects must also be able to incorporate variations between one village and another and, sometimes, even within a single large village. In practice, this would mean that every step of the first three phases of the project cycle — identification, preparation and appraisal — should proceed through a series of interactive dialogues between the villagers and the development agency. Together, these series of dialogues can be termed the Diagnostic Survey — a survey to diagnose the poverty of a village and identify a cure for it.

As the process is followed by AKRSP in Gilgit, the Diagnostic Survey starts with a visit by

13. For the analysis of the situation, and the changes implied, see Akhter Hameed Khan's [14] and [15]. Some of these thoughts are reprinted in [2] and [3].
14. The progress of AKRSP's extension and supplies section can be followed regularly in its *Progress Reports*, e.g. [1], [2] and [3].

the management to a village whose residents have agreed to meet AKRSP staff.⁽¹⁵⁾ The General Manager initiates the first dialogue by explaining the objectives and methods of AKRSP to the villagers. He then invites them to identify an income-generating project that would benefit most of the households in the village and that can be undertaken by the villagers themselves. Almost invariably, villagers are able to agree on a project of overriding importance to all villagers. Thus the result of the first dialogue is the identification of a small, productive project by the residents of a village.

The identification of a project is followed by the second series of dialogues. The first step here involves a feasibility survey of the proposed scheme. Supervisory responsibility for this technical assessment rests with the Programme Senior Engineer or Programme Senior Agriculturalist. Responsibility in the field devolves on the Social Organisation Unit. This unit works with informed village residents to assess the feasibility of proposed projects and to obtain data on prices of locally available inputs/material. It is on the basis of information obtained locally that blueprints and cost estimates are prepared by the field unit and sent to the Management Group for finalisation.

The finalised scheme is taken to the villagers by the Management Group and discussed with them. This starts the third dialogue, in which AKRSP and the residents of the village explore the terms of partnership that would characterise the relationship between the two entities. On behalf of AKRSP, these terms of partnership are explained as general principles of rural development that have proved successful elsewhere in the world. In turn, the villagers could demonstrate their acceptance of these terms by spelling out precisely the manner in which they would organise to plan, implement, manage and maintain specific projects that involve physical works, skill development and the creation of equity capital over time. At this stage, a Village Organisation is formed, consisting of all beneficiaries of the project. The formation of the organisation is followed by an assessment of project benefits, conducted by concerned members of the Management Group. This completes the Diagnostic Survey.

In practice, each phase of the project cycle might require several visits by the staff, so that every dialogue is really a series of open-ended dialogues. This approach to project identification at the village level is fundamental to the identification of a viable entry point for subsequent development work. It has the virtue of being directly addressed to all village residents. One of its major advantages over the conventional survey approach is that its results are easily verifiable in any assembly of villagers — no amount of skulduggery can quietly transform the felt needs of the populace to conform to instructions from "above". Finally, the Diagnostic Survey helps create bonds between villagers and development agency personnel, rather than preserving the distance between outside planners and their poverty-stricken subjects.

As a brief example of the usefulness of the Diagnostic Survey approach, we cite some of the results obtained in Gilgit. To begin with, every one of the several valleys in the district seems to have its own mix of development needs. Within a valley, two neighbouring villages are quite likely to propose different projects. Sometimes, even within one, large village different *mohallas* might identify different entry points. These variations at the micro-level can be picked up easily in a Diagnostic Survey, but not through a distant planning process.

Another example from AKRSP concerns income-generating programmes for rural women,

15. The following description of the Diagnostic Survey is reproduced from [1]. For the convenience of the reader, the authors have permitted themselves to be quoted here extensively.

one-half of the clientele of any comprehensive development project. In trying to identify an entry point for organising rural women, the management quickly came up against the stereotype of 'women's programme' that has permeated the work of many development agencies in the Third World. In village after village, both men and women asked for handicraft centres, embroidery materials and sewing machines. Their response has been conditioned by years of experience with urban planners, the limit of whose visions is the sewing machine. The sewing-machine-approach to rural development for women is often justified with vehemence as being "better than nothing". It is alleged that contact between backward village girls and their urban trainers is itself a beneficial development. We feel it is the opposite: sewing-machine-programmes in rural areas give legitimacy to the mistaken notion that women's activities in agriculture are unproductive, and that agricultural activities routinely performed by rural women have no room for productive investment.¹⁶ In fact, however, in recent weeks several women's organisations have identified the enclosure of village fields for vegetable gardening as their top-most priority. Without formal surveys, but with a lot of patience and leg-work, the interactive Diagnostic Survey has demolished the ubiquitous sewing machine.

2. Village Planning

As the name implies, village planning consists of the identification and implementation of a sequence of profitable projects within a village. The planning exercise follows the approach of the Diagnostic Survey, and is geared towards the total development of a village. In the process, it helps sustain and nurture the Village Organisation whose creation is effected through a suitable entry point.

Again, the essence of discovery for purposes of village-level planning lies in frequent interactive dialogues with villagers. It quickly becomes clear, that a plan identified by village residents follows the clear logic of putting the horse before the cart: projects that give larger increases in incomes are preferred to those with smaller incremental benefits. And this is what is also socially optimal; it is, in fact, the objective of all project analysis exercises.

The contents of a village plan may vary from one location to another. In Gilgit, a village plan might include the development of new land opened up by an irrigation channel; plantation of forests and orchards on common lands; enclosure of existing individual orchards; and marketing of agricultural products. In all these activities, AKRSP faces the challenge to improvise economical methods of implementation, to discover the social and technological innovations that make existing factors more productive, and to devise new ways to market the output of these factors. For only then can the necessary and sufficient conditions be fulfilled for self-sustaining development at the village level.

V. COOPERATIVE MANAGEMENT OF RURAL RESOURCES

1. Capital

The example was given earlier in the paper of transactions costs impeding the flow of institutional credit to small farmers. This problem is eliminated by a social innovation that makes widespread banking operations possible. The Village Organisation is declared eligible for credit from AKRSP if it agrees to take collective responsibility for accumulating the savings and recovering the loans of its members. The savings are the security under which AKRSP under-

16. Imagine the state of agriculture in Gilgit — a food deficit area — if women stopped weeding in the fields! An example of the kinds and intensity of agricultural activities performed by rural women is given in [4: Table 1].

writes loans from commercial banks to Village Organisations, through AKRSP. Transactions costs for farmers are reduced considerably because only one nominee of the Village Organisation (usually its manager) needs to incur the costs of travel, etc. Costs to the bank are reduced substantially because thousands of borrowers have been replaced by only dozens, while the quantum of lending remains unchanged. And the risk of default is covered by the common equity capital of residents of the same village. Mass default is prevented by making subsequent loans conditional on repayment of earlier ones. And increases in equity capital are motivated by linking a VO's borrowing to its saving in a ratio that is specified beforehand. Thus, as long as there are profitable opportunities for investment in the village, savings increase, and the village becomes eligible for more loans.

Experience with this system of savings-and-loans in Gilgit has been encouraging. In 1983, some 4,000 small farmers of 46 Village Organisations borrowed Rs. 705,000 for the purchase of fertiliser. The one repayment that remains uncleared after its due date belongs to a Village Organisation whose manager expired without leaving proper records of individual recoveries. The amount in question is about Rs. 3,000, and is also being recovered.

This performance is in sharp contrast to the record of specialised farm credit institutions all over the Third World. Mass defaults are common, the institutions become insolvent, and the cycle of accumulation and investment in the countryside comes to a virtual stop.⁽¹⁷⁾ It is not surprising, therefore, that the percentage of all farmers receiving credit from institutional resources in Africa, Asia and Latin America is generally very small. Nor is it surprising that this proportion should be 95% in Taiwan and 40% in the Republic of Korea:⁽¹⁸⁾ these countries have followed the same principles for rural credit that we have proposed here.

Thus the cooperative management of the loan and equity capital of a Village Organisation appears to be the only feasible system for large-scale lending to small farmers. Over time, the role of the outside agency acting as a central bank would be taken over by the VO's themselves. The operation would then involve only the villagers and their bankers, which is how any commercial banking system should operate.

2. Skills

Rural development programmes have conventionally focussed on agricultural skills that require either extension education or training in a particular craft. However, in agricultural systems undergoing modernisation and change, the particular attribute of the farmer that is of high value to him and society is his ability to perceive and exploit profitable opportunities resulting from disequilibria in any of the markets where the farmer is a participant. Schultz has made this argument compellingly in [27]. Certainly training in crafts and through extension work are useful additions to a farmer's human capital. But entrepreneurial abilities remain in short supply despite such training. The Village Organisation is one forum in which the scarce resource embodied in an entrepreneurial development activist is put to use directly for an entire community. The VO, in turn, compensates the activist in exchange for his services to the community. The VO also undertakes to nominate more of its members, over time, for representing the community in specialised tasks such as banking, marketing, etc. With increased exposure to a rapidly changing economy, these rural cadres acquire the confidence and ability to perform

17. A survey of the performance of specialised farm credit institutions is given in [31]. Some explanations for low recovery rates in Nepal are tested in [21].

18. Most other countries do not even come close to 30%. See [32:Annex 3].

important entrepreneurial functions for entire communities.

The Village Organisation is also the mechanism through which extension work involving practical demonstrations can reach large numbers of farmers on a regular basis. With the additional advantage that demonstrators will get instant feed-back from potential users.

Finally, one can cite numerous instances of trained personnel leaving their villages after receiving specialised training at government expense for the benefit of their village. Part of the problem is in the selection of such trainees: they are often selected by outside agencies without regard to their link to the village or their desire to serve in the communities they represent. Another part of the problem is that, once trained as specialists, these villagers are sent back to their communities without any arrangements for remuneration to sustain them. Recent experience in Gilgit has shown that Village Organisations can be used effectively in both the selection and support of individual villagers trained in specialised agricultural skills. The VO has the capability to select individuals who will continue to live in the village after training, and it has the interest to support these specialists.

3. Land

In Gilgit district, as in some other areas in the country, ancient custom allows animals to graze freely in the village in specified months. The livestock and crop systems are interlinked in such a way that livestock can only be sustained at the cost of a number of crops destroyed or not grown. One solution might include the enclosure of fields adjacent to the homestead for growing vegetables and fruit.⁽¹⁹⁾ Since the cost of such enclosure reflects economies of scale, the challenge is to devise a social innovation to help individual small farmers to achieve these economies. In some instances, village custom itself encourages common enclosure of contiguous areas, thereby reducing costs per unit area. The same custom, popularised throughout a region, would be an innovation with substantial benefits for farmers. Loans to meet the cost of enclosure could be given readily to villages accepting collective responsibility for repayment.

A similar innovation is necessary for the equitable and economic development of barren land with a newly-acquired source of irrigation. For reasons explained earlier, individual small farmers are often unable to secure much credit for farm development. Suppose such credit were available to groups of farmers accepting collective responsibility. With this capital, and with their own or hired labour, *all* these farmers will be able to develop their lands speedily, instead of small farmers falling behind the few (usually large) "credit-worthy" farmers. Further, each group of farmers would enjoy economies of scale if they developed large tracts of land collectively, rather than paying the higher cost of developing small parcels of land. Finally, village-level planning at an early date would make the necessary allowances for roads, supplementary channels, etc., that would be needed for the new lands, perhaps within months of their development.

An interesting issue in smallholder land development is the mix of capital and labour that should be used by the villagers, given their new access to credit services. Suppose that credit is available at 12% annual interest; and that villagers also have the option of pooling their labour to meet the costs of unskilled labour, rather than taking out a loan. Intuitively, then, one expects each village to choose that combination of own-labour, hired labour and capital which reflects the relative opportunity costs of these factors in the village. This result would not be possible if

19. Arrangements will have to be made at the same time for fodder crops, leading perhaps to a stall-fed livestock system.

land development were not undertaken collectively, for then individual action would require larger amounts of capital than are justified by the village's endowment of barren land.

4. Public Goods

The earlier example of the construction and maintenance of a link road can now be used to illustrate how a Village Organisation of smallholders can help internalise the costs and benefits of the project. The essential break-through lies in conferring *effective* ownership on the village as a whole. This is achieved by the consolidation of the Village Organisation as a legitimate and credible development institution. Once this is achieved, the experience is that beneficiaries and farmers losing land manage to agree on satisfactory terms for land compensation. Maintenance after completion can be undertaken with the help of user charges collected by the Village Organisation. Where a road links several villages within a Union Council, the local government institutions could draw on the resources of their Village Organisations for similar arrangements for compensation and maintenance. And similarly for somewhat larger projects.

The principles illustrated above can also be utilised in managing the forests and orchards of individual villages. Again, the key is to discover a method for internalising a community's costs and benefits. The lessons drawn here for the management of valuable social resources run counter to some of the ways in which Pakistan has traditionally managed such resources.(20) It is our hope that experience with village-level programmes will produce workable models to replace present methods over time.

VI. REPLICABILITY AND LIMITATIONS OF PRINCIPLES

In view of the international and Pakistani experiences with development programmes whose lessons have been repeated in this paper, it is perplexing that objections to the replicability of our proposed agenda are voiced with such Jovian finality as to bring all discussion to an abrupt end. Sometimes, the replicability of the principles per se is confused with issues of programme (or project) leadership: it is said that only a charismatic leader can make these principles work. When more than one successful project leader emerges he, too, is defined to be charismatic. When entire groups of development administrators are shown to implement these principles effectively, the objection is directed at the cost of such operations. When it is shown(21) that the implementation of these sound principles of rural development requires no additions to government budgets but mere reallocation, attention is drawn to the demands of various other departments and sectors. When it is argued that village-level development needs an immediate and tangible commitment from policy makers, the status quo hydra engulfs and throttles the argument. And so it goes.

Four points need to be reaffirmed here with clarity. One: that the principles and implementation methods proposed in this paper have worked effectively in improving the welfare of small farmers in several rural communities in Pakistan and elsewhere.(22) Therefore, two: that success is not dependent on charismatic leadership. Three: that implementation of the principles

20. Issuing of short-term licenses to remove timber from state plantations is one example of an administrative procedure that is clearly both ineffective and costly to enforce.

21. As in the senior author's [18].

22. On the actual province-wide replication of various parts of the Comilla Project, see the review of Robert Stevens in [28]. Akhter Hameed Khan himself addressed the issue in June 1983 at a lecture given at the National Centre for Rural Development in Islamabad. This lecture is reprinted in [6] as "Comilla Projects and their Relevance".

of cooperative management at the village level requires no additional financial commitments on the part of the government. However, four: successful implementation is entirely dependent on a steady and long-term financial and intellectual commitment by policy makers or donors.

The point about a long-term financial and intellectual commitment needs particular attention. For no programme can withstand abrupt changes in policy and curtailments in funding. No matter how desirable and effective in itself, no policy can be shown to be effective if it is not implemented. And principles that are not replicated by design cannot be shown to be replicable or otherwise. The objection to replicability is mis-directed.

VII. CONCLUSION: A FUTURE HISTORY OF VILLAGE ORGANISATIONS

Village Organisations were first established in order to undertake productive physical infrastructure projects of paramount importance to each village. Soon they are to be linked to the major centres in the region for input-delivery, marketing and extension training. Nominees of Village Organisations are acquiring training in specialised extension work, and will begin to develop a capacity for entrepreneurship that would serve entire communities. Motivated by the prospects of continued investment in the village, Village Organisations are expected to save increasing amounts of equity capital to secure loans for their investment. The combination of organisation, skills and capital at the village level will put in motion a self-sustaining development process that could slow the flow of migrants into urban areas. Agriculture as a way of life would no longer appear bleak and development activists in the villages would be held in respect.

The capacity of Village Organisations to undertake development work will likely increase to the point where the development agency that is nurturing these organisations, i.e., AKRSP, could start retreating into the background. An association of Village Organisations could possibly be formed, called the Development Finance Cooperative (DFC) (23). The DFC might start out as a central bank handling the savings and seasonal loans of participating Village Organisations on a commercial basis; outside agencies could also give grants-in-aid and buy shares in the DFC. The DFC could then begin to service the Village Organisations as a bulk purchasing and marketing agent. It could set up storage and processing facilities for agricultural produce and locate outlets for it. Simultaneously, it might start handling the raw materials and finished products of hundreds of village craftsmen and women located all over the region. In all its operations, the Development Finance Cooperative would recover its expenses from the annual dues of Village Organisations and from charges paid by these organisations for particular services.

The final transformation of the DFC could start when it begins to acquire the capacity to support the wide range of development activities that are the responsibility of the sponsoring development agency in earlier years. The DFC could recruit local technical personnel in a number of professions, including engineering, accounting, agricultural extension, social organisation and marketing and start servicing its member VO's in a comprehensive manner. Simultaneously with the expansion in its staff, the DFC could begin to identify, prepare and appraise long-term projects for credit financing by commercial banks and specialised institutions. To monitor the financial performance of the DFC and its member VO's, a permanent staff with auditing functions might be put in place at the headquarters. The DFC might then start functioning as a full-fledged financial institution, managed by and accountable to organisations of smallholders.

23. In its functions, though not in administrative character, the Development Finance Cooperative is visualised as being quite similar to the Local/Rural Development Corporation described in [22].

What is unique about the proposed DFC's character is that its ownership, management and accountability will be in the hands of the established Village Organisations of small farmers. The Development Finance Cooperative is not a political body: it is to the economic life of the countryside what the local government institutions are to its political life. The DFC will thus fill a vacuum that can never really be filled by political institutions. For the clear mandate of the DFC will be the economic development of the countryside. It will fulfil this mandate successfully because it will have professional capacity to do so, and because it will be directly accountable to the villagers themselves.

REFERENCES

1. Aga Khan Rural Support Programme. *First Progress Report, December 1982 – April 1983*. Gilgit, Northern Areas. 1983.
2. Aga Khan Rural Support Programme. *Second Progress Report, May 1983 – July 1983*. Gilgit, Northern Areas. 1983.
3. Aga Khan Rural Support Programme. *Third Progress Report, August 1983 – October 1983*. Gilgit, Northern Areas. 1983.
4. Ahmed, Iftikhar. "Technology and Rural Women in the Third World." *International Labour Review*. Vol. 122, No. 4. 1983.
5. Aziz, Sartaj. *Rural Development – Learning from China*. London: Macmillan. 1978.
6. Bangladesh Academy for Rural Development. *The Works of Akhter Hameed Khan*. Vol. II, *Rural Development Approaches and the Comilla Model*. Kotbari, Comilla. 1983.
7. Bliss, C.J. and N. H. Stern. *Palanpur: The Economy of an Indian Village*. Oxford: Clarendon Press. 1982.
8. Chambers, Robert. *Rural Poverty Unperceived: Problems and Solutions*. Staff Working Paper No. 400. Washington, D.C: World Bank. 1980.
9. Choe, Sang-Chuel. "The Saemaul Movement and the Concept of Basic Needs." In [30].
10. Feder, Gershon, Richard E. Just and David Zilberman. *Adoption of Agricultural Innovations in Developing Countries – A Survey*. Staff Working Paper No. 542. Washington, D.C: World Bank. 1982.
11. Guzman, Eduardo Cifuentes. "Rural Development in Mexico: Problems, Policies and Issues." In [29].
12. Jayewardene, Jayantha, ed. *Training Manual for Project Officers and Farmer Leaders*. Part I. Colombo: Mahaweli Authority of Sri Lanka and United Nations Children's Fund. 1983.
13. Khan, Akhter Hameed. "Comilla Projects and their Relevance". In [6].
14. Khan, Akhter Hameed. "First Visit to AKRSP, Gilgit". Gilgit: Aga Khan Rural Support Programme. 1983. Mimeographed.
15. Khan, Akhter Hameed. "Second Visit to AKRSP, Gilgit". Gilgit: Aga Khan Rural Support Programme. 1983.

16. Khan, Shoaib Sultan. "Local Level Planning: The Pakistan Experience". In [30].
17. Khan, Shoaib Sultan. *Planning for the Poor: A Case Study of Mahaweli, Sri Lanka*. Working Paper No. 82-2. Nagoya: United Nations Centre for Regional Development. 1982.
18. Khan, Shoaib Sultan. *Rural Development in Pakistan*. New Delhi: Vikas Publishing House. 1980.
19. Lardy, Nicholas R. *Agriculture in China's Modern Economic Development*. Cambridge University Press. 1983.
20. Lockheed, Marlaine E., Dean T. Jamison and Lawrence J. Lau. "Farmer Education and Farm Efficiency: A Survey". *Economic Development and Cultural Change*. Vol. 29, No. 1. 1980.
21. Maharjan, Krishna H., Chesada Loohawenchit and Richard L. Meyer. *Small Farmer Loan Repayment Performance in Nepal*. Research Paper No. 20. Kathmandu: A/D/C - Agricultural Projects Services Centre. 1983.
22. Malhotra, Ram C. "An Alternative Strategy for Self-sustaining Development with Focus on Participation by the Poor at the Local Level". In []
23. Miller, Calvin J. and Jerry R. Ladman. "Factors Impeding Credit Use in Small-Farm Households in Bolivia". *Journal of Development Studies*. Vol. 19, No. 4. 1983.
24. Pakistan Academy for Rural Development. *Management for Rural Development in Pakistan*. Report of an International Seminar, January 17-19, 1983. Peshawar. 1983.
25. Said, Edward W. *Orientalism*. New York: Vintage Books. 1979.
26. Schultz, Theodore W. *Transforming Traditional Agriculture*. Chicago: University of Chicago Press. 1983.
27. Schultz, Theodore W. "The Value of the Ability to Deal with Disequilibria." *Journal of Economics Literature*. Vol. 13. 1975.
28. Stevens, Robert D., Hamza Alavi and Peter J. Bertocci. *Rural Development in Bangladesh and Pakistan*. Hawaii: University Press of Hawaii. 1976.
29. United Nations Centre for Regional Development. *Regional Development Series*. Vol. 4, *Rural Development*. Hong Kong and Singapore: Maruzen. 1981.
30. United Nations Centre for Regional Development. *Regional Development Series*. Vol. 7, *Human Needs and Regional Development*. Hong Kong and Singapore: Maruzen. 1981.
31. Von Pischke, J.D., Peter J. Heffernan and Dale W. Adams. *The Political Economy of Specialized Farm Credit Institutions in Low-income Countries*. Staff Working Paper No. 446. Washington, D.C.: World Bank. 1981.
32. World Bank. *Agricultural Credit*. Sector Policy Paper. Washington, D.C.: 1975.

CHAPTER TWO

SOCIAL ORGANISATION: CONCEPTS AND MANAGEMENT OF COMMUNITY PARTICIPATION

I. INTRODUCTION

As the leading article demonstrates, the successful implementation of small farmer development programmes is contingent upon the continuing participation of farmers in development work. Eliciting such participation from the beneficiaries requires first-hand familiarity with the physical and human situation of the project area, and the capacity to draw the appropriate inferences from the analysis of the prevalent situation. In terms of project personnel requirements, therefore, a combination of experienced field staff and analytical project leadership is an invaluable aid to devising locally-appropriate strategies for community participation. The major contribution of such a team of managers would be towards fostering Village Organisations, and making them self-sustaining institutions through a series of innovations designed to help the farmers of the project area overcome the handicaps of their small holdings.

To set the stage for the discussion that follows, Section II deals with issues in the concept and relevance of community participation to smallholder agriculture. Some conventional concepts of self-help and community participation are discussed first. Next, an alternative meaning of community participation is articulated to address the long-term development needs of small-farmers. Finally, the role of Social and Village Organisers is described as crucial to the fostering of self-reliant Village Organisations. In Section III, there is a tentative but wide-ranging review of the first-year performance of Village Organisations nurtured by AKRSP and collaborating agencies. This review deals with project implementation and maintenance, attendance and savings at VO meetings, and the cooperative management of capital, skills, land and marketing.

II. CONCEPTS OF COMMUNITY PARTICIPATION

1. Conventional Concepts of Community Participation

Conventional concepts of community participation are rooted in the belief that the land, labour or material contributed by villagers to a project is an appropriate measure of the community's participation in attempts to improve its welfare. Such contributions have long been relied upon by public and private agencies in the Third World to finance rural projects. The tradition in Pakistan has been of a similar sort: programmes sponsored by development agencies in rural areas have been required to show local participation as a certain percentage of total costs that will be contributed by the beneficiaries. For instance, both the Rural Works Programme of the sixties and the People's Works Programme of the seventies initially insisted on such local contributions. Earlier, the rural works components of the Village AID programme also had to show 50% contributions from beneficiary communities. This form of project-financing has been used extensively in the construction of physical infrastructure in both the income-generating and social sectors. It is also in current use in Pakistan for small scale rural projects sponsored by Local Government and Rural Development departments. In Gilgit district, local participation in the form of land or labour contributions is a pre-condition for development work undertaken by most agencies operating here.

Documents purporting to report the achievements of programmes that follow the approach described above often show high proportions of local contribution. However, it is common

knowledge that the authenticity of these figures has always been suspect: the manipulation of accounts to demonstrate adequate local contribution is as old a trick as the requirement to ensure such contributions. More importantly, even to the extent that accounting records are authentic, the practice of financing village-level development works through 'voluntary' labour or donations of land and material needs to be re-examined in the context of a smallholder development strategy. Specifically, the use of 'free' or 'voluntary' labour in rural projects should be

evaluated not only in terms of financial savings for sponsoring agencies, but also with respect to its direct economic costs, as well as the benefits of alternative financing procedures.

To begin with, the myth has to be dispelled that labour provided by villagers is, in any economic sense of the word, 'free' or without cost. It may be without cost to the sponsoring agency, but it does have a tangible cost to the villagers, equal to the value of time spent by them on the project. The value is not zero, nor can it be expected to be close to zero for much of the farming year. The notion that the time of rural dwellers has zero (private or social) value has been shown to be incorrect. It is, in fact rooted in a peculiar view of rural communities in the Third World: content-looking villagers wearing *dhotis*, smoking a *hookah*, and gazing across lush-green fields from under a banyan tree, surely cannot be hard-pressed for time! This nirvana, unfortunately, does not exist in the lives of most villagers.

Secondly, another myth has to be rejected in view of the class structure of most rural communities in the Third World: labour supplied by under-privileged groups is seldom 'voluntary' except in a perverse meaning of the term. Quite often, such labour is provided in furtherance of the interests of an authority which secures this local contribution through a variety of sanctions, such as the custom of *begar*, which has appeared in Pakistan's history in different guises. Clearly, labour contributions elicited in this inegalitarian fashion cannot be expected to fulfil the long-term development needs of a village.

Thus, notwithstanding the terminology used, the use of village labour without compensation is neither free nor particularly voluntary. Programmes which are based on these means of project-financing might succeed in implementing particular projects, but they do so at the cost of imposing an unusually inequitable burden on the poorer segments of the population. Nor are the benefits of the project always uniform. Poorer villagers, therefore, might end up contributing disproportionately to the costs of a project whose benefits accrue disproportionately to the better-off residents. Under such circumstances, no genuine community participation can be secured to promote self-sustained development in the countryside.

Two distinct arguments were advanced in the preceding paragraphs: that there is no such thing as free labour, and that labour supplied without compensation might be an inequitable way of financing projects. The latter argument holds, in particular, in situations where powerful groups in a village can draw on the labour resources of less privileged villagers. Consider now a setting in which rural communities are characterised by a relatively egalitarian distribution of wealth and power. Gilgit district, since its mini-kindgoms were abolished in 1974, and with relatively uniform owner-operated farms within particular clusters of villages, might provide such a setting. Suppose that an irrigation project is planned that would help develop barren land in which *all* village households have *equal* shares. Since all villagers are going to experience significant, equal increase in incomes, should they not be asked to pool their labour to construct the channel, with minimal financial support from the sponsoring agency? This, in essence, is the strongest version of the argument against AKRSP's policy of paying wages to villagers to work on the first of their own PPI projects.

The response which AKRSP management have articulated in discussions with interested development agency personnel is based on our analysis of the resources that are available to the villagers for their long-term development needs. Briefly, villagers do not have the technical and financial resources to undertake the several development activities that are needed for the comprehensive development of every village: the choice is between a handful of voluntary labour projects, and a system that invests in a permanent process of development. AKRSP has opted for the latter route. It has done so because it feels that payment of wages for the first PPI project in every village is an essential investment in the fostering of Village Organisations that will retain the capacity to undertake other development work long after the completion of the first project. AKRSP's policy with respect to wage payments for labour is also justified by what we know about the historical patterns of investment in productive infrastructure in the Gilgit region.

In Gilgit, as in many other parts of the world, the arduous, time-consuming and profitable task of developing barren land for cultivation was controlled by the state to a considerable degree. A typical sequence of land development would start with a Raja or Mir conferring ownership of a distant tract of barren land on a certain number of households. Then, either the army or *begar* labour would be employed in the actual construction of the channel. Next, the settler families would slowly start to develop their newly-irrigated land, being supported, during this process, with many forms of necessary assistance from their families back home. Finally, once the land was fully developed — a process of several years — the settler families had to pay *malia* (tax) on their produce to the Mir or Raja. The settlers also had to maintain the channel on their own. On the one hand, then, the state might subsidise the actual construction of a channel; and, on the other hand, it would tax the beneficiaries through collection of *malia* and through forced labour. In other words, institutions existed that coerced or induced the farmers of this region into developing additional land for cultivation. The resources and sanctions of these institutions served to ensure that the lack of resources in a particular community would not be a hinderance to the development of its agricultural potential.

The present situation is that the old institutions are dead, and no other institutions have taken up the task of adding to the productive capital of the region in a continuing and systematic manner. The Village Organisations are visualised to fill this vacuum. The investment in Village Organisations is, therefore, not simply the cost of particular infrastructure works, but an investment in village-level development institutions that will manage the accumulation and investment of capital on a permanent basis.

As a final comment on alternative financing schemes, one could consider financing development activities in the villages on the basis of credit. This scheme would be feasible if an established banking system were operative in the region, lending to farmers for their development needs, and recovering these loans to assist other farmers. No such system exists, nor can one be created without the kind of Village Organisations, described in Chapter One, that would accept collective responsibility for the disbursement and recovery of loans.

In sum, then, an impressive set of arguments makes conventional approaches to community participation inadequate in the present situation. AKRSP's response to the challenge is to work on a concept of community participation that is truly participatory, non-exploitative and conducive to institution-building for continuous development.

2. AKRSP's Concept of Community Participation

Rather than focussing narrowly on labour contributions to specific infrastructure projects,

AKRSP seeks to draw entire communities into project implementation and maintenance, training and supplies programmes, saving and loans transactions and cooperative management of land, skills, capital and other important resources. The arrangement between AKRSP and a Village Organisation is best characterised as a partnership, or social contract, the terms of which assign specific responsibilities to each party. It is explained to villagers that the kind of community participation that is desirable requires, first of all, the formation of a broad-based Village Organisation of *all* beneficiaries of a project. The VO so constituted must meet as a general body two-to-four times a month. Widely-attended meetings of truly representative general bodies prevent the emergence of the monopoly of the project or executive committee which has so often been responsible for the demise of such rural organisations. A village's commitment to form and meet as an organisation is the first, and most important, element of community participation.

Secondly, and equally importantly, the Village Organisation must make regular savings deposits at VO meetings. This accumulation of capital helps secure a VO's credibility for purposes of obtaining credit. Savings, then, are the second element of community participation.

Thirdly, the Village Organisation must learn to manage its human and physical resources on a collective and productive basis. It must nominate representatives for training by AKRSP, and then support these trained village specialists financially. It should identify, implement and manage, on a continuous basis, projects that are needed for the village's development.

A particularly important example of cooperative management is the implementation and maintenance of PPI projects funded by AKRSP, and the subsequent planning that might be needed to exploit the opportunities opened up by such projects. Barren land opened up by an irrigation channel, for instance, needs to be divided among the villagers, apportioned into different uses, developed into cultivable land, planted with appropriate crops or trees and then cultivated with the help of productive inputs. The output, then, has to be marketed profitably. The Village Organisation must undertake all these activities with the technical assistance of AKRSP.

It should be obvious by now that AKRSP's criteria for community participation are much stringent than conventional approaches based on a one-time input by the community. However, the results, too, are much more lasting and productive. Such results cannot be produced through short-sighted measures to reduce the costs of small rural projects.

3. The Role of Social Organisers

In helping villagers appreciate and implement AKRSP's concept of community participation, AKRSP's Social Organisers play a front-line motivational role. Concepts of community participation which have been described in detail in this and previous reports need to be repeated, clarified and comprehended in every village in the project area. Generation-old behavioural patterns and thinking about village development need to be reformulated into a vision for sustained, collective efforts whose rewards will accrue to entire communities rather than to a few individuals. An entire system of incentives has to be created anew, demonstrating the requirements and rewards of cooperative management at the village level. In the absence of any indigenous capacity for catalysing such change, AKRSP, through its Social Organisers, has to perform the role of an organisational, catalyst, and then discover and nurture local capacity for that task. In other words, AKRSP's Social Organisers are a temporary phenomenon in the villages, to be replaced, eventually, by local development activists.

According to present arrangements, AKRSP has a Social Organiser in four of the five sub-divisions of Gilgit; a Social Organiser for the fifth sub-division is under training. Working from district-level figures, a sub-division will have a population of about 45,000, on average, in some 60 villages spread over more than 6,000 sq. km of difficult mountainous terrain. One Social Organiser is grossly inadequate for covering such an area with the objectives that have been assigned to him. To assist the Social Organiser in his educational and organisational functions, Village Supervisors have been recruited from among the cadres of VO Managers. Each cluster of four to eight Village Organisations is given in the charge of the outstanding Manager of these VO's. The VO Manager so identified is called the Village Supervisor, and is paid an honorarium for performing some of the functions of the Social Organiser part-time.

Most of AKRSP's present group of Social Organisers is already experienced in organisational work in rural development projects. In recent months, some qualified young men with advanced degrees in the social sciences have been recruited from among residents of Gilgit for training as Social Organisers. This new batch of Social Organisers will likely replace the initial group by the beginning of AKRSP's third year. In subsequent years, these Social Organisers, in turn, will give way to village activists with established records of organisational and entrepreneurial work at the village level. Many of the Village Supervisors of today are expected to fulfil these criteria and become the permanent Social Organisers for the region.

Village Supervisors are currently involved closely with Social Organisers in organising villages, monitoring the accounts, savings and attendance of Village Organisations, imparting selected kinds of practical training, and motivating cooperative marketing, land development and loaning. Experience so far strongly endorses the use of these Village Supervisors in promoting our concept of community participation. A good Village Supervisor has a significant impact on the thinking and performance of the Village Organisations he is supervising. More of these organisational catalysts need to be identified and trained in village development functions.

III. PERFORMANCE OF VILLAGE ORGANISATIONS

1. Project Implementation and Maintenance

Villagers who need a project to increase their income and have the resources to implement it, will complete the project faster than any other agency purporting to act on their behalf. This lesson, obvious in retrospect, was learnt for the first time by many among the AKRSP staff and their observers who had not witnessed the output of true community participation before. In village after village, communities put their heart and soul into completing projects in what seemed like extraordinarily short time-spans to most of the region's development agencies. Outside visitors, too were greatly impressed.

As with any large-scale development programme, some villages will lag behind the others in the performance of given objectives. Inevitably, therefore, there were villages which did not organise, and those which organised but implemented their projects very slowly. In both cases, AKRSP would make it clear to the villagers that they themselves had to take the initiative in organising, and in implementing their project. Nevertheless, AKRSP Social Organisers continue to explain the needs and benefits of organisation to wavering villages.

The village-level process of implementation of the PPI programme has also been instructive. Construction work is usually undertaken by members of the Village Organisation, who often forego a certain proportion of their wages and deposit it as savings. Where more than one

village is involved, construction work is divided among the villages so that every village might benefit from the employment offered by the project. Supervision is exercised by one or more of the office-bearers elected by the members of the VO. Funds are drawn and disbursed in similar manner, and reports on the accounts are given in the meetings of most VO's. Procurement of material needed from outside the village is undertaken by common consent by VO nominees. Office-bearers failing to meet the expectations of VO members are sometimes replaced by the members themselves. The process of project-implementation appears to be a remarkable exercise in community participation, complete with all the examples of group dynamics that are expected to characterise institutions such as the Village Organisation.

The maintenance of projects after their completion has usually been undertaken by villagers in their traditional ways. For example, a new irrigation channel which will help develop equally-distributed barren land is maintained by all villagers who have a share in that land. Portions of the channel will be assigned to individual villagers for maintenance; along these portions, a villager will plant the trees that are appropriate to local conditions. When large-scale damage is caused to PPI works, the entire community of beneficiaries turns out to repair the damage. When material needs to be purchased to repair the damage, it is paid for out of a common fund collected by the Village Organisation. The performance of Village Organisations with respect to maintenance of PPI projects has been quite satisfactory so far.

2. Attendance and Savings at VO Meetings

The question of how many times a VO should meet every month has taxed a large number of VO members in the past. There is awareness among them that if they reduce the frequency of their meetings, their collective savings might increase at a slower rate. On the other hand, VO members also realise that, after the completion of the project, there is no urgency to meet every week to review the progress of an ongoing activity. Every village has arrived at its own compromise: VO's now meet from one to four times a month. VO's which are undertaking PPI projects meet every week, whereas others usually meet every fortnight.

The data on exact attendance figures for individual VO's remain uncertain. The basic issue is the lack of uniformity in the way in which attendance figures have been reported by the field units. However, an expected result has been observed in the follow-up visits of AKRSP staff: smaller organisations have a higher attendance rate at VO meetings than larger organisations.

Summary figures on the membership and equity capital of VO's are reported in Table 3. During 1983, 131 Village Organisations were formed in Gilgit district. It is estimated that, by December 1983, these organisations had acquired a membership of more than 12,000, and had accumulated equity capital totalling Rs. 662,750. Equity capital per member thus amounts to Rs. 55, an increase of 72% over three months. Further issues relating to VO savings are discussed in Chapter Seven.

3. Cooperative Management of Village Resources

AKRSP's emphasis on the cooperative management of resources currently assigns a high priority to the development of barren land made available for cultivation by increased quantities of water. The economies of scale inherent in developing large, rather than small, areas of barren land are being explained to the villagers with concrete examples from their own villages. Land development will be a most important test-case for the ingenuity of AKRSP and villagers: will

the villagers deviate from the established and expensive practice of individual land development, and cooperate to establish a new tradition of inexpensive, collective development? A sustained and concerted effort has been made by AKRSP in recent weeks to provide an affirmative answer to this question. The innovation that AKRSP is proposing to the villagers needs to be explained to them in great detail, and procedures have to be devised to provide group loans for land development.

Land development is only one component of village planning, which encompasses a comprehensive development portfolio for the village. For instance, the construction of link roads and supplementary channels for new lands has to be allowed for before land is distributed among individual farmers. Then, too, the marketing of agricultural produce needs to be explored on a cooperative basis; nine VO's participated in a marketing research programme during 1983. Rural cadres have to be trained in the performance of specialised agricultural tasks; 61 VO's sent their representatives for training in veterinary and plant protection functions last years. Managers and entrepreneurs from the villages need to acquire the vision and expertise to act as development activities for their villages; 56 VO's sent their office-bearers to Gilgit to attend training workshops, and 46 VO's began to learn the complexities of procuring fertiliser on credit from outside agencies.

IV. CONCLUSION

In a year marked by rapid geographical and functional expansion, all the indicators point to an initial impact far beyond the expectations of most experienced development administrators. Although no formal evaluations have been undertaken so far, there has always been an acute awareness of potential and present problems on the part of AKRSP staff. Wherever they failed to perceive defects, their friends in Gilgit and elsewhere were quick to point out the obvious. AKRSP management never stuck to pre-conceived notions: change was implemented whenever change was needed. There were never any scapegoats, but there was always the opportunity for course-correction. Mistakes in interpreting or implementing programme strategy were corrected but not punished.

A partnership between AKRSP and thousands of villagers has begun to be forged, slowly but surely. It is still too early to stop the expansion, but it is just as important to emphasize the consolidation of this partnership. At AKRSP, there is no doubt that both needs will be met simultaneously. The challenge of the situation is too great to decide otherwise.

CHAPTER THREE

PRODUCTIVE PHYSICAL INFRASTRUCTURE: PLANNING FOR AN INVIGORATED AGRICULTURE

I. INTRODUCTION

Productive Physical Infrastructure (PPI) is in many ways the beginning and the essence of AKRSP strategy. It is an entry point for the development effort and it simultaneously induces broad-based participation which is essential for change and initiating the development process. The first PPI project is essentially a grant by AKRSP and is viewed as an investment in the Village Organisation.

There is, in general, a pessimism regarding agriculture as a way of life and sustenance. Agriculture has long remained at subsistence level, and per capita production has steadily declined in the face of population pressure. Little land has been brought under cultivation, and diversification within the crop sector or into other non-crop rural activities has been constrained by limited markets and poor infrastructure. In this perspective, then, the PPI investment by AKRSP is viewed as a first attempt to reverse the perceived decline of agriculture and to set in motion the forces of community participation. In future, AKRSP will plan and implement programmes that will reinforce and build upon the impact created by its first PPI project.

With PPI, elements of community participation are introduced in at least four ways. Firstly, knowledgeable villagers are intimately involved in the survey for their project. Secondly, villagers are encouraged to save part of the disbursement for the project. It is explained to the villagers that their savings will help secure credit for several activities planned for the future and that each village needs a series of investments in physical infrastructure of which a water channel or a road is merely the first. Records of village savings indicate an encouraging degree of positive correlation between levels of savings and PPI disbursements. Thirdly, during negotiations with the villagers on the project costs, the costs are separated according to each item of input and AKRSP attempts to negotiate on the labour cost to bring it to the minimum needed for implementation under local conditions. In this way, engineering estimates are replaced by estimates discussed in public meetings with beneficiary communities. Finally, the community implementing the project has to demonstrate the willingness and ability to maintain the project after completion.

Generally, agricultural output is increased by two methods — intensive and extensive agriculture, that is, either by increasing available cultivated area, or by increasing the productivity of existing cultivated land. The former can be achieved by providing irrigation to barren land and the latter mostly by more intensive applications of agricultural inputs — fertiliser, water, improved seeds — on existing land. One of the major constraints identified is the availability of irrigation water in these parts. The high ranking of irrigation projects identified by villagers as their first priority attests to this fact. Construction of irrigation channels requires large labour inputs plus, in some cases, simple machinery and explosives. While labour may be available locally, the other inputs are not readily available to villagers. It must also be mentioned that land development appears to have considerable unexploited potential in these parts. Crop yields, on the other hand, appear to be in the same range as those in other parts of the country, despite the unavailability of many physical inputs that are commonly used elsewhere.

II. SURVEY AND COST ESTIMATION

Any venture of the scale of AKRSP's PPI programme reflects problems peculiar to the

projects and the area in which it is being implemented. During the course of its operational activity, AKRSP has identified certain problems and weaknesses in relation to its PPI programme. To simplify discussion, this Chapter is divided into various problematic areas.

1. Survey

It must be appreciated that the areas of AKRSP operation are widely scattered and geographically encompass one of the most difficult terrains in the world. The survey of a project includes tasks ranging from soil classification to determining gradients, and cannot be done in detail. For instance, in the case of villages of Gulmit and Hanuchal, the engineers had to plan the irrigation channel in a terrain which was virtually inaccessible. Detailed surveys would be both time-consuming and expensive. However, AKRSP surveying estimates are sound and equal in qualitative performance to NAWO (a government body) which has greater manpower and better resources at its disposal. During survey, the Sub-Engineer is accompanied by the AKRSP Social Organiser as well as villagers who are knowledgeable about local conditions pertaining to the project. On the whole, Sub-Engineers and Surveyors depend on their own observations and experience in the field, subject to local conditions and variables. To overcome some of these problems, AKRSP insists on hiring surveyors and engineers from among the local populace, or engineers from down-country who have had experience in hill-area civil engineering.

2. Cost Estimation

In light of the problems associated with surveying, cost estimation of the project becomes an equally complex task.

Initially, AKRSP utilised the method of item rates in project cost estimation, basing each item on local conditions and market prices. Once the cost estimate was worked out, the amount was offered to the Village Organisation without further negotiation at the village level.

Currently, AKRSP uses the method of separating material from labour inputs, the latter being based on mandays. Two textbooks were used as reference to determine labour efficiency and subsequently work out the mandays. One thing that has become apparent is that labour efficiency in these parts seems to be much lower in comparison to other countries cited in the reference books. In short, the Village Organisation might end up putting in more mandays than those worked out in the cost estimates. Even so, the grant given by AKRSP is sufficient incentive to the villagers to complete their project successfully. In other words, AKRSP's grant is first an investment in community participation, and then a cost estimate. Engineering estimates provide a guide to how much investment is needed in a particular village to complete a project.

At one stage, AKRSP had initiated the "revolving-fund" concept whereby, taking into account the engineer's and surveyor's project cost estimates, the approximate sum was then offered to the Village Organisation which was required to complete the project within the allocated sum of money. This method undoubtedly had some drawbacks and was discontinued after a brief period of experimentation.

Very recently, AKRSP has also begun to introduce certain conditions whereby it will be able to monitor the disbursed sum component-wise. The new receipt-forms for disbursement issued to Village Organisations by AKRSP state the amount designated for each material input. The Village Organisation is instructed to spend only the estimated amount for each material input and not to "transfer funds" from one input to another. All excess funds from any allocat-

ed sum for a particular component will revert to the Village Organisation. For instance, if the amount designated for cement is not fully utilised for some reason, it will henceforth be deposited in the Village Organisation's equity capital.

To conclude, AKRSP is evolving and experimenting towards creating a system which would reflect proper project cost estimation, as well as a community's willingness to save for future development needs out of AKRSP's grant.

III. IMPLEMENTATION

There have been various problems associated during the implementation stage, particularly at supply levels.

1. Explosives

The main difficulty experienced with explosives has been one of procurement. A license is required to possess explosives subject to the approval of Inspector of Explosives. At the moment, AKRSP does not possess a license of its own. In order to acquire a license, AKRSP would have to build magazine facilities. Since AKRSP's programme is scheduled to phase out in a number of years, it cannot justify erecting expensive permanent structures. Thus, for its present needs, AKRSP utilises the good offices of the department of Local Bodies and Rural Development (LB&RD) in Baltistan who have given all cooperation possible in providing explosives to AKRSP. But due to strict handling and transport regulations, there is no possibility of bulk purchasing from LB&RD. This problem is further compounded by the fact that severe winters affect communication between Gilgit and Baltistan. Moreover, the local administration in Gilgit have recently issued further strict regulations regarding handling, transportation and storage of explosives. In short, the bottleneck in supply of explosives is keenly felt by AKRSP, but there seem to be few options in the immediate future to alleviate this problem.

2. Machines

AKRSP gears its PPI projects towards a labour-intensive approach. The problem arises when rocks or boulders have to be removed. This problem is heightened when there is little working space, that is, when one can only engage a few men at a time to pick away at the obstructing rock structure. Since last year, UNDP/FAO have provided AKRSP with portable rock-drilling machines in such cases. AKRSP has also recently purchased five light, portable drill-machines with built-in engines. They are given to needful Village Organisations on rental basis at a rate of Rs. 150 per day, which is a little less than the prevailing market rate. Problems arise when villagers who are new to handling these drills end up causing frequent minor breakdowns. In such cases, they have to transport the drill to and fro Gilgit for repairs which, at times, may involve a considerable transporting distance. A local mechanic stationed in Gilgit has now been made responsible for instructing villagers on the use of rock-drill as well as its maintenance.

3. G. I. Wires for Protective Spurs.

G. I. wires are indispensable in protective works. Initially, AKRSP had a steady supply of G.I. wires upon demand from Kohistan Development Board. The KDB has now been abolished. Since AKRSP has no major storage facilities, it cannot store G. I. wires in bulk. However, the Village Organisations concerned themselves procure G.I. wires from down country at good rates.

4. Supervision of Projects

Much of the supervision of the project is done by the villagers themselves. Supervision by engineering staff is needed mostly when bed-levelling has to be determined in the case of construction of a new irrigation channel. The villagers are well-versed in channel building and the standard of workmanship seems to be the same throughout Gilgit and Chitral districts.

In the case of protective works, however, there is some complexity involved. For instance, the first spurs at Phakora village were not very successful and collapsed under rising water pressure. The Senior Engineer has done considerable research and has visited Swat district which has a number of successful river-training projects. The outcome was the designing of an "apron" to strengthen the structure and check the pressure against the protective spurs.

5. Labour Availability

Finally, there is another factor in implementation. Work on project sites cannot be regular due to seasonal and weather fluctuations. In winter, snowfall makes work impossible, and during peak harvesting and sowing seasons, the work on project sites is either abandoned or activity is reduced to a minimum level. In such cases, it is not the policy of AKRSP to encourage villagers to forego important agricultural activities merely to speed up a project.

IV. POST-PROJECT ISSUES

1. Maintenance of PPI Projects

Maintenance of the project is the responsibility of the Village Organisation, according to the terms of partnership between AKRSP and the Village Organisation. Maintenance of PPI projects is not complex except for the provision of labour. In the extreme cases of the villages of Sultanabad and Mohammadabad, head works were washed away during heavy floods. In both cases, the Village Organisations rebuilt the headworks successfully and also bought explosives from AKRSP for blasting. In the case of village Altit, a link road damaged by heavy floods was successfully repaired by members of the VO. These cases are an encouraging sign to AKRSP regarding the maintenance ability of the Village Organisations. In brief, AKRSP does not foresee serious problems regarding maintenance of PPI projects by concerned Village Organisations.

2. Village Planning

The Engineering Section is also engaged in village planning. This is a considerable task since physical surveying of the terrain has to be done in detail. This task is especially complicated because there are no existing references of detailed surveys for this part of the country.

Currently, the Engineering Section has produced a number of blueprints for several individual villages. Since this is a time-consuming effort, the Engineering Section has ended up diverting substantial manpower and resources towards this objective which has affected the supervision of some other projects. It has now begun to direct student trainee engineers towards village planning, and has part of its trace-out work done by other firms. It is also planning to recruit engineers who are knowledgeable in local conditions to work solely on village plans.

Undoubtedly, village planning has taken up more time and resources than anticipated. Also considerable efforts will have to be made when village planning dialogues will be conducted

with villagers. An entire new system of planning and implementation has to be worked out in consultation with villagers.

V. RESEARCH

AKRSP's Engineering Section is also involved in research for its PPI projects. In the case of irrigation channels, it has taken the benefit of existing channels in Gilgit district rather than applying text-book formulas. Research has been conducted on existing channels to determine discharge and velocity as well as determining engineering constants. It has done the same for protective works. In this case, particularly, there is not much literature available in relation to local conditions. Other research efforts on protective works have been discussed in previous Progress Reports.

VI. 1983 PROGRESS OF THE PPI PROGRAMME

Despite the difficulties encountered in its first year, AKRSP's PPI programme has generally exceeded the anticipations one had in the beginning of 1983. The progress in 1983 is summarised in Table 4. Briefly, we started 80 PPI projects, at a total cost of Rs. 9.5 million. However, because of delays in the commitment of additional funds expected during the year, initiation of most projects was delayed until the last two months of the year, when construction activity comes to a virtual standstill. Nevertheless, 23 projects were completed, as against our hopes of completing 36 projects. The overall progress of work in December 1983 was 48%. Financial disbursement of 62% of the cost has already been made to the Village Organisations.

An estimated 9,000 — 10,000 small farmers are expected to benefit from the employment and income-generating opportunities offered by the PPI programme. For the first time in years, there is hope that agriculture might provide the increased opportunities for livelihood that are needed so desperately in Gilgit's villages.

CHAPTER FOUR

EXTENSION AND SUPPLIES: LESSONS FOR AN NGO

I. THE CONCEPT

One of the three fundamental principles which is embodied in AKRSP's approach to rural development specifies that provision of an administrative infrastructure is a pre-requisite for village-level development. Such an administrative infrastructure includes the provision of extension services backed with accessibility to supplies. The essential purpose is to create a cadre of specialists at the village level. The areas of their specialisation would reflect village needs. Such training would substantially contribute in helping the village move towards self-sufficiency. The important question was how to achieve this. In its brief history AKRSP has experimented with two methods. The lessons of the first were instrumental in shaping the subsequent pattern of extension training. A major conclusion drawn after a first review of the preliminary extension training sessions was that an NGO by its very nature has to adopt a certain specified attitude towards extension work. It cannot replace the government machinery in the field or imitate it, but has to supplement its efforts. It has to enlist the skills available with the local authorities, combine these with its own resource base and evolve an appropriate training framework.

In order to share AKRSP's experience in this field with the reader, the two experiments are explained below.

II. THE FIRST EXPERIMENT IN EXTENSION TRAINING

In its first few months in the field AKRSP established four extension training centres in different valleys of the project area. Representatives chosen by Village Organisations participated in fortnightly classes in these centres. Instruction on agriculture, engineering and organisation was provided by AKRSP staff. In agriculture the emphasis was placed on identifying the problems particular to each village and providing solutions to these. In support of the rationale that solutions which suggested use of improved varieties of seeds, insecticides or other inputs were futile unless backed by the supply of these inputs, AKRSP endeavoured to establish supply lines between Gilgit and the project area villages. In engineering, instruction was given on areas which would help the participants in the implementation and maintenance of PPI schemes.

The response of the villagers to this training was most encouraging. The attendance at these fortnightly sessions was usually 80%. However, due to the difficulty of the terrain and the absence of any organised system of communication, the participants had begun to complain of the difficulties in attending these sessions. With the gradual expansion of Village Organisations, these problems of communication were being compounded. It was apparent that AKRSP would have to open numerous other such centres if it wanted representatives from each Village Organisation to participate in these sessions. Clearly, the extension resources of the Programme were being overstretched. AKRSP could not support such a wide network of centres and still hope to effectively monitor the requirements and the progress of its extension services. Without being a government institution, it had forced itself in a position whereby it was required to assume the role of a large scale government body. Moreover, the impact of the training sessions was uncertain. The Management Group sat down with its mentor Dr. Akhter Hameed Khan for a serious discussion.

III. THE SECOND EXPERIMENT IN EXTENSION TRAINING

The evolution into the second extension training method was made after a more realistic assessment of the resource capacity of the Programme. It was decided that one extension training centre in Gilgit would cater to the needs of the entire district. Henceforth, training courses would be in-depth. This would be facilitated by converting all courses into two-to-three week residential courses. The expertise available with the local government departments was recruited to supplement the technical deficiencies of the Programme staff. The agriculture and animal husbandry departments in the district were, from then on, fully associated with the preparation of course curricula, lectures and other aspects of the courses.

By the end of July, a training hostel in Gilgit had been rented and furnished in local tradition. Four courses were held till the end of December, 1983, two in livestock and two in plant protection. The participants to these courses were selected by the Village Organisations. Each organisation was given certain guidelines to help it in its selection of these trainees. The Programme staff urged that selected candidates should have a strong motivation to return to the village after the course. They should be professionally interested in the course content and involved with the work about which they were coming to learn. A total of 45 village representatives participated in the Livestock Course and 46 participated in the Plant Protection and Production Course. Together, these trainees represented 61 Village Organisations from the various sub-divisions of the Gilgit district. The preparation of the course curricula was preceded by a survey of different villages. This helped in pinpointing the specific problems associated with livestock and plant protection and production. These courses were primarily aimed towards problem solving. At the end of each course, each participant was given a kit of medicines and implements necessary to make him functional. Thereafter, AKRSP will only replenish his stocks at cost. It is hoped that he will be sustained entirely by charges paid by villagers for services rendered to them. Periodically, AKRSP will arrange refresher courses for the trainees.

A report submitted by the Project Veterinarian, after follow-up visits to 24 villages from which representatives had participated in the livestock course, indicated that on an average each specialist has treated less than one animal each week. This was mainly due to a misunderstanding of the manner in which the specialists would be sustained after returning to their villages. Through the forum provided by the Village Organisation this problem is being addressed. Moreover, the planning of future courses is being done with the experience gained from these first courses. AKRSP has made a beginning on lines suitable for a small private organisation. Important lessons will be derived from its experience in the field.

IV. INPUTS AND MACHINERY

In support of its principle that the provision of an adequate administrative infrastructure is vital to any effort at increasing productivity, AKRSP has instituted a system which attempts to deal with specific problems connected with supplies. The definition and elucidation of supply problems was left upto the farm households. In its first year, the Programme has been called upon to act as an intermediary in ensuring supplies of fertiliser, insecticides, seeds, threshers, drill machines and explosives. This system of arranging supplies is backed by a rapidly growing credit programme to enable people without ready cash to exploit the opportunities provided by it. Details of the credit aspects of the programme are given in Chapter Seven.

In view of the extreme shortage of fertiliser in the area, an important aspect of this programme has been the provision of fertiliser to the local farmers. By the end of October, about 4,058

farmers from 50 Village Organisations had utilised these facilities. Initially, the UNDP/FAO project and the Agriculture Department depots had been associated with AKRSP in fertiliser distribution. Later, due to the rapid expansion in the number of farmers who had been introduced to this scheme AKRSP had to make separate arrangements with the National Fertiliser Marketing Limited (NFML).

There are numerous problems associated with the supply of fertiliser. To begin with, there is an overall shortage of fertiliser in the country. In months in which Nitrophos is required in the Punjab its supply to the Northern Areas is affected. This means that the lower altitude double-cropping areas of the Gilgit district face severe problems. Probably conditioned by the experience of this shortfall, farmers tend to include a precautionary element in their orders for fertiliser. This precautionary demand exaggerates their actual need. Moreover, due to the problems of transportation the village representative is not able to lift his entire requirements at the same time. In order to compute the date from which the credit loaned to the Village Organisation becomes effective, this factor is taken into account. The Village Organisations are allowed a concession of one month from the day on which they first present their demand slips at AKRSP's fertiliser stores in Gilgit.

In addition, AKRSP has also arranged for the supply of improved varieties of seeds, insecticides, pesticides and spray pumps for a small number of Village Organisations. An important component of such supplies is the concurrent provision of extension advice on the use of these inputs and implements. Project Agriculturalists are stationed in different valleys of the district to help cope with this aspect.

In the second quarter of 1983 two thresher machines were given to two Village Organisations on credit. The principal amount loaned was Rs. 42,874. This would be due in the second quarter of 1986. It was projected that a total of 274 farm households would benefit by the machines.

CHAPTER FIVE

EXPERIMENTING WITH CO-OPERATIVE MARKETING

I. INTRODUCTION

AKRSP is fostering and supporting Village Organisations with the long term perspective in view that these cohesive socio-economic groups will identify, implement and manage on a continuous basis all the development activities pertaining to the village by optimal utilisation of the resources available within and outside the village. In pursuit of these objectives, one of the major tasks ahead of the Village Organisations is the establishment of vertically integrated marketing institutions. Such a system could be built on the cooperative collection of produce at the village level, and subsequent marketing along the same principle.

Through such cooperation, individual small farmers can effectively compete in a business world composed of larger, more powerful economic units.

The project area of AKRSP is characterised by an abundance of nuts, fruits and other agricultural produce, and inadequate physical, administrative and market infrastructures in the region. Out of the surplus production in the region, a substantial percentage is wasted and the residual is ineffectively marketed. The major reasons for this include the non-existence of an organisational set-up for planning, managing and carrying out marketing functions, and the lack of integration in the production and the distribution processes.

II. ANALYSIS OF LOCAL SITUATION

A survey was conducted in the Gilgit market and some of the villages to understand the structure and mechanics of the existing marketing system. The following findings were made:

- The major surplus available for marketing in the villages comprises of seasonal fruits, vegetables and dry fruits.
- There are about 90 to 100 retailers for fresh produce and 20 for dry fruits in Gilgit, whereas there is no wholesale market for them in the town. On average, a retailer would carry 80 kg to 400 kg of fresh produce at any time, or 400 kg to 4000 kg of dry fruit. The market is fed by the villages or the down-country regions. The market is subject to seasonal fluctuations and is dependent upon the weather conditions etc. From the interaction with the retailers, it came out that the surplus usually starts arriving in the morning, and farmers arriving early have a better opportunity to get a reasonable return for their produce. The farmers usually utilised tractors, pick-ups and buses for transporting their produce.
- It was found that there was a price list issued by the district administration, but its emphasis was on controlling the prices of the fresh produce arriving from down-country regions.
- From the discussion with the villages, we came to know that the major part of fruits and vegetables is wasted due to the non-availability of transport at the appropriate time, lack of storage facilities and the high cost of transporting the produce from the village to the market.

- The farmers apprised us that after bearing the high cost of transportation of the produce and of themselves, they are compelled to accept the terms spelled out by the buyers, due to the fact that it is extremely difficult to carry it from shop to shop. The perishable nature of the produce also works to the detriment of the producer's interest.
- An individual small farmer usually fails to get a reasonable return for the produce. The amount of effort put into its disposal makes the farmer think several times before he ultimately decides to market it.

Keeping in view the above problems being faced by the farmers, AKRSP introduced its programme in a selected number of villages. It was explained that if the villagers were prepared to evolve a marketing system for their village, initially by collectively transporting their surplus to the market, then AKRSP would assist them in exploring the market for their surplus, identifying potential buyers, and initially subsidising the transportation cost incurred in this process.

III. REVIEW OF PROGRESS

AKRSP encouraged the Village Organisations to evolve a cooperative marketing system for their respective villages. It was explained to the villagers that marketing is a productive process that adds form, place, time and possession utility to farm commodities. The value added in the marketing process complements the productive process in farming. It was further elaborated that a small farmer is constrained by the scale of his operation in acquiring resources as well as in marketing the output, and that there exist opportunities which small farmers can exploit to their own advantage only by cooperative behaviour and cost sharing, that is, by enlarging the scale of their operations.

Members of the Village Organisations were invited to organise collection of the surplus produce from the primary producers and to transport it to the Gilgit market. It was the responsibility of the members to select the persons whom they considered to be entrepreneurial enough to undertake these operations. Cost of transportation of the produce from the villages to the Gilgit market was initially borne by AKRSP in order to demonstrate the economics of these transactions. In this programme, eight Village Organisations participated and 364 members were able to transport 42 metric tonnes of their fresh and dried farm produce to the Gilgit market. Out of the gross receipts obtained by the farmers, transportation cost amounted to 10%. By transporting their produce from their local village markets to the Gilgit market, farmers were able to obtain an increase of over 19% to the incomes they would have earned by selling the produce in the villages. Through this experiment, AKRSP was successful in demonstrating that if small farmers act in concert to plan and manage their marketing functions they could reap substantial benefits. Headway in this respect was made by initiating a collective decision-making process amongst the members regarding their surplus farm produce.

Soon it was realised that in addition to Gilgit, many other accessible outlets will have to be explored as the Gilgit market cannot absorb the surplus produce of the entire district. Unless there are effective outlets and potentially attractive returns for his produce, there will be no lasting incentive for the producer to produce above his own consumption requirements. With this realisation, a survey was conducted in various national marketing centres in order to ascertain the demand for the farm produce of Gilgit district in these centres. These findings clearly indicated that there existed an enormous market potential for the farm produce of the project area. The Village Organisations were apprised of these findings and were encouraged to market

their produce in the down-country market centres.

Barkulti Paen Village Organisation took the initiative in this regard, as the Manager of the Organisation had substantial marketing experience to his credit. In this experiment, members of the Barkulti Paen Village Organisation collected 3.5 metric tonnes of dry fruits (apricot kernels, walnuts and dried apricot) from 150 primary producers, transported it to Gilgit on tractors, and from Gilgit to Pindi by truck. As contacts had already been established with whole-sale traders and commission agents in down-country markets, the produce was disposed off with considerable ease in the market.

The results have been summarised in Table 5. It can be seen that the price differential, net of transportation charges, is 4% between Yasin and Gilgit, and 24% between Yasin and Pindi. This implies that the small farmers of Barkulti Paen obtained 20% more of net revenues by selling the produce in Pindi, rather than in Gilgit.

We cannot yet generalise from this experiment, because these receipts reflect the supply and demand for the produce at a particular time in the markets in Gilgit and Pindi. It can be said that through this experience members of the Barkulti Paen Village Organisation were able to obtain invaluable insights, which could serve as an example for other collective efforts in the region.

For the sake of comparison, and for indicating the scale of operations of our two major efforts in 1983, aggregate figures for fresh and dry fruit marketing are reproduced below:

	No. of Villages	No. of Beneficiaries	Quantity metric tons		
Fresh produce	8	364	42		
Dry fruit	3	150	3.5		
	11	514	45.5		

	Gross Receipts (Rs.) at Gilgit	Gross Receipts (Rs.) at Pindi	Receipts Net of transport at Local*	Receipts Net of transport at Gilgit	Receipts Net of transport at Pindi
Fresh produce	169,283	—	128,879	153,894	—
Dry fruit	69,701	85,364	66,077	68,761	82,3217
	238,984	85,364			

% Increase in Net Receipts between Village and:

	Gilgit	Pindi
Fresh produce	19 (φ)	—
Dry fruits	4	20

* Village markets

φ Incorrectly reported as 35% in the third Progress Report.

Items transported as fresh produce were apples, grapes, pomegranates, pears, potatoes and tomatoes.

Items transported as dry fruit were apricot kernels, walnuts and apricots dried.

IV. FUTURE STRATEGY AND POSSIBLE PROBLEMS

From our experience in marketing research it became clear that in order to effectively market the farm produce in the various national marketing centres, the Village Organisations should systematically plan and manage each and every activity involved in marketing the produce. This includes plucking, grading, packing, transportation and disposal of the produce. The foremost thing in this regard is the integration of the production and the distribution processes, which can only be accomplished by vertically integrated market institutions which perform a series of production and marketing functions with significant economies of scale.

Some of the problems identified are the picking up of immature fruits, defective packing, careless handling and transportation, and the non-existence of the system of grading the fruit. Only if the produce is sold on the basis of grades will the fullest benefits of grading as a method of consumer-producer communication be realised. The wider the practice of selling on a graded basis, the less is the possibility of fraud and deceit in the selling of goods by farmers. If the product is adequately graded, the best of the lot can be shipped to distant markets and the poorer portions can be sold to the nearer local markets. This system enhances the competitive position of the producer in the distant markets. It can bring about changes in present practices. For example, picking fruit and vegetable at the proper degree of ripeness can reduce the enormous amount of spoilage. Such practices might become more widespread if the producers know what constitutes higher-quality and higher-valued products in down-country markets.

As an important step, grade limits have to be established and the marketable produce has to be sorted into lots that are as uniform as possible. Further, proper packing of the fruit has to be introduced in this region. The perishable nature of the fresh fruit and the present state of transportation networks in the region, make it all the more important that the fruits be packed with utmost care in uniform crates. In the coming fresh fruit season, AKRSP plans to take necessary steps regarding grading and packing of the fruit, and contacts will be established with other research agencies in this respect.

V. FUTURE ROLE OF VILLAGE ORGANISATIONS IN MARKETING

It is envisaged that ultimately the marketing collectives would federate into a central co-operative association and operate together as an integrated unit. The role of the central co-operative association would be to collect market information, plan marketing operations on behalf of its member marketing collectives, arrange for the transport of produce to distant commercial markets, impart the necessary managerial and technical skills to the persons nominated by the members and provide credit and other allied facilities to its members. By performing these functions, the association will begin to play part of the role of the Development Finance Co-operative visualised in Chapter One. Thus the marketing experiments of today are relying on the ingenuity of AKRSP and the Village Organisations in integrating profitable marketing operations into an innovative attempt at the self-sustaining development of project area villages.

CHAPTER SIX

BUDGET AND ACCOUNTS: INTEGRATION WITH ACTIVITY REPORTING

I. AKRSP DONORS

The Aga Khan Rural Support Programme (AKRSP), a non-profit company, is a project of the Aga Khan Foundation (AKF). At its inception the Programme was guaranteed funds donated by Aga Khan Foundation network. However, within three months of its operations and field diagnostic surveys, it became apparent that the level of funding required to eradicate poverty and to improve the economic condition of the rural masses in the Northern Areas of Pakistan, was much higher than stipulated by the founding fathers of the Programme.

A fund raising campaign under the auspices of the Aga Khan Foundation (Head Office) was, therefore, launched to which the AKF affiliates and branches responded magnificently, by getting international donor agencies interested in the Programme and by providing matching grants to the international donations, where required. The generous contributions made by the various donor agencies are summarised as under:

Donor	Amount Received (Rs. '000')
1. CIDA	5439.0
2. Alberta AID	1654.4
3. Ford Foundation	1324.9
4. OXFAM	603.3
5. ODA	327.1
6. AKF (UK)	1142.6
7. AKF (Canada)	1419.7
8. AKF (USA)	1328.4
9. Anonymous Donor	1400.0
Total	13239.4

The AKF affiliates and branches enthusiastically sold AKRSP to donors and spared no effort and time in making contributions possible by arranging visits of some of the donor agencies to the project area especially the CIDA/Alberta AID Mission in November, 1983. The anonymous donor contribution was meant for the AKRSP's Chitral Programme.

The contributions by the three AKF affiliates/branches as listed above, were in addition to their share of the seed money initially provided by AKF (Head Office). AKRSP gratefully acknowledges the generous contributions of the donors and is especially grateful to Mr. Robert d'Arcy Shaw, Director of Special Programmes, for orchestrating the whole campaign so successfully.

AKRSP is committed to providing reports to the donors and the first of the series of such reports has already been submitted to the Canadian donors. Others would be submitted on due dates. The donor funds have been physically segregated from other funds and kept in separate

bank accounts in the interest of accountability.

II. PROGRAMME EXPENDITURE

The Programme budget of AKRSP is composed of the following line items:

1. Agricultural and Rural Development
2. Extension Training Programme
3. Research and Survey
4. Survey Equipment
5. Pilot Credit Programme

1. Agricultural and Rural Development

Under this item a major activity of the AKRSP namely productive physical infrastructure (PPI) is financed and executed through the Village Organisations. The PPI broadly covers: irrigation channels (new and improvement and extension), link roads, sedimentation tanks, water reservoirs, syphon irrigation schemes, protective bunds, flood protection works, cantilever bridges, etc.

By end of the year under review, the actual disbursement on these projects was 72% of the total disbursements for Gilgit, whereas for Chitral programmes, the actual disbursement was recorded at 62% of the total amount disbursed. The amount committed for PPI during the year was 99% of the budget for the item in Gilgit, whereas the commitment for PPI of Chitral programmes was recorded at 95% of the amount budgeted. As on December 31, 1983, 80 PPI projects were undertaken in an equal number of villages in Gilgit and 33 projects were initiated in the same number of villages in Chitral.

While work is in progress on a project, the instalment released to a Village Organisation is debited to the Village Organisation account and after the completion of the project, the advance is charged to the respective type of PPI. The cost of the project is released to the Village Organisation in four equal instalments. Material/stores etc., issued from AKRSP is also debited to the advances and adjustments made accordingly. The first investment in a PPI project is essentially a grant and considered as an investment in the Village Organisation.

2. Extension Training Programme

Amount provided under this item of the budget is meant for training of village specialists like livestock specialist, plant protection and production specialist, etc. Other line items under this component are honoraria to training personnel, training workshop expenses of AKRSP staff, training centre's staff-salaries, furniture and fixture, equipment and appliances and other allied items.

During the year under review, a total number of four training courses were conducted and 91 village specialists trained in Gilgit district. This matter has been discussed in detail under Chapter Four — Extension and Supplies. Speaking in financial terms, the disbursement on extension training was 4% of the total disbursement of the Programme Budget; compared to the allocated budget of item, the disbursement was 40%, indicating a saving of 60%.

No extension training programme was envisaged in the budget for Chitral this year.

3. Research and Survey

The amount provided in the budget for 1983 was mainly to cover procurement of vehicles, their operational costs, salaries and travelling expenses of the project staff, consisting of Social Organisers, Engineers, Project Agriculturalists and the other field staff, audio-visual equipment, audio-visual supplies, rent of SOU offices, agriculture surveys, marketing research, engineering, research, camping material, etc.

The total disbursement under this head as of December 1983 was at 18% of the programme expenses, recording an increase of 12% over the budget allocation. The over expenditure was due to lack of correct appreciation of the extent of activities and number of staff required under this item.

Keeping in view the volume of work done in terms of villages visited, schemes surveyed and organisations formed during the year, the amount of over-expenditure seems well utilised.

4. Survey Equipment

In the budget under review, it was envisaged that various survey equipment would be procured, like: portable compressors, portable rock drill machines, hand hammer drill pneumatic, tungston carbide, levels, altimeters, prismatic compass and spares and accessories.

However, the equipment purchased during the year costed about 0.3% of the total disbursements of the programme expenditure. As compared to budget allocation the cost of equipment was about 17%. The purchase of equipment is geared to the need. Un-necessary purchases in advance are being avoided.

5. Pilot Credit Programme

The Board of Directors of the AKRSP while approving the budget for 1983 also approved an amount of Rupees one million as part guarantee of the agricultural production loans to be advanced to Village Organisations and directed the GM for exploring avenues for arrangement of these loans with financial institutions. Accordingly, under special arrangements with Habib Bank Limited, the bank put a sum of Rs. 666,996 at the disposal of AKRSP for disbursement as group loans to the specified Village Organisations. The details of loans disbursed and amount recovered during the period under review are narrated in the following paragraphs:

— Agricultural production loan amounting to Rs. 0.705 million was disbursed to the 4058 members of 50 villages in the year 1983. The loan amount repayable in the year 1983 was Rs. 0.504 million out of which Rs. 0.494 million was repaid within the required time period, which is to say that the overall recovery rate is 98%. Details of the four tranches of disbursements corresponding to the four calendar quarters of the year 1983 are as follows:

The first tranche amounting to Rs. 222,779 was disbursed in the period January—March, 1983. Loanee Village Organisations numbered 10, and the members availing the facility were 991. The loan was due for repayment in the third quarter of 1983 and was repaid in its entirety within the required period.

The second tranche was disbursed in the period April—June, 1983. It amounted to Rs. 281,263 and 1823 members of 25 Village Organisations availed the facility. The loan was due

for repayment in the last quarter of 1983. 96% of the amount was recovered within the required period. By the end of December amount recoverable stood at Rs. 9,969.

An amount of Rs. 117,026 was disbursed to 695 members of 10 Village Organisations in the third tranche covering the period July–September 1983. The amount is repayable in the first quarter of 1984. Till December 1983, 16% of the principal amount was repaid by four Village Organisations.

The last tranche amounting to Rs. 84,019 was disbursed to the 549 members of 7 Village Organisations. The loan is repayable in the second quarter of 1984.

6. Programme Expenditure as a Whole

A summary of the disbursements and commitments under the Programme Expenditure head is given in Table 7. This table covers both Gilgit and Chitral districts, and lists all AKRSP expenditures during 1983.

7. Accounting Route in Credit Programme

A foolproof route has to be followed in accounting from disbursement of loans to the Village Organisations till its recovery and deposit with HBL. After collection of the demands for fertiliser received from desirous Village Organisations for a crop season, the cost of the total quantity is advanced to the suppliers, viz., National Fertilizer Marketing Limited.

On receipt of the fertiliser from the suppliers, the total cost of the quantity is debited to fertiliser stores with a counter credit of advance to suppliers. On issuance of the fertiliser to the Village Organisations, cost of the quantity issued is debited to respective loan account of the Village Organisation with counter credit to fertiliser stores. The recovery of loan from the Village Organisations is collected by the Social Organisers and cash deposited with the Accounts Section. For this transaction the cash account is debited with the amount received with counter credit to loan account of the respective Village Organisation. While depositing the amount recovered from the Village Organisation, the HBL Agriculture Production Loan Account is debited by crediting the cash account. This detailed routine makes the job of the Accounts Section cumbersome but at the same time it is heartening to note that the pace of advancement and repayment of loan is smooth and encouraging.

III. PROJECT AUDIT

The practice of audits of the Village Organisations has since been discontinued, in view of its apparent harassment of the Village Organisations and the amount of time required from the two-man mini account section. Alternative arrangements have been made for attaining the objectives of audit. A Field Accountant has been appointed and assigned the task of training the office bearers of the Village Organisations and Village Supervisors, in basic book keeping. The Field Accountant is practically in the field for the last two months and visiting village after village in different valleys. While training the office bearers of the Village Organisations, he makes the office bearers to complete the books and at the end draws up trial balance as of the date, thus completing the accounts. At the end of his tour of a valley, he brings along the trial balances duly signed by the office bearers for authentication. These trial balances are then forwarded to the MER Section for verification of equity capital of the Village Organisation reported by the Social

Organisers. The MER Section has found this practice very valuable and appreciates the efforts of the Field Accountant.

The efforts of the Field Accountant in imparting training in book keeping to the office bearers and Village Supervisors of Village Organisations are bound to upgrade the managerial skills of the Managers and Village Supervisors. In a nutshell, this step of AKRSP is directed towards preparation of the ground for establishment of a central bank in due course of time.

CHAPTER SEVEN

PERFORMANCE AND FUTURE OF VILLAGE-BASED BANKING: SAVINGS AND LOANS

I. THE ACCUMMULATION OF VILLAGE CAPITAL

Writing in an 1981 issue of *Newsweek* on "A Man Named Khan," columnist Verindra Tarzie Vittachi spoke of a World Bank document that had "given legitimacy to the notion that villagers are bankable even if they cannot yet sign a check." Documentary legitimacy, important in its own right (especially if it is conferred by an influential international body), is not a substitute for the legitimacy and credibility that has to be established in the villages in creating a viable rural banking operation. As is explained in the leading article, commercial banking in much of the Third World's countryside cannot remain viable if it is not anchored in collective community responsibility for the disbursement and recovery of loans. And such responsibility is meaningless without the demonstrable ability of villagers to fulfil their obligations. Vittachi would agree.

Since its inception, AKRSP has insisted that members of Village Organisations pool their financial resources into a common equity capital. This principle acquires particular importance in view of the role envisaged for it: the equity capital is the security against which Village Organisations can borrow from outside agencies. Capital is needed as security because a farmer's land, offered as collateral, has hardly ever prevented frequent and large-scale default in large rural credit operations. The large number of insolvent farm-credit institutions in Pakistan and abroad is a testimony to the inadequacy of land as collateral. Hence the particular need for equity capital to secure a large-scale rural credit programme.

This use of equity capital has been explained to villagers throughout the project area. AKRSP staff are not yet convinced that the point is fully appreciated. Slowly, however, the importance of equity capital will become self-evident to the Village Organisations. An instructive episode involved the Sherqilla Village Organisation, which required a bank loan for a tractor. Initially, the Sherqilla VO insisted that only an interest-free loan would be profitable for them. It was pointed out to them that AKRSP relies completely on existing banks for its credit funds, and acts as an intermediary between banks and borrowing groups, with the result that loans can be offered on the usual terms offered by the banks. The banks, in turn, need a security, which is offered by AKRSP once the borrowing VO's savings appear adequate to cover the risk of default. A series of discussions then ensued between AKRSP and the VO members, with neither side yielding ground to the other. Finally, the VO started suggesting that, since bank policies permitted individual loans of up to Rs. 6,000, each one of the 300 members of the VO should be given Rs. 6,000 in interestfree credit! We invited the VO members to present their request to the banks; of course, nothing materialised. After six months of debate and discussion, the Sherqilla Village Organisation passed a resolution requesting credit to purchase a tractor, on the terms offered by the banks and AKRSP. Not only that, they also requested loans for land development on the same terms and conditions.

Clearly, the development needs of the villages require large amounts of credit in the coming years. In addition to the creation of Village Organisations, the accumulation of capital at the village level is a fundamental requirement for a banking system that will cater to the demand for credit. The combination of equity capital and loan capital at the village level is expected to contribute significantly to a self-sustained development process in the countryside.

II. ACCUMULATION OF EQUITY CAPITAL, 1983

As is natural with a process starting from nothing, aggregate savings of Village Organisations continued to show large percentage increases during 1983. In fact, aggregate savings increased 92% between July and September, and another 125% between October and December. Encouragingly, however, equity per member increased by 51% and 72% during the corresponding periods. The level of equity per member is now at Rs. 55. (See Table 3 for some details.) The sustained growth of equity per member during 1983 is one indicator of the credibility that Village Organisations are beginning to acquire as village-level banks. Given the limited opportunities for investment presented by AKRSP in its first year of operation, as well as the past failures of rural organisations to preserve the equity of their members, the level of, and increases in, equity per member appear genuinely impressive.

The collection of equity figures from 123 Village Organisations reveals a number of patterns of possible interest. Some computations were made for 101 Village Organisations that had been in existence for at least ten weeks. The distribution of equity capital per member, per year appears to be skewed to the right, with the median at Rs. 70 per member, per year. The right tail of the distribution mostly consists of villages from Gilgit and Hunza sub-divisions. In fact, the median figure for Gilgit sub-division is Rs. 128 per member, per year, about twice the medians for Nagar and Gupis-Yasin sub-divisions. Provided some theoretical requirements are fulfilled, these figures might well reflect the fundamental disparities in wealth between different regions. Such a consideration has prompted AKRSP management to station a full-time Social Organiser in Nagar; for organisational weaknesses in Nagar villages are a serious impediment to development work in that region. In Gupis-Yasin, there has already been a major effort in terms of the PPI programme (see Table 4).

For reasons noted above, it is encouraging that half the 12,000 or so members of Village Organisations might already be saving at the annual rate of Rs. 70 per member with these organisations. However, even within the group of organisations formed so far, there remains a considerable potential for improved performance. For instance, the bottom fourth of these VO's saves less than Rs. 46 per member annually — not even one rupee per week for every member. The top fourth saves more than Rs. 110 per member, at an annual rate. Most remarkable is the instance of the Passu Village Organisation: with only 59 members, Passu had saved Rs. 56,668 by December, at an annual rate of Rs. 1,342 per member. The most pathetic case is that of a certain Village Organisation, which shall go nameless, that is saving only Rs. 17 per member, per year. Such disparities, although exaggerated by first-year figures, are nevertheless quite real. AKRSP faces the formidable task of motivating lagging organisations to emulate the leaders by forming more cohesive and more bankable Village Organisations.

III. LOAN CAPITAL

Secured by their equity capital, 46 VO's took out loans for the purchase of fertiliser during 1983. In all, 50 group loans were advanced during 1983 for fertiliser, amounting to Rs. 705,187. (Details are in Table 6.) A total of Rs. 504,142 had become due by December 1983. At that time, the amount outstanding was Rs. 9,969; the recovery rate was 98%. (Since then, recoveries have risen to 99% of the amount due.) The average loan per beneficiary farmer was only Rs. 174.

The impressive recovery rate of 99% (so far) has been achieved by constant motivational work on the part of the Social Organisers. Although AKRSP has been lending under a system that penalises default by withdrawal of all credit facilities, this message had to be conveyed

repeatedly to those villagers who had started treating default as a farmer's privilege. It is, indeed, a remarkable example of organisational success that first-year credit operations should prove so viable. However, incentives have to be given now to VO Managers, who have been performing the functions of village banking without any compensation so far. The expected expansion in the credit programme in coming years will severely test the altruistic spirit of most VO Managers.

Another requirement for financially-sound expansion of AKRSP's credit operations is that of placing VO savings in accounts to which AKRSP is a co-signatory. Once the necessary modifications have been made, the savings-and-loans system can work with increasing effectiveness in financing the development needs of the region.

CHAPTER EIGHT

WOMEN'S PROGRAMMES: STUMBLING OVER STEREOTYPES

I. INTRODUCTION

The farming systems in northern Pakistan are heavily family oriented. In the sexual division of labour, women share a major responsibility with the men in the field. Some of their main activities include care of livestock and poultry, vegetable growing, weeding, wood gathering and carrying potable water. This is in addition to their responsibilities within the home. Moreover, in households where the men have gone in search of better jobs, the sexual division begins to erode. In such cases, women's role is extended and could include sowing and harvesting.

Generally speaking, women's activities tend to be undervalued. There is no tradition of women's integration into wage labour. Moreover, due to the traditional and segregated nature of society there is a scarcity of skilled and literate women. In one large village, for instance, there was not a single literate woman, and village women identified a girls school as an urgent priority. Although villagers were willing to provide a rent-free building for the school, and funds for teachers' salaries, they were unwilling to accept a male teacher and unable to find a female for the purpose. This is typical of the conservatism in many villages. The isolation of the district and its poor communication facilities with the rest of the country have tended to aggravate the problems of women.

II. APPROACH

In recognition of the fact that women are playing an increasingly important role in the agricultural sector, and particularly so in households where male migration has forced additional responsibility onto them, AKRSP felt that a development programme which did not involve women was unlikely to have a pervasive impact on village development. Moreover, it is known that programmes which are aimed at women but work through men have the disadvantage of leaving the women outside the decision-making process. Such programmes are bound to distort the felt needs of the women and have a limited impact on the target group. As such, AKRSP resolved to have a separate programme targeted specifically at the women and one which worked through the women. Incorporating the same principles of rural development which are being followed in creating self-sustaining village organisations for the men, the Management Group decided to extend its organisational approach to women as well. However, due to the lines along which society is structured in these areas, it was realised that before such a plan could be implemented it would have to convincingly demonstrate its credibility to the menfolk. Without this, they would not allow the women to participate in a 'partnership' with AKRSP. In practise, this meant that women's programmes would have to be relegated to a second phase and implemented only in those villages where the men had successfully completed an AKRSP-sponsored project. In fact, once this was done the women themselves took the lead and, shortly after the completion of Productive Physical Infrastructure schemes in some villages, women started organising and requesting AKRSP for assistance.

Towards the end of 1983 the Management Group initiated a Diagnostic Survey which attempted to acquire basic information regarding women's roles in the farm-household, and to determine their decision-making capacity in order to identify possible areas of intervention, suitable projects and methods for implementing these projects. Formal and informal dialogues were held with village women to identify income-generating opportunities for them. A concert-

ed attempt was made to devise a strategy which would motivate the women to form an organisation for village-level development; generate equity capital for common projects; and accept responsibility for collective effort. This is perhaps the first attempt in Pakistan to form women's agricultural co-operatives on a village-by-village basis.

From first appearances, it seems that Women's Organisations will be somewhat more cohesive and prosperous than their male counterparts. There are now ten Women's Organisations under AKRSP aegis. Records compiled for six of them show a membership of 347, and savings of Rs. 24,232. Savings per member are Rs. 70, one-fourth higher than for men's organisations. Then, too, discussions in Women Organisation meetings seem to proceed with fuller participation by individual members.

III. THE PROBLEMS

One of the major obstacles in the endeavour to identify income-generating opportunities for women was the stereotype regarding the kind of activities in which women *should* engage. The most prevalent of these was that women should concentrate on handicrafts. By raising issues of supplies, quality control and marketing, AKRSP is helping to focus on activities which can, indeed, increase household incomes.

Another problem is connected with the women's perception of income-generating activities. They are not immediately able to discern the opportunities of increasing household incomes by improvements in their methods of agriculture and livestock. Instead, they look upon ventures such as shop-keeping and sewing machines as providing instant incomes. It is only after a great deal of debate that the women are persuaded to concentrate on activities in which they enjoy a comparative advantage.

Moreover, due to women's responsibilities within the house, they are faced with a severe time constraint. The intensity of such constraints will limit the kinds of income-generating activities in which the women of a village can engage. The religious composition of the population is another factor which accounts for the manner in which a village responds to AKRSP's efforts to organise the women. For instance, villages in Nagar insist on strict *purdah* for their women. In these villages AKRSP will have to make an additional effort to try and bring its development programmes to the women. In order to achieve this, a considerable amount of flexibility in implementation methods is imperative.

In view of all these factors, the final decision regarding the exact nature of projects for women would emerge out of dialogues between AKRSP and the village women. The Management Group now feels confident that its Diagnostic Survey approach will lead to the identification of profitable ventures in agriculture for village womenfolk.

IV. THE SOLUTIONS

AKRSP has identified certain areas which could be the entry-point for women's programmes. These activities are discussed below.

— *Productive Physical Infrastructure.*

A scheme which seems to be particularly popular with the women is walled vegetable gardens. This scheme has been identified by four Village Organisations (Passu,

Pakistan - Melad:

Thank you once again, for your nice presentation. You were already the spokesman of our group on many occasions, giving away many bottles of wine during excursions. Somebody remarked yesterday that you deserve a bottle of wine for this. In Pakistan you stay at a high altitude, at high levels. You also brought our courses to high levels, with your leading role in many discussions. You always take responsibility, not only in class, but also when problems arise outside class hours. And you were the one sitting 12 hours on the floor of a buss driving to Paris, you together with Manal accompanied our friend Valeria to Schiphol, always taking care of others. Thanks for this. You really exploited the modular setup of our training programme, taking courses in potato, in seed sector development and in plant breeding. I hope you will be able to use and transfer your experience at IAC in your seed programme at home. It was nice to have you here.

Sherqilla, Morkhon and Rahimabad-I) after exhaustive discussions with members of the Management Group. Such walled vegetable gardens will enable the women to grow vegetables on a scale which was not possible due to the system of free grazing practised in the area. Although these projects are now in the process of being costed and finalised, there are numerous unsettled issues surrounding them. AKRSP's experience in the field indicates that the villagers will be instrumental in providing solutions.

The scarcity of fodder in the area is one of the principal reasons for the lag in dairy production. The local practise is of taking the animals to highland pastures in summer. The custom of allowing the escorts of the animals to keep the dairy produce for their own consumption has partly contributed to the lack of development in this sector. Moreover, the tradition of burying any surplus butter for future wedding feasts has not contributed to the development of dairy production for sale in markets.

— *Extension Training Programme.*

AKRSP is organising a number of extension training courses for women. These courses will cover two or three of the several agricultural activities in which rural women in Gilgit participate actively. A three-week poultry course is scheduled to start on February 20, 1984. It is expected that representatives from 11 Village Organisations will participate in this in-residence course.* Anecdotally, it is worth pointing out that none of the women who are expected to attend are literate or speak Urdu. As such, lectures will be given in Shin'a, the major language of the Northern Areas. These lectures will then be translated into Burushaski and Gojali for half the women who cannot understand Shin'a. For most, it will be the first exposure to any sort of formal training. As such, the emphasis of the course is on practical training. Each participant will be given a medicine kit and two units of chicks (RIR and the Egyptian Faoumy) after the training. The ability of the trainees to care for the chicks will be a practical demonstration of the appropriateness of the course content and the performance of the trainees. Further collaboration with participating villages in the field of poultry would be conditional on the performance of their nominees for training. Regular follow-up visits will be conducted to impart refresher training and assess performance.

— *Supplies and Inputs.*

AKRSP has arranged for the supply of improved variety of vegetable seeds at cost to Village Organisations. Where required, Women's Organisations will be provided technical expertise in the care and growth of these vegetables. Insecticides and spray pumps will also be supplied to organisations on request. In Oshikhandass and Sikandarabad the women have requested for insecticides and are being assisted by AKRSP agriculturalists.

— *Marketing.*

In the last fruit season AKRSP successfully completed a marketing experiment in

* At the time of this writing 18 women from 9 Village Organisations had reported for the course at the Extension Training centre in Gilgit.

collaboration with the men's Village Organisations in the Yasin Valley to collectively transport their dried fruits for sale in the Gilgit and Rawalpindi markets. In the next season, AKRSP expects to include Women's Organisations in the experiment. Fruit processing and drying falls within the domain of female activity and they can be much more effective in organising its collection for sale than men. In collaboration with the Pakistan Council for Scientific and Industrial Research (PCSIR), AKRSP is helping disseminate improved techniques of fruit dehydration and fumigation through Village Organisations. The resultant improvement in the quality of dried fruit would mean a substantial increase in prices received by producers.

Some of the villages have requested AKRSP assistance in the marketing of vinegar. AKRSP is hoping to enlist PCSIR co-operation in laboratory tests of the quality of vinegar and then find a marketing channel. However, not much headway has been made in this direction so far.

Encouraged by the progress so far, AKRSP is hiring a full-time Social Organiser for women. The woman being considered for the job has 15 years of experience in organising women. Moreover, the Overseas Education Fund of the League of Women Voters of U.S.A., will be arranging a short consultancy for AKRSP's women's programmes. Again, the woman being considered for nomination is eminently qualified for the job.

CHAPTER NINE

MONITORING, EVALUATION AND RESEARCH: EYES AND EARS AND ALL THAT

I. INHERENT TENSIONS

Ever since its inception, the functions of programme monitoring and evaluation were built into AKRSP as part of the job descriptions of the General Manager and Programme Economist, the latter supposed to devote a considerable part of his time to these responsibilities. In addition, a vague but challenging reference to necessary socio-economic research was also included in the responsibilities of the Programme Economist. There were, therefore, two kinds of tension inherent in the Programme Economist's job. Firstly, he and his colleagues participate in the programme in a number of managerial capacities, whose output they are then supposed to monitor and evaluate: they implement various components of the programme, participate in decision-making with their colleagues, and are also required to remain 'outside' the management to perform their M&E functions. Secondly, the demands of routine monitoring often threaten to put a stop to efforts at innovative evaluation and promising research work.

II. US AND THEM

As is often the case with projects such as AKRSP, individuals performing M&E functions soon acquire a special notoriety among their colleagues, particularly in the field, for demanding reports that are supposed to interfere with the 'real' work of implementation. In fact, the only reports which Social Organisers send to the MER Section are figures on VO savings and attendance, collected once every quarter. Engineers in the field report physical progress of PPI projects to the Engineering Section at similar intervals. These items of information are solicited from the field staff by a collective decision of the Management Group.

Similarly, the MER Section continues to be viewed with suspicion by some of our colleagues whenever it purports to do some thinking and writing about aspects of the Programme. This, too, is not comprehensible, for no component of the Programme has been subjected to formal evaluation so far. There has only been ongoing evaluation as part of normal managerial responsibilities. The conclusion must be that many among our colleagues have brought with them memories of suspicion and bitterness from previous encounters with M&E persons. This is understandable, for we all know of development agencies where M&E is in some sense the superior authority in the project, a watchdog, the eyes and ears and all that. At AKRSP, it is simply an integral part of management, undertaking its assignments with understanding and integrity. This point has to be appreciated before M&E functions can be understood to be part of good management.

III. M&E vs RESEARCH

Plans have been afoot since the middle of 1983 to initiate a small effort in social science research at AKRSP. So far, however, routine monitoring and reporting activities have remained an exclusive dominance in the work schedule of the MER Section. These activities, together with requests from our friends in the AKF network for fund-raising proposals and donor reports, seemed to require the utmost urgency throughout 1983. The factor that compounds the problem particularly is the inability of all parties to work out a simple schedule for the flow of paper that will be required from the MER Section over a given time period in the future.

Correspondingly, there needs to be a similar schedule for information that will flow *into* the MER Section.

More importantly, however there needs to be a genuine appreciation for the requirements and rewards of social science research. The MER Section simply has to have the time and resources to complement its M&E functions with first-rate research. Only such research can help us devise appropriate criteria and methodologies for the formal evaluation of the innovations that AKRSP is promoting. There are other reasons as well for social science research; these have been explained in our proposal for a Social Science Research Programme (SSRP) that might be appended to AKRSP for 3-4 years. The SSRP, however, is predicated on a commitment by AKRSP to support and employ social science inquiry in articulating and evaluating its objectives and methods. Such commitment needs to be made now, so that the myth can be dispelled forever that first-rate, field-based social science research has no place in an innovative development programme such as AKRSP.

IV. PLANS FOR 1984

Except for the analysis of survey data available at AKRSP and other agencies in Gilgit, the work plan for 1983 has been completed with as much satisfaction as could be hoped for in our first year. In 1984 we will start with a concerted effort to complete our survey-data analyses. Next, we will focus on anthropological research aimed at delineating the roles of various kinds of village leadership in the development process. There will be more anthropological research later in the year on aspects of village-level economic development. In economics, we will continue to concentrate on the investigation of the investment and savings behaviour of small farmers in the project area. An attempt will also be made to devise appropriate evaluation methods for Programme activities. Institutional collaboration is expected from the National Centre for Rural Development, Pakistan Agricultural Research Council, Applied Economics Research Centre, Regional Office of CIMMYT and individual social scientists from institutions with a superior record of research.

CHAPTER TEN

BUILDING BRIDGES TO OTHER AGENCIES

The Aga Khan Rural Support Programme is probably the only private organisation of its kind in Pakistan. As approved by the Government of Pakistan, the Memorandum and Articles of Association of AKRSP envisage this small company to undertake a wide range of activities to supplement and complement the efforts of government and other agencies in the country's rural areas. However, the availability of funds and qualified personnel in the short-term has constrained both the geographical spread and the specific programmes that AKRSP could undertake in its first year of operation. Thus most of 1983 was devoted to getting the programme established in Gilgit district, and initiating it in Chitral district. In terms of activities supported, the fostering of Village Organisations, construction of Productive Physical Infrastructure (PPI), training of village extension specialists, provision of credit and agricultural supplies, and promotion of savings at the village level took up most of the resources expended during the year. In both districts, and in all activities, a sincere and sustained effort was made to maximise AKRSP's contribution to the villagers, and minimise the potential for conflict with government departments and other development agencies.

It is never easy to predict the evolution of long-term relationships among the several development agencies working in a relatively isolated part of the world. So much depends on the

personalities involved that early hopes of long-term institutional collaboration must necessarily be qualified as somewhat premature. Then, too, institutions undergo periodic changes in the nature of the work they are required to undertake. To the extent it was possible to do so without leaving a particular development need unattended, AKRSP has resolutely withdrawn from areas of potential inter-agency conflict. And it has sought to involve the widest spectrum of individuals in its plans and activities, without becoming involved in inter-personal alignments.

As was inevitable, the induction of a new company into the local development scene raised many questions in the minds of those who had been working in the project area for years. Issues that pertained to the main objectives of AKRSP had already been clarified by the Board of Directors of the Aga Khan Foundation under the Chairmanship of His Highness Prince Karim Aga Khan. In fact, His Highness had also undertaken the necessary consultation with the President of Pakistan, General Mohammad Zia ul Haq, prior to the establishment of AKRSP in northern Pakistan. Once on the ground, the Management Group of AKRSP repeatedly articulated its objectives and strategy in frequent meetings with representatives from government departments, Aga Khan institutions, U.N. agencies, elected bodies, religious sects and the general public. Many of the early apprehensions eased, though others continued to surface throughout the year.

The dynamics of inter-agency relationships began to take discernible form once AKRSP's programmes came to acquire concrete shapes. It became clear, for instance, that AKRSP's PPI programme coincided with the turf claimed by the government's Local Bodies and Rural Development (LB&RD) department in tandem with the elected District Council of Gilgit. There was an urgent need, therefore, for a mechanism to avoid duplication of effort. With this realisation, AKRSP is regularly sending its lists of proposed PPI projects to LB&RD for purposes of co-ordination. On occasion, LB&RD has responded with suggestions on specific projects, which have been discussed to the satisfaction of both agencies.

With elected bodies, such as the District Council, AKRSP's discussion is still focussed on discovering the means through which AKRSP activities could be made to dovetail with certain statutory powers vested in local elected bodies. More specifically, Union Council Planning for physical infrastructure continues to be a possible area for cooperation between AKRSP and elected bodies on projects involving several villages each. The modalities of such an arrangement need to be worked out anew with the newly-elected District Council. In the meantime, interested members of the District and Northern Areas Councils continue to accede to AKRSP's requests for informal cooperation whenever necessary.

Government departments with responsibilities in agriculture and animal husbandry became involved with AKRSP activities soon after the inception of its extension training and supplies programmes. On several occasions, the Agriculture Department has provided fertiliser to AKRSP for sale to its Village Organisations on credit. The role of AKRSP as a dealer of the National Fertiliser Corporation has usually worked to ease the pressure on the Agriculture Department's capacity to meet the fertiliser requirements of the district. The Animal Husbandry Department has also been involved in a mutually beneficial relationship with AKRSP. Four courses for the training of village specialists in animal husbandry and plant protection were conducted at AKRSP's Extension Training Centre during 1983; government staff imparted most of the training at these courses.

In addition to government departments, Habib Bank Limited (HBL) participated with AKRSP in a number of important programmes during 1983. The bank's mobile units followed a pattern of regular visits to Village Organisations for the collection of their savings. HBL also became the source of all the loans that were extended to forty-six Village Organisations for the purchase of fertiliser. Most encouragingly, the President of the Executive Board of HBL evinced

keen interest in AKRSP's approach to rural development, and made it the cornerstone of the bank's programme for rural uplift. The enthusiasm with which HBL and AKRSP have collaborated during 1983 has set in motion a process of pooling of resources which should serve as a model for institutional cooperation for any pair of complementary agencies.

Efforts were also made during the year to coordinate AKRSP activities with UNICEF and with the Integrated Rural Development Project (IRDP) of UNDP/FAO. With UNICEF, the Aga Khan Foundation (AKF) is assisting the Northern Areas Administration in the implementation of the Community Basic Services (CBS) programme; AKRSP is coordinating selected aspects of CBS on behalf of AKF. It is desirable, however, that the natural complementarity between an income-generating programme and a social sector programme be exploited to greater advantage than it was in 1983. Similar complementarities between the functions of AKRSP and IRDP also remain unrealised. Higher ideas need to be invoked during 1984 than principles that appeared difficult to reconcile in 1983. This assessment could apply quite generally to relationships between any two development agencies with different approaches committed to the objectives of development in the project area.

A couple of Aga Khan institutions operating in northern Pakistan worked with AKRSP in limited but well-defined spheres during 1983. The Economic Planning Board's seminar on cooperatives, held in Gilgit, provided an unique opportunity for rural entrepreneurs to analyse AKRSP's approach in comparison with some other approaches prevalent in the region. Discussions are also in progress between AKRSP and the Education Board to examine the possibility of establishing day-care centres through women's organisations.

During 1983, AKRSP was privileged to obtain the blessings of His Highness The Aga Khan for its overall strategy for small farmer development. The President of Pakistan also expressed an interest in the work of AKRSP. In Gilgit, AKRSP benefitted from the patronage and guidance of the Martial Law Administrator, Zone 'E', ever since the inception of AKRSP's operations here. Commissioner, Northern Areas; Commissioner, Malakand Division; Deputy Martial Law Administrator, Gilgit; Additional Commissioner, Northern Areas; Deputy Commissioner, Gilgit; and Deputy Commissioner, Chitral, proved to be sincere and willing hosts in receiving and helping establish the new agency in the project area. We thank these individuals and their colleagues in the departments they represent.

Similar thanks are due to the Chairmen and members of the District Councils in Gilgit and Chitral, and to members of the Northern Areas Council, who often took the initiative to help foster links between AKRSP and the population of the project area. Indeed, without the active assistance of these and local councillors, AKRSP's dialogues with villagers might have proved even more time-consuming than they were in 1983. The task of fostering hundreds of Village Organisations would have appeared even more formidable.

Even though some initial fears of duplication and conflict were proved baseless during 1983, relations between AKSRP and the government departments need to go through further consolidation along institutional lines in the coming years. On their part, the management of AKRSP have to continue to demonstrate sensitivity to the government's problems, and adherence to its policies. In return, one must hope for the local administration's sincere and lasting appreciation of the spirit and strategy with which AKRSP has committed itself to the objective of helping develop northern Pakistan. The common goal of serving the people of the region to improve their physical and human situation can, and should, accommodate tangential approaches to the achievement of that goal. It is in the operationalisation of this principle that one finds hopes for complementarity and reasons for cooperation.

CHAPTER ELEVEN

PLANS FOR 1984

We concluded our chapter on social organisation by indicating that our course of action in the near future could emphasize both the expansion and consolidation of Programme activities. Here in the last pages of our narrative, we discuss the general goals we have in mind for 1984.

A major effort will be made to promote the viability of Village Organisations by involving them in as many development activities as appears feasible. In particular, VO's are expected to increase their equity capital by large amounts in response to the incentives that will become apparent once AKRSP's credit programme opens up opportunities for investment in the villages. The savings—and—loans programme will be at the centre of efforts to consolidate what has been achieved so far in organising the region's farmers. The most important component of AKRSP's credit programme will involve lending to villages that need to develop barren lands whose cultivation has been made possible by new or improved irrigation channels. It is likely that several VO's will also seek loans for purchase of tractors, threshers and agricultural inputs. In order to facilitate credit operations on a large scale, the post of Programme Business Manager has been approved by the Board of Directors as an addition to the Management Group. In 1984, therefore, AKRSP will take a major step towards implementing its "second phase", the elements of which were noted in the Third Progress Report.

A second major element of consolidation will be the endeavour to help villagers complete most of their PPI projects. It is expected that about 90% of the 80 projects started in Gilgit in 1983 will be completed by the middle of 1984, a similar completion rate can be anticipated for Chitral.

Finally, the consolidation phase will be marked by selective extension of Programme activities to VO's that have already initiated their PPI projects. It is in this process that the village plan will begin to take concrete shape in the villages: several villages will begin to acquire and manage many of the human, financial and physical resources that are needed for *total* village development. Examples of these resources are: new cultivable land pastures, forest plantations, development-oriented village leaders, para-vets and other village specialists, equity capital, credit, etc. Obviously not all the VO's will be willing and able to participate in all the components of the village plan. It will be the paramount task of the Social Organisers to motivate and prepare a select group of VO's for leading the project area in clarifying and implementing the village plan. Different models emerging from varied regions and environments would be extensively disseminated through pamphlets, case studies and leaflets amongst the Village Organizations.

In terms of the geographical expansion of AKRSP activities within the project area, the extension of the PPI programme to additional villages would depend entirely on the funding that is available during 1984. If, as noted in the *Third Progress Report*, 125 projects are to be completed by the end of 1984, then roughly twice that many projects need to be initiated during the year. There now appear to be adequate resources to start approximately 135 projects in Gilgit district. The plans are to initiate all these projects before June 1984, preferably in the earlier months. It is anticipated that 90 of these projects will be completed by mid-1984. In Chitral, about 65 projects could be started by June 1984, of which roughly two-thirds should be completed by mid-1984. Projects supported by funds made available in the second half of 1984 stand a much reduced chance of being completed during 1984: construction activity in the villages slows down considerably after October, and does not pick up until March.

The availability of additional donor funds will also be a factor in determining the expansion of AKRSP activities to the other two districts of the Northern Areas. Any decision on such expansion will be made by the Board of Directors with due regard to the availability of financial and managerial resources, and the sentiments of the people and administration of the Northern Areas.

Finally, *functional* expansion during 1984 will most likely be limited to the introduction of women's programmes in villages which form Women's Organisations on their own. Since the creation and support of Women's Organisations needs resources equal in magnitude to those devoted to men's organisations, the pace of AKRSP's women's programmes will depend, to a great deal, on our ability to mobilise the managerial and financial inputs necessary for these activities.

To sum up, in the year 1984, AKRSP will be offering to the villagers of the Northern Areas, through their Village Organizations a 'package' distilled and refined through the experience of 1983 embracing:

- (i) organization and collective management;
- (ii) increases in local resources i.e. more land development, more pastures, more trees, more orchards, more animals etc.;
- (iii) upgrading of human skills to prevent losses and to learn new methods;
- (iv) accumulation of capital through savings to attract credit for future development and implementation of village plans, and
- (v) marketing of surpluses.

TABLE 1

GILGIT DISTRICT
ANNUAL STATISTICAL ABSTRACT

This abstract covers the period December 1982 to December 1983.

I.	<i>Project Area</i>	
1.	Area (sq. km.)	31,100
2.	Population	227,000
3.	No. of households (approx)	27,250
4.	No. of potential Village Organisations (approx)	290
II.	<i>Overall Coverage</i>	
1.	Projects identified in so many potential VO's . . .	212
2.	. . . as % of total in 1.4	73%
3.	No. of potential VO's surveyed	153
4.	. . . as % of II.1	72%
III.	<i>Social Organisation</i>	
1.	No. of Village Organisations	131
2.	Membership of all VO's (approx)	12,050
3.	Savings of all VO's (approx)	662,750
4.	% pop. of project area covered by VO's (approx)	46%
IV.	<i>Productive Physical Infrastructure</i>	
1.	Total number of projects identified	363
2.	Estimated cost of these projects (million Rs.)	48.3
3.	No. of projects initiated	80
4.	No. of beneficiary households (approx)	9,300
5.	Cost of projects initiated (million Rs.)	9.5
6.	Physical progress of these projects	48%
7.	No. of projects completed	23
V.	<i>Agricultural Credit</i>	
1.	Amount of loans advanced ('000 Rs.)	705
2.	No. of borrowing VO's (including 4 repeated)	50
3.	No. of borrowing farmers (including second-time borrowers)	4,058
4.	Recovery rate on loans due by end of 1983	99%
5.	Co-sponsoring agency for credit:	Habib Bank
VI.	<i>Extension Training & Supplies</i>	
1.	No. of courses for village specialists	4
		53

2.	No. of village specialists trained and supplied	91
3.	No. of conferences for VO representatives	2
4.	... with number of VO's represented	56

VII. Marketing Research

1.	No. of participating VO's (including 2 repeated)	11
2.	... with no. of participating farmers	514
3.	Quantity of produce marketed (metric tonnes)	45.5
4.	Value of produce sold in Gilgit market (Rs.)	238,984
5.	Value of produce sold in Rawalpindi (Rs.)	85,364

TABLE 2

VILLAGE ORGANISATIONS FORMED
DURING 1983 WITH ACTIVITIES UNDERTAKEN

(±) = PPI Project (φ) = Vill. Spclt. Trng. (+) = Credit
(*) = Women's Programme (°) = Marketing

S.No.	Village Organisations	Activities Undertaken	S.No.	Village Organisations	Activities Undertaken
<i>Sub-Division: Hunza</i>			33.	Chalt Bala	± φ +
1.	Passu	± φ *	34.	Sonikot	± φ +
2.	Gulmit	±	35.	Mamoshdiding	± φ +
3.	Misgar Paeen	± φ	36.	Bodulus	± φ +
4.	Ghulkin	± φ	37.	Miachar Bala	± φ
5.	Soust	± φ	38.	Pissan	
6.	Gircha	±	<i>Sub-Division: Gilgit</i>		
7.	Shishkat Bala	±	39.	Oshikhandas	± φ + *
8.	Khaiber		40.	Mohammad Abad	± φ +
9.	Morkhon	*	41.	Rahimabad I	± φ + *
10.	Yarzirich		42.	Sultanabad	± φ + *
11.	Misgar Zakirabad		43.	Nomal: Aminabad	± φ + *
12.	Shimshal	φ	44.	Sonikot Bala	± φ
13.	Altit	± φ +	45.	Jaglote Sai:	± φ +
14.	Hussainabad	± φ +		Kashmiri Mohalla	
15.	Murtazabad Paeen	± φ	46.	Hanuchal	± φ +
16.	Maiun	± φ	47.	Hoopay	± φ
17.	Haiderabad Bala	± φ +	48.	Jutal	± φ
18.	Haiderabad Paeen	±	49.	Rahimabad II	± φ
19.	Roshanabad-Sherabad	±	50.	Shah Karim Hostel	±
20.	Ahmedabad	±	51.	Central Danyore	± φ
21.	Khizarabad		52.	Skarkui	±
<i>Sub-Division: Nagar</i>			53.	Nomal: Batote	±
22.	Chayan	± φ	54.	Datuchi	±
23.	Manalokushal	± φ	55.	Nomal: Jaglote Bala	
24.	Ratal	± φ	56.	Gawachi	
25.	Hakalshal	± φ	57.	Jalalabad I	
26.	Holshal	± φ	58.	Farfoo	φ
27.	Brushal	φ	59.	Jalalabad II	
28.	Lower Miacher	± φ	60.	Nomal: Sehgal	
29.	Dadimal		<i>Sub-Division: Punyal-Ishkoman</i>		
30.	Fikkar		61.	Japuka	± φ +
31.	Ghoshoshal	± φ	62.	Singal	± φ +
32.	Rahbat	± φ +	63.	Gulmuti	± φ +

S. No.	Village Organisations	Activities Undertaken	S. No.	Village Organisations	Activities Undertaken
64.	Sherqilla	± ϕ + * 0	98.	Hakis	± ϕ +
65.	Gulapur	±	99.	Roshan	± +
66.	Grunjar	± +	100.	Sumal	ϕ +
67.	Gich	± ϕ +	101.	Yangal	+ +
68.	Dalnati	± +	102.	Dahimal	+ +
69.	Hatun	+ +	103.	Moulaabad	ϕ +
70.	Bubar: Shamyote	±	104.	Rahimabad	+ +
71.	Singal: Thingdass	± ϕ	105.	Dalomal	±
72.	Bubar: Lhotum	±	106.	Sherbal	±
73.	Damass Paeen		107.	Shamaron	±
74.	Selpi Paeen		108.	Karimabad	
75.	Golodass		109.	Dar Barkulti	
76.	Damass Bala		110.	Chashi	
77.	Bubar Paeen		111.	Bujayote	± ϕ +
78.	Kanchi		112.	Nooh	± +
79.	Kuchdeh	± +	113.	Yasin Bala	± ϕ +
80.	Phakora	± +	114.	Murka	±
81.	Shunas	± ϕ +	115.	Taoos Bala	ϕ +
82.	Chatorkhand	± ϕ +	116.	Taoos Paeen	± ϕ +
83.	Daheen	± ϕ +	117.	Yasin Paeen	ϕ +
84.	Imit	±	118.	Barkulti Paeen	± ϕ 0
85.	Hassis	+ +	119.	Gindai Bala	± ϕ + 0
86.	Rahimabad	±	120.	Barkulti Bala	± 0
87.	Bala Gaoon	±	121.	Gujalti	± 0
88.	Paeen Gaoon	±	122.	Sultanabad	± ϕ 0
89.	Faizabad	±	123.	Barkulti Par	0
90.	Mominabad	±	124.	Dal Sundi	0
91.	Thapushkin	±	125.	Sundi Paeen	
92.	Bar Jungle		126.	Atkash	
	<i>Sub-Division: Gupis-Yasin</i>		127.	Qorkulti	0
			128.	Sundi Bala	0
			129.	Nazbar	
93.	Gupis	± ϕ +	130.	Manich	±
94.	Janrote	± +	131.	Gindai Damalgan	±
95.	Phander	± ϕ			
96.	Teru	± ϕ			
97.	Khalti	± ϕ +			

TABLE 3
GILGIT DISTRICT
VILLAGE ORGANISATIONS
MEMBERSHIP & EQUITY CAPITAL BY SUB-DIVISION, END OF 1983

A. FIGURES IN DECEMBER 1983*

Sub-Division	No. of VO's	Members	Equity (Rs.)	Equity per Member (Rs.)	Members per VO
1. Hunza	20	1,616	155,829	96	81
2. Nagar	17	1,635	53,823	33	96
3. Gilgit	21	1,828	152,682	84	87
4. Punyal-Ishkoman	29	2,876	115,192	40	99
5. Gupis-Yasin	36	3,362	146,005	43	93
TOTAL	123	11,317	623,531	55	92

B. PERCENT INCREASE FROM PREVIOUS QUARTER*

Sub-Division	Members	Equity (Rs.)	Eqty. per Member (Rs.)
1. Hunza	17	233	174
2. Nagar	0	56	56
3. Gilgit	76	129	31
4. Punyal-Ishkoman	50	104	36
5. Gupis-Yasin	4	66	58
TOTAL	23	125	72

* All these figures are based on the 123 Vo's for which records were available on 31 December, 1983. In all, there are 131 VO's. Extrapolating from available averages, the total membership might be 12,050, and aggregate equity an estimated Rs. 662,750.

TABLE 4

GILGIT DISTRICT
PRODUCTIVE PHYSICAL INFRASTRUCTURE
COMMITMENT, DISBURSEMENT & PHYSICAL PROGRESS, 1983

A. BY TYPE OF PROJECT

Type of Project	No. of Projects	Commitment (‘000 Rs.)	Disbursement ‘000 Rs.	As % of Cost	Physical Progress (%)
1. Irrigation Channel	48	5,108	2,893	57	49
2. Link Road	15	1,858	1,211	65	67
3. Protective Works	10	1,463	1,087	74	31
4. Syphon Irrigation	1	442	330	75	20
5. Storage Reservoir	3	371	166	45	28
6. Sedimentation Tank	1	130	97	75	90
7. Mud-flow Control	1	48	10	21	5
8. Lift Irrigation	1	100	75	75	25
TOTAL	80	9,520	5,870	62	48

B. BY SUB-DIVISION

Sub-Division	No. of Projects	Commitment (‘000 Rs.)	Disbursement ‘000 Rs.	As % of Cost	Physical Progress (%)
1. Hunza	15	2,050	1,142	58	54
2. Nagar	10	1,440	883	61	44
3. Gilgit	16	2,057	1,214	59	48
4. Punyal-Ishkoman	18	1,640	961	59	44
5. Gupis-Yasin	21	2,333	1,670	72	54
TOTAL	80	9,520	5,870	62	48

TABLE 5

GILGIT DISTRICT
DRY FRUIT MARKETING

MARKET DIFFERENTIALS FOR PRODUCE TRANSPORTED
FROM YASIN TO GILGIT AND RAWALPINDI

Items:	Apricot Kernels	Walnuts	Apricots, Dried	Aggregate figure
QUANTITY (kg)	3,242	151	105	3,498
TRANSPORTATION EXPENSES (Rs.) AT:				
Yasin	0	0	0	0
Gilgit	870	40	30	940
Pindi	3,000	84	63	3,147
GROSS RECEIPTS (Rs.) AT:				
Yasin	64,840	1,132	105	66,077
Gilgit	68,082	1,435	184	69,701
Pindi	83,481	1,567	316	85,364
RECEIPTS NET OF TRANSPORT (Rs.) AT:				
Yasin	64,840	1,132	105	66,077
Gilgit	67,212	1,395	154	68,761
Pindi	80,481	1,483	253	82,217
PERCENTAGE DIFFERENTIAL IN NET RECEIPTS BETWEEN YASIN AND:				
Gilgit	4	23	47	4
Pindi	24	31	141	24

TABLE 6

GILGIT DISTRICT
FERTILISER CREDIT PERFORMANCE BY SUB-DIVISION, 1983

Sub-Division	*No. of Loanee VO's	*No. of Loanee Members	Amount Borrowed	Amount Repayable	φAmount Out- standing	φRecovery Rate
1. Hunza	4	457	45,786	0	—	—
2. Nagar	5	262	58,714	0	—	—
3. Gilgit	8	643	120,133	44,851	3,498	92%
4. Punyal-Ishkoman	16	1,256	220,411	207,586	5,014	98%
5. Gupis-Yasin	17	1,440	260,143	251,705	1,457	99%
TOTAL	50	4,058	705,187	504,142	9,969	98%

* Average loan per member is Rs. 174, and per VO is Rs. 14,104. These figures show the number of loans given to the VO's and, through them, to their members. In fact, 46 VO's took out 50 loans, and so there is an element of double-counting in the table. It is not possible to extract information from our records on the exact number of individual farmers who took out two or more loans; our estimate is that it is less than 500.

φ By February 1984, the amount outstanding was Rs. 5,512, and the overall recovery rate had reached 99%.

TABLE 7
AKRSP EXPENDITURES, 1983

A. Capital Expenditure	947,753
B. Recurrent Expenditure	2,896,845
C. Programme Expenditure, Disbursement	10,899,077
[Programme Expenditure, Commitments:	16,724,800]
1. Agric. & Rural Dev.	7,836,984
[Commitments:	13,429,200]
2. Training Programme	361,700
3. Research & Survey	2,065,694
4. Survey Equipment	254,102
5. Credit Programme	517,282
[Credit Disbursed:	841,872]
TOTAL EXPENDITURE (A+B+C)	14,743,675
TOTAL COMMITMENTS (A+B+C)	20,569,398

Notes

1. Capital Expenditure includes vehicles, microcomputer, typewriter, furniture and office equipment.
2. Recurrent Expenditure includes office rent and expenditure, vehicle operation, airfare and travel, staff salaries, consultants and library.
3. Agricultural and Rural Development includes all PPI projects.
4. The upper figure for the Credit Programme in C.5 shows loans to Village Organisations that were outstanding on 31 December, 1983.
5. All figures are for the Programme as a whole, including activities in both Gilgit and Chitral districts during 1983.

TABLE 8

GILGIT DISTRICT

PRODUCTIVE PHYSICAL INFRASTRUCTURE

AGGREGATE PHYSICAL INDICATORS AND UNIT COSTS, 1983

I. *Irrigation Channels*

During 1983, 48 irrigation channel projects were initiated, including 13 all-new channels. The total length, in kilometers, of these channels, and the cost per km. are given below. The typical cross-section for these channels would be trapezoidal, with top 4 feet, bottom 2 feet and depth 2 feet.

Type of Construction	Length (km)	Cost ('000 Rs.)	Cost per km ('000 Rs.)
Widening	99.7		
Extension	31.1	2,976	22.8
All-new	36.3	2,132	58.7
Total:	167.1	5,108	30.6

II. *Link Roads*

Fifteen link road projects were initiated in 1983; their total length and cost per km. are given below. The typical link road is 12 feet wide, though villagers increase the width to 14 feet or 16 feet wherever land is available.

	Length (km)	Cost ('000 Rs.)	Cost per km ('000 Rs.)
Link Roads	32.9	1,858	56.5

III. *Protective Works*

Ten flood protection works were initiated during 1983; their total length and cost per 100 m. are given below. The typical spur has a base width of 6 feet and a height of 3 feet, in addition to the apron.

	Length (m)	Cost ('000 Rs.)	Cost per 100 m ('000 Rs.)
Protective Works	2,270	1,463	64.4

IV. *Sedimentation Tanks and Storage Reservoirs*

In 1983, 3 storage reservoirs and 1 sedimentation tank were initiated. Their total capacity, in cubic meters, and the cost per 100 m³ are given below:

	Capacity (m ³)	Cost ('000 Rs.)	Cost per 100m ³ ('000 Rs.)
Tanks and Reservoirs	3,809	501	13.2

TABLE 9

GILGIT DISTRICT

DONOR FUNDS AND THE PPI PROGRAMME, 1983

(money amounts in '000 Rs.)

D O N O R	Funds Committed			PPI Programme				Free Balance for 1984
	Total	Received	Balance	No. of Prjts	Total Cost	Amount Disbursed	Balance	
1. ODA	621.8	327.1	294.7	5	621.6	358.0	263.6	0.2
2. OXFAM	603.3	603.3	—	7	375.6	97.6	278.0	227.7
3. Ford Foundation	1,324.9	1,324.9	—	6	541.4	462.2	79.2	783.5
4. CIDA	5,439.0	5,439.0	—	38	4,708.6	2,654.4	2,056.2	730.4
5. Alberta AID	1,654.4	1,654.4	—	—	—	—	—	1,654.4
6. AKFC	1,823.7	1,419.7	404.0	—	—	—	—	1,823.7
7. AKF (USA)	1,328.4	1,328.4	—	—	—	—	—	1,328.4
8. AKF (UK)	1,142.6	1,142.6	—	5	787.6	663.4	124.2	355.0
9. AKF (P)	9,171.3*	9,171.3	—	20**	2,674.4	1,736.1	938.3	—
Total:	23,109.4	22,410.7	698.7**	81**	9,709.2	5,969.7	3,739.5	6,903.3

* Including Chitral budget and non-PPI expenditures for the entire project area.

** Includes one project, not counted in earlier pages, for which the Third Dialogue was not finalised.

LIST OF MEMBERS OF THE BOARD OF DIRECTORS AND THE STAFF OF AKRSP

BOARD OF DIRECTORS OF THE COMPANY

- Mr. Ramzan Merchant, Chairman
- Mr. Mahomed J. Jaffer, Vice-Chairman
- Mr. Riazuddin Ahmed, Member
- Mr. Hamidullah Baig, Member
- Mr. Iqbal Dossani, Member
- Mr. Akbar Hashwani, Member
- Mr. Nizar Mecklai, Member
- Dr. Amir Mohammad, Member
- Mr. Robert d'Arcy Shaw, Member
- Mr. Guillaume de Spoelberch, Member
- Mr. Hakim Feerasta, Executive Officer, Aga Khan Foundation Pakistan, Ex-officio Secretary.

STAFF OF THE COMPANY

Management Group (Gilgit-based)

- | | |
|--------------------------|---|
| — Mr. Shoaib Sultan Khan | General Manager |
| — Mr. Hussain Wali Khan | Programme Senior Engineer |
| — Mr. Hasan Mehdi Naqvi | Programme Sr. Agriculturalist (Feb-Dec. 1983) |
| — Mr. Feroz Shah | Programme Trg. Specialist (Dec. 1982-Mar. 83) |
| — Mr. Tariq Husain | Programme Economist |
| — Mr. Mutabiat Shah | Programme Accountant |
| — Ms. Maliha H. Hussein | Programme Officer |
| — Mr. Ali Dad | Programme Office Manager |

Professional Staff, Gilgit-based

Engineering:

- | | |
|-------------------------|---------------------------|
| — Mr. Hussain Wali Khan | Programme Senior Engineer |
| — Mr. Fariad Khan | Trainee Engineer |
| — Mr. Zahoor Hussain | Trainee Engineer |
| — Mr. Sahib Khan | Surveyor |

Extension Training and Supplies:

- | | |
|-------------------------|-------------------------------|
| — Mr. Hasan Mehdi Naqvi | Programme Sr. Agriculturalist |
| — Mr. Farman Ali | Project Veterinarian |
| — Mr. Gari Khan | Project Agriculturalist |

Monitoring, Evaluation and Research:

- | | |
|-----------------------------|---------------------|
| — Mr. Tariq Husain | Programme Economist |
| — Ms. Maliha Hussein | Programme Officer |
| — Mr. Mohammad Zahir Meghji | Research Associate |
| — Mr. Ahsan Tayyab | Project Economist |

Accounts

- | | |
|---------------------|----------------------|
| — Mr. Mutabiat Shah | Programme Accountant |
| — Mr. Suleman Khan | Project Accountant |
| — Mr. Abdullah Baig | Field Accountant |

Audio-visual:

- | | |
|----------------------|-------------------------|
| — Mr. Mohammad Sadiq | Audio-visual Officer |
| — Mr. Karim Jan | Audio-visual Assistant |
| — Mr. Shakoor Ali | Audio-visual Technician |

Women's Programme:

- | | |
|----------------------|----------------------------|
| — Ms. Maliha Hussain | Programme Officer |
| — Mr. Arab Khan | Associate Social Organiser |

Supporting Staff Gilgit-based

- | | |
|----------------------|-------------------------------|
| — Mr. Abdur Rauf | Secretary to General Manager |
| — Mr. Shah Makeen | Secretary to Management Group |
| — Mr. Mohammad Yaqub | Store-keeper |
| — Mr. Zafarullah Beg | Typist |
| — Mr. Sherullah Beg | Typist |
| — Mr. Ghulam Murtaza | Typist |
| — Mr. Zahir Shah | Transport Assistant |
| — Mr. Sher Ali | Driver |
| — Mr. Ahmed Din | — do — |
| — Mr. Naib Khan | — do — |
| — Mr. Mir Ahmed | — do — |
| — Mr. Khairullah Beg | — do — |
| — Mr. Nazar Shah | — do — |
| — Mr. Suleman Shah | Peon |
| — Mr. Mohammad Baqir | Peon |
| — Mr. Ali Maujood | Chowkidar |
| — Mr. Haji Beg | Gardener |
| — Mr. Mirza Khan | Cleaner |

Field Staff, Gilgit District

1. Social Organisation Unit, Gilgit

- | | |
|----------------------|-------------------------|
| — Mr. Ikramullah Jan | Social Organiser |
| — Mr. Tawallud Shah | Project Agriculturalist |
| — Mr. Saleh Mohammad | Sub-Engineer |
| — Mr. Khush Mohammad | Driver |
| — Mr. Ainullah Khan | Peon |
| — Mr. Dinar Khan | Chainman |

2. *Social Organisation Unit, Hunza*

- | | |
|----------------------|----------------------------------|
| — Syed Mutahir Shah | Social Organiser/Agriculturalist |
| — Mr. Sher Ghazi | Sub-Engineer |
| — Mr. Hamidullah Beg | Driver |
| — Mr. Qalb-e-Ali | Chainman |

3. *Social Organisation Unit, Nagar*

- | | |
|---------------------|------------------|
| — Mr. Noor Mohammad | Social Organiser |
| — Mr. Hamza Khan | Sub-Engineer |
| — Mr. Nadir Shah | Driver |

4. *Social Organisation Unit, Punyal-Ishkoman*

- | | |
|-------------------------|----------------------------------|
| — Mr. Mohammad Yar Khan | Social Organiser/Agriculturalist |
| — Mr. Mohammad Sabir | Sub-Engineer |
| — Mr. Amir Ali | Office Attendant |
| — Mr. Madad Khan | Driver |

5. *Social Organisation Unit, Gupis-Yasin*

- | | |
|----------------------------|------------------|
| — Mr. Mohammad Sartaj Khan | Social Organiser |
| — Mr. Mairaj Khan | Social Organiser |
| — Mr. Hazrat Amin | Sub-Engineer |
| — Mr. Gul Sambar Khan | Chainman |
| — Mr. Taighoon Shah | Driver |

ANNEXURE — I

THE AGA KHAN RURAL SUPPORT PROGRAMME

FIRST PROGRESS REPORT
December 1982 to April 1983

A K R S P
Babar Road, P.O. Box 506
Gilgit, Northern Areas
PAKISTAN

Phones : 480 ; 779

CONTENTS

	Page No.
Foreword	
Introduction to AKRSP with INT Charts 1, 2, 3 and 4	1
Summary of First Progress Report with SUM Tables 1 and 2	10
Organisation with ORG Table 1	13
Productive Physical Infrastructure with PPI Tables 1, 2, 3, 4 and 5	18
Credit and Inputs with C & I Table 1	26
Extension Training	27

FOREWORD

This report is the first in the series of quarterly Progress Reports that are prepared by the Monitoring and Evaluation Unit of AKRSP. It is intended to compile these reports in February, May, August and November of each year, in time for the meetings of the Board of Directors of AKRSP. The First Progress Report covers the first five months of AKRSP operations in Gilgit District. In this initial phase, village organisation and the implementation of projects have been upper most priorities in the work plans of AKRSP staff.

The purpose of this reports is simply to summaries information on AKRSP activities for the benefit of AKRSP staff and interested development agencies. In addition to an introduction and a section on village organisation, these are brief sections of each of the four programmes currently being undertaken by AKRSP. The emphasis is on reporting programme activity and discussing basic issues. For practical as well as aesthetic reasons, no attempt has been made at evaluating any of the programmes.

Despite the pressures of field work, the Social Organisation Units have found it possible to generate a regular flow of information on all aspects of the Programme (sometimes with gentle prodding from M&E). Thanks are due to the Social Organisers, Sub-Engineers and Agriculturalists for providing most of the data on which this report is based. The section on Productive Physical Infrastructure relies entirely on a wealth of information put together on short notice by Hussain Wali Khan (Prog. Sr. Engr.) and Mohammad Darjat (Asstt. Engr.). Similar credit is due to Hasan Mehdi Naqvi (Prog. Sr. Agric.) for the write-up on Extension Training.

Raw data supplied by the staff were made presentable for the Progress Report only through the patience and diligence of Ahsan Tayyab (Proj. Econ.) The final version of this report was written by Maliha Hamid Hussein (Prog. Officer) and Tariq Husain (Prog. Econ.), who indeed was solely responsible for the production of this report and hence deserves all the bouquets and brickbats.

The support given by the Audio Visual, Administration and Accounts sections made the timely issuance of the report possible.

I hope this would whet the appetite of the connoisseurs of rural development and provide a meaningful feedback to us.

Shoaib Sultan Khan
General Manager

INTRODUCTION TO AKRSP

1. The AKRSP Strategy

The ultimate aim of AKRSP is to evolve an innovative and replicable model of development for high mountain valley areas. Towards this end, the Management Group of AKRSP have articulated a strategy in which three interdependent principles of village-level development administration define the spectrum of activities sponsored by AKRSP. The first of these principles is that productive physical infrastructure projects should usually precede any other development effort. This principle is simply a recognition of the importance that farmers everywhere attach to permanent increases in their individual and jointly-managed stocks of physical capital. Since it can usually induce the sort of broad-based village participation that is so essential to the success of any development effort, a productive physical infrastructure project is normally the first project sponsored by AKRSP in a village. The second principle followed by AKRSP is that an administrative infrastructure going down to the village level should be created to provide villagers with agricultural inputs and with sound advice on the use of these inputs. This type of infrastructure serves to increase the productivity of the material and human resources of a village. The third principle states that smallholders can overcome the handicaps of their subsistence holdings only by collective action through broad-based, multi-purpose organisations. This principle calls for the creation of a social and economic infrastructure, i.e. a series of village organisations that help smallholders fully utilise available physical and administrative infrastructures.

These three principles are summarised in INT Chart 1.

Consequent to the strategy outlined above, four types of programmes are being undertaken simultaneously for the development of smallholder agriculture in the Northern Areas :

Construction of productive physical infrastructure at the village level, according to needs identified by villagers.

Dissemination of knowledge at the village level, and upgrading of agricultural and managerial skills through training.

Creation of accessibility to modern inputs and machinery for village-level groups of smallholders.

Provision of credit to groups of smallholders who otherwise would not have access to credit for agricultural development.

AKRSP has the ability to activate its development programmes in half the villages in its project area by the end of 1983, and to extend coverage to all villages by the end of 1984. Seed money provided by the Aga Khan Foundation will carry AKRSP part of the way towards the fulfillment of its potential. The potential can be fully attained, however, only if AKRSP can draw resources from other organisations willing to invest in the development of the Northern Areas.

2. The Village Organisation

The mechanism through which AKRSP implements its development programmes at the village level is the Village Organisation. The Village Organisation is a mass coalition of all those residents of a village whose common economic interests are best served by organising as an interest-group. The organisation is formed around the first AKRSP-sponsored project that draws a village's commitment to implement and maintain the project. The project serves as an entry point for a wide range of development activities that are undertaken jointly by AKRSP and the Village Organisation. The thrust of AKRSP's contribution is this partnership for development is towards creating a self-perpetuating institution through which villagers can act in concert to manage their material and human resources so as to attain progressively higher standards of living. The Village Organisation is just such an institution: it is a disciplined organisation of all beneficiaries of AKRSP's activities in a village. All members of the organisation are required to attend a weekly meeting where work done to date is reviewed, plans are made for the future and savings are deposited by all members. In short, the Village Organisation is AKRSP's executing agency for all village-level projects.

The Village Organisation is assisted and supervised in its work by AKRSP Social Organisation Units (S. O. Units). There are three such units in Gilgit district and another one is contemplated for Chitral. Each S.O. Unit comprises a Social Organiser, a Sub Engineer and an Agriculturalist, and is AKRSP's field unit for the region in which it is based. The S.O. Units are in frequent contact with the Management Group which is responsible for the management of AKRSP's development programmes. (INT Chart 4 shows the organisational structure of AKRSP.)

3. The Programming Cycle

Programme activities of AKRSP generally follow the pattern outlined in the AKRSP Programming Cycle (see INT Chart 2). Like project cycles elsewhere, the Programming Cycle covers five broad phase of activity: identification, preparation, appraisal, implementation and completion.

The distinguishing feature of AKRSP as a development agency is the belief and experience of its Management Group that a self-sustaining development process in the countryside can be built only on the skill, wealth and organisation of village residents. In practice, this philosophy means that every step of the first three phases of activity—identification, preparation and appraisal—proceeds through a series of interactive dialogues between villagers and AKRSP. Together, the first three phases of programme activity constitute the Diagnostic Survey.

The Diagnostic Survey starts with a visit by the Management Group to a village whose residents have agreed to meet with AKRSP staff. The General Manager initiates the first dialogue by explaining the OBJECTIVES AND METHODS OF AKRSP to the villagers. He then invites them to identify an income-generating project that would benefit most of the households in the village and that can be undertaken by the villagers themselves. Almost invariably, villagers are able to agree on a project of over-riding importance to all villagers. Thus, the result of the first dialogue is the IDENTIFICATION of a small, productive project by the residents of a village.

The identification of a project is followed by the second series of dialogues. The first step here involves a **FEASIBILITY SURVEY** of the proposed scheme. Supervisory responsibility for this technical assessment rests with the Programme Senior Engineer or Programme Senior Agriculturalist. Responsibility in the field devolves on the Social Organisation Unit. This unit works with informed village residents to assess the feasibility of proposed project and to obtain data on prices of locally available inputs/material. It is on the basis of information obtained locally that **BLUEPRINTS** and **COST ESTIMATES** are prepared by the field unit and sent to the Management Group for finalisation.

The finalised scheme is taken to the villagers by the Management Group and discussed with them. This starts the third dialogue, in which AKRSP and the residents of the village explore the **TERMS OF PARTNERSHIP** that would characterise the relationship between the two entities. On behalf of AKRSP, these terms of partnership are explained as general principles of rural development that have proved successful elsewhere in the world. In turn, the villagers could demonstrate their **ACCEPTANCE** of these terms by spelling out precisely the manner in which they would organise to plan, implement, manage and maintain specific projects that involve physical works, skill development and the creation of equity capital over time. At this stage, a Village Organisation is formed, consisting of all beneficiaries of the project. The formation of the organisation is followed by an **ASSESSMENT OF PROJECT BENEFITS**, conducted by concerned members of the Management Group. This completes the Diagnostic Survey.

Programme activity now enters the implementation phase. The **EXECUTION** of the scheme is undertaken by the Village Organisation. Concurrently with execution, a **BASE-LINE SURVEY** for evaluation is carried out under the supervision of the Programme Economist. With the start of the implementation phase, a Village Organisation begins to follow a set schedule of weekly meetings. The records of such meetings, together with the personal participation of members of Social Organisation Units provide information that enables the **MONITORING** of specific schemes by the Management Group. Weekly village meetings and fortnightly extension classes for village representatives are the media through which Management Group members and the personnel they supervise impart **TRAINING AND SUPERVISION** to village residents. Both monitoring and training and supervision are ongoing activities that follow an interactive process geared to towards improved management of the village economy.

Once a specific scheme has been executed, the responsibility for its **MANAGEMENT** becomes completely vested in the village Organisation: Villagers become responsible for all aspects of managing the scheme they had identified, helped plan and executed. If and when necessary, a **POST-PROJECT SURVEY** for evaluation is carried out under the Programme Economist's supervision. The continuous monitoring of Village Organisations and the ongoing processes of training and supervision, together with specific surveys provide the Management Group with the information it needs for a **LONG-TERM EVALUATION** of persistence of results.

4. Monitoring

Since AKRSP projects are implemented and managed by Village Organisations, it is these organisations, too, that are ideally located to monitor project activity. Village Organisations perform the monitoring function by meeting each week to review in detail the work done and the expenditure incurred, and to discuss any problems that might have come up during implementation to date. Problems of a technical nature, and logistical problems that cannot be solved locally, are referred to the member of the AKRSP Social Organisation Unit who is present at the meeting. In turn, matters requiring the attention of the Management Group are reported promptly to Gilgit by the Social Organisation Units. Since village-level projects typically take only about six to twelve weeks to implement, AKRSP field staff are encouraged to communicate problems verbally to the Management Group and concerned members of the Group are expected to respond on their own without delay. INT Chart 3 shows the channels of monitoring and management response at AKRSP.

As a management function, monitoring is one of the responsibilities of every member of the Management Group. In addition to solving problems of project implementation, the Management Group have developed a few, simple indicators that help in the ongoing evaluation of selected aspects of the Programme. So far, two broad areas of interest have been subjected to particular scrutiny—the viability of Village Organisations, and the (engineering) analysis of productive physical infrastructure projects. In the near future extension education, credit and input-supply programmes will also be brought within the purview of a formal monitoring system for purposes of ongoing evaluation. At present, all these programmes are discussed regularly in the weekly Programme Planning Meeting of the Management Group, and in the Monthly Review Workshop of AKRSP staff.

5. Evaluation and Research

The Management Group of AKRSP are committed to rigorous and continuous evaluation of all aspects of the Programme with respect to its objectives. The major obstacle they face in undertaking this exercise is the absence of reasonable base-line data. The establishment of base-line data is the principal task of the Programme Economist and takes precedence over any other research. However, it is the opinion of the Management Group that if AKRSP is to achieve the desired level of credibility among the villagers of Gilgit, and obtain accurate information from them, then surveys for evaluation and research must follow rather than precede implementation of projects. Thus, project-specific base-line surveys for evaluation are scheduled for the implementation stage. These will be supplemented over time with a smaller number of household panel surveys. These surveys will gather information from the same households over a number of years, a procedure that eliminates many of the theoretical and statistical problems encountered by evaluators, and cover three broad aspects of the farm-household, viz., human capital and labour supply, agricultural inputs and production, and income-expenditure patterns. Thus, internal and external evaluators would be able to draw on three sources of data—detailed project records maintained by the Management Group base-line surveys and household panel data.

The data that are being collected at AKRSP will provide material not only for evaluating the intended and unintended effects of the Programme, but also for research on a number of issues of interest to social scientists and development administrators. It is expected that the availability of a computerised data bank at AKRSP, together with the opportunity of working in an innovative rural development project, will attract researchers of a high calibre to the research endeavour at AKRSP. Institutional links may be forged with organisations and universities interested in undertaking applied research that is designed to illuminate policy issues.

ESSENTIALS OF AGR. AND RURAL DEVELOPMENT

- I Physical Infrastructure i.e. Irrigation Channels, Land development, Flood protection works, Link Roads etc.
- II Administrative Infrastructure i.e. Extension services backed with provision of supplies, such as, inputs, credit etc.
- III Social and Economic Infrastructure i.e. Village Organisation to help small farmers to overcome handicaps of subsistence holdings.

A.P.C.

AKRSP PROGRAMMING CYCLE

Activity

Responsibility

(I) Diagnostic Survey

Project Identification, Preparation and Appraisal Through
Village Dialogues

1. Identification : First Dialogue

- (a) Explanation of AKRSP Methods and Objectives
- (b) Identification of Productive Rural Projects

General Manager
Villagers

2. Preparation : Second Dialogue

- (a) Feasibility of Physical Infrastructure Works or Social and Economic Infrastructure Scheme
- (b) Preparation of Blueprint or Objective Plan
- (c) Cost Estimation.

(Prog. Sr. Engineer or
(Prog. Sr. Agriculturalist
(with Prog. Trg. Special-
(list and Villagers

3. Appraisal : Third Dialogue

- (a) Explanation of Terms of Partnership
- (b) Acceptance/Rejection of Terms of Partnership
- (c) Assessment of Range of Benefits of Project/
Scheme implying Acceptance or Rejection

Prog. Training Specialist
Villagers
Management Group

(II) Implementation

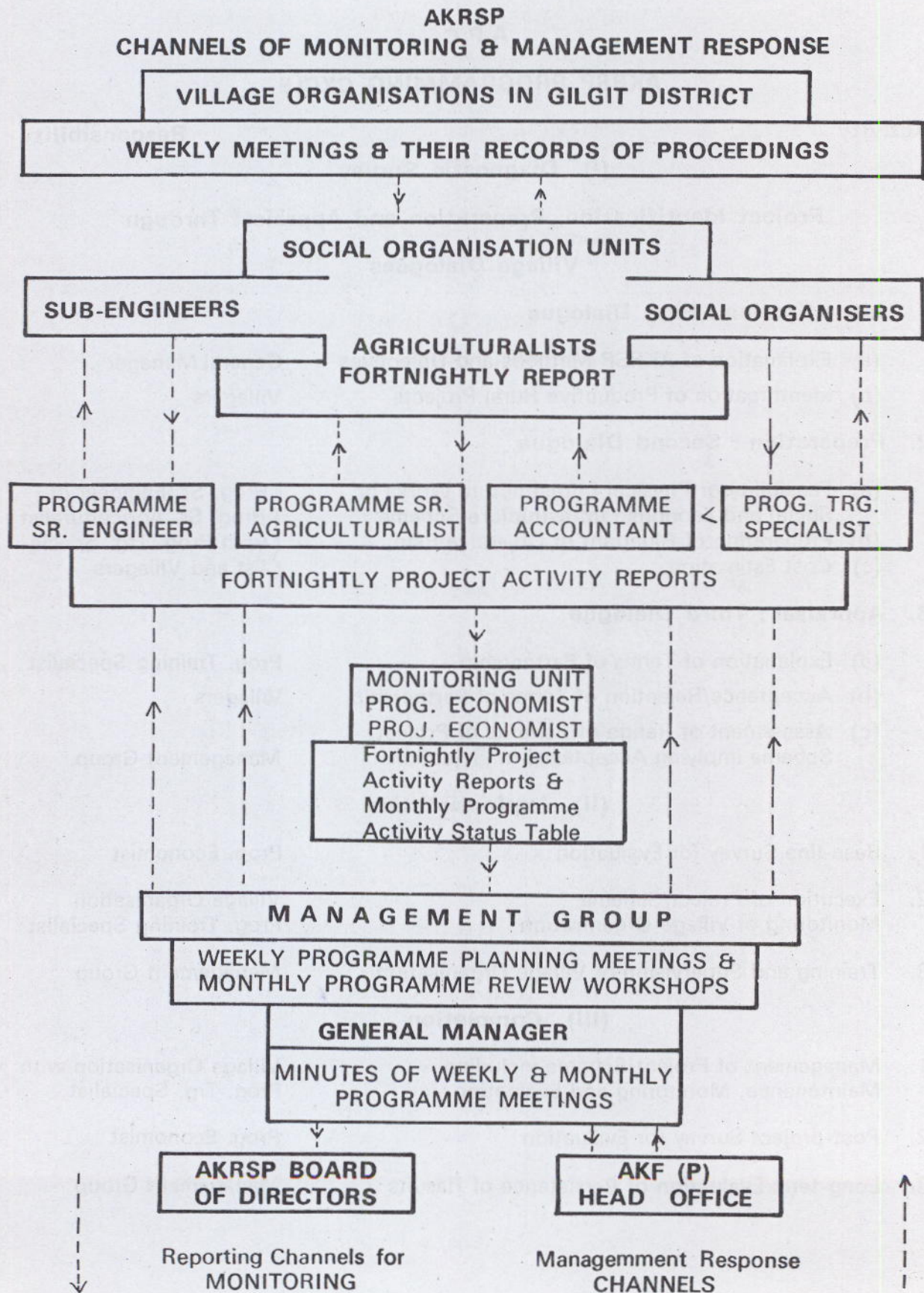
- 1. Base-line Survey for Evaluation
- 2. Execution of Project/Scheme
Monitoring of Village Organisation
- 3. Training and Supervision of Village Organisation

Prog. Economist
Village Organisation
Prog. Training Specialist
Management Group

(III) Completion

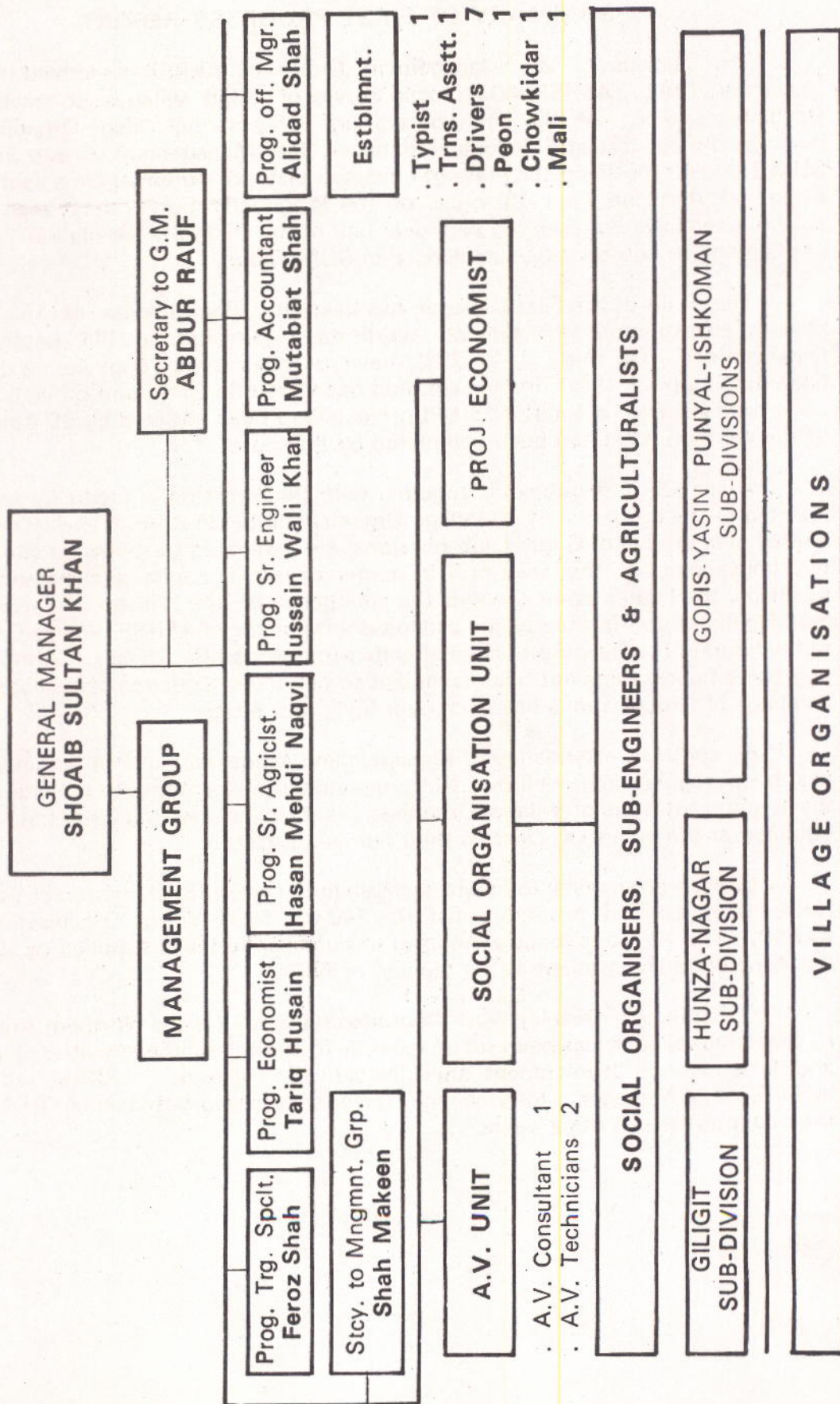
- 1. Management of Project/Scheme including
Maintenance, Monitoring and Evaluation
- 2. Post-project Survey for Evaluation
- 3. Long-term Evaluation of Persistence of Results

Village Organisation with
Prog. Trg. Specialist
Prog. Economist
Management Group



AKRSP ORGANISATIONAL CHART

AS OF JANUARY 1983



SUMMARY OF FIRST PROGRESS REPORT

The nucleus of the Management Group of AKRSP assembled in Gilgit on 8 December, 1982. AKRSP's Diagnostic Survey of Gilgit villages commenced on 12 December, 1982. At the time of writing, 115 potential Village Organisations have been identified through dialogues between the Management Group and villagers. SUM Table 1 reports on the state of coverage of these potential Organisations. It is estimated that the First Dialogue of the Diagnostic Survey has been held with village assemblies representing well over half of the District's population. The extent of coverage by sub-division summarised in SUM Table 2.

The result of the First Dialogue has been the identification of 168 productive physical infrastructure (PP) projects, worth Rs. 24.5 million, in 111 potential Village Organisations. Of these 111, 77% have been surveyed; engineering designs have been drawn up for 48%; implementation has started in 27%, and projects have been completed in 48%. A total of 25 PPI projects had been initiated by 25 April, and 47% of the work on them had been completed by that date.

These 25 PPI projects, together with the provision of credit for fertiliser, had resulted in the formation of 30 Village Organisation by 25 April. These Organisations, spread over all five of Gilgit's sub-divisions, are estimated to represent some 20% of the households of the District. In terms of equity capital accumulated at weekly meetings, the figures point towards the emergence of the Village Organisation as a credible institution in the savings and loans programme of AKRSP: Village Organisations formed during February-April have already accumulated Rs. 75,032. Although precise aggregate figures have not been compiled so far, the attendance of members at weekly meetings of Organisations has been over 50%, but erratic.

By contrast, attendance of Managers and Model Farmers at extension classes has been regular and well over 80% on average. According to preliminary reports, these representatives of Village Organisations have started to transmit information obtained at the extension class to their fellow-villagers.

Under a programme to create accessibility to agricultural inputs for smallholders, Habib Bank Limited has advanced Rs. 240,632 to 12 Village Organisations through AKRSP. The 12 group loans were used to purchase fertiliser supplied by UNDP and the Agriculture Department at the request of AKRSP.

A high-level Development Coordination Body for the Northern Areas, headed by the Commissioner, has been set up recently to coordinate the activities of all Pakistani and international development agencies active in the region. AKRSP is represented by its General Manager. Informal links have been forged between AKRSP staff and their counterparts at other agencies.

SUM Table 1

PROGRAMME ACTIVITY STATUS TABLE (GILGIT DISTRICT)

25 April, 1983

Approx. Number of Villages in Gilgit District	200
Programme Activity	Potential Village Organisations Covered
I. FIRST DIALOGUE	
1. Explanation of AKRSP Objectives and Methods	115
2. Identification of Productive Rural Project	111
II. SECOND DIALOGUE	
1. Feasibility Survey	86
2. Blueprints/Plans	53
3. Cost Estimation	30
III. THIRD DIALOGUE	30
Completion	5

SUM Table 2

PROGRAMME ACTIVITY STATUS TABLE (BY SUB-DIVISION)

25 April, 1983

Programme Activity	No. of Potential Village Organisations Covered				
	Hunza	Nagar	Gilgit	Punyal-Ishkoman	Gupis-Yasin
I. FIRST DIALOGUE					
Explanation	27	31	22	15	20
Identification	27	31	18	15	20
II. SECOND DIALOGUE					
Feasibility	19	17	18	17	15
Plan	8	11	17	9	8
Costing	4	6	6	9	5
III. THIRD DIALOGUE					
Completion	0	2	1	2	0

ORGANISATION

1. The Objectives of Organisation.

AKRSP's objectives of organisation at the village level derive from its conceptual approach towards organisation. This is defined as the creation of a self-perpetuating institution, at the village level, which would help the villagers to manage their material and human resources as well as act as a change agent. To help foster such viable and credible institutions. AKRSP helps in the setting up of a Village Organisation and implementing schemes through it. In the initial stages, Productive Physical Infrastructure schemes are considered the most effective in organising village activity. As such, the first AKRSP grant for PPI schemes is considered an investment in organisation. Moreover, the conditions attached to the initiation of PPI and extension of credit facilities are an important aid to the viability of Village Organisation.

2. The Performance.

(a) General

By 25 April, thirty Village Organisations had been set up. Out of these, twenty-four had been organised around Productive Physical Infrastructure and six around the provision of credit for the purchase of fertiliser. The Village Organisations represent 20% of the households in Gilgit District and are listed on ORG Table 1. Each of these organisations has some elected office-bearers, in most cases a President, Secretary or Manager and a Model Farmer. These Organisations have determined to meet once every week to discuss issues arising out of the implementation and maintenance of the projects. It is also hoped that this forum will provide the villagers the opportunity to discuss other problems and issues of common concern. The day, time and venue of these weekly meetings is fixed on the day the first instalment is given to the Village.

The Social Organiser at Singal has reported the formation of several village Organisations in the expectation that AKRSP would initiate a scheme in their villages in the near future as well. Some of these organisations have also started accumulating equity capital to meet common needs.

(b) Membership and attendance

One of the terms of partnership between AKRSP and the villagers is that all the beneficiaries of the scheme would be members of Village Organisation and a majority of these would undertake to attend the weekly meetings. Figures that have been coalesced so far indicate that in the initial stages the membership increases. However, attendance at these meetings is erratic.

(c) Equity Capital

The equity capital accumulated by these organisations by the end of April totalled Rs. 75,032. This shows an increase of 143% from the total equity capital at the end of March, 1983.

While looking at these figures it would be important to note that only 12 Village Organisations were formed in February, 13 in March and 5 in April.

3. Issues Connected with Organising Villages

Some of the issues which arise in village organisations and which could have an effect on the viability and credibility of these institutions are listed below. These have been noted in the period under review :

(a) Land Compensation

AKRSP's terms of partnership do not include compensation for households whose lands are affected by a scheme undertaken by AKRSP. This potential source of grievance has had an impact on the organisational potential of the village. In Japuka the villagers had threatened to cut the recently completed road. They eventually hired a **patwari** to assess the value of land lost to road construction. This issue is most severe in the case of link road projects and arises to a lesser extent in the case of water channels and compensation for trees where these had to be cut down. This issue arose in the Village Organisations of Altit, Rahimabad and Japuka. In all three the activity around which the village was organised was a link road.

A factor which could have repercussions on the credibility of the Village Organisation is the reassurance sometimes given by the office-bearers that they would try and work out some method of compensating people for lands lost when they have in fact no means of granting this. This was witnessed at a weekly meeting in Altit.

The way in which AKRSP has handled this, in view of its decision not to pay compensation, is by leaving villagers free to arrange land compensation out of funds allocated to their project in lieu of labour payments. At Roshan and Hakis the issue of compensation was resolved by the villagers themselves.

(b) Relationship between the Members of the Village Organisation and its Office-bearers.

AKRSP's purpose in having the members of a Village Organisation elect office-bearers is only to give a sense of direction and decorum to a nebulous group not instructed in the techniques of organisation. It is not to invest in the office-bearers an authority they do not otherwise possess. The idea behind this is that the legitimacy of office-bearers derives from their selection by the village residents. As such, their authority should also emerge from the confidence which the people repose in them.

Village Organisations where the office-bearers have demonstrated a tendency towards authoritarianism are actively discouraged and the S.O. Units try and instil in the people the idea that all problems must be discussed at the weekly meetings ; that the organisation is supreme and conflict resolution should be encouraged at these meetings rather than left to the discretion of the office-bearers.

Another way of diminishing the chances of such conflicts is AKRSP's insistence that responsibility for the execution and implementation of schemes devolves on the

Village Organisation and not on the office-bearers. To reinforce this sense of collective responsibility the members of a Village Organisation are specifically asked to choose the person to whom the instalment to meet project costs should be paid. It is nowhere assumed that this choice would fall on the President or one of the other office-bearers.

(c) Establishing Property Rights to Newly-Irrigated Land.

AKRSP has tried to ensure that the chances of disputes arising out of distribution of newly-irrigated land among the villagers are minimised. Although this has not been reported as a serious problem in any village, assurance of amicable settlement have been extracted and in most cases willingly given by concerned villagers. Moreover, to guard against such problems, AKRSP has insisted that property rights should be established prior to the implementation of the scheme which would make additional land available for cultivation.

(d) The Determination of Labour Payments.

It has been noticed that in some villages the people tend to overestimate labour charges and fix them at rates much higher than those prevailing in the area. In order to avoid any misunderstandings, AKRSP has determined to precisely specify labour costs before the initiation work to avoid such problems.

(e) The Use of Savings effected by Difference between Cost Estimates and Actual Expenditure.

This issue has come up in village organisations where the members have completed work at costs lower than those originally estimated. AKRSP has decided that the savings effected by villagers from the total estimated costs of projects should be used for two purposes only (i) equity capital and (ii) collateral for credit. Such savings would not be used to cover maintenance costs as reliance on outside help for maintenance or projects would change an essential component of the AKRSP teams and defeat one very essential aspect of village organisation—inculcating the habits of collective responsibility.

Moreover, the use of these savings in the manner indicated above is considered as returns to cohesiveness and hard work. Their use would be decided by consultation between AKRSP and the Organisation.

(f) Village Organisations built around Projects benefitting more than one Village.

The beneficiaries of some schemes have displayed a preference for setting up separate Village Organisation when the scheme benefits more than one village. This preference could be a comment on the potential for rivalries in the implementation and maintenance of a scheme. However, the manner in which such villages have handled themselves is encouraging. At present there are two schemes which involve more than one village. The protective bund for Ratal and Hakalshal and the siphon irrigation scheme for Rahbat, Chalt Bala, Sonikot and Mamosh Diding. For the former, two Village Organisations were set up, four for the latter.

(g) Factionalism in Village Organisations.

This has not been noted as a serious problem in the formation of Village Organisations. Only in Murtazabad was there a demand for organising around sectarian lines. The Shias wanted a separate organisation of their own for the project. At the Monthly Review Workshop it was felt that this issue should be studied in detail and the villagers should be apprised of the problems connected with organising in this manner. However, in case there was a sufficient number of beneficiaries there would seem to be no harm in organising along these lines.

4: The Conclusion

The response by villagers to the concept of Village Organisation has been phenomenal. It is instructive of the next of unharnessed capacity at the village level. The introduction of simple techniques of organisation, of generating equity capital, disseminating information about agriculture combined with the motivation provided by an income-generating scheme have already demonstrated the effectiveness of the Village Organisation as a development-oriented institution. It is significant that in the first five months of Programme activity about 20% of the households of Gilgit District are represented in AKRSP Village Organisations.

The present level of equity capital and its present trend of a rapid increase is a measure of the confidence and credibility which these organisations enjoy. Having said that it is important to state that the long-term sustaining capacity of these organisations is still to be tested as is their durability against diverse tensions and frictions. The progress at the moment is impressive but the real test lies in the future.

ORG Table 1

VILLAGE ORGANISATIONS FORMED

By 25 April, 1983

Sub-Division	Village Organisations	
HUNZA	1. Altit	2. Hussainabad
	3. Murtazabad Pain	4. Maiun
	5. Passu	
NAGAR	1. Chayan	2. Manalo Kushal
	3. Rahbat	4. Ratal
	5. Hakalshal	
GILGIT	1. Oshikandass	2. Mohammad Abad
	3. Rahimabad	4. Sultanabad
	5. Aminabad	6. Sonikot Bala
PUNYAL-ISHKOMAN	1. Japuka	2. Singal
	3. Gulmuti	4. Kuchdeh
	5. Phakora	6. Gulapur
	7. Shunas	8. Sherqilla
	9. Grunjar	
GUPIS-YASIN	1. Gupis	2. Junrote
	3. Bujayote	4. Nooh
	5. Yasin Bala	

PRODUCTIVE PHYSICAL INFRASTRUCTURE (PPI)

1. The Portfolio of PPI Projects

During the Diagnostic Survey conducted between December, 1982 and April, 1983 the Management Group held the First Dialogue with villagers of about 115 potential Village Organisation. In 4 instances, villagers were unable to agree on a project of common interest to the village. Thus, 111 potential Village Organisations have so far identified 168 productive physical infrastructure projects for funding by AKRSP. This portfolio of projects is summarised in PPI Table 1. This summary shows that there are 8 categories of PPI projects that can be under taken by AKRSP. For Gilgit District as a whole, the construction, extension and widening of water channels is by far the number one priority at the village level: it accounts for 45% of all projects identified by villagers. (The proportion varies from 36% to 46% for the 5 sub-divisions.)

Link roads (20% of all projects) and protective bunds (17%) also figure as high priorities. Relative to other kinds of projects, link roads seem particularly important in Hunza (44% of all Hunza projects). Protective bunds appear as a leading priority in the Gupis-Yasin and Punyal-Ishkoman sub-divisions, where they account for 30% of the identified projects.

2. Estimated Cost of the Portfolio

The portfolio that has been prepared to date is estimated to cost just over Rs. 24.5 million, or an average of Rs. 146,155 per project. The tentative cost estimates for different sub-divisions and different sectors are given in PPI Table 2. The outlay on irrigation is expected to account for 52% of the total cost. Irrigation, protective bunds and link roads together make up 83% of the cost of the portfolio.

Projects in the poorer valleys of Gupis and Yasin are estimated to account for 43% of the total cost, while Gilgit, the central sub-division of the District, has a share of 25%.

3. Breakdown of Costs and Labour

For the portfolio of 168 projects, the breakdown of cost into labour and material costs is summarised in PPI Table 3. The number of mandays is also listed separately as a measure of the labour that will be employed.

Judging by the percentage of labour costs in total costs, land development, irrigation and link roads are the most labour-intensive of all projects. By contrast, protective bund and lift irrigation are the least labour-intensive. Overall, labour costs will make up for 65% of the total cost of the portfolio.

4. Step-wise Progress of the PPI Programme

This is summarised in PPI Table 4 and is meant to reflect the extent to which AKRSP's PPI programme has covered the potential Village Organisations identified during the Diagnostic Survey.

Column I.1 of the summary table shows that 97% of the villages where the First Dialogue was held identified a PPI project as their number one priority among income generating activities. Column I.2 shows that 77% of the villages where such identification took place have been surveyed by the S.O. Units. Of the surveyed villages, engineering designs have been drawn up for 62% and cost estimates finalised for 35% (column II.1). Finally, the Third Dialogue has been held in 27% of the villages which identified a PPI project (column I.2); and of the villages where the Third Dialogue was held, work has been completed in 17% (column III).

5. Progress of Projects Undertaken During Feb.-Apr.

The implementation phase of the PPI programme commenced on 1 February, 1983. By 25 April, the Third Dialogue had been finalised for 25 PPI projects. PPI Table 5 shows the progress of these projects to date, the progress being measured as the percentage of work that has been completed. This percentage reflects the monetary value of the work that has been completed with respect to the total cost that is expected to be incurred. PPI Table 5.A reports cumulative progress, while part B of the table follows the progress of projects initiated in specified months.

By the end of April, 25 projects worth approximately Rs. 2.5 million had been initiated, and 47% of the work on them had been completed. Within this figure, 45% belongs to work completed on projects that were initiated in February and March, while 2% is contributed by April projects on which work has started most recently. The lower part of the table shows that February and March projects are roughly 60% completed.

6. Problems and Issues of the PPI Programme

(a) Stores

AKRSP has neither the license to purchase explosives, nor the facilities for storage. Initially, the progress of works was considerably delayed due to the non-availability of explosives. The LB&RD Dept. Supplied explosives from their stores in very limited quantities. However, LB&RD have procured over a ton of high explosives for AKRSP, and have extended full cooperation in handling and storage.

The river training and protective works require large quantities of gabions. The Kohistan Development Board were contacted in the matter of procurement of gabions, and they provided these stores to AKRSP at a 10% discount on their book value.

At present, AKRSP has no equipment required for the execution of projects. Blasting, in particular, is time-consuming and expensive unless drilling equipment is used. It is proposed that small compressors with accessories be made available to all S.O. Units for hiring out to Village Organisations. Similarly, it is hoped that 13 portable drill machines can be made available on hire basis for execution of works at inaccessible locations. The matter is under active consideration and will be finalised by June, 1983.

(b) Cost Estimates.

The accuracy of estimates depends on reliable field data, its interpretation and the rate analysis. In the absence of reliable field data, it is practically impossible to prepare reasonable cost estimates.

The (NAWO) schedule of rates that is available at present is outdated and cannot be applied for cost estimation. To reduce the margin of error, the rates of specific item works have been analysed on the basis of market rates. A surveyor has been appointed as consultant for obtaining accurate field information.

Finally, to counter-check variations from the estimates, the Programme Accountant will be supplying actual expenditures on labour and material of completed projects for comparison and corrective action.

PPI Table 1

PORTFOLIO OF PROJECTS IDENTIFIED DURING DEC. 1982-APR. 1983

Number of Projects Identified in Sub-Division :

Sector	Hunza	Nagar	Gilgit	Punyal-Ishkoman	Gupis-Yasin	Gilgit District
1. Irrigation	11	12	15	12	25	75
2. Protective Bund	1	3	1	9	14	28
3. Storage Reservoir	2	3	2	0	9	16
4. Sedimentation Tank	0	1	1	1	0	3
5. Lift Irrigation	0	0	4	0	0	4
6. Land Development	0	1	2	2	2	7
7. Link Road	11	7	7	2	7	34
8. Bridge	0	0	1	0	0	1
Total	25	27	33	26	57	168

PPI Table 2

ESTIMATED COST OF PORTFOLIO OF PROJECTS IDENTIFIED

DURING DEC. 1982-APR. 1983

Cost of Projects ('000 Rs.) for Sub-Division :

Sector	Hunza	Nagar	Gilgit	Punyal-Ishkoman	Gupis-Yasin	Gilgit District
1. Irrigation	1,856	495	3,798	1,133	5,604	12,886
2. Protective Bund	338	385	150	1,227	1,850	3,950
3. Storage Reservoir	151	240	336	0	1,245	1,972
4. Sedimentation Tank	0	261	131	131	0	523
5. Lift Irrigation	0	0	950	0	0	950
6. Land Development	0	100	170	200	100	570
7. Link Road	788	275	540	280	1,720	3,603
8. Bridge	0	0	100	0	0	100
Total	3,133	1,756	6,175	2,971	10,519	24,554

PPI Table 3

BREAKDOWN OF COSTS AND LABOUR FOR PROJECTS

IDENTIFIED DURING DEC. 1982-APR. 1983

Sector	Mandays	Estimated Costs ('000 Rs.)			Percentage of Labour in Cost
		Labour	Material	Total	
1. Irrigation	412,345	10,309	2,577	12,886	80
2. Protective Bund	39,507	790	3,161	3,951	20
3. Storage Reservoir	47,309	286	986	1,972	50
4. Sedimentation Tank	10,430	261	261	522	50
5. Lift Irrigation	9,500	236	714	950	25
6. Land Development	28,500	570	0	570	100
7. Link Road	108,088	2,702	901	3,603	75
8. Bridge	2,000	50	50	100	50
Total	655,879	15,904	8,650	24,554	65

PPI Table 4

STEP-WISE PROGRESS OF THE PPI PROGRAMME*

	I.1	I.2	II.1	II.2	II.3	III
I. FIRST DIALOGUE						
1. Explanation	100					
2. Identification	97	100				
II. SECOND DIALOGUE						
1. Feasibility	75	77	100			
2. Design	46	48	62	100		
3. Costing	26	27	35	57	100	
III. THIRD DIALOGUE	26	27	35	57	100	100
Completion	4	4	6	9	17	17

*The figures under each of the columns marked I.1, I.2, etc. show the percentage of potential Village Organisations that have been covered by different phases of the Programming Cycle, where the percentage is with respect to the phase represented by I.1, I.2, etc. For example, column II.1 shows that designs have been drawn up for 62% of all villages where the survey has been completed, whereas costing has been finalised for 35% of these villages.

PPI Table 5

A. PROGRESS OF PPI PROJECTS INITIATED
BY SPECIFIED MONTHS

Projects		Cumulative	% Of Work Completed By :*		
Initiated By :	No.	Cost ('000 Rs.)	Feb.	Mar.	Apr.
Feb.	10	1,166	14	(24)	(27)
Mar.	19	1,886		31	(45)
Apr.	25	2,497			47

*Figures in parentheses refer to completed work that can be accounted for by projects initiated by the specified month.

B. PROGRESS OF PPI PROJECTS INITIATED
IN SPECIFIED MONTHS

Projects			% Of Work Completed By :		
Initiated In :	No.	Cost ('000 Rs.)	Feb.	Mar.	Apr.
Feb.	10	1,166	14	39	58
Mar.	9	720		19	61
Apr.	6	610			11

CREDIT AND INPUTS

1. Extent of Coverage of The Programme

The first loans for purchase of fertiliser were made available to Village Organisations in late February. So far, 12 Village Organisations in 5 tehsils have received six-month loans from AKRSP. Information on these group loans is summarised in C & I Table 1. An amount of Rs. 240,632 has been advanced as group loans to date. For the 10 villages for which membership figures are available, the average loan works out to Rs. 230 per farmer.

In some villages, farmers requested AKRSP to arrange for the supply of fertiliser which they were willing to purchase on cash. Their problem was that fertiliser was not available to them on time. In such instances, AKRSP merely created accessibility for farmers by working with other development agencies in Gilgit.

2. Coordination with Other Organisations

The supply of fertiliser to AKRSP project villages has been arranged through UNDP and the government Agriculture Department. Both organisations have been instrumental in the timely provision of fertiliser to AKRSP Village Organisation. AKRSP has also registered itself as a dealer with NFC should there be a need for bringing fertiliser from down-country in the future.

The Pilot Credit Programme of AKRSP is financed by Habib Bank Limited (HBL) who are serving as the apex bank in AKRSP's efforts to establish a Districtwide system of savings and loans, HBL mobile units have been regularly attending Village Organisation meetings to collect the weekly savings of farmers.

C & I Table 1

GROUP LOANS FOR FERTILISER

Name of Organisation	No. of Loanees	Amount of Loan (Rs.)
1. Japuka	70	7,098
2. Gulmuti	60	12,468
3. Kuchdeh	79	19,650
4. Phakora	137	26,103
5. Gupis	200	65,400
6. Janrote	129	16,035
7. Yasin	100	16,350
8. Bujayote	46	16,350
9. Nooh	65	32,700
10. Singal		11,778
11. Mohammad Abad	62	5,975
12. Garunjar		10,725
		240,632

EXTENSION TRAINING

1. Venues and Subjects

AKRSP's inaugural extension class was held on 26 March at Sultanabad. Two more sessions have been held there since then. Two sessions each have also been held at Singal and Aliabad to date.

The subjects taught at these 7 sessions covered the range of disciplines represented in AKRSP staff. The details are as follows :

Agricultural Extension. Duties and Responsibilities of Model Farmers—Important Instructions on Wheat Cultivation—Useful Instructions regarding Tree Plantation—Vegetable Cultivation—Practical Demonstration on Vegetable Cultivation (Potato)—Measures against Insects/Pests.

Village Organisation. Importance and Role of a Village Organisation—Duties and Responsibilities of Managers—Advantages and Uses of a Village Organisation—Maintenance of Records (Cash book, attendance and savings register, ledger, savings account, income, expenditure).

Productive Physical Infrastructure. Feasibility and Survey—Progress Report and Maintenance of Projects—Maintenance of Accounts for Different Schemes.

Savings. Representatives of Habib Bank Ltd. mobile banking unit spoke to the classes about the advantages of saving and banking facilities for deposit-holders.

At each training session, Model Farmers and Managers were provided written instruction sheets on all the lessons taught that day. Literature on wheat and various kinds of fertiliser was also distributed to these representatives. Visual aids like black boards, posters, charts, samples of wheat varieties and vegetables, and insects/pests were also used as training aids. Interested Model Farmers and Managers were provided vegetable seeds at cost.

2. Attendance, Allowances and Response of Trainees

Model Farmers and Managers of Village Organisations attended the extension classes in large numbers and attendance was over 80%. The trainees were paid the cost of transport and daily allowance after each training class.

The trainees responded by participating actively in discussions and demonstrations, and by transmitting useful information to fellow-villagers at weekly meetings.

3. Issues Discussed at Extension Sessions

Representatives of Village Organisations were asked to submit their demands for fertiliser after consultation with members.

Model Farmers emphasized their willingness to purchase insecticides and pesticides on cash, preferably during May, 1983. Two organisations have also asked for spray pumps.

The SOU's gave detailed instructions on book-keeping, record maintenance, muster rolls and vouchers to the trainees who exhibited a particular lack of knowledge of these subjects.

13 Village Organisations of Gupis-Yasin, and 2 of Hunza complained of having to travel very long distances to come to class. New centres will be opened for these villages.

ANNEXURE — II

THE AGA KHAN RURAL SUPPORT PROGRAMME

**SECOND PROGRESS REPORT
MAY 1983 – JULY 1983**

**A K R S P
Babar Road, P.O. Box 506
Gilgit, Northern Areas
PAKISTAN**

Phones : 480 ; 779

FOREWORD

This Second Progress Report is more than a chronological continuation of the first report: it is a summary of how our initial experience in Gilgit has led us to institute course-corrections in our functioning and reorientation in our administrative structure.

The report is divided into sections that correspond to the managerial division of responsibility under the reoriented set-up. Thus, this report contains separate discussions of the achievements, problems and future plans of each of the administrative Sections of AKRSP. These Section reports highlight the course of development of specific AKRSP activities; a summary to this effect is provided in the Summary and Introduction of this report. We particularly recommend the Introduction to those readers who wish to share with us the lessons we have learnt so far.

The report is the result of the cumulative effort of the Social Organisation Units, the Management Group and the supporting staff. However, the Monitoring, Evaluation and Research Unit under the able guidance of Tariq Husain, is solely responsible for the issuance of the Report and deserves appreciation for putting together the raw material in readable form.

Shoaib Sultan Khan
General Manager

CONTENTS

	Page No.
Foreword	1
Summary of the Second Progress Report with SUM Table 1	3
Introduction with INT Chart 1	4 7
Social Organisation with ORG Tables 1 and 2	8 13
Engineering with ENG Tables 1, 2, 3, 4 and 5	15 18
Extension Training and Supplies with ETS Tables 1 and 2	23 25
Marketing Research	27
Budget and Accounts with B&A Table 1	29 31
Monitoring, Evaluation and Research	32
Visitors to AKRSP	35

SUMMARY OF THE SECOND PROGRESS REPORT

1. The most newsworthy event of the quarter under review was the May visit of His Highness The Aga Khan and Begum Salimah Aga Khan to AKRSP offices and projects. On this occasion, His Highness expressed the view that "what we will learn here will enable us to replicate the programme in other parts of the world in due course".
2. AKRSP staff demonstrated their own capacity for learning by instituting a number of course-corrections at the Fifth Monthly Review Workshop in June. The rethinking at AKRSP, provoked by the visit of Dr. Akhter Hameed Khan, has led to an explicit articulation of AKRSP functions in terms of the company's role as an NGO acting in support of existing efforts at development in northern Pakistan. Accordingly, the administrative set-up of AKRSP has also been modified, with different programmes being managed by autonomous sections.
3. The overall progress of the Programme in Gilgit District is indicated by SUM Table 1. As of July, the First Dialogue had been held in 128 rural communities in Gilgit, and 63 in Chitral. For Gilgit District, a portfolio of 215 engineering projects has been prepared. This portfolio covers 124 potential Village Organisations, and is estimated to cost Rs. 31.5 million. The potential for development finance indicated by this portfolio has been matched by fund-raising efforts undertaken by the Aga Khan Foundation (Head Office) in collaboration with AKF (P), AKF (UK), AKF (USA) and AKF (Canada). So far, commitments for AKRSP have been given by OXFAM, Alberta Aid and the Ford Foundation; the Ford Foundation grant has been matched by the Aga Khan Foundation (USA).
4. Of the 124 potential Village Organisations where the First Dialogue has been conclusive, 86% had been surveyed by 25 July; projects had been initiated in 31%, and completed in 12%. The 32 projects started by July in Gilgit District cost Rs. 4.7 million; 54% of the work on them had been completed by July. On projects started in the previous quarter, 80% of the work had been completed by the end of the present quarter. In Chitral, 5 projects (worth Rs. 0.4 million) were started in June and July; they showed 15% progress by July.
5. 45 formal Village Organisations had been formed around AKRSP projects by July. In addition, there existed 51 informal organisations in which AKRSP's main input is in the form of motivation and social organisation for development work. The 96 organisations together have 8,605 members, and had accumulated an equity capital of over Rs. 230,000 (Rs. 27 per member) by July. Starting next quarter, the Social Organisation Section will lead intensive efforts to find ways of developing specific medium-term plans for the Village Organisations.
6. The attendance of Managers and Model Farmers at extension training classes had been over 80% when the programme was discontinued in June. The Extension Training and Supplies Section will now be organising intensive courses in specialist functions for Village Organisation nominees. As part of its function of creating accessibility to inputs, AKRSP has provided group loans to 37 Village Organisations for the purchase of fertiliser. These loans, in the amount of Rs. 536,167, have been provided by Habib Bank, with a guarantee from AKRSP. About 3,000 smallholders of Gilgit District have so far benefitted from this joint AKRSP — Habib Bank programme.
7. A formal evaluation process was initiated in July. The Budget and Accounts Section had completed 5 project audits by July, and the Engineering Section had carried out analyses of 4 completed

projects. A crop-cutting survey was started in June, followed by village baseline surveys. A number of project-specific analyses, incorporating the results of the exercises mentioned here, will become available from the next quarter.

8. It is estimated that, between February and July, AKRSP received more than 150 out-station visitors who were briefed about AKRSP and its project area. We are grateful to these friends for the interest they have shown in our work. We are particularly grateful to the Northern Areas Administration and the Martial Law Administrator whose assistance and patronage have been invaluable in our first months in Gilgit.

PROGRAMME ACTIVITY STATUS TABLE (GILGIT DISTRICT)
25 JULY 1983

Approximate No. of Villages in Gilgit District:

200

NO. OF POTENTIAL VILLAGE ORGANISATIONS COVERED:

Programme Activity	Hunza	Nagar	Gilgit	Punyal-Ishkoman	Gupis Yasin	Gilgit District
FIRST DIALOGUE						
Explanation	28	32	31	15	22	128
Identification	28	32	27	15	22	124
SECOND DIALOGUE						
Feasibility	20	21	27	17	22	107
Design	17	18	27	14	19	95
Costing	6	8	8	9	7	38
THIRD DIALOGUE	6	8	8	9	7	38
COMPLETION	1	2	4	7	1	15
BASELINE SURVEY	0	1	2	0	0	3

INTRODUCTION

1. From a Model of Development Administration

In the "Introduction to AKRSP" contained in the First Progress Report, three interdependent principles of village-level development administration were mentioned as constituting AKRSP's strategy for development work in northern Pakistan. These principles are recapitulated below:

- (i) *Productive physical infrastructure* projects should precede any other development effort.
- (ii) *An administrative infrastructure* going down to the village level should be created to provide small farmers with agricultural inputs and with sound advice on the use of these inputs.
- (iii) In order to help smallholders overcome the handicaps of their subsistence holdings, a *social and economic infrastructure* should be created, in the form of broad-based, multi-purpose organisations that promote collective effort by villagers.

In pursuit of these principles, AKRSP had started implementing four village-based programmes — under principle (i), the construction of physical infrastructure, and under principle (ii), extension training, supply of inputs and the provision of credit. To help implement these programmes, Village Organisations had been set up under principle (iii).

The three principles listed above are extracted from the experience of countries with flourishing smallholder agricultural sectors. In Pakistan, these ideas were first made the basis of a rural development effort by Dr. Akhter Hameed Khan when he initiated the Comilla Project in former East Pakistan in 1959. The basic strategy was re-enacted at the Daudzai Markaz, near Peshawar, under the Integrated Rural Development Programme of the early seventies. The guiding spirit of the Daudzai Project was Dr. Akhter Hameed Khan. From Daudzai, the strategy was imported to AKRSP through those of Dr. Khan's students who came to work with AKRSP. Early thinking at AKRSP was, therefore, strongly influenced by the Daudzai experiment as it had evolved under Dr. Khan's guidance.

In June of this year, Dr. Akhter Hameed Khan himself visited AKRSP at the invitation of the Management Group. He held intensive discussions with AKRSP staff, administration officials and villagers of the project area. The upshot was the delinking of AKRSP from the Daudzai model, and the articulation of AKRSP's role as a non-governmental organisation (NGO).

To quote from Dr. Khan's report on his Gilgit visit:

It is important to define clearly the identity and role of AKRSP. First of all, it must be clearly understood that it is an NGO. It cannot be a substitute for government departments and it should not be a competitive rival.

- Wherever possible an NGO should concentrate on supplementary activities and seek coordination with government programmes and policies.
- In the Gilgit situation, the Daudzai organisation model (Training Centre + village groups + two-tier cooperatives for services and supplies) is inapplicable because:-
 - i) AKRSP, unlike the Daudzai Training and Development Centre (TDC) is an NGO, with limited resources and no authority;

- ii) The government has no policy, or capacity to start TDC's in Gilgit;
- iii). The long distances, and the scattered and isolated villages, make the concept of a TDC frequently visited by group representatives unworkable.

2.--- To a Model of Rural Support

Though the strategy emerges intact from the recent rethinking at AKRSP, the conclusions that AKRSP is supplementary to the government and that the Daudzai Markaz model is inapplicable have a number of implications for AKRSP functioning. In essence, the three principles listed above are to be understood not as principles of development *administration* — for AKRSP is an NGO — but rather, as principles for *supporting*, or supplementing, existing institutions. More specifically, course-corrections are to be made in the way AKRSP was performing the task of creating physical, administrative, and social and economic infrastructures. The nature of these course-corrections is discussed in the following lines.

Physical Infrastructure.— The practise at AKRSP has been to deal directly with Village Organisations in identifying and implementing village-level projects. Similar projects financed by the government's Local Bodies and Rural Development (LB&RD) department are identified and executed through the Union Council members elected by each village. It is now proposed that all projects identified by Village Organisations will be surveyed and costed by AKRSP's engineering staff as part of a long-term plan for the constituent villages of each Union Council. Such plans will be placed before members of the Union Council, together with projections of available funding. It will then be up to the Union Council to decide on the priorities for each fiscal year. Once such priorities have been agreed upon, the actual project will be implemented by the concerned Village Organisation in accordance with AKRSP's established terms of partnership.

With the proposed revisions, the role of the Union Council is promoted in two ways that recognise the political nature of the decisions involved. Firstly, the Union Council assigns the priorities among projects. And, secondly, the Union Council is accepted as the decision-making body for inter-village issues.

To strengthen the revised physical works programme, AKRSP will undertake supporting research and development activities. The emphasis of this endeavour will be on discovering more efficient methods, implements and materials.

In these ways, the advantages of AKRSP's flexibility as an NGO are shared with existing institutions in an innovative programme for physical infrastructure improvement.

Administrative Infrastructure.— AKRSP's efforts in the direction of setting up an administrative infrastructure consist of its programmes in extension, input supply and credit.

Under extension training, Village Organisation representatives had been attending fortnightly classes in managerial and agricultural subjects. From the next quarter, instead, villagers nominated by the organisations will start attending intensive courses in specialist functions that will be held periodically in Gilgit. By setting up direct links between AKRSP headquarters and the Village Organisations, the proposed change attempts to overcome the difficulties encountered in Gilgit with the two-tier extension system of Daudzai vintage.

In supporting its extension training system, AKRSP had undertaken to create accessibility to agricultural inputs and supplies for Village Organisations. This was being done by acting as an intermediary between villagers and existing institutions to the effect of bringing suppliers and demanders together.

This arrangement involves direct links between AKRSP headquarters and Village Organisations. The same is true for the joint AKRSP — Habib Bank credit programme. Therefore, both the supplies and credit programmes will continue to function as before.

Social and Economic Infrastructure.— The revised programmes under physical and administrative infrastructures rely more than ever on the existence of a developed social and economic infrastructure in the villages. As independent entities dealing directly with AKRSP and a multitude of other institutions, the Village Organisations will need to produce managers who can represent rural interests with responsibility and igenuity. These managers and other cadres will have to acquire the skills necessary to deal successfully with an agriculture that is in transition from a subsistence stage to a market-oriented stage. The development of such skills is not a highly-rated item on the agenda of existing institutions. ARKSP will therefore invest its own resources in bringing rural managers to forums where they can benefit from each other's experiences, and from expertise available with AKRSP and cooperating agencies.

The above modifications in AKRSP programmes preserve the principles of its strategy, at the same time as they make its functions compatible with its status as a flexible, private organisation with a catalytic role. The details of the revised programmes are given under appropriate sections in this report.

3. Administrative Structure of AKRSP

To recapitulate, the functions of AKRSP can be summarised in Dr. Khan's words as follows:

- i) Social and economic village organisations (VO's).
- ii) Liaison between VO's and government and other agencies.
- iii) Training of VO managers and other cadres in coordination with other agencies.
- iv) Opening up of services and supply lines to VO's, again in coordination with other agencies.
- v) Selective research to discover more efficient methods, implements and materials.

These functions are to be performed by autonomous sections, each with a responsible section-manager. The General Manager will be freed from routine and details, giving him sufficient time for touring, reviewing and evaluating. The relationship between the principles of AKRSP strategy, its programmes and its administrative sections can be illustrated as follows:

Principle of Strategy	Programmes	Section
I. Physical Infrastructure	1. Rural works 2. R & D	Engineering
II. Administrative Infrastructure	1. Extension 2. Input supply 3. Credit	Extension Training and Supplies
III. Social and Economic Infrastructure	Village Organisations	Social Organisation

In addition there will be three general sections: Administration, Budget and Accounts, and Monitoring, Evaluation and Research. Finally, there will be a small section on Marketing Research. The new organisational structure of AKRSP is shown in INT Chart 1.

AKRSP ORGANIZATIONAL CHART

As of August 1983

SHOAIB SULTAN KHAN
General Manager

MANAGEMENT GROUP

ABUR RAUF
Secretary to G. M.

Prog. Accountant MUTABIAT SHAH	Prog. Officer Mngr. ALI DAD	Prog. Economist TARIQ HUSAIN	Prog. Officer MALIHA H. HUSSEIN	Prog. Sr. Engineer HUSSAIN WALI KHAN	Prog. Sr. Agrlst HASAN MEHDI NAQVI	Prog. Trg. Splst
Buget & Accounts			1. Women's Programme	Engineering		Social Organisation
Project Accountant		Monitoring, Evaluation & Research	2. Audio-visual Unit			
	Admin and Personnel				Extension Training and Supplies	
Typing Pool	3			Asstt. Engineers	2	
Store-keeper	1			Sub-engineers	4	
Transport Asstt.	1			Surveyor	1	
Drivers	8			Chainmen	2	
Peons	5		A.V. Officer	1		Social Organisers
Mali	1		A.V. Technicians	2		5
Chaokidar	1				Veterinarian	1
Sweeper	1				Agriculturalists	4
					Budder	1
					Gardners	2
		Prog. Officer	1			
		Proj. Economist	1			
		Socio-economic Investigator	1			

SOCIAL ORGANISATION

1. The Objectives of Organisation

AKRSP's objective in social organisation is the creation and support of village-level organisations that will mature into self-sustaining development institutions in the villages. In the first phase of the Programme, efforts were directed at demonstrating the impact which these organisations could have on village development. The underlying strategy was to induce the villagers into accepting the necessity of organisation. In Gilgit District, 38 organisations were formed around projects financed by AKRSP — but another 40 villages organised themselves in anticipation of such cooperation with AKRSP. This, indeed, is a measure of the success of the initial strategy in mobilising villagers for concerted action for village development.

In the next phase, the effort will be to consolidate existing organisations and strengthen their ability for collective management of common issues. To begin with, projects will be set up in villages that have produced demonstrably workable organisations. Subsequently, a variety of development programmes will be introduced, through the Village Organisation, to meet the medium-term needs of the village. Moreover, as an aid to encouraging self-reliance among villagers, the element of subsidy in AKRSP financing will be reduced.

2. Performance of Village Organisations

(i) *General.*— By July 25th, 45 formal Village Organisations had been formed. Out of these, 39 are in Gilgit District (including one Women's Organisation), and 6 in Chitral District. ORG Table 1 gives their distribution according to sub-division. Together, these organisations represent about 5,800 households of Gilgit District, and 425 households of Chitral. 38 of these organisations have been formed around productive physical infrastructure, and 6 around the provision of credit. A total of 37 Village Organisations have been provided credit for the purchase of agricultural inputs. Members from formal as well as non-project organisations have been participating in the extension training programme.

In Chitral District, in addition to the 6 formal organisations, 11 non-project organisations had been formed by the end of July.

(ii) *Membership and Attendance.*— By the end of July, membership of formal and non-project organisations in Gilgit District totalled 7,566, an increase of 74% since the end of April (ORG Table 2). The membership of Chitral organisations stood at 971 by the end of July; there are 17 organisations in Chitral.

Attendance at Village Organisation meetings remains erratic. AKRSP has relaxed its requirement that Village Organisations must meet every week; this will now be necessary only as long as an engineering project is being implemented by the organisation. This change was introduced in recognition of the fact that once a project has been completed, the urgency of meeting every week to discuss common problems is greatly diminished. It is now left to the Village Organisations to determine how frequently they must meet every month for reviewing their development plans and accumulating equity capital.

(iii) *Equity Capital.*— The equity capital of all Village Organisations in Gilgit had reached a total of Rs. 205,984 by the end of July (ORG Table 2). This represents an increase of 175% over the total at the end of April, an increase that incorporates the effect of new organisations and members. Equity capital per

member now stands at Rs. 27, an increase of 58% over April. In Chitral District, two months after the start of AKRSP operations, an equity capital of Rs. 20,481 had been accumulated. This works out to Rs. 21 per member.

A major problem with sustaining the accumulation of equity capital is the ability of organisations to find remunerative uses for their capital. There are, at present, few clear options, and this will reduce the incentive to save. Moreover, members of Village Organisations will have to guard against the possibility of office bearers and influential members using the organisation's capital for personal gain.

3. Women's Organisation

Emulating the men's example, the women of Sherqilla formed their own organisation in June, and then invited AKRSP to help them initiate a project. Their membership stands at 68, and they have saved more than Rs. 4,000 (an average of Rs. 59 per member). However, they are still uncertain as to how best they can use this capital productively. They have been instructed in the techniques of fruit preservation and mushroom cultivation; however, both options, for the present, have only a limited potential for marketing. Income-generating programmes which would be appropriate for the women are being considered by AKRSP in consultation with other local agencies. Poultry farming is one such programme. Understandably, however, the Sherqilla women are reluctant to invest their money in poultry farming, unless they are guaranteed access to back-up services such as poultry vaccination.

4. The Benefits of Organisation

The formation of a Village Organisation makes it possible for individual members to utilise opportunities that would not be available to them on their own. A number of such opportunities have been noted in the recent past and are reported in the following lines.

(i) *Access to credit facilities.*— Under a nation-wide directive from the Pakistan Banking Council, all scheduled banks operating in Gilgit had established a scheme of lending up to Rs. 6,000, in interest-free production loans, to small farmers. Gilgit banks reported, however, that in the three years prior to AKRSP's arrival, not a single loan of this nature had been taken out! There appeared to be two possible reasons for this — villagers could not, or would not, offer collateral, and they were unable to comply with the documentary requirements of banks. The solution emerged after villages became organised: with part-underwriting by AKRSP, Habib Bank extended group loans to Village Organisations, who took the responsibility for disbursing and recovering these loans. In turn, the solvency of Village Organisations as village-level credit-and-savings institutions is guaranteed by their accumulated equity capital. Indeed, in a couple of instances, organisations have extended credit to their members from their own equity capital.

(ii) *Improved marketing.*— Although Village Organisations are not equipped to take over the specialist marketing functions, they provide the forum through which marketing overheads per member can be reduced by selling produce and purchasing inputs collectively. To this end, marketing research is being carried out by AKRSP in the Sultanabad and Oshikhandass villages near Gilgit.

(iii) *Dealing with natural calamities.*— The capacity of a village to cope with natural disasters has been considerably enhanced with the formation of a Village Organisation: where a village would have been completely dependent on outside help, it now has the financial and organisational resources to help itself. Encouraging evidence to this effect was provided in July when unseasonal flooding and mud-flows

damaged the link road in Japuka and irrigation channels in Sultanabad and Mohammadabad. The only relief provided to these organisations by AKRSP was the sale of explosives on cash.

It needs to be noted, however, that, following past practise, villagers affected by the flooding had initially demanded that AKRSP repair the damage at its own cost. These villagers were reminded that, under the terms of partnership between AKRSP and the Village Organisations, the organisations had made public commitments to undertake the maintenance and repair of their projects. It was only after a day-long discussion with AKRSP staff that the leaders of the Village Organisations conceded the implications of their undertaking.

(iv) *Introduction of new techniques.*— Techniques of apricot fumigation and fruit-preservation were recently demonstrated at meetings of several Village Organisations. In this way, fruit scientists were able to address a much larger audience than any they could have reached without the organisations. Equally important is the fact that organisations provide instant feedback from a large sample of the potential adopters of the technology being promoted by experts.

5. Organisational Issues

(i) *Cooperation between Village Organisations and Union Councils.*— The measure of financial independence and authority which is vested in the Village Organisation has the potential for creating conflicts with Union Council members from that village. Although such conflicts have not surfaced so far, the underlying tension has always been in evidence. In order to avoid any conflict between Village Organisations and Union Councils, AKRSP is attempting to involve both institutions in village-level development in a way that would not undermine the functioning of either institution. AKRSP has offered the District Council technical assistance in the preparation of comprehensive long-term Union Council plans. The Village Organisation would then become the executing agency for the District Council, rather than for AKRSP. The District Council has been receptive to the idea, but the concept is yet to be tested.

(ii) *Property rights to newly-irrigated land.*— This issue comes up whenever an irrigation channel is to be constructed to irrigate and help develop barren land. In each such instance, AKRSP financing is predicated on the Village Organisation's commitment to define property rights to the satisfaction of all concerned.

Agreement among villagers on property rights is considered vital because claims to ownership in the region are established by tradition rather than by documentation. However, like modern state institutions elsewhere in the world, judicial and executive agencies in the Northern Areas require proper documentation in support of claims to land ownership. In one instance, for example, the construction of a channel was delayed while villagers and the Northern Areas Administration debated whether or not construction could proceed without documentary evidence of land ownership. It was finally agreed that documentation could be produced only after land settlement had been completed by the government Revenue Department.

Land settlement by the Revenue Department is still in its initial stages and has been completed in only one of Gilgit's five sub-divisions. For the present, therefore, the establishment of property rights in land remains subject to the ambiguities that come up in the transition from traditional to modern definitions of ownership rights. There is potential, in this situation, for conflict among villagers, as well for misunderstandings between villagers and administrative departments. The solution is for both AKRSP and the government to encourage resolution of conflicting claims by discussion among villagers.

(iii) *Land compensation.*— AKRSP does not pay land compensation to farmers whose lands are taken up in road construction in the village. Initially, there was vociferous opposition to this aspect.

Subsequently, however, long debates between villagers and AKRSP staff persuaded Village Organisations to settle land compensations claims on their own. They have done so, most frequently, by foregoing part of the labour payment in favour of land compensation payment. This issue had caused considerable debate and delay in several villages, particularly in Hunza.

(iv) *Demand for revision of cost estimates.*— In a few cases, Village Organisations have demanded revision of cost estimates for projects undertaken by them. As is common practise in the region, such demands are made with the object of securing larger grants from the funding agency. The policy of AKRSP in this connection is to resolutely reject any demands of this nature. Cost estimates at AKRSP are prepared only after a proper engineering survey is completed with the collaboration of knowledgeable villagers.

(v) *Deviations from project design specifications.*— Certain cases have been reported of Village Organisations (e.g., Rahimabad and Singal) which have deviated from the project specifications prepared by AKRSP's Engineering Section. Since project plans are drawn up in consultation with villagers nominated by village assemblies, and are finalised only after an assessment by the Programme Senior Engineer, no unilateral modifications in them are accepted. The importance of this principle is highlighted by the example of Oshikhandass. In this village, two factions developed within the Village Organisation; one of these managed to change the design of the sedimentation tank being constructed for the village. The result was that within the first fortnight, the tank cracked on one side. To discourage such deviations from project design, AKRSP withholds the final instalment of project cost until such time as the project is complete in all respects and according to the original specifications.

(vi) *The determination of labour payments.*— In order to reduce the subsidy element in its engineering programme, AKRSP has altered its method of estimating labour costs. Previously, labour costs were estimated at market wage rates, using estimates of work prepared by the Engineering Section. Now, instead, villagers will be asked to specify the amount they feel should be paid to labour for their project. In the bargaining that ensues, AKRSP will accept a figure that is between 50% and 100% of its own estimate for labour costs, the exact figure depending on the labour situation in the village, as well as on the productivity of the project.

(vii) *Preserving the egalitarian base of the community.*— One of the major concerns of AKRSP is to preserve the relatively egalitarian distribution of assets and incomes in the villages of its project area. The danger is that well-to-do and influential farmers might use the Village Organisation and the inductions of money into the village for their exclusive benefit. To protect the rights of weaker members, the Social Organisers are active in educating members about their rights in an organisation, and about how these rights can be secured.

There is the possibility, too, that poorer members will lag behind others in exploiting new opportunities for development. This could happen, for instance, in the costly process of developing land for which irrigation has only recently become available. In such cases, AKRSP will encourage and induce villagers into acting collectively for the benefit of *all* members of the Village Organisation. For example, a tradition existed in Hunza within living memory whereby groups of villagers would undertake to prepare new land for cultivation by individual farmers, in exchange for meals taken on the job. Together with selected Village Organisations, AKRSP is searching for ways that will replicate similar examples of positive collective effort.

(viii) *Internal disputes in Village Organisations.*— In Hussainabad, the Village Organisation has been unable to start work on its project because of a dispute between two groups on project specifications. In Baltit, villagers have failed to form themselves into an organisation, the claims of village leaders notwithstanding. Internal conflict has also delayed the progress of work in a couple of other villages.

The policy of AKRSP is that villagers must solve their disputes themselves. Only then is there any hope of the Village Organisation evolving into a credible development institution.

(ix) *Difficulties in determining village priorities.*— As a result of their experience with the development agencies, villagers invariably become aware of the differences in approach and priorities between different agencies. They use this experience to doctor their response according to what they feel is appropriate for a particular agency. For example, villagers in Sunich (Chitral) told AKRSP that an irrigation channel was their number one priority. In another agency's survey, these same villagers had listed drinking water as their first priority! Their own explanation was that they suggested different projects because they knew the difference between the two agencies.

(x) *The sustaining capacity of Village Organisations.*— By far the most important concern of AKRSP is to help sustain the Village Organisations as development institutions. As long as an engineering project is under implementation, most organisations are observed to be fairly regular in holding meetings and accumulating savings. With the completion of the project, however, enthusiasm has waned in some villages. In Altit, for example, the Village Organisation stopped all meetings and savings after its road project was completed. Since, by this act, the organisation has reneged on its terms of partnership with AKRSP, the final instalment of project cost is being withheld from it.

Such policing of an organisation's behaviour, though effective temporarily, is not a permanent mechanism for keeping the organisation active in development plans for the village. AKRSP is paying close attention to ways in which it can work with villagers in planning for specific activities that will be undertaken in a village in the next 2–3 years.

6. Conclusion

At this formative stage, one can only cautiously answer questions about the long-term viability of Village Organisations. In the past eight months, all manner of problems have come up, including some that remain unsolved. Of these, the important ones are highlighted in the Progress Reports. The experience of AKRSP in development work is reassuring in at least one respect: if the strategy for rural development is based on sound principles of social organisation, few village-level problems can remain unsolved for long.

VILLAGE ORGANISATIONS FORMED BY 25 JULY 1983

DISTRICT GILGIT

SUB-DIVISION (No. of Beneficiary Households)	VILLAGE ORGANISATIONS	
HUNZA (1062)	1. Altit 3. Murtazaabad Pain 5. Passu	2. Hussainabad 4. Maiun 6. Haiderabad
NAGAR (688)	1. Chayan 3. Rahbat 5. Hakalshal 7. Sonikot	2. Manalokushal 4. Ratal 6. Chalt Bala 8. Mamosh Diding
GILGIT (1240)	1. Oshikandas 3. Rahimabad 5. Aminabad 7. Jaglote Sain	2. Mohammadabad 4. Sultanabad 6. Sonikot Bala 8. Hanuchal
PUNYAL-ISHKOMAN (1520)	1. Japuka 3. Gulmuti 5. Phakora 7. Shunas 9. Grunjar	2. Singal 4. Kuchdeh 6. Gulapur 8. Sherqilla*
GUPIS-YASIN (1279)	1. Gupis 3. Bujayote 5. Yasin Bala 7. Teru	2. Junrote 4. Nooh 6. Phander

DISTRICT CHITRAL

CHITRAL (425)	1. Sonich 3. Dagheri 5. Gufty	2. Hengel 4. Irjik 6. Maroi Pain
------------------	-------------------------------------	--

*Sherqilla also has a women's organisation with 68 members.

**EQUITY CAPITAL (Rs.) OF VILLAGE ORGANISATIONS* —
GILGIT DISTRICT**

	By the end of:		
	April	July	% Increase
Number of Organisations	48	78	63
Membership	4,348	7,566	74
Value of Shares	44,290	80,120	81
Savings	30,605	125,864	311
Equity Capital (Shares + Savings)	74,895	205,984	175
Equity per Member	17.23	27.22	58

* These include spontaneous organisations that have been formed in anticipation of collaboration with AKRSP. As of July, there were 40 such organisations.

ENGINEERING

1. The Portfolio of Engineering Projects

During the quarter under review, the First Dialogue was held with villagers of 13 potential Village Organisations, bringing the total coverage of the First Dialogue to 128 communities. Consolidation of all information gathered through the Diagnostic Survey between December and July reveals that, so far, 124 communities have identified 215 engineering projects in Gilgit District. This portfolio of projects, summarised in ENG Table 1, shows that the construction, widening and extension of irrigation channels continues to be the number one priority at the village level: it accounts for 47% of all projects identified by villagers. Link roads (21% of all projects) and protective bunds (17%) are also leading priorities.

A comprehensive portfolio for Chitral District has not yet been finalised. However, all 63 communities where the First Dialogue has been held have identified village-level income-generating projects. It appears that irrigation channels and cantilever bridges are the two most important priorities in Chitral.

2. Estimated Cost of the Portfolio

For Gilgit District, ENG Table 2 shows the tentative cost estimates for different sub-divisions and different sectors. The entire portfolio is estimated to cost Rs. 31.5 million, an average of roughly Rs. 147,000 per project. The outlay on irrigation is expected to account for 56% of the total cost. Irrigation, protective bunds and link roads together make up 87% of the cost of the portfolio. Of these three types of projects, irrigation channels have the highest average cost (Rs. 176,000). Protective bunds cost Rs. 154,000, on average, and link roads, Rs. 88,000.

Similar cost estimates for Chitral are under preparation. An effort is now underway to compare the estimates of cost, labour and material with the actuals for completed projects. The results of such exercises will be reported in detail in AKRSP's Project Analysis Series, and summarised in the Progress Reports.

3. Breakdown of Costs

For the 215 projects identified in Gilgit, the breakdown of costs into labour and material costs is summarised in ENG Table 3. One effect of undertaking the rural projects identified to date will be to provide immediate employment to villagers, with an average payment amounting to Rs. 850 for every household in Gilgit District. The entire portfolio calls for 831,600 mandays of labour input.

Since the end of the quarter under review, a procedure has been devised to reduce the labour component of the cost through negotiations with villagers. The objective is to replace estimates based on local market rates with estimates that reflect more accurately the entire spectrum of opportunities open to labour in a particular village. The procedure that has been adopted is likely to result in significant downward-revisions of labour cost estimates.

4. Step-Wise Progress of Engineering Programme

This is summarised in ENG Table 4 and is meant to reflect the extent of coverage of potential Village Organisations in Gilgit.

Column 1.2 of the table shows that of all the projects identified by July, 86% have been surveyed, and 31% costed in detail. Of the villages where projects have been identified, the Third Dialogue has covered 31% of the potential Village Organisations. Finally (from column III), work has been completed in 39% of the villages where projects were initiated upto July.

5. Progress of Projects

This is reported in summary fashion in ENG Table 5 for Gilgit District.

Only 7 new projects were undertaken during the May – July quarter. However, these 7 projects have an average cost of approximately Rs. 311,000, compared with an average of Rs. 100,000 for the first 25 projects.

By 25 July, 32 projects worth Rs. 4.7 million had been initiated in Gilgit District. ENG Table 5.A shows that 54% of the work on these projects had been completed by July. Part B of the table reports on the progress of projects initiated in specified months. Roughly 80% of the work started by April has been completed; the corresponding figure in April was 47%. Finally, 27% of the work has been completed on projects started during May – July.

In Chitral District, 5 projects, costing Rs. 82,200 on average, had been set up in June and July. By 25 July, 15% of the work had been completed.

6. Decisions of the Fifth Monthly Review Workshop

This workshop, held in June, was addressed by Dr. Akhter Hameed Khan, who led a discussion reviewing AKRSP's engineering programme. In the light of this discussion, the emphasis and approach of the engineering programme have been altered in a number of ways, outlined below.

(i) *Administrative Set-up.*— It was decided that all the engineering staff will be based in Gilgit rather than at the headquarters of the Social Organisation Unit. They will be despatched to the field to conduct surveys for a number of days at a stretch, during which they are expected to camp in the villages being surveyed. This is expected to reduce travel time significantly.

(ii) *Union Council Planning.*— AKRSP has offered the services of its engineering staff to the Gilgit District Council for the purpose of preparing comprehensive plans at the Union Council level. These plans will show existing physical infrastructure, the need for repair and rectification, and the planned network of infrastructure. These ideas were presented by the Programme Senior Engineer at the quarterly meeting of the District Council in July. The Councillors expressed a keen interest in the proposal and requested that it be put into effect at an early date. Danyore or Rahimabad Union Council, near Gilgit will be the first Union Council for which the Engineering Section of AKRSP will prepare designs and cost estimates for planned improvements in physical infrastructure.

(iii) *Mode of Assistance to Village Organisations.*— It was decided that, as much as possible, AKRSP will shift its emphasis from cash payment for specific projects to assistance in the form of implements, research and development, and other forms of capital investment such as revolving funds. Accordingly, a set of basic tools and implements will be given to each Village Organisation as part of a project. Steps are also being taken, for example to popularise the Chinese wheelbarrows that are being used successfully in upper Hunza. In terms of research and development, in general, a paper submitted by Mr. Arif Hasan, an architect associated with the Orangi Project (Karachi), is under the active consideration of the engineering staff.

7. Cooperation with Other Agencies

The AKRSP proposal on Union Council Planning has been designed explicitly to eliminate any sense of competition with government departments. Furthermore, it is meant to augment the meagre technical expertise that is available with local authorities for physical infrastructure planning. It is in this manner that AKRSP will pool resources with the government in the field of engineering.

Pooling of resources has also been initiated between AKRSP and the local IRD (UNDP/FAO) Project. AKRSP has provided explosives/gabions on cash to IRDP, and IRDP has agreed to issue portable drilling machines to AKRSP projects on a case-by-case basis.

PORTFOLIO OF PROJECTS IDENTIFIED DURING DEC. 1982 – JULY 1983

Number of Projects Identified in Sub-Division

Sector	Hunza	Nagar	Gilgit	Punyal— Ishkoman	Gupis— Yasin	Gilgit District
1. Irrigation	22	18	20	12	28	100
2. Protective Bund	4	3	2	9	19	37
3. Storage Reservoir	2	5	2	0	9	18
4. Sedimentation Tank	0	1	1	1	0	3
5. Lift Irrigation	0	0	4	0	0	4
6. Land Development	0	1	2	2	2	7
7. Link Road	20	9	7	2	7	45
8. Bridge	0	0	1	0	0	1
Total	48	37	39	26	65	215

**ESTIMATED COST OF PORTFOLIO OF PROJECTS IDENTIFIED DURING
DECEMBER 1982 -- JULY 1983**

Cost of Project ('000 Rs.) for Sub-Division:

Sector	Hunza	Nagar	Gilgit	Punyal— Ishkoman	Gupis— Yasin	Gilgit District
1. Irrigation	2,947	2,637	4,598	1,134	6,303	17,619
2. Protective Bund	738	385	300	1,227	3,050	5,700
3. Storage Reservoir	152	365	336	0	1,245	2,098
4. Sedimentation Tank	0	261	131	130	0	522
5. Lift Irrigation	0	0	950	0	0	950
6. Land Development	0	100	170	200	100	570
7. Link Road	1,758	552	540	308	820	3,978
8. Bridge	0	0	100	0	0	100
Total	5,595	4,300	7,125	2,999	11,518	31,537

**BREAKDOWN OF COSTS AND LABOUR FOR PROJECTS
IDENTIFIED DURING DEC. 1982 – JULY 1983**

Estimated Costs ('000 Rs.)

Sector	Mandays	Labour	Material	Total	Percentage of labour in cost
1. Irrigation	563,800	14,095	3,524	17,619	80
2. Protective Bund	45,600	1,140	4,560	5,700	20
3. Storage Reservoir	52,450	1,049	1,049	2,098	50
4. Sedimentation Tank	10,430	261	261	522	50
5. Lift Irrigation	9,500	236	714	950	25
6. Land Development	28,500	570	0	570	100
7. Link Road	119,320	2,983	995	3,978	75
8. Bridge	2,000	50	50	100	50
Total	831,600	20,384	11,153	31,537	65

STEP-WISE PROGRESS OF THE ENGINEERING PROGRAMME*

	I.1	I.2	II.1	II.2	II.3	III
I. FIRST DIALOGUE						
1. Explanation	100					
2. Identification	97	100				
II. SECOND DIALOGUE						
1. Feasibility	84	86	100			
2. Design	74	77	89	100		
3. Costing	30	31	36	40	100	
III. THIRD DIALOGUE	30	31	36	40	100	100
IV. COMPLETION	12	12	14	16	39	39

* The figures under each of the columns marked I.1, I.2 etc., show the percentage of potential Village Organisations that have been covered by different phases of the Programming Cycle, where the percentage is with respect to the phase represented by I.1, I.2, etc. For example, column II.1 shows that designs have been drawn up for 89% of all villages where the survey has been completed, whereas costing has been finalised for 36% of these villages.

**A: PROGRESS OF ENGINEERING PROJECTS INITIATED
BY SPECIFIED MONTHS**

Projects Initiated By end of	No.	Comulative Cost (‘000 Rs.)	Average Cost (‘000 Rs.)	% of work completed by *	
					July
April	25	2,497	100	47	(42)
July	32	4,696	147		54

* Figures in parentheses refer to completed work that can be accounted for by projects initiated by the specified month.

**B: PROGRESS OF ENGINEERING PROJECTS INITIATED
IN SPECIFIED MONTHS**

Projects Initiated In	No.	Cost (‘000 Rs.)	% of Work Completed by	
			April	July
February	10	1,166	58	76
March	9	720	61	87
April	6	610	11	81
May	3	793		24
June	4	1,386		28
July	0	0		—

NB:— The above tables do not include information on 5 projects (worth Rs. 408,354) started in Chitral District in June.

EXTENSION TRAINING AND SUPPLIES

1. The First Experiment in Extension

Shortly after the formation of the first Village Organisations in February, fortnightly extension classes were started at four locations in Gilgit. Instruction on agriculture, engineering and organisation was provided by AKRSP staff to the Managers and Model Farmers of the Village Organisations. In agriculture, the topics covered included use of spray pumps and budding techniques (practical demonstrations), and advice on cultural practices and plant protection measures. In engineering, instruction was given on precautionary measures in the use of explosives, and on the maintenance of physical infrastructure.

The response of villagers was most encouraging: attendance at the fortnightly sessions was usually over 80%. There were even cases of villagers walking upto 20 km to attend extension classes. (Attendance figures for different S.O. Units are summarised in ETS Table 1.) However, the feeling had begun to grow among AKRSP staff that the effect of extension efforts remained, at best, uncertain. It was with this experience in the background that the Fifth Monthly Review Workshop was held in mid-June.

2. Decisions of the Fifth Monthly Review Workshop

It was decided that the first experiment in extension training will be terminated immediately. Instead, the thrust of AKRSP's extension programme will be towards training and supplying village specialists. Each Village Organisation will be asked to select 3 village residents who will be trained as live-stock specialist, plant protection specialist and poultry specialist. The training will be held at AKRSP's extension training hostel in Gilgit for 3-4 weeks per course. Trainees will be provided accommodation at the hostel, together with a daily allowance. Training curricula will be prepared with the assistance of experts available with local agencies, who will also provide the actual training. At the end of a course, each village specialist will be given the supplies and equipment necessary to make him functional in his village. Thereafter, he will be sustained entirely by charges paid by villagers for services rendered by him. Refresher training will be provided by AKRSP periodically.

As of the end of July, a trainees hostel had been rented and furnished in local tradition. The first course — for livestock specialists — will be held for 3 weeks in August and September. Up to 22 trainees are expected to attend. The Social Organisers have been asked to impress upon the Village Organisations the need for nominating individuals who will continue to live in the village after training and look upon their job, at least partly, as a service to their community. The curriculum for this course has been prepared by the Programme Senior Agriculturalist and Consulting Veterinarian, after field trips to villages and consultation with local livestock experts.

As a consequence of the revised extension programme, it was decided that AKRSP Agriculturalists, who were previously attached to S.O. Units, will now be based at the headquarters in Gilgit. Furthermore, direct supply lines will be established between Gilgit and the Village Organisations, thus eliminating the role of S.O. Units as intermediaries.

3. Fruit Preservation

Under an arrangement with the Pakistan Council for Scientific and Industrial Research (PCSIR), two scientists visited AKRSP Village Organisations in July to demonstrate a simple technique of apricot

fumigation by sulphur. The treatment of fruit with sulphur dioxide, before drying, is reported to retard discolouration in dried fruit, preserve vitamin C, delay fermentation and maintain taste. Practical demonstrations by PCSIR scientists were given in several villages in the Hunza, Gilgit and Punyal regions. It may be recalled that similar demonstrations have been given in the Northern Areas during the past several years, without the technique being adopted by villagers. AKRSP staff are at present working with villagers, shopkeepers and local experts to understand the reasons for the non-adoption of the demonstrated technique, and to formulate a course of action that would help villagers market their large fruit output.

4. Credit for Inputs and Machinery

The amount of fertiliser-credit advanced by Habib Bank Limited to Village Organisations, through AKRSP, stands at Rs. 536,167 as of 25 July. Statistics on these group loans are reported in ETS Table 2. It is estimated that roughly 3,000 farmers of 37 villages in Gilgit have taken out fertiliser loans as part of the joint AKRSP-HBL programme. The security for these loans is provided, in effect, by the equity capital accumulated by Village Organisations and amounting to Rs. 206,000.

The first batch of loans was given in February–April, and becomes due in August–October. The recovery rate will be closely watched as the most important indicator of the viability of the fertiliser credit programme.

In addition to credit for fertiliser, two wheat threshers purchased by AKRSP were sold to the Village Organisations of Mohammadabad and Sultanabad on credit. The cost per thresher amounts to Rs. 21,437, and will be recovered from the Village Organisation over a three-year period.

Finally, insecticides and a spray pump were also sold to a few Village Organisations on credit. These inputs involved credit in the amount of Rs. 4,946.

By July, therefore, a total of Rs. 583,987 had been advanced as group loans to Village Organisations for the purchase of agricultural inputs and machinery.

5. Cooperation with Other Agencies

The new extension training programme of AKRSP relies heavily on AKRSP's ability to enlist the support of local agencies in planning and executing courses for village specialists. Such support has already been forthcoming from the Animal Husbandry Department and the Integrated Rural Development Project (IRDP) of UNDP/FAO.

Similar cooperation exists, too, in AKRSP's effort to make inputs and machinery available to smallholders on the basis of credit extended by Habib Bank Limited. AKRSP acts as a dealer for the National Fertiliser Corporation, and bottlenecks in the supply of fertiliser are removed by procuring supplies from the Agriculture Department or the IRDP. Thus, in terms of its extension training and supplies programme, the role of AKRSP is that of an intermediary between Village Organisations and existing institutions.

ETS Table 1

**A: CUMULATIVE (%) ATTENDANCE AT EXTENSION CLASSES BY
THE END OF SPECIFIED MONTHS**

Month	S. O. Unit			Overall Attendance
	Aliabad	Gilgit	Singal	
March	—	90	—	90
April	86	94	94	92
May	77	92	83	83
June	79	87	—	82

**B: AVERAGE MONTHLY ATTENDANCE (%) AT EXTENSION
CLASSES IN SPECIFIED MONTHS**

Month	S. O. Unit			Overall Attendance
	Aliabad	Gilgit	Singal	
March	—	90	—	90
April	86	96	94	92
May	71	88	72	74
June	83	77	—	80

N.B.— This extension training programme was discontinued in the middle of June.

**GILGIT DISTRICT
GROUP LOANS FOR FERTILISER AS OF JULY 1983**

Sub-Division	No. of Organisations	No. of Loanees*	Amount of Loan (Rs.)
HUNZA	1	—	9,616
NAGAR	0	0	0
GILGIT	5	464	52,423
PUNYAL-ISHKOMAN	14	1,138	214,067
GUPIS-YASIN	17	1,083	260,061
DISTRICT TOTAL:	37	2,518	536,167

* The number of loanees reported here understates the true number because complete figures were not available for the following organisations:

- | | |
|-------------------|--------------------------------------|
| — HUNZA | Hussainabad |
| — PUNYAL-ISHKOMAN | Sherqilla, Singal |
| — GUPIS-YASIN | Yasin Paeen, Taoos Bala, Taoos Paeen |

MARKETING RESEARCH

1. The Concept

The role which AKRSP envisages for itself in marketing is investigating the possibility of strengthening the links between Village Organisations and the Gilgit market. The first task which the programme has assigned itself is connecting four or five neighbouring villages to the Gilgit market. Attempts to strengthen the links between the Gilgit market and down-country will be made in the second stage. The co-ordinating role of AKRSP is designed to bring the marketable surplus of villagers to Gilgit for sale. Initially, AKRSP will subsidise transportation overheads; once successful, the experiment will pay for itself. It is hoped that the lessons derived from the experience will reveal the problems and issues of marketing in the area. As such, the exercise is primarily research-oriented.

The other institutions which AKRSP hopes to involve in this experiment are the Village Organisations, Gilgit traders and commercial banks. The Village Organisations will provide a forum for accumulating and increasing the supply of marketable goods. They would also help to identify the village shopkeeper who would transact in Gilgit. The Gilgit traders are being involved to ensure their cooperation. The participation of banks is expected to provide useful information on marketing trends as well as any other assistance they may wish to provide.

The village entrepreneur, i.e., the local shopkeeper, will be encouraged to play a pivotal role in this process. The Village Organisation cannot replace him in the performance of this specialist task.

The behaviour of Gilgit shopkeepers will be under observation. In case they display an unlimited appetite for profits, AKRSP would intervene with its own marketing outlets. In this respect, the exercise centres around encouraging cooperation between Gilgit traders and the Village Organisations.

2. Performance

AKRSP has contacted the Vegetable Sellers Association and explained to them this concept of marketing. They have promised to hold a meeting of wholesalers to elicit their response to the proposal. Similar meetings have been held with commercial banks.

In order to help increase the marketability of indigenous goods, AKRSP has undertaken a fruit preservation and dehydration project in collaboration with PCSIR. However, it is too early to specify the extent to which farmers will adopt the techniques being demonstrated under this project.

3. Problems

(i) *Selection of entrepreneurs.*— In Oshikhandass, the Village Organisation selected a person for marketing who was not a shopkeeper and, as such, inexperienced in marketing skills. Such selection can pose serious problems for the venture in marketing.

(ii) *Saturation of markets.*— The greatest surplus generated at the village level is in fresh fruits. The Gilgit market is already saturated with seasonal fruits. The perishable and delicate nature of the fruit,

combined with lack of proper storage facilities, makes it impossible to transport this down-country.

(iii) *Variable prices.*— Due to the unpredictable supply situation, the shopkeepers in Gilgit are reluctant to specify prices beforehand. This element of added risk to the producer discourages additional efforts to market goods.

(iv) *Price control.*— The government issues a price list which tends to depress prices to the disadvantage of the farmer.

BUDGET AND ACCOUNTS

1. AKRSP Donors

The Aga Khan Rural Support Programme, though an independent legal entity, is a project of the Aga Khan Foundation. The Foundation's executing agency for the Programme is the Aga Khan Foundation, Pakistan branch AKF(P). AKF has provided the seed money for AKRSP, and is likely to remain the principal donor to the Programme.

Information that was collected during the Diagnostic Survey between December, 1982 and February, 1983 led to an assessment by the Board of Directors of AKRSP that the potential for development finance in northern Pakistan far exceeded the initial commitment of funds by AKF. The Board, therefore, requested AKF (Head Office) to organise a fund-raising drive, so that AKRSP might activate its programmes in as many villages as it has the managerial capability to support. The Canadian, U.K. and U.S.A. branches of AKF have since worked resourcefully to tap funding sources overseas, while AKF(P) and AKRSP management have worked to that effect within Pakistan.

The result of this fund-raising drive, spearheaded by AKF (Head Office), has been a growing awareness, among the international donor community, of the development needs of northern Pakistan and of AKRSP's potential for contributing to the uplift of this region. In concrete terms, fund-raising efforts have so far realised specific commitments from OXFAM (U.K.), Alberta Aid (Canada) and the Ford Foundation (U.S.A.). The Ford Foundation grant was matched by an equal amount from AKF (U.S.A.). In addition, an anonymous donor has contributed a large amount towards the budget for AKRSP's Chitral operations.

Quarterly Progress Report, of which this document is one, will constitute the principal means through which AKRSP will report on its activities. Information on projects funded by specific agencies will also be transmitted to these agencies alongwith the Progress Reports. Where required, funds from a donor agency will be physically segregated from other funds.

2. Programme Expenditure

The Programme Budget consists of five line items, the relative importance of which is indicated in B&A Table I.A. In the form in which it was approved by the Board of Directors, the Programme Budget indicates the extent to which AKRSP, given its managerial strength, can expend funds for development work in Gilgit District. The budget with which AKRSP operates at any given time is the amount that has been committed by that time by AKF and other donor agencies. In terms of actual disbursements, engineering projects, charged to Agriculture and Rural Development, had accounted for 70% of the expenditure by June. The extension training programme, which has now been revised, took up 2% of the expenditure. Research and Survey, which has so far covered the cost of only the Diagnostic Survey, will also be charged for expenditures on the agricultural and economics surveys initiated in July.

As of June, disbursements under the Pilot Credit Programme had reached 50% of the amount budgeted for this item (Part B of B&A Table 1). Similarly, the rate at which disbursements under other heads are approaching their budgeted limits is shown in B&A Table 1. B. By the middle of the financial year, only the credit programme component of the Programme Budget had reached the half-way mark in the ratio of disbursements to budgeted amounts.

3. Project Audits

Audits of Village Organisations that have completed their engineering projects are carried out by the Programme Accountant at the same time as the village baseline survey. The results are reported in detail in the Project Analysis Series of AKRSP.

The accounting audit of Village Organisations includes an audit of project-specific expenditures, the comparison of cost estimates with actual expenditures, and an audit of records showing the equity capital of the organisation. Such audits have been completed for five Village Organisations. A preliminary analysis of the results indicates some weaknesses in book-keeping. The Budget and Accounts Section has therefore undertaken to impart intensive training in book-keeping to the Managers of Village Organisations. Such instruction, it is hoped, will improve the managerial skills of rural cadres. In turn, proper accounting will increase the confidence of farmers in their Village Organisations.

A favourable audit report will reinforce the trust which members of the Village Organisation have reposed in their leaders. An unfavourable report, on the other hand, will provide members with an outsider's assessment of organisational and managerial weaknesses in their organisation. In either case, reports will be presented to Village Organisations for discussion in their regular meetings.

PROGRAMME EXPENDITURE (GILGIT DISTRICT)

A: PERCENTAGE SHARE OF LINE ITEMS IN APPROVED
BUDGET & DISBURSEMENTS*

Item	% Share in Budget	% Share in Disbursements, as of:	
		March	June
1. Agric. & Rural Develop.	71	72	70
2. Extension Training	5	1	2
3. Research & Survey	9	13	15
4. Pilot Credit Programme	6	14	12
5. Survey Equipment	9	1	1

B: DISBURSEMENTS AS PERCENTAGE OF APPROVED BUDGET*

Item	Disbursements as % of Budget, as of:	
	March	June
1. Agric. & Rural Develop.	8	23
2. Extension Training	1	7
3. Research & Survey	12	39
4. Pilot Credit Programme	19	50
5. Survey Equipment	1	2
Total	8	23

* The approved budget indicates the extent to which AKRSP can expend development funds, given its managerial constraints. For 1983, the operative budget is the amount committed by AKF and other donors to AKRSP so far; this amount has *not* been used in the above calculations.

MONITORING, EVALUATION AND RESEARCH

The Monitoring, Evaluation and Research (MER) Section has primary responsibility for four activities — documentation, monitoring, evaluation and social scientific research. In addition, it works with the Management Group in analysing research for which the management responsibility lies with other Sections. The activities of the MER Section during the quarter under review, and its plans for the next quarter are outlined below.

1. Documentation

The documentation function includes responsibility for the library and cataloguing of taped, filmed and written records of AKRSP activities.

The library consists of a collection of acquired books, and a seminar library to serve essentially as AKRSP archives. A senior librarian from Islamabad will be hired shortly as a consultant to catalogue material that has been collected so far, and to train one or two AKRSP employees in library cataloguing.

A gift of 40 books from the Asia Foundation is gratefully acknowledged.

Cassette tapes, photographs and slides accumulated to date have been catalogued by the Audio-Visual Unit. Slides and photographs, in particular, have been usefully employed in explaining AKRSP methods to visitors. "Valleys in Transition", an album of photographs on AKRSP and its project area, was presented to His Highness The Aga Khan and Begum Aga Khan on their visit to AKRSP in May.

A 16 mm film on AKRSP — also called "Valleys in Transition" — is being prepared by a Canadian film crew under contract to the Aga Khan Foundation. The footage for the film was shot in Gilgit District in April and May. A 50 — minute version of the film (16 mm and video) will be ready in November, 1983. This will be used as a training film in AKRSP's extension programme to supplement other audio-visual aids. A shorter (25-minute) version of "Valleys in Transition" will be prepared for use primarily in fund-raising efforts. With subsequent filming over the years, a visual record will be prepared of the course of development of AKRSP and its project area.

2. Monitoring

As a management function, the overall monitoring of specific villages covered by AKRSP programmes is primarily the responsibility of the Social Organiser based in that area. The Social Organiser works directly with Village Organisations to help solve problems of the sort that are highlighted in this report's section on Social Organisation. In this, he is assisted by a Village Supervisor, who is an outstanding Manager of one of the four or five Village Organisations that he is selected to supervise. The Village Supervisor is paid an honorarium for devoting a few hours of his time, every week, to assisting the Social Organiser.

The monitoring of specific programmes is the responsibility of the concerned sections of AKRSP. Thus, the task is performed by the Social Organisation, Engineering and Extension Training and Supplies sections. Information provided by these sections is consolidated by the MER Section. Up until July, the following information was collected on a monthly basis for each village:

Social Organisation.— membership and attendance figures for weekly meetings of organisations; records of equity capital accumulated at weekly meetings; the Social Organiser's review of organisational issues in his area.

Engineering.— pre-project progress, in terms of feasibility, design or costing; or, physical progress of a project, in percentage terms; the dates of starting and completion of a project.

Extension Training and Supplies.— attendance of Managers and Model Farmers at the (discontinued) extension training sessions.

It had become quite clear by July that, with about 100 formal and non-project organisations, the monthly collection and analysis of monitoring data was interfering with more important management functions. It has now been decided to collect these data on a quarterly basis. However, the Social Organisers will continue to report attendance and savings figures in their monthly journals. And the MER Section will endeavour to transmit relevant information to donor agencies at relatively short intervals.

3. Evaluation

The process of formal evaluation at AKRSP entered the stage of field surveys in July, six months after the first projects were initiated. By the end of July, baseline surveys had been completed in 3 villages, covering nearly 200 households. By the end of October, 14 villages, inhabited by roughly 2,000 households, are scheduled for survey.

A village is surveyed by the MER Section only after the first AKRSP project in that village has been completed. The village is then visited by the Programme Economist or Project Economist, who explains the need for conducting the survey to a meeting of the Village Organisation. It is also explained that AKRSP will not conduct any survey without the written consent of the Village Organisation; such agreement is by no means immediate. Once the Village Organisation approves of the survey, it is asked to nominate the required number of enumerators from among its members. The enumerators are paid an honorarium by AKRSP and are given intensive on-the-job training by AKRSP economists.

It is impressed upon the Village Organisation that questionnaires will be identified by number, not name, and that any villager may refuse to answer any question. Both measures, together with the cooperation of the organisation and its nomination of enumerators, are likely to help overcome the notorious inaccuracies inherent in village surveys in less developed countries.

The data collected through baseline surveys are put to immediate use in AKRSP's Project Analysis Series. Each such analysis deals with a separate completed project, and includes an accounting audit of the Village Organisation, an engineering analysis of the project, and an in-depth look at the village economy and the changes likely to occur in it with the completion of the project. It should be noted that such a project analysis is not, strictly speaking, an evaluation, for the benefit stream can only be projected. Nor is it an appraisal, for it is undertaken *after* implementation. Hence, the designation "project analysis." The results of the project analysis exercise will start becoming available in August this year. They will be summarised in the Progress Reports, starting with the Third Progress Report for August — October, 1983.

In addition to the village baseline surveys, a crop-cutting survey for wheat was initiated in June under the supervision of the Programme Senior Agriculturist. The experiment is being conducted by a Consulting Statistician, who is responsible for the field work, for the analysis of data, and for training enumerators from among AKRSP staff and Village Organisation members. Crop-cutting is being performed in 50 villages, spread all over the District, and will cover 100 farmers (with 2 — 4 plots each). Although ambitious objectives have often been attributed to crop-cutting surveys elsewhere, AKRSP's primary objectives for the present survey are as follows:

- i) To estimate a benchmark average yield for Gilgit District and, if possible, for single-crop regions, double-crop regions, fertiliser-using farmers, and non-fertiliser-using farmers.
- ii) To probe for the causes of yield differences between individual farmers.

The results of the AKRSP effort will be discussed with the experts of the UNDP/FAO Integrated Rural Development Project who have already completed two crop-cutting experiments.

Finally, AKRSP's fertiliser credit programme will be an important item on the evaluation agenda for the next quarter. The first fertiliser loans, which were disbursed between February and April, will become due between August and October. The recovery rate of these loans will indicate the viability of the credit programme and the success of Village Organisations as village-level banks. However, a separate analysis needs to be performed to understand the agro-economic effects of providing interest-free credit for the purchase of fertiliser. Such an exercise will be initiated in the coming quarter, and will be based upon data drawn from both the baseline surveys and the crop-cutting experiment.

4. Social Scientific Research

In terms of the workload of the MER Section, research has been a low-priority item so far. The reason is that, whereas the setting up of the monitoring system took up the December – April period, initiating formal evaluation procedures consumed much of the May–July quarter. However, with these two tasks accomplished, the MER Section can begin to formulate an economics research agenda in the next quarter. In this, AKRSP economists will be aided considerably by the installation of a Radio Shack microcomputer, projected for September. Data from baseline and crop-cutting surveys will be stored in the AKRSP microcomputer in IBM format, so that they can be shared with economists elsewhere who use IBM mainframes. Based primarily on these data, and with the collaboration of selected economists from down-country, a medium-term agenda for applied economics research will be drawn up for AKRSP and collaborating institutions. More specific efforts in this direction will be outlined in the Third Progress Report.

VISITORS TO AKRSP

1. His Highness The Aga Khan

On 13 May, 1983, AKRSP was privileged to welcome His Highness Prince Karim Aga Khan and Begum Salimah Aga Khan to the project offices in Gilgit. Their Highnesses were accompanied by Prince Ameen Aga Khan, Lt. Gen. Jamal Said Mian, Minister for Kashmir Affairs and Northern Areas and Maj. Gen. Pir Dad Khan, Martial Law Administrator, Zone 'E'. Earlier in the day, His Highness had visited AKRSP projects in Altit, Hoper, Mohammadabad and Jaglote. In an interview the next day, His Highness recorded his impressions about the projects in these words: "... they correspond *exactly* to the type of project that I was hoping that this programme would put together . . . they're *very* small projects, in terms of the capital invested, or in terms of the time they take to implement. But they have an *immediate* impact on the community they are serving." In response to a question on the distinguishing features of AKRSP, His Highness commented, "I think what we will learn here will enable us to replicate the programme in other parts of the world in due course."

2. The Board of Directors

The Chairman of the Board of Directors, Mr. Ramzan Merchant, visited AKRSP offices and projects alongwith His Highness The Aga Khan. On other visits to the office, the Chairman reviewed the progress of AKRSP with the Management Group.

The following members of the Board of Directors also visited AKRSP offices and projects — some of them, on several occasions:

Mr. Guillaume de Spoelberch
General Manager, Aga Khan Foundation

Mr. Robert d'Arcy Shaw
Director, Special Programmes, Aga Khan Foundation

Mr. Akbarali Hashwani
President,
His Highness Prince Aga Khan Shia Imami Ismailia Economic Planning Board for Pakistan

Mr. Hamidullah Baig.

3. Members of the Federal Council

Begum Bilquees Shahbaz, Member of the Federal Council from Baluchistan, headed a delegation of Baluchistan Councillors who visited AKRSP offices and project villages.

Mr. Ghazanfar Ali, Observer to the Federal Council from the Northern Areas, also visited AKRSP on a number of occasions.

4. Heads of Government Departments

In addition to the Minister for Kashmir Affairs and Northern Areas, the following department heads were received at AKRSP and briefed about the Programme's approach to rural development:

Begum Viqarun Nisa Noon
Advisor to the President on Tourism and Chairman,
Pakistan Tourism Development Corporation

Maj. Gen. (Retd.) M. Rahim Khan
Secretary-General, Defence and Chairman,
Pakistan International Airlines Corporation

Mr. Ejaz Ahmad Naik
Secretary, Economic Affairs Division

Mr. M. Aslam Bajwa
Additional Secretary (Incharge),
Local Government and Rural Development

Mr. Z. A. Taimuri
Additional Secretary (Incharge),
Kashmir Affairs and Northern Areas

Mr. Tariq Masud
Secretary, Agriculture, Azad Kashmir Government.

5. Heads of Institutions

The following heads of government, autonomous, international and private institutions visited AKRSP:

Mr. M. R. Khan
Chairman, Pakistan Banking Council

Mr. Abdul Jabbar Khan
President, Executive Board, Habib Bank Limited

Dr. Ramon A.D. Hermano
UNICEF Representative in Pakistan

Mr. John Phillips
FAO Representative in Pakistan

Mr. Amir Rashid
Chairman, Industrial Promotion Services (Pakistan)

Dr. M. Aslam
Chairman, Pakistan Council for Scientific and Industrial Research

Mr. Rafiq Ghulam Hussain
President, His Highness Prince Aga Khan Shia Imami
Ismailia Central Housing Board for Pakistan

Mr. Akbar Merchant
President, His Highness Prince Aga Khan Shia Imami
Ismailia Grants Council for Pakistan

Dr. Tajuddin Manji
President, His Highness Prince Aga Khan Shia Imami
Ismailia Central Health Board for Pakistan

Mr. Ashiq Ali Hussain
President, His Highness Prince Aga Khan Shia Imami
Ismailia Association for Pakistan

Mr. Ahmad Ali Merchant
Administrator, His Highness Prince Aga Khan Shia Imami
Ismailia Central Education Board for Pakistan

Mr. Shams Kassim Lakha
President, Aga Khan Hospital and Medical College

6. Representatives of Development Agencies

In addition to members of the Board of Directors, the following visitors from the AKF network were received at AKRSP:

Mr. Tajdin Mitha
Executive Vice President, Aga Khan Foundation (U.S.A.)

Mr. Hakim Feerasta
Executive Officer, Aga Khan Foundation (Pakistan)

Mr. Ward Heneveld
Programme Officer (Education),
Aga Khan Foundation (Head Office)

Mr. Amir Kassam
Consultant, Aga Khan Foundation (U.K.)

Mr. Richard Hilser
Consultant, Aga Khan Foundation (Canada)

Brig. (Retd) Iqbal Shafi
Director, Liaison, Aga Khan Foundation (Pakistan)

The following representatives of international agencies visited AKRSP for discussions on AKRSP strategy and the possibilities for cooperation:

Mr. Nicholas Gardner
Secretary for Pakistan, OXFAM

Mr. Peter Hobbs
Wheat Agronomist, CIMMYT, Islamabad

Mr. Lorne Heuckroth
Development Counsellor, Canadian Embassy, Islamabad

Mr. Neil Mussel
Development Counsellor, Canadian Embassy, Islamabad

Mr. David Spreng
South Asia Desk, Canadian International Development Agency, Ottawa

Mr. Tom Schatzky
Desk Officer for Pakistan, Canadian International Development Agency, Ottawa

Mr. Patrick J. Hopkins
Director, Catholic Relief Services, Pakistan

Mr. Hans Schellenberg
Development Attache, Swiss Embassy, Islamabad

Ms. Laila Ismail Khan
Assistant Programme Officer, UNICEF, Islamabad

Mr. Nasir Raza Jafri
Advisor on Community Participation, UNICEF, Islamabad

Ms. Elizabeth Nueunschwander
Advisor on Income-Generating Activities for Women,
UNICEF, Islamabad.

In addition, teams of experts from PCSIR, WAPDA and the Pakistan Forest Institute also visited AKRSP.

7. Journalists

The following journalists visited AKRSP:

Ms. Isobel Shaw
Freelancer, Geneva

Ms. Elizabeth Cramausel
Agence France, Brussels

Ms. Marina Gazzo
Agency Europe, Brussels

Mrs. Shada Islam
Freelancer, Brussels.

8. Gilgit-based Friends

In this category, we counted several officers of civilian and military departments and representatives of cooperating agencies. The following individuals, in particular, visited AKRSP with a regularity bordering on the informal:

Mr. Jamil Haider Shah
Commissioner, Northern Areas

Brig. Anwar Muniruddin
Deputy Martial Law Administrator

Mr. Zahoor Anwar Malik
Additional Commissioner (Development), Northern Areas

Mr. Badrul Islam
Deputy Commissioner, Gilgit

Col. Zaheer-ul-Islam Abbasi
Force Command Northern Areas

and, on some occasions, the family and friends of the above.

The staff of AKRSP owe a debt of gratitude to these and other members of the administration who have helped AKRSP find a sense of belonging in Gilgit in a relatively short time.

The IRD Project of UNDP/FAO was often discovered at AKRSP in the form of Mr. Frank Saunders and, alas, less frequently in the person of Mr. Peter Whiteman, Agronomist. From the same project, Mr. M. H. Gohar and Dr. Raza Baig have been more or less coopted by the Management Group as part-time colleagues. That is even more true of officers of Habib Bank who, under the leadership of Mr. Saifur Rehman, Zonal Chief, have been converted en bloc into extension workers for AKRSP's credit-and-savings programme.

ANNEXURE — III

THE AGA KHAN RURAL SUPPORT PROGRAMME

THIRD PROGRESS REPORT
August 1983 — October 1983

A K R S P
Babar Road, P.O. Box 506
Gilgit, Northern Areas
PAKISTAN

Phones : 480 ; 779

PREFACE

The feedback we have received on the first two Progress Reports from international agencies and other readers has convinced us that these reports are an effective means of communication between AKRSP and its varied clientele. We are grateful to all those friends who have given us such encouragement. Our next major effort in reporting will be the preparation of the soul-searching First Annual Review, scheduled for completion by the end of January, 1984. This will also incorporate the Fourth Progress Report for November-December 1983. From next year, the quarterly Progress Reports will correspond to calendar quarters, rather than to the time frames of 1983 reports.

The *Introduction to AKRSP* of the first report has been transformed into an *Overview* in the Third Progress Report. This section of the report will be concerned with discussions of AKRSP's evolving strategy for rural development. Another section, the *Summary*, will report briefly on the activities of the various administrative Sections of AKRSP. To this has been added a *Quarterly Statistical Abstract* as SUM Table 1; this, I suppose, for the particularly busy readers.

The Monitoring, Evaluation and Research (MER) Section under the dynamic leadership of Tariq Husain has again been mainly responsible for bringing out this report and deserves our appreciation.

Shoaib Sultan Khan
General Manager

CONTENTS

	Page No.
Preface	
Summary of the Third Progress Report with SUM Table 1	1
Overview : The Second Phase	6
Social Organisation with ORG Tables 1 and 2	13
Engineering with ENG Tables 1, 2, 3, 4, 5, and 6	21
Extension Training and Supplies with ETS Table 1 and 2	29
Marketing Research with MAR Table 1	34
Budget and Accounts with B & A Table 1	38
Monitoring, Evaluation and Research	42
Visitors to AKRSP	45

SUMMARY OF THE THIRD PROGRESS REPORT

At the two courses held in Gilgit so far, forty-five Village Organisations sent their nominees to be trained as village livestock specialists. They were given practical training for three weeks, and provided with a kit of medicines and equipment for the time of their departure.

1. Overview

With the formation now of 102 Village Organisations in Gilgit (including two Women's Organisations), an organisational basis has been laid for a partnership for development between AKRSP and roughly 40% of the population of the district. Within the district, AKRSP's coverage extends to all nine tehsils. In Chitral district, seventeen Village Organisations had been formed between June and September.

Dr. Akhter Hameed Khan returned to AKRSP for a two-week visit in mid-October. He reflected sadly on the decay of agriculture in the region, and the hopelessness that has set in among rural dwellers over the last generation or so. He remarked that AKRSP's sizable investments in productive physical infrastructure will change the bleak situation and help give villagers a positive vision of their potential within agriculture. To reinforce these changing perceptions, AKRSP has started implementing village perspective plans in selected villages. These village plans will be funded on the basis of loans. In the final stage, the savings-and-loans operations of Village Organisations can be merged into a central development finance cooperative of participating villages. This, then, is the common vision of Dr. Akhter Hameed Khan and the workers at AKRSP.

2. Social Organization

In Gilgit district, men's Village Organisations sponsored by AKRSP have enrolled 10,256 members and saved Rs. 320,551 as equity capital to date. The savings amount to Rs. 31 per member, an increase of 15% over the corresponding figure for late July. Two Women's Organisations have enrolled 144 members and saved Rs. 9,685. In Chitral district, seventeen organisations had enrolled 983 members and saved Rs. 34,511 by late September.

During the quarter under review, intensified efforts were made at discovering locally appropriate organisational models for the collective development of barren lands. Some results should be available for the next report.

3. Productive Physical Infrastructure

A portfolio of 234 projects, estimated to cost Rs. 33.2 million, has been identified in Gilgit for possible funding by AKRSP and collaborating agencies. To date, forty-three projects costing Rs. 6.1 million have been initiated in Gilgit, and fifty-three percent of the work on them has been completed. Seventeen projects, initiated in February-April, 1983, were completed in entirety by October. In Chitral district, a portfolio of projects worth Rs. 19.0 million has been compiled. Eleven projects costing Rs. 1.0 million were initiated between June and September, and the progress on them was twenty to twenty-five percent by September.

4. Extension Training and Supplies

At the two courses held in Gilgit so far, forty-five Village Organisations sent their nominees to be trained as village livestock specialists. They were given practical training for three weeks, and provided with a kit of medicines and equipment at the time of their departure.

Two conferences for Village Organisation Managers and Presidents drew virtually 100% attendance from all the Village Organisations which had been invited.

Under the agricultural credit programme, Village Organisations have purchased 5,750 bags of fertiliser between February and October.

5. Marketing Research

Pilot projects in two villages have demonstrated the profitability of collecting and transporting produce to Gilgit regularly, and on a cooperative basis. As a result, two Village Organisations have asked for loans for purchasing a pick-up van and a tractor for transportation purposes. The next objective is to link up Gilgit with down-country markets, building upon the nascent marketing system of the pilot projects.

6. Budget and Accounts

The 1983 fund-raising drive for AKRSP came to a successful conclusion with this quarter's commitments of Rs. 8.9 million from five donors. Overall, Rs. 14.5 million were raised this year from the following donors : Canadian International Development Agency, Alberta Aid (Canada), Ford Foundation (USA), OXFAM (U.K.) overseas Development Administration (U.K.), and the U.K., U.S.A. and Canadian branches/affiliates of the Aga Khan Foundation.

As part of AKRSP's fertiliser credit programme, Habib Bank Limited has advanced Rs. 621,000 as group loans to forty Village Organisations. These loans are part-guaranteed by AKRSP, and have benefitted some 3,500 small farmers in Gilgit. In Chitral district, Rs. 137,000 have been lent by AKRSP to seven Village Organisations, with 360 loanees.

7. Monitoring, Evaluation and Research

This quarter's ambitious plans for completing fourteen baseline surveys, covering 2,000 households, were thwarted as routine documentation, monitoring and reporting assignments continued to take precedence over evaluation exercises. In the event, surveys were completed in seven Village Organisations covering 1,230 households. The Budget and Accounts Section undertook project audits for ten completed physical infrastructure projects, in five of which the Engineering Section carried out detailed surveys of the actual work done. A wheat crop-cutting survey covering fifty villages was also completed during the quarter under review.

The growing volume of data at AKRSP continues to elude any detailed analysis because of inordinate delays in the arrival of the microcomputer. Such delays have been experienced by all Pakistani customers wishing to import computers from the U.S.

8. Visitors

The flow of visitors to AKRSP continued unabated at the rate of thirty out-station visitors per month, during August to October. The Board of Directors meeting in October was held in Gilgit for the first time during which Board members visited projects in Hunza and Nagar. We are particularly grateful to the Board of Directors for the understanding with which they have encouraged AKRSP staff and their efforts throughout the year.

QUARTERLY STATISTICAL ABSTRACT

GILGIT DISTRICT

The flow of visitors to AKRSP continued unabated at the rate of thirty out-station visitors per month, during August to October. The first time during which Board members visited projects in Hunza and Nagar. We are particularly grateful to the Board of Directors for the understanding with which they have encouraged AKRSP staff throughout the year.

abstract covers the period December 82 - October 83.

Project Area

1. Area (in '000 sq. km.)	31.1
2. Population (in '000)	227
3. No. of households (approx)	26,000
4. No. of villages	216

Overall Coverage

1. Projects identified in so many villages...	139
2. ... as % of total	64%
3. No. of villages surveyed	125
4. ... as % of II.1	90%

Social Organisation

1. No. of formal Village Organisations (VO's)	48
2. No. of formal and informal VO's	102
3. Membership of all VO's	10,400
4. Savings of all VO's ('000 Rs)	330
5. % pop. of project area covered by VO's (approx)	40%

Productive Physical Infrastructure

1. Total number of projects identified	234
2. Estimated cost of these projects (million Rs)	33.2
3. No. of projects initiated	43

OVERVIEW : THE SECOND PHASE

1. The First Phase of Investment

The first phase of AKRSP investment consists of grants for village-level productive physical infrastructure projects. The projects, though small, have had an immediate impact on tens of rural communities all over the project area. The economic impact has been due to the creation of employment opportunities and the possibilities that have materialised for increases in incomes over the years. Equally important has been the psychological impact: there are signs that the project has begun to make a difference to the lives of the people. The project has begun to make a difference to the lives of the people. The project has begun to make a difference to the lives of the people.

4. No. of beneficiary household (approx)	5,000
5. Cost of projects initiated (million Rs.)	6.1
6. Physical progress of these projects	53%
7. No. of projects completed	17

V. Agricultural Credit

Towards the end of his second visit to AKRSP, in mid-October, Dr. Akhtar Hameed Khan offered the following suggestions for the future:

1. Amount of loans advanced ('000 Rs.)	621
2. No. of borrowing VO's	40
3. No. of beneficiary farmers	3,500
4. Loans in pipeline, next season ('000 Rs.)	1,100
5. Co-sponsoring agency for credit :	Habib Bank

VI. Extension Training & Supplies

Your works programme — what you call productive physical infrastructure — is very important now that I have seen that agriculture has been the backbone of most of the villages, and there is not enough land to produce either the requirements of the villages or livelihood; the villagers have started depending on doing labour or of grains or livestock; the villagers have started depending on doing labour or service or something else outside the village. You have started the process to stop this horrible decline and save agriculture from complete ruin. For the first time in 35 years — since independence — you are making an extensive attempt by working in 50-100 villages at a time to stop this rot. This is taking the shape of a movement and, if you go on in this way, you will not only stop the decline but you will get the idea ingrained in them that land can give them considerable income, and they should give some thought to it.

1. No. of courses for para-vets	2
2. No. of para-vets trained and supplied	45
3. No. of conferences for VO representatives	2
4. ... with number of VO's represented	56
5. No. of fertiliser bags provided on credit	5,750

Dr. Khan was emphatic that the prevalent concept of self-help was incorrect, and that AKRSP's technical and financial assistance to villagers was most essential under the circumstances prevailing in Gilgit :

Your works programme is of an extraordinary significance, and it is fortunate that you have resources, and you can mobilise more. The criticism that previously villagers used to undertake works voluntarily, and now you pay

OVERVIEW : THE SECOND PHASE

1. The First Phase of Investment

The first phase of AKRSP investment consists of grants for village-level productive physical infrastructure projects. The projects, though small, have had an immediate impact on tens of rural communities all over the project area. The *economic impact* has been due to the creation of employment opportunities and the possibilities that have materialised for increases in incomes over the years. Equally important has been the *psychological impact* : there are signs that villagers in the project area are beginning to think of agricultural and rural development as an effort based on cooperation among villagers, and between villagers and outside agencies: the dependency syndrome created by handouts to which no responsibilities are attached can be broken. Finally, the most important consequence of AKRSP investment has been the *organisation of rural communities* into broad-based, multi-purpose Village Organisations capable of undertaking a wide range of development activities.

Towards the end of his second visit to AKRSP, in mid-October, Dr. Akhtar Hameed Khan offered the following appraisal of first-phase programmes :

My first conclusion is that you are proceeding on very correct lines. The beginning you made with the works programme by asking people what type of projects would increase their incomes and implementing the projects so identified, was also correct. The conditions I saw, especially in Hanuchal and Misgar villages—those far-flung and isolated areas—convinced me that your approach is even more pertinent for such areas.

Your works programme — what you call productive physical infrastructure — is very important now that I have seen that agriculture has gone bankrupt in most of the villages, and there is not enough land to produce either the requirements of grains or livelihood ; the villagers have started depending on doing labour or service or something else outside the village ... You have started the process to stop this horrible decline and save agriculture from complete ruination. For the first time in 35 years — since independence — you are making an extensive attempt by working in 50-100 villages at a time to stop this rot. This is taking the shape of a movement and, if you go on, in two or three years — not one — villagers will get the idea ingrained in them that land can give them considerable income, and they should give some attention to land and animals.

Dr. Khan was emphatic that the prevalent concept of self-help was incorrect, and that AKRSP's technical and financial assistance to villagers was most essential under the circumstances prevailing in Gilgit :

Your works programme is of an extraordinary significance, and it is fortunate that you have resources, and you can mobilise more. The criticism that previously villagers used to undertake works voluntarily, and now you pay

money or wages is absurd. We have seen that, for the last 35 years, this is not being done; and previous to that, there were institutions which used to mobilise and support people to do this type of work — for example, you can see how Rahimabad was settled. Like the Punjab colonies, the canals were first dug by the Government or the Mir or the Raja, and then people invited to come and settle down. Until they got their first harvest, they were sustained and supported by people back home. Consequently, the people who say that infrastructure works should be done free and without wages are talking nonsense. Seventy years ago, this was possible because there were institutions to provide capital. These institutions are not there. You are, for the first time in 35 years, providing capital in the right way and in the correct amount. You are also creating institutions. Although these are very weak compared to institutions which existed 100 years ago, a beginning has been made.

Finally, giving an indication of the sorts of programmes he would recommend for the next phase, Dr. Khan spoke about the following possibilities :

Your first planning of works programme ... will help restore villagers' confidence and hope in agriculture. Secondly, people should be motivated to develop land quickly on a collective basis without sacrificing individual ownership. Thirdly, you should engender increased incomes through agriculture, comprising horticulture, cropping, forestry, animal husbandry, etc. Fourthly, you should help the development of a subsistence economy into a commercial economy, by opening up channels of marketing.

2. Objectives of the Second Phase

Seventeen productive physical infrastructure projects have been completed to date; 125 are scheduled for completion by the end of 1984. Roughly the same number will have to be completed during 1985-86 to extend the coverage of the first phase to all of Gilgit district. In the meantime, however, as projects are completed, three important tasks have to be undertaken on an urgent and continuous basis :

(i) opportunities for income - generation opened by the first project need to be exploited to maximum advantage by implementing complementary projects ;

(ii) changing perceptions of self - reliance and cooperative endeavour need to be reinforced through programmes which require and reward cooperative effort by villagers in partnership with outside agencies ;

(iii) Village Organisations with completed first - phase projects need to be involved in the formulation and implementation of perspective plans that address the long-term development agenda of the villages.

3. Launching the Second Phase

The three tasks enumerated in the preceding lines constitute the second phase of AKRSP activities, to be undertaken concurrently with the first phase : second-phase

programmes in some villages will run simultaneously with first-phase projects in others. Programmes that would help fulfil second-phase objectives were identified and discussed during the October visit to AKRSP by Dr. Akhter Hameed Khan. Dr. Khan's persistent questioning, together with the management's concern for long-term village plans, promoted a rash of creative thinking on the part of all those involved in formulating the future course of action for AKRSP. The tangible result of this concerted exercise was the decision to start implementing *village perspective plans* with immediate effect. The shape of the village plans, as it has evolved so far, is described in the following lines. There is a separate discussion, too, of valley plans for watershed management, elements of which will be incorporated within village plans as conditions permit.

4. The Vision of the Village Perspective Plan

To the 90% or so of the region's population which lives by farming, the future of agriculture as a way of life must appear bleak. In the last generation or two, little new land has been brought under cultivation, productivity increases have been few and far between and diversification within the crop sector or into non-crop rural activities has been constrained by limited markets. Agriculture is viewed with despair by the large numbers of rural dwellers seeking jobs in urban centres. In this situation, sizable investments by AKRSP in productive physical infrastructure projects in dozens of villages will provide the first sign to many villagers that the grimness of their existence can be relieved. Such investment, indeed, is the first of a series of interventions aimed at reversing the perception and reality of an agriculture in decay. To capitalise on this investment, AKRSP will plan and implement, in the years to come, programmes that will reinforce and build upon the impact created by its first physical infrastructure projects.

An effort is underway in selected villages to assess and fulfil the long-term development needs of the villagers. The Village Organisations are being assisted in this planning exercise by AKRSP staff. The vision of the village plan that is being put across to Village Organisations stresses collective management of village resources. The Village Organisation and its cadre of trained specialists are the foundation of such management. Over time, these managerial and organisational resources will be supported through the equity capital of Village Organisation and loan capital provided by AKRSP for collective use by villagers. This resulting combination of organisation, skills and capital at the village level is a necessary condition for rural development; but it is not sufficient: resources at the village level must be employed in increasingly profitable enterprises. To this end, AKRSP will act as a research-and-development programme for the project area: it will seek to discover ways for increasing the productivity of human and physical resources, and for channelling productive resources into profitable activities. The village plan, in other words, will be geared towards the total development of the village.

5. Elements of the Village Plan

Since different villages are differently endowed, and are at different levels of development, no two village plans may be alike. However judging from experience to date, a village plan is likely to include several of the following elements:

(i) *Organisation and Collective Management.*— The Village Organisation formed as part of the Social Organisation programme will identify, implement and manage on a continuous basis all the development activities in that village. It will also raise the equity capital which will secure the loans extended to the Village Organisation for implementing the village plan. It will select, utilise and support specialists in managerial and practical functions who are being trained by AKRSP. Organisation in a village is fostered through the physical infrastructure component of the village plan ; specialists are trained in Gilgit by AKRSP ; and loan capital will be arranged by AKRSP as a specified multiple of equity capital.

(ii) *Physical Infrastructure.*— The first productive physical infrastructure project in a village is funded entirely by AKRSP on a grant basis. Villagers are encouraged to save at least one-third of the wage-bill for the project, and it is impressed upon them that their savings will help secure credit for several activities planned for the future. In physical infrastructure, these could include the construction of supplementary channels and pony tracks or roads within a village, especially in large villages. Improved construction implements for such projects will be provided by AKRSP as a one-time grant ; labour and other costs will have to be met out of group loans extended by AKRSP. It is being impressed upon the villagers that each village needs a series of investments in physical infrastructure, of which a channel or road is only the first.

(iii) *Training.*— Training to villagers will be provide in all fields which show a potential for contributing to the village economy. Thus the extension training programme for managers and village specialists will be expanded, as circumstances warrant, to include training in marketing, vegetable gardening, community health, accounting, basic land surveying, socio-economic enumeration, etc. Thus conceived, the training component of the village plan will provide the human resources for the other components of the plan.

(iv) *Supplies and Inputs.*— The use to which training in practical skills is put in the village depends critically on the availability of supplies. AKRSP will ensure that the flow of supplies to village specialists remains uninterrupted : it will stock the supplies which these specialists will need to purchase from AKRSP periodically. More generally, AKRSP will make available to Village Organisations agricultural inputs which are not available in the market on time and in desired amounts. Credit through AKRSP will be available to Village Organisations for most of these inputs.

(v) *Loan Capital.*— Except for training and the provision of construction implements, all components of the village plan will be funded on the basis of credit arranged by AKRSP. The credit will be advanced as group loans for specific activities, and will be secured by the equity capital of the Village Organisation. The purpose for which a loan is given will be determined by the Village Organisation, which will also be responsible for disbursing and recovering the loan ; as an incentive, the organisation's manager will be paid a small percentage of each loan. The size of a loan will be determined as a specified multiple of the equity capital of

the Village Organisation ; the loan-to-equity ratio will vary from one activity to another, as will the other terms and conditions. Having set up Village Organisations as village-level savings-and-loans institutions, AKRSP's next major effort will be towards finding loanable funds that can be channelled into development activities through Village Organisations. Thus, the Village Organisation which is formed around an engineering project, and acquires managerial and practical skills through AKRSP's training programme, will be linked directly and permanently with the sources of finance in the organised capital market. It is expected that this can be accomplished by setting up a central bank, initially within AKRSP, which will take over the management of savings and loans for federating Village Organisations on a continuing and commercial basis.

(vi) *Processing and Marketing.*— The project area of AKRSP is characterised by an abundance of nuts, fruits and other agricultural produce, very little of which is marketed. One reason for this is the absence of an organised system of collection from the primary producers ; this difficulty can be overcome by encouraging co-operative marketing of produce by Village Organisation. Another obstacle to increased marketing is the present isolation of Gilgit from down-country markets, even five years after the opening of the all-weather Karakoram Highway. There have been reports of sporadic and isolated purchases of produce by businessmen from outside Gilgit ; but there is no regular flow of significant quantities out of Gilgit. AKRSP will seek to encourage Village Organisations to bring their produce to Gilgit, from where it will be transported down-country to wholesalers who have been contacted beforehand. Fruits which can be processed into different forms will be collected in the same way, but might be processed in Gilgit at plants set up by established Pakistani firms. AKRSP's role in marketing will be essentially the same as that in providing credit and supplies to the villagers : it will organise a forum for collective action by villagers, train selected villagers in specialist tasks, and then help establish links between Village Organisations and outside institutions in the private and public sectors.

(vii) *Sanitation and Hygiene.*— The direct contribution of AKRSP to this aspect of human capital will be in the form of research to discover low-cost systems of sanitation and drinking-water supply. The results of this research will be shared with Village Organisations and the health-related programs now underway in the project area.

(viii) *New Activities and Technologies.*— The agro-climatic conditions of the project area are suitable for a wide range of annual and perennial crops, including many that are not being grown here at present. A beginning has been made in the introduction of new crops by testing mushroom and saffron in a few villages ; similar field trials are planned for pistachio for later this year. Results will also be available soon from the agronomic research conducted by the Integrated Rural Development Project. Finally, a research station is to be set up in Gilgit by the Pakistan Agricultural Research Council early next year. The output of all these research efforts will be presented to Village Organisations. In this way, scientists will be able to address a much larger audience than they would have reached otherwise ; and potential adopters of the technology being promoted by experts will be able to provide instant feedback.

This list is by no means exhaustive, but it should give an idea of the range of activities that are likely to be co-sponsored by AKRSP and the Village Organisations over the next five years. Specific plans for each village will be drawn up by Village Organisations in consultation with AKRSP staff. Each plan will set out a timetable for implementation, and delineate the responsibilities of AKRSP and the Village Organisation at the outset. AKRSP's objective at each stage of the plan will be to try and endow the Village Organisation with a permanent capacity for similar development efforts in the future. Thus, all village plans will be formulated and implemented by Village Organisations.

All activities discussed in Section 5 involve direct cooperation between AKRSP and a specific Village Organisation. The next section outlines projects that will extend to larger geographical areas, and in which AKRSP and cooperating agencies will be dealing with several Village Organisations at a time.

6. Valley Plans for Watershed Management

The project area of AKRSP has an inherently fragile environment, from which the impoverished people of the region derive their sustenance. Thus, a growing population, which is being gradually commercialised, is making increasing demands on this environment for its crops, fruits, fuelwood, livestock and cash incomes. Given such pressure, there is a possibility that the symbiotic relationship between man and his environment will deteriorate dangerously over time if interventions in inter-dependent activities are not made soon. Part of the response to this danger lies in developing watershed management programmes for all the major valleys of the project area.

Although AKRSP itself does not have the expertise for developing such programmes, starting in 1984 it will contract out research on the subject. The focus of this research will be on what is possible in watershed management in the next five years. The researchers will be expected to work closely with knowledgeable villagers in developing such programmes.

Since an effective watershed management plan will necessarily involve all villages lying in a major valley, the implementation of such a plan would need coordination between AKRSP, government departments and several villages. In keeping with its operational approach, AKRSP will seek to involve Village Organisations in delineating geographical and functional responsibilities for parts of the plan. This dialogue will be followed by the training of selected villagers in watershed management and associated skills. The coordination of inter-village issues will be handled by the Union Councils.

The precise modalities of implementation in a specific village will be left to the Village Organisation, which will be expected to incorporate its share of the watershed management programme into its village plan. The Village Organisation may undertake to implement the programme by pooling its resources, or by assigning responsibility to individual members, or by some combination of the two methods. Because of the

inter-dependence between watershed management and water management, livestock-rearing and farming, the success of a watershed management programme will depend on the resourcefulness with which AKRSP and the villagers can meet the occasionally competing needs of these activities. Thus, the best chance of success lies in building watershed management components into well-developed village plans.

7. Conclusion

The feeling had begun to be voiced, both among our well-wishers and our critics, that large investments by AKRSP in small projects in the villages might be an inadequate response to the challenge of developing one of the most rugged and impoverished areas of the world. In response, the management of AKRSP have always maintained that investments in village-level productive physical infrastructure projects provide vital and tangible returns in the form of their economic and behavioural impact, and by inducing villagers into forming multi-purpose Village Organisations; and that the creation and support of these village-based development institutions is the missing link between the mere availability of resources and their effective deployment in aid of rural development. In elaboration of our response, we have devoted the preceding pages to explaining how, precisely, do we envisage Village Organisations to participate in development efforts sponsored by AKRSP and collaborating agencies. Should our hopes materialise, our investment in Village Organisations would have paid for itself many times over.

SOCIAL ORGANISATION

1. Introduction

The Village Organisations induced by AKRSP are at various stages in their development. Those which are just beginning to organise around productive physical infrastructure, and those which have recently completed their first project. As such, the issues which are confronting these two sets of organisations are somewhat different from each other. The problems being encountered by organisations in their second phase could be aptly described as 'second-generation'. This second set of issues tests the centripetal tendency of an organisation much more severely and brings to the fore divisive forces which may not have been initially evident.

In attempting to modify the institutional framework at the village level, AKRSP is introducing new concepts and methods of handling issues of common concern. Some of these are an attempt to revive the villagers' past experience with collective efforts, while others are innovations of which the village has no experience. Where successful, these social innovations will serve to strengthen the Village Organisations. In other places they are likely to compound the problems of the organisational endeavour.

Another factor which is likely to add to the capacity of Village Organisations is a decision taken by a coordination meeting between officials of the local administration and representatives of various development agencies. It was decided that the Village Organisation would provide the forum through which all agencies would channel their programmes to the village. This would avoid a proliferation of weak Village Organisations with an in-built tendency for competition.

2. Performance of Village Organisations

(i) *General.*— The distinction between formal and spontaneous organisations being adhered to in earlier progress reports has been dropped. This has been done due to the fact that virtually all of the Village Organisations formed so far are currently receiving AKRSP assistance in some form or the other. Previously, the term spontaneous organisations was used for those organisations which had been formed in anticipation of 'partnership' with AKRSP but were not actually receiving any help from the Programme.

By the end of October, 119 Organisations had been formed. Out of these, 102 are in Gilgit district (including two Women's Organisations) and 17 in Chitral district. ORG Table 1 gives their distribution according to sub-division. Roughly, these organisations represent about 40% of the total households in Gilgit district. Productive physical infrastructure schemes were started in 54 villages and have been completed in 17 of them. Credit facilities have been extended to 47 organisations, and representatives of 45 villages have participated in the Extension Training Programme.

(ii) *Membership*.— By the end of October, membership of organisations in Gilgit district totalled 10,256. This represents an increase of 28% since the end of July (ORG Table 2). In Chitral the membership of organisations had gone up to 983 by the end of September.

(iii) *Equity Capital*.— The total equity capital of the 100 Village Organisations in Gilgit district stood at Rs. 320,551 at the end of October. This figure represents an increase of 57% since July. Equity per member has gone up from Rs. 27.22 to Rs. 31.25 in the Gilgit area. The 17 Village Organisations of Chitral district had saved Rs. 34,511 by the end of September. The two Women's Organisations in Gilgit district had saved Rs. 9,685. Thus the total equity capital of all Village Organisations is Rs. 364,747.

In order to help the villages towards self-sufficiency, and encourage them to save for the purpose, AKRSP has recently introduced two new concepts in its programme : the concept of comprehensive village development which gives the people a very definite direction for channelling the equity capital, and a credit policy in which the amount of loan is a fixed ratio of the Village Organisation's capital.

3. Women's Organisations

In recognition of the fact that women are playing an increasingly important role in the agricultural sector, AKRSP is hoping to initiate a programme specifically aimed at the area's women. Although the benefits of AKRSP's other programme components are directed at the entire village, women do not directly participate in them due to their segregation in society.

AKRSP is still in an exploratory stage regarding a women's programme. Its brief experience in the area has demonstrated that it is much more difficult to identify income-generating activities for women. However, AKRSP intends to concentrate on those spheres in which women have been traditionally involved, e.g., vegetable growing, fruit processing, poultry farming and livestock. The idea will be to help develop these skills to a level which would give them marketing potential. New vegetables with a high nutrient content will be introduced once they have been successfully tried at AKRSP's nursery. At present two Women's Organisations have been formed with a total membership of 144. The greater part of their discussions revolves around trying to identify income-generating activities for themselves. Among the ideas thrown up are a ladies shopping centre ; production of vinegar ; manufacture of soap at the village level and kitchen gardening. AKRSP is helping to determine the feasibility of these ideas and, wherever possible, to extend requisite assistance. It is hoped that the collaboration of the Industrial Promotion Services (a Karachi-based consulting firm) will be enlisted in determining the viability of some of the proposals that emerge out of meetings of Women's Organisations.

The total equity capital of these two organisations stood at Rs. 9,685 at the end of October. Equity per member is Rs. 67 which is slightly more than double the equity per member of the men's organisations.

4. The Benefits of Organisation

The formation of Village Organisations has proved potent in the introduction of new concepts which could not have been contemplated without such an institution. Some of these concepts which have recently been included as components of the Programme are detailed below :

(i) *Comprehensive village planning.*— As a first step in motivating the people to work for the development of the village, it was thought essential to give them a vision of what the developed village could look like. This is being done by the preparation of comprehensive village plans. The AKRSP engineering staff, in association with the local people, surveys the whole village. Once the survey is ready, the Village Organisation will get a complete view of the village and be in a position to plan reclamation of undeveloped land, forestation, development of pastures and orchards, realignment of field channels etc. Thereafter, the organisation will assign priorities to projects which have been so identified. In order to help the Village Organisation in the implementation of these plans, AKRSP will arrange loans for these organisations and extend any further technical assistance that is required for the purpose.

It is hoped that the introduction of village planning will also help resist the tendency of waning interest in the organisation once the first PPI has been completed. This factor was seriously undermining the self-perpetuating capacity of organisations where the first project had been completed.

(ii) *Collective land development.*— The people of the area have some experience of collective land development. This experience was gained when a handful of families used to set out to settle new villages. However, with the disappearance of the institutions which supported this activity, the people of the area have collectively developed very little new land in the last thirty years. AKRSP hopes to extend the institutional support which will make such development possible once again. Moreover, there is a realisation among the management and staff of the Programme that if this endeavour is not undertaken by the village collectively, only a few rich villagers are likely to develop their land quickly, thereby destroying the egalitarian base of the society. Thus, following the development pattern in some countries, ownership will be individual but the effort at land development will be collective.

(iii) *Access to credit facilities.*— In order to enable the Village Organisation to undertake projects of the kind mentioned above, AKRSP has decided that it will help arrange loans for organisations from commercial banks. Such loans will also, partially, help to satisfy the expectation of Village Organisations of further help once the first PPI has been completed.

(iv) *Marketing.*— AKRSP's experience with marketing in the area, through the Village Organisation, has given some very encouraging results. These have been detailed in the section on marketing.

(v) *Introduction of new technologies.*— In collaboration with the Pakistan Council for Scientific and Industrial Research (PCSIR), AKRSP has undertaken research on some aspects of apricot fumigation and dehydration. The limitations in the present method of dehydration have been investigated and it is hoped that the research will lead to a replicable and inexpensive method of fruit processing. PCSIR plans to set up a dehydration plant in Lahore. Once successful, the possibility of transferring the technique to the Northern Areas will be considered.

5. Organisational Issues

(i) *Cooperation between Village Organisations and Union Councils.*— AKRSP's plans of encouraging Union Councils and Village Organisations to supplement each other's efforts at village development have not made much headway. The main reason for this delay was the local bodies elections. It was thought advisable to await the results of these elections before approaching the Union Council members any further in this regard. Another aspect of improving the working relationship between these two institutions is that, wherever possible, AKRSP is suggesting to the Village Organisations that they should have the resident Union Council member on the list of office-bearers of the Village Organisation.

(ii) *Reclamation of undeveloped land by Village Organisation.*— AKRSP's irrigation projects will make it possible for most villages to reclaim undeveloped land. In order to pre-empt any dispute or problems regarding this issue, AKRSP is working in close cooperation with the officials of the Northern Areas Administration.

(iii) *Demand for revision of cost estimates.*— Demands for revision of estimates of PPI projects have continued unabated. In some cases the Village Organisation may genuinely be facing an unforeseen expenditure ; in others, the Village Organisation is merely trying to secure additional funds without justification. The problem is that AKRSP cannot afford to entertain any request for revision. An exception in one case will open a hornet's nest. It is heartening to note that no project has so far been either held up or delayed on this account despite a clamour for revision of estimates.

(iv) *Deviations from project design specifications.*— Village Organisations have deviated from project specifications in the hope that increasing the width or length of a link road or water channel will result in additional benefits to the villagers and may help in soliciting extra payments from AKRSP, for the extra work done. However, AKRSP is determined not to relent on this point and it has made it quite clear that no extra payment will be made ; however, villagers are welcome to carry out such deviations at their own expense.

(v) *The immediate use of equity capital by Village Organisation.*— The Village Organisations are keen to quickly undertake some entrepreneurial activity with their newly accumulated savings. In their haste they are likely to embark upon some ill-advised ventures. In discussions with office-bearers of these organisations, it emerged that a majority of them wanted to open shops. As such, most of the

organisations will be competing with well-established shop-keepers and their lack of experience in the field puts them at a disadvantage. These projects are bound to lead to disappointment. Attempts are being made to make Village Organisations understand the real use and purpose of equity capital, i.e., to attract capital for promotion of agricultural activities because it is in agriculture that the well-being of the majority lies and not in shop-keeping, which will ultimately benefit only a few.

(vi) *Preserving the egalitarian base of the community.*— In its attempt to preserve the egalitarian base of the community, AKRSP is insisting on a model of development which calls for collective effort but individual ownership. The idea is a new one and has still to be tested. There will be numerous unforeseen problems in its implementation, but its success will open a new avenue of development for the region.

VILLAGE ORGANISATIONS FORMED BY 31 OCTOBER, 1983

DISTRICT GILGIT

SUB-DIVISION (No. of Beneficiary Households)	VILLAGE ORGANISATIONS	
GILGIT (1577)	1. Oshikandass 3. Rahimabad-1 5. Aminabad 7. Juglote Sain 9. Hoopay 11. Pharpoo	2. Mohammadabad 4. Sultanabad 6. Sonikot Bala 8. Hanochal 10. Jutal 12. Rahimabad-II
HUNZA (2483)	1. Altit 3. Murtaza Abad Pain 5. Passu 7. Karimabad 9. Ahmedabad 11. Aliabad 13. Misgar Pain 15. Soust 17. Gircha 19. Shishkat Centre	2. Hussainabad 4. Maiun 6. Haiderabad Bala 8. Haiderabad Pain 10. Roshanabad-Sherabad 12. Gulmit 14. Ghulkin 16. Khyber 18. Misgar (Zakirabad) 20. Shishkat Bala
NAGAR (1798)	1. Chayan 3. Rahbat 5. Hakalshal 7. Sonikot 9. Fikkar 11. Miachar Pain 13. Brushal 15. Ghoshoshal 17. Pissan	2. Manalokushal 4. Ratal 6. Chalt Bala 8. Mamoshdiding 10. Miachar Bala 12. Dudimal 14. Halshal 16. Bodalus
PUNYAL-ISHKOMAN (2191)	1. Japuka 3. Gulmuti 5. Phakora 7. Shunas 9. Grunjar 11. Gich 13. Chatorkhand 15. Immit	2. Singal 4. Kuchdeh 6. Gulapur 8. Sherqilla 10. Dalnati 12. Selpi Pain 14. Daheen

GUPIS-YASIN
(3928)

- | | |
|-------------------|-------------------|
| 1. Gupis | 2. Janrote |
| 3. Bujayote | 4. Nooh |
| 5. Yasin Bala | 6. Phander |
| 7. Teru | 8. Hakis |
| 9. Roshan | 10. Khalti |
| 11. Sumal | 12. Yangal |
| 13. Moulabad | 14. Karimabad |
| 15. Dahimal | 16. Dalomal |
| 17. Dar Barkulti | 18. Serbal |
| 19. Shamaran | 20. Chashi |
| 21. Yasin Pain | 22. Taoos Bala |
| 23. Taoos Pain | 24. Gujalti |
| 25. Hakis | 26. Sultanabad |
| 27. Morkha | 28. Gindai |
| 29. Barkulti Pain | 30. Barkulti Bala |
| 31. Barkulti Par | 32. Qarkulti |
| 33. Dal Sundi | 34. Sundi Bala |
| 35. Sundi Pain | 36. Nazbar |

DISTRICT CHITRAL

CHITRAL
(1197)

- | | |
|-----------------|----------------|
| 1. Maroi Pain | 2. Sunich |
| 3. Henjeel | 4. Roni |
| 5. Sewakht | 6. Shershal |
| 7. Dagheri | 8. Meherdin |
| 9. Irjik | 10. Birzeen |
| 11. Aghot | 12. Gufti |
| 13. Gulugh | 14. Gistini |
| 15. Tar Shishko | 16. Madaklasht |
| 17. Arandulasht | |

EQUITY CAPITAL (Rs.) OF VILLAGE ORGANISATIONS

GILGIT DISTRICT

By the end of :

	April	July	October	July-October % increase
Number of Organisations	48	78	100	28
Membership	4348	7566	10256	35
Equity Capital (Shares + Savings)	74,985	205,984	320,551	57
Equity per member	17.23	27.22	31.25	15

ENGINEERING

1. The Concept of Village Planning

In order to help give the people a vision of the development potential of the village and induce them towards collective management of village resources, AKRSP has undertaken the preparation of comprehensive village plans.

These plans would be prepared in association with village residents and require interaction with villagers. The Engineering Section has been reinforced to enable it to undertake the survey of the project villages which would show the entire area of the village, current land use and field channels, link roads and paths, cultivable wasteland etc. On the basis of the survey, the Village Organisations would be assisted to prepare the village plan including reclamation of land, forestation, pasture development, improved cropping, horticulture and more efficient use of water resources.

At present, surveys are being carried out in Mohammadabad, Rahimabad, Jutal, Gulkin and Shonus on an experimental basis. It is hoped that the dispersion of these villages in three sub-divisions of the district would help to reveal the diversity of opportunities and the issues that will surface in the implementation of this idea.

2. The Portfolio of Engineering Projects

By the end of October, Diagnostic Surveys had been conducted in 143 villages. From these 139 villages were able to identify 234 productive physical infrastructure schemes. The portfolio of projects by sub-division is given in ENG Table 1.

In the Chitral district the Diagnostic Survey has been initiated in 76 villages and 121 schemes have been identified. A sectorwise list of these projects is given in ENG Table 2.

Irrigation channels continue to be the top priority of project villages. By cost, they account for 56% of all projects identified.

3. Estimated Cost of the Portfolio

The total cost of the 234 schemes identified has been worked out at Rs. 33.18 million. The collective cost of irrigation channels, protective bunds and link roads accounts for 85% of the total outlay. The average cost of a channel is Rs. 166,000, of a protective bund Rs. 154,000, and of a link road Rs. 88,000. ENG Table 3 gives tentative cost figures of different projects by sub-division.

The breakdown of costs, labour and material is given in ENG Table 4. Schemes of land development, irrigation and link roads tend to be the most labour intensive. According to the new approach being practised by AKRSP, labour costs are negotiated with the villagers. This element of negotiation has resulted, in a number of cases, in a reduction of costs by about 10 to 15 per cent.

4. Step-wise Progress of the Engineering Programme

Step-wise progress is summarised in ENG Table 5. A total of 139 villages were able to identify projects. Out of these, feasibility studies have been completed in 125 villages. Similarly, costing of 36% of the villages where feasibility has been carried out, has been completed. Third Dialogues have been conducted in 44 villages and work started in 43.

5. Progress of Projects

In the quarter under review, 11 projects have been initiated. The progress of projects started in other quarters is detailed in ENG Table 6. Overall progress achieved on PPI schemes is 53%. A total of 17 projects have been completed in all respects. The progress on projects started in the second and third quarters has been slow as, in this period, the agricultural activities are at a peak and labour is diverted to other activities in the field.

6. Problems and Issues Connected with Engineering

Due to the shortage of explosives, no headway could be made on a number of projects. Due to the intervention of the LB&RD department this problem was mitigated to an extent.

Unavailability of drill machines was another handicap. From time to time the FAO/UNDP/IRD project lent some drilling machines and eased the problem.

**PORTFOLIO OF PROJECTS IDENTIFIED DURING
DECEMBER, 1982 — OCTOBER, 1983
GILGIT**

**Number of Projects
Identified in Sub-Division :**

Sector	Hunza	Nagar	Gilgit	Punyal-Ishkoman	Gupis-Yasin	Gilgit District
1. Irrigation	25	21	20	14	31	111
2. Protective Bund	4	3	2	9	19	37
3. Storage Reservoir	2	5	2	0	12	21
4. Sedimentation Tank	0	1	1	1	0	3
5. Lift Irrigation	0	0	5	0	0	5
6. Land Development	0	1	3	2	2	8
7. Link Road	21	9	8	2	7	47
8. Bridge	1	0	1	0	0	2
Total :	53	40	42	28	71	234

**SECTORWISE IDENTIFICATION AND DISTRIBUTION
OF SCHEMES AND COST
CHITRAL**

Sector	No. of Schemes	Cost (Rs. '000)
1. Irrigation	76	9,613
2. Link Roads	41	590
3. Protective Bunds	29	6,280
4. Lift Irrigation	1	300
5. Bridges	10	1,992
6. Hydel Scheme	1	200
Total :	121	18,975

**ESTIMATED COST OF PORTFOLIO OF PROJECTS IDENTIFIED DURING
DECEMBER 1982 — OCTOBER 1983
GILGIT**

**Cost of Projects
(Rs. '000) for Sub-Division**

Sector	Hunza	Nagar	Gilgit	Punyal-Ishkoman	Gupis-Yasin	Gilgit District
1. Irrigation	3,210	2,868	4,506	1,264	6,603	18,451
2. Protective Bunds	738	385	300	1,227	3,050	5,700
3. Storage Reservoirs	152	365	336	0	1,515	2,368
4. Sedimentation Tanks	0	261	131	130	0	522
5. Lift Irrigation	0	0	1,100	0	0	1,100
6. Land Development	0	100	240	200	100	640
7. Link Roads	1,318	552	657	308	820	155
8. Bridges	150	0	100	0	0	250
Total :	6,068	4,531	7,370	3,129	12,088	33,186

**BREAKDOWN OF COSTS AND LABOUR FOR PROJECTS
IDENTIFIED DURING DECEMBER 1982 — OCTOBER 1983
GILITG**

Estimated Cost (Rs. '000)					
Sector	Mandays	Labour	Material	Total	%age of labour in cost
1. Irrigation	590,440	14,761	3,690	8,451	80
2. Protective Bunds	45,600	1,140	4,560	5,700	20
3. Storage Reservoirs	59,200	1,184	1,184	2,368	50
4. Sedimentation Tanks	10,430	261	261	522	50
5. Lift Irrigation	11,000	275	825	1,100	25
6. Land Development	32,000	640	0	640	100
7. Link Roads	124,600	3,116	1,039	4,155	75
8. Bridges	5,000	125	125	250	50
Total :	878,310	21,502	11,684	33,186	65

STEP-WISE PROGRESS OF THE ENGINEERING PROGRAMME*

GILGIT

	I.1	I.2	II.1	II.2	II.3	III
I. FIRST DIALOGUE						
1. Explanation	100					
2. Identification	97	100				
II. SECOND DIALOGUE						
1. Feasibility	87	90	100			
2. Design	72	74	82	100		
3. Costing	31	32	36	44	100	
III. THIRD DIALOGUE	30	31	34	42	96	100
IV. COMPLETION	12	12	14	17	8	40

*The figures under each of the columns marked I.1, 1.2 etc., show the percentage of potential Village Organisations that have been covered by different phases of the Programming Cycle, where the percentage is with respect to the phase represented by I.1, 1.2 etc. For example, column II.1 shows that designs have been drawn up for 82% of all Villages where the survey has been completed, whereas costing has been finalised for 36% of these villages.

**PROGRESS OF ENGINEERING PROJECTS
INITIATED IN SPECIFIC QUARTERS**

GILGIT

Quarter	No. of Projects	Cost (Rs. '000)	%age of work by 20th Oct.	Overall Progress	Projects Completed
First	26	2,939	80	53%	17
Second	6	1,737	46		—
Third	11	1,427	14		—
Total :	43	6,103			17

EXTENSION TRAINING AND SUPPLIES

1. The Second Experiment in Extension

(i) *General.*— In reorganising its Extension Training Programme, AKRSP hopes to create a cadre of specialists at the village level. These specialists will be in the field of plant protection, animal husbandry, livestock diseases and horticulture. Under this new system each Village Organisation selects a person who has a professional interest in acquiring the new skills and residing in his village after the training. AKRSP initially provides a stock of free medicines and a kit to each trainee. Thereafter, it only undertakes to replenish the stocks at cost. It is hoped that the specialist would be able to support himself by charging nominal fee for services rendered.

Under this new system AKRSP organised two training courses on *Livestock Diseases and Management* from August 30 to September 9, 1983, and September 26 to October 12, 1983 at the Centre in Gilgit. The courses are designed in consultation with the Northern Areas Animal Husbandry Department and the Project Coordinator (Animal Husbandry) of the UNDP/FAO/IRD Project. In order to ensure that the curriculum would be relevant to the needs of the area, a survey was conducted prior to the organisation of the course, to help identify the prevalent diseases and the problems of the farming community with regard to livestock. Detailed discussions were held with farmers on this subject to highlight their immediate needs.

(ii) *Training Methodology.*— The course had a heavy component of practical training. More than 90% of the training time was devoted to practical demonstrations, group discussions and field visits. The trainees from the first course were taken to Jutal, Nomal, Aminabad and Sultanabad for field visits. In these villages 518 animals were treated with Anthrox vaccine and Magnesium Sulphate, 232 with Black Quarter vaccine, Oxytetracycline injections and Bolivan M and Zain tablets. Trainees from the second course went to Oshikandass, Rahimabad and Sherqilla. In these villages 811 animals were treated with similar medicines.

At the end of these courses a simple ceremony is organised to award certificates and cash prizes to the candidates. Habib Bank Limited has donated trophies for the occasion. Dr. Amir Mohammad Khan, Chairman of the Pakistan Agricultural Research Council and Mr. Jamil Haider Shah, Commissioner, Northern Areas presided at the ceremonies held after the first and second courses, respectively. A list of Village Organisations from which a trainee has participated in the course is given in ETS Table 1.

2. Fruit Preservation

As part of their on-going effort to devise a method of apricot fumigation and dehydration which is simple, inexpensive and has replicable potential in the Northern Areas, AKRSP and PCSIR are extending necessary cooperation to each other. AKRSP has provided PCSIR with a forum at the village level in which to test new techniques. Following the failure of apricot growers to adopt a technique which had been

demonstrated in several villages in the Hunza, Gilgit and Punyal regions by PCSIR food scientists, PCSIR is now investigating the reasons for this failure. It has decided to build a 0.5 ton capacity solar dryer for dehydration at Lahore to conduct in-house experiments. If their efforts are successful, they will transfer this technology to Gilgit during the next fruit season.

3. Inputs and Machinery

In keeping with its realisation that regular and adequate supplies of agricultural inputs are vital to any effort at increasing productivity, AKRSP has instituted a system which attempts to deal with some of the problems connected with supplies. This system is backed by a rapidly growing credit programme to enable people without ready cash to benefit from it. Details of the credit aspect are given in the section on Budget and Accounts.

So far, the programme has concentrated on supplying fertiliser. By the end of October, about 3,500 farmers had made use of these credit facilities to acquire fertiliser. The number of fertiliser bags supplied by the end of October totalled 5,750.

The amount of credit to be disbursed increased to Rs. 1.1 million, as against Rs. 0.6 million disbursed for the last Kharif season which implies that there is a 77% increase in the amount for the coming Rabi season. The number of beneficiaries also increased by 39 percent. A consolidated statement showing demand for different types of chemical fertiliser for the forthcoming Rabi season is given at ETS Table 2.

4. Co-operation with other Agencies

AKRSP's Extension Training and Supplies programme is premised on very close cooperation with other development and government agencies working in the area. In the last quarter, an increasing number of such agencies have become associated with this programme.

The National Fertiliser Corporation organised a seminar on the use of chemical fertiliser at AKRSP's Gilgit office. Agronomists from NFC gave detailed instructions on fertiliser uses and supply. Members from AKRSP's Village Organisations participated in the seminar and took an active part in the discussions.

Following two visits by the Chairman of Pakistan Agricultural Research Council to AKRSP a multi-disciplinary team of PARC scientists visited Gilgit to draft a research proposal. Their particular interest is in setting up an experiment research station in Gilgit and sub-stations elsewhere in the Northern Areas. AKRSP could contribute to this effort by building a data base for researchers, by conducting in-depth social science research, and by providing forums for extension work.

The Agricultural Extension Department of the Northern Areas has provided valuable assistance in the preparation of a course on plant protection. The Animal Husbandry Department has placed its staff and laboratory facilities at the disposal of AKRSP and extended all possible help in organising two extension training courses on livestock diseases and management.

The Forestry Department of the Northern Areas has offered to supply fruit saplings at nominal prices to AKRSP's Village Organisations in the next planting season.

The Habib Bank Limited have acted, virtually, as the financial arm of AKRSP in arranging credit for agricultural inputs for organisations. Moreover, they are the bankers for all the Village Organisations.

PARTICIPATION IN LIVESTOCK TRAINING COURSE

DISTRICT GILGIT

<i>Sub-Division</i>	<i>Village Organisations</i>	<i>Represented</i>
GILGIT	1. Oshikandass 3. Rahimabad 5. Aminabad 7. Jaglote Sain 9. Hoopay	2. Mohammadabad 4. Sultanabad 6. Sonikot Bala 8. Hanuchal 10. Jutal
HUNZA	1. Altit 3. Maiun 5. Shimshal*	2. Hussainabad 4. Haiderabad Bala
NAGAR	1. Manalokushal 3. Ratal 5. Chalt Bala 7. Mamoshdiding 9. Brushal 11. Ghoshoshal	2. Rahbat 4. Hakalshal 6. Sonikot 8. Miachar 10. Holshal 12. Bodalus
PUNYAL-ISHKOMAN	1. Japuka 3. Gulmuti 5. Shunas 7. Chatorkhand	2. Singal 4. Sherqilla 6. Gich 8. Daheen
GUPIS-YASIN	1. Bujayote 3. Phander 5. Hakis 7. Taoos Pain 9. Sultanabad 11. Mashar*	2. Yasin Bala 4. Teru 6. Taoos Bala 8. Gindai 10. Barkulti

*In these villages, organisations have not yet been formed but are anticipated. The training was imparted due to the inaccessibility of the villages in winter months.

**CONSOLIDATED STATEMENT SHOWING DEMAND
FOR DIFFERENT TYPES OF CHEMICAL FERTILISERS
FOR THE FORTHCOMING RABI SEASON.**

Channelled through Social Organisation Unit :	DEMAND FROM		UREA		NITROPHOS		CAN		DAP		TOTAL AMOUNT (Rs.)
	Village Organi- sations	No. of Loanees	No. of Bags	Amount in Rupees	No. of Bags	Amount in Rupees	No. of Bags	Amount in Rupees	No. of Bags	Amount in Rupees	
HUNZA	8	604	5	565	1007	106,742	—	—	53	7,049	111,356
GILGIT	8	482	141	15,933	749	79,394	354	19,116	—	—	114,443
GUPIS-YASIN & PUNYAL- ISHKOMAN	47	3,784	2,276	257,188	5,087	537,102	1137	61,398	—	—	855,688
GRAND TOTAL	63	4,870	2,422	273,686	6,823	723,238	1491	80,514	53	7,049	1,084,487

ETS Table 2

— Average loan required per Village Organisation = Rs. 17,214

— Average loan required per loanee member = Rs. 223

MARKETING RESEARCH

1. The Objective

The marketing research programme was undertaken by AKRSP with an objective of fostering the agricultural marketing collectives in the Northern Areas, imparting to them the necessary technical and managerial skills and assisting them in organising an effective marketing system. It is hoped that this would help substantially in transforming the subsistence rural economy into a commercial economy by integrating the economy of the Northern Areas with other parts of the country. Although an arterial road has been built, it has not facilitated the process of integration due to the non-existence of an organised marketing system in the area.

The need for the marketing research programme was evident after the observation that a substantial part of the surplus production was unable to get a price reflecting its true value. Moreover, a considerable amount was asked due to an absence of marketing opportunities.

It was observed that in most of the distant villages a majority of the farmers were compelled to exchange or sell their produce to the village shopkeeper at very low prices due to the high transportation costs and non-availability of correct market information. A few of them who did manage to bring their produce to the market, had to accept the terms spelled out by the shopkeepers, because of lack of storage facilities and the problem of going from shop to shop with the produce.

The problem is compounded by the fact that the Gilgit fresh produce and dry fruits market comprises about 120 retailers, with the wholesale mechanism almost non-existent. There are no grading, purchasing, packing and cold storage facilities in the region. The market is subject to seasonal fluctuations due to the irregular flow of supplies from the villages and from the down country regions.

2. The Strategy

The marketing research programme primarily has the task of developing a model which would entail the performance of all business activities involved in the flow of agricultural produce from the farm gate to the markets to be undertaken by the agricultural marketing collectives.

Initially, concentration was focussed upon the transportation of the surplus produce from the village to the Gilgit market through the collective efforts of the members of the Village Organisation. The objectives of the programme were explained to a number of villages and, as an incentive, AKRSP agreed to subsidise cost of transportation of the produce from the village to the Gilgit market for an initial period, in order to demonstrate that if the marketing is undertaken on a collective basis it substantially reduces the transportation cost, improves the bargaining power of the farmers and enables them to develop a better understanding of the market conditions.

3. The Performance

The first Village Organisation which showed its willingness to undertake the marketing of its produce collectively was Sherqilla. The operations began in the beginning of September after an agreement was reached with the Sherqilla Transport Society that it would provide the transport facility at the rate of Rs. 400 per round trip and the proceeds from the backload will be credited to the AKRSP account.

Later in September, seven Village Organisations in the Yasin Valley informed that they wished to transport their surplus produce collectively to the market and requested for financial assistance, which was provided to them by AKRSP.

In the last two months 364 members of 8 Village Organisations were able to transport 42 metric tons of their produce to the market. Transportation cost (borne by AKRSP) as a percentage of receipts obtained in Gilgit ranged from 4 to 22 percent.

The total receipts, net of transport, amount to Rs. 153,894, i.e., Rs. 514 per member. By transporting their produce from the villages to the market the farmers were able to get approximately 35% incremental income. The statistical results have been summarised in MAR Table 1.

Two months after the initiation of the programme, three Village Organisations have expressed their willingness to organise the collection and transportation of the produce on their own and have requested for the provision of credit for purchasing transportation vehicles.

Through the provision of the transportation subsidy, AKRSP was able to demonstrate the benefits which could be derived if there is collective effort on the part of the villagers.

4. Operational Issues

For streamlining the operations of collectively transporting the surplus produce from the villages to the Gilgit market, the Village Organisations have to settle some of the issues which spring up. When the Sherqilla Village Organisation decided to undertake the transportation of the produce collectively, there was the question of selecting the persons who would be responsible for the collection and sale, and the disbursement of the revenue obtained. This responsibility was given to a number of persons, their performance was closely monitored and a conclusive decision was reached regarding the persons who would be entrusted with this responsibility. Although a small percentage of the fruit was wasted or remained unsold, through the operation the farmers were able to get a number of insights relating to the quality of fruit and the price commanded by it, essential needs and advantage of proper packing and plucking.

5. Future Role of AKRSP

The future strategy to be followed in marketing research is to find outlets for the produce coming in the Gilgit market from the villages, as the Gilgit market has limited absorption capacity.

Contacts have been made with merchants in the down-country markets, with the goal that the produce to be transported to down-country regions is marketed effectively.

It is proposed that initially the produce would be purchased from the farmers in Gilgit and marketed in the down-country markets, so that the economics of these transactions becomes clear and hopefully there will be enough incentive for the village collectives to federate and form a wholesale cooperative and carry on the operation on their own after sufficient contacts have been established with the traders in the down country markets.

MARKETING BALANCE SHEET

September — October, 1983

Village Organisations	Beneficiary farmers	Transport cost as a % of receipts	Receipts net of transport :		Value added*		Per tonne	Value added as % of farm gate value
			Total	Per member	Total	Per member		
1. Sherqilla	183	22	44,776	245	4,776	26	251	12
2. Barkulti Pain	56	5	40,288	719	6,860	122	948	26
3. Barkulti Bala	15	4	15,178	1011	3,048	203	1172	31
4. Barkulti Bar	20	9	3,546	177	839	50	671	43
5. Sultanabad	33	7	15,198	461	3,662	110	878	41
6. Dal Sundi	38	4	27,818	732	4,172	110	970	23
7. Sundi Pain	10	14	2,040	204	680	68	540	75
8. Gujalti	9	8	5,050	561	994	110	621	35
Aggregate	364	10	153,894	514	25,015	100	756	35

* Value added = Receipts — (Farm gate value + Transport cost)
of the produce.

MAR Table 1

BUDGET AND ACCOUNTS

1. AKRSP Donors

The Aga Khan Rural Support Programme, a project of Aga Khan Foundation, is a non-profit company registered in Pakistan and limited by guarantee. It was envisaged in the Programme that AKRSP would work very closely with developed-country branches of AKF, international aid agencies, non-government organisations and the private sector. One primary objective of AKRSP is to draw financial and human resources from a variety of aid agencies to the Northern Areas. By launching AKRSP, the Aga Khan Foundation has assumed the role of a serious innovator in the field of rural development.

Following approval of budget for 1983 by the Board of Directors of AKRSP, which far exceeded the initial commitment of funds by AKF, a fund-raising drive was organised under the auspices of AKF (Head Office) with a view to enable AKRSP to implement the village level projects identified through the Diagnostic Survey. It is heartening to report that during August-October, commitments were received from the following donor agencies: Overseas Development Administration (UK), Canadian International Development Agency and Alberta AID (Canada). The total commitments made by donor agencies this year are given below:

Donor	Amount	
	Donor Currency	Million Rs.
1. CIDA	C \$ 500,000	5.00
2. Alberta AID	C \$ 155,275	1.55
3. Ford Foundation	US \$ 100,000	1.30
4. OXFAM	£ 30,000	0.60
5. ODA	£ 29,000	0.60
6. AKF (Canada)	C \$ 155,375	1.55
7. AKF (U.S.A.)	US \$ 100,000	1.30
8. AKF (U.K)	£ 60,000	1.20
9. Anonymous Donor	Rs. 1,400,000	1.40
Total		14.50

Commitments made for AKRSP by CIDA and Alberta AID have been elicited by AKF (Canada). Donations from OXFAM and ODA were obtained through AKF (U.K.), whereas the Ford Foundation's contribution was made through AKF (U.S.A.).

The contributions by the three AKF branches/affiliates, as listed above, are in addition to their contributions to the seed money provided initially by AKF (Head Office). AKRSP gratefully acknowledges the contributions of the donors through these lines : but for their assistance, the pace of AKRSP's work would have slowed down within the budget year.

Information on projects funded by specific agencies will be transmitted to these agencies alongwith the Progress Reports. Where required, funds from a donor agency will be physically segregated from other funds.

2. Programme Expenditure

In broad terms, the AKRSP Programme Budget is composed of the five items shown in B&A Table 1.

Percentage shares of each of the components in the budget and in disbursement are indicated in B&A Table 1.A., whereas disbursement as percentage of the approved budget is shown in Table 1.B. In terms of actual disbursements, engineering projects, charged to Agricultural and Rural Development, had accounted for 66% of the expenditure by October, 1983. The Extension Training Programme took up 4% of the total expenditure. Research and Survey, which has so far covered mainly the cost of the Diagnostic Survey, has accounted for 22% of the total disbursements. Disbursement under the Pilot Credit Programme was to the tune of Rs. 621,086 against which, under special arrangements, Habib Bank Limited credited a sum of Rs. 666,996 to the AKRSP account in August. Against the total credit of Rs. 621,086 to 40 Village Organisations due for recovery from October, 1983 to March, 1984, a sum of Rs. 221,839 has already been recovered by the end of October.

By conventional measures, the rate at which disbursements under each head are approaching their budgeted limits might indicate under-performance. This is because, against the total Programme Budget, only 25% of the budgeted amount was initially available, which restrained the project staff from fully exploiting the capacity built up by it for the implementation of the programme. Gradually, the picture improved : by the end of August, additional funds were committed by five donor agencies, bringing the total available to more than the budgeted amount, the excess to be carried forward to next year. Thus commitments for projects were revised accordingly and the apparent under-performance was mainly due to the non-availability of funds in time.

3. Project Audits

Audits of Village Organisations that have completed the engineering project are carried out by the Programme Accountant. The objectives of the audit are to ascertain whether :

- (i) the money given by AKRSP has been fully utilised for the purposes of the project ;

- (ii) the actual expenditure incurred is along the lines estimated by AKRSP ;
- (iii) there are regular savings by the villagers so that, in times of need, they can be effectively utilised as collateral for securing loans ;
- (iv) regular meetings are held to assess the effectiveness of the Village Organisation's activities ;
- (v) the books of accounts are properly maintained ;
- (vi) training in book-keeping is needed by Village Organisation office-bearers.

Such audits have so far been completed in ten Village Organisations. It has generally been observed that weaknesses in book-keeping exist. The Budget and Accounts Section has, therefore, undertaken to impart necessary training to the Managers of the Village Organisations. This will upgrade the skills of the Managers and, in turn, it will create confidence of farmers in their Village Organisations office-bearers. Audit reports are circulated to the respective Social Organisation units for discussion with the Village Organisations.

4. The Credit Programme

Apart from creating accessibility to inputs, AKRSP has also part-guaranteed loans to Village Organisations from Habib Bank Limited. Under this arrangement, HBL put a sum of Rs. 621,996 at the disposal of AKRSP for disbursement as group loans to the specified Village Organisations. As of October, AKRSP had disbursed group loans, amounting to Rs. 621,086, to 40 Village Organisations, benefitting some 3,500 farmers in Gilgit district. Against these loans, the accumulated equity capital of the organisations, amounting to approximately Rs. 330,000, stands as collateral.

The first batch of loans, given in January-March to 10 Village Organisations, amounting to Rs. 222,879 was due for repayment by end of October in entirety and would be considered in default by end of December. Total recovery against these loans as of October 31 is to the tune of Rs. 161,015 which is 73%. The second batch of loans (April to September), Rs. 398,207, advanced to 30 Village Organisations becomes due for recovery by the end of March 1984. Loans amounting to Rs. 60,824 have been recovered from this batch.

The fertiliser credit programme has also been extended to Chitral and in the first instance a sum of Rs. 136,685 has been advanced to 7 Village Organisations catering for the requirements of 360 farmers.

In addition to short-term credit for fertiliser, AKRSP has also sold two threshers to Sultanabad and Mohammadabad Village Organisations, costing Rs. 42,874, on long-term credit basis, i.e., for three years period. Besides this, insecticides and spray pumps were sold to a few Village Organisations involving an amount of Rs. 4,946.

Thus by end of the period under report, total of Rs. 668,906 had been advanced as group loans to Village Organisations for the purchase of agricultural inputs and machinery, against which the total recovery by end of October amounts to Rs. 222,613.

**PROGRAMME EXPENDITURE
(GILGIT DISTRICT)**

**A : PERCENTAGE SHARE OF LINE ITEMS
IN APPROVED BUDGET & DISBURSEMENT***

Item	% Share in Budget	%Share in Disbursements, as of :		
		March	June	Oct.
1. Agric. & Rural Develop.	71	72	70	66
2. Extension Training	5	1	2	4
3. Research & Survey	9	13	15	22
4. Pilot Credit Programme	6	14	12	7
5. Survey Equipment	9	1	1	1

**B : DISBURSEMENT AS PERCENTAGE
OF APPROVED BUDGET***

Item	Disbursements as % of Budget, as of :		
	March	June	October
1. Agric. & Rural Develop.	8	23	33
2. Extension Training	1	7	28
3. Research & Survey	12	39	89
4. Pilot Credit Programme	19	50	62**
5. Survey Equipment	1	2	2
TOTAL	8	23	38

*The approved budget indicates the extent to which AKRSP can expend development funds, given its managerial constraints. For 1983, the operative budget is the amount committed by AKF and other donors to AKRSP so far ; this amount has *not* been used in the above calculations.

**Excludes recoveries.

MONITORING, EVALUATION AND RESEARCH

1. This Quarter's Failures, ...

- (i) There were long delays in updating monitoring data on most aspects of the programme. The delays were spread over the entire the chain of project management stretching from the field units to the MER Section.
- (ii) As part of the on-going evaluation of activities, the MER Section was supposed to initiate a Discussion Notes Series with fairly basic analyses of data on selected aspects of the programme. This was not done.
- (iii) In order to develop and maintain basic data on the project area's land, labour force, livestock, etc., the MER Section should have obtained and reconciled various new sources of data available locally. This was not done.
- (iv) The plans to conduct baseline surveys for fourteen completed projects, affecting some 2,000 beneficiary households, were implemented only partly : seven surveys were undertaken, and 1,230 households were covered.
- (v) No socio-economic analysis of projects/villages was undertaken for the data collected. Data from the crop-cutting survey, and some data from baseline surveys have been tabulated.
- (vi) Meaningful contact with national social science research centres is predicated on the existence of a tangible research effort at AKRSP. Since this prerequisite was not fulfilled, the subsequent steps to initiate and promote collaborative research did not follow.

2. ... Their Causes ...

The causes for this quarter's failures are mainly administrative but also attitudinal.

The major administrative problem can be summarised in three familiar words—too much work. This assessment, of course, is relative to the availability of personnel in the MER Section, at present consisting of the Programme Economist and Programme Officer, and a Project Economist dividing his time between M&E and marketing. Much of the updating and tabulation of data could have been done on computer — if only our microcomputer had arrived by now. With one secretary-operator the microcomputer would have greatly eased the burden of routine data management for the MER Section. Unfortunately, the U.S. Commerce Department is giving extraordinary scrutiny to applications for the export of U.S. computers to Pakistan, and so AKRSP's microcomputer has been held up for an inordinate length of time.

Finally, as an administrative problem, we mention the non-existence of a set of consistent procedures for maintaining project records. This is a disturbing omission, particularly for engineering projects, the credit programme and social organisation and for the accounting aspects of these activities.

3. ... And Remedies

If any improvements are to be expected in the functioning of the MER Section, there will have to be a recognition by project staff that monitoring, evaluation and social science research are fundamental elements in the effective management of rural development programmes. This recognition, which is explicit in all statements of AKRSP objectives, will have to be followed by concrete steps to :

- (i) reconstruct the monitoring system in line with the requirements and constraints of *a//* the Sections ;
- (ii) assign specific responsibilities for documentation and monitoring to Sections which have managerial responsibility for corresponding programmes ;
- (iii) restrict all updating of figures and report-writing to a quarterly exercise, rather than an urgent daily need ;
- (iv) supplement the analytical capacity of the MER Section through frequent use of short-term consultants ;
- (v) provide access to Pakistan's social science research centres for purposes of socio-economic evaluation and collaborative research.

A beginning has already been made in these directions.

Firstly, some basic changes have been made in the way records on group loans were maintained. Since AKRSP will be lending large amounts of money in the coming season, a system has been devised to keep detailed separate records of each loan given to each Village Organisation.

Secondly, it has been decided that the MER Section will be assisted by three short-term interns as a continuous arrangement. If any of these interns arrive at a good job-match with AKRSP, they will be considered for longer-term employment at AKRSP. Two of these interns will be junior economists, with M. Phil. degrees, or equivalent, from Pakistan ; one intern will be a (woman) Assistant Programme Officer. All are expected to have 1-2 years of prior work experience.

Clearly, much more needs to be done to put the MER Section on an even keel, and it needs to be done with patience and fortitude.

4. Work Plan for November-December

- (i) There will be no field surveys ;
- (ii) *a//* existing monitoring data will be reviewed, reconciled consolidated and analysed, in preparation for the First Annual Review ;

- (iii) the Discussion Notes series will focus on the credit and productive physical infrastructure programmes ; the gist of these will go into the First Annual Review ;
- (iv) a// existing data from crop-cutting and baseline surveys will be edited, coded, tabulated and analysed, with the assistance of short-term consultants ;
- (v) a collaborative research proposal for the social sciences will be developed in consultation with national research centres ;
- (vi) basic data on the project area, available with local sources, will be reviewed and consolidated, with a view towards presenting a detailed socio-economic profile of the region in the First Annual Review ;
- (vii) no vacations.

VISITORS TO AKRSP

1. The Board of Directors

The Board of Directors meeting of October 1-2, 1983 was held in Gilgit. As part of a familiarisation effort, some members of the Board visited project sites and held detailed discussions with members of Village Organisations. The following members attending this meeting :

Mr. Ramzan Merchant
Chairman

Mr. Mahomed J. Jaffer
Vice-Chairman

Mr. Guillaume de Spoelberch
General Manager, Aga Khan Foundation

Mr. Robert d'Arcy Shaw
Director, Special Programmes, Aga Khan Foundation

Mr. Akbarali Hashwani
President, His Highness Prince Aga Khan Shia
Imami Ismailia Economic Planning Board for Pakistan

Dr. Amir Mohammad Khan
Chairman, Pakistan Agricultural Research Council

Mr. Mian Riaz-ud-Din Ahmad

Mr. Nizar Mecklai

Mr. Iqbal Dossani

Mr. Afzal Ali

Mr. Hamidullah Baig.

2. Heads of Institutions

The following heads of government, autonomous, international and private institutions visited AKRSP :

Dr. Amir Mohammad Khan
Chairman, Pakistan Agricultural Research Council

Mr. Jamil Nishtar
Chairman, Agricultural Development Bank of Pakistan

Dr. Akbar S. Ahmed
Director-General, National Centre for Rural Development.

3. Representatives of Development Agencies

The following representatives of international and AKF institutions visited AKRSP for discussions on AKRSP strategy and the possibilities for co-operation :

Mr. Sartaj Aziz
Assistant President, Economic Planning Department,
International Fund for Agricultural Development, Rome

Mr. Wolfgang Freiherr Von Erffa
Director of the Regional Office for Asia
Konrad Adenauer Foundation

Mr. William Robinson,
Secretariat of His Highness The Aga Khan, Algremont

Mr. Hakim Feerasta
Executive Officer,
Aga Khan Foundation, Pakistan.

4. Representatives of Financial Institutions

Mr. Z. I. Minhas
Circle Chief, National Bank of Pakistan

Mr. Mukhtar
Vice President Coordination, National Bank of Pakistan

Mr. Rana Safdar Jang
Manager, National Bank of Pakistan.

5. Diplomatic Representatives

Mr. A. F. Rosiny
Cultural Councillor,
Embassy of Federal Republic of Germany.

6. Scholars and Scientists

Prof. Dr. Anne Marie Schimmel
Harvard University

Dr. M. Anwar
Member, (Natural Resources),
Pakistan Agricultural Research Council.

7. Participants and Probationers from Government Institutions

19 Participants of 37th Advanced Course
National Institute of Public Administration, Karachi.

9 District Management Group Probationers
Tenth Common Training.

7 Foreign Office Probationers
Tenth Common Training.

8. Gilgit-based Friends

Once again AKRSP takes this opportunity to thank its Gilgit-based friends without whose co-operation and help it would be very difficult to run the Programme. We are especially grateful to :

Maj. General Pirdad Khan, S.J.
Martial Law Administrator, Zone 'E' for his
patronage and encouragement ;

Mr. Jamil Haider Shah
Commissioner, Northern Areas

Brig. Anwar Muniruddin
Deputy Martial Law Administrator

Mr. Zahoor Anwar Malik
Additional Commissioner (Development)
Northern Areas

Col. Z. I. Abbasi
Force Command Northern Areas

Mr. Badarul Islam
Deputy Commissioner, Gilgit

Brig. Safdar Ali
Director-General, NAWO

Col. M. Saleem Beg
Colonel Martial Law

Col. Muzaffar Iqbal Tarar
ADMS

Mr. Ali Ahmad Jan
Superintendent of Police

2001

Mr. Saadat Wali Khan
Deputy Director, LB&RD

Dr. Ghulam Sarwar
Deputy Director, Animal Husbandry Department

Mr. Abdul Karim Bulghari
Assistant Director, Agricultural Department

Mr. Mohammad Alam Khan
Conservator of Forests, Northern Areas

Mr. Saifur Rehman
Zonal Chief, Habib Bank Limited.

