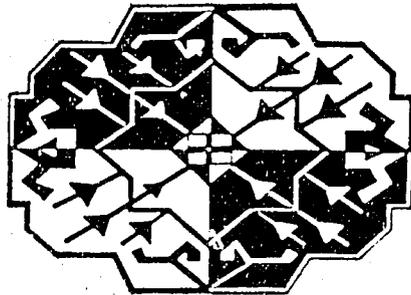


- PN 404 548
99/102

THE SARHAD RURAL SUPPORT CORPORATION



**A Strategic Planning Assessment
October 1992**

*Ian Smillie
Dulan De Silva
Najma Siddiqi
Alan Thompson*

BEST AVAILABLE COPY

SARHAD RURAL SUPPORT CORPORATION

A Strategic Planning Assessment

**Ian Smillie
Dulan De Silva
Najma Siddiqi
Alan Thompson**

October, 1992

ACRONYMS

ADB	Asian Development Bank
ADBP	Agricultural Development Bank of Pakistan
AEW	Agricultural Extension Worker
AHITI	Animal Husbandry In-Service Training Institute
AKRSP	Aga Khan Rural Support Programme
BRAC	Bangladesh Rural Advancement Committee
BRSP	Baluchistan Rural Support Programme
CMC	Credit Management Committee
GONWFP	Government of North West Frontier Province
HYV	High-Yielding Variety
IFAD	International Fund for Agricultural Development
IMI	Institutional Maturity Index
IUCN	International Union for the Conservation of Nature
LEW	Livestock Extension Worker
MCO	Mobile Credit Officer
MER	Monitoring, Evaluation and Research
NGO	Non Governmental Organization
NOVIB	Netherlands Organization for International Development Cooperation
NRM	Natural Resource Management
NRSP	National Rural Support Programme
NWFP	North West Frontier Province
PI	Productive Investment
PPI	Productive Physical Infrastructure
PVO	Private Voluntary Organization
RPO	Regional Programme Office
SO	Social Organizer
SRSC	Sarhad Rural Support Corporation
TVO	Trust for Voluntary Organizations
USAID	United States Agency for International Development
VO	Village Organization
WID	Women in Development
WO	Women's Organization

EXCHANGE RATES

(Oct. 9, 1992)

US \$ 1.00 = Rs 25.25

Dfl 1.00 = Rs 15.50

All dollar figures are US dollars.

TABLE OF CONTENTS

	Acronyms and Exchange Rates	ii
	Table of Contents	iii
	Executive Summary	vi
1	INTRODUCTION	1
1.1	BACKGROUND	1
1.2	A NOTE ON REPLICATION	1
1.3	METHODOLOGY	2
1.4	ACKNOWLEDGEMENTS	3
2	SRSC INSTITUTIONAL MATURITY	4
2.1	BACKGROUND: SRSC CONCEPT AND STRATEGY	4
2.2	VISION AND COHERENCE	5
2.2.1	A Blueprint Approach	5
2.2.2	Targets	6
2.2.3	A Different Economic, Social and Physical Setting	6
2.3	LIMITS TO THE PPI APPROACH	6
2.3.1	Background	6
2.3.2	The Economic Impact of PPIs	7
2.3.3	The Strategic Value of PPIs	7
2.3.4	PPIs, PIs and Sustainable Livelihoods	9
2.4	SRSC'S ABILITY TO REFLECT AND ADJUST	13
2.5	RECOMMENDATIONS	14
3	VILLAGE INSTITUTION BUILDING	15
3.1	BACKGROUND	15
3.2	VO/WO INSTITUTIONAL MATURITY	15
3.3	RECOMMENDATIONS	17
4	PERFORMANCE AND ACHIEVEMENTS	18
4.1	BACKGROUND	18
4.2	TARGETS OF THE TWO-YEAR USAID GRANT	18
4.3	SRSC'S ACHIEVEMENTS	19
5	A NOTE ON THE WOMEN'S PROGRAMME	22
5.1	BACKGROUND TO THE NOTE	22
5.2	DIRECTION AND PURPOSE	22
5.3	OPPORTUNITY PROVIDED	22
5.4	PARTICIPATION IN DEVELOPMENT	23
5.5	TRAINING IN SKILLS	23
5.6	MONITORING AND MAINTENANCE OF RECORDS	23
5.7	CONCLUDING REMARKS	24
5.8	MOVING ON	25

TRAINING & HUMAN RESOURCE DEVELOPMENT	26
6.1 BACKGROUND	26
6.2 TRAINING OF EXTENSION WORKERS	27
6.2.1 Assessment of Needs	27
6.2.2 Criteria for Selection of Trainees	27
6.2.3 Terms and Conditions	27
6.2.4 Design & Organisation of Training	28
6.2.5 Performance and Utilization of Skills	28
6.2.6 Benefits and Impact	29
6.2.7 Networking	30
6.3 STAFF DEVELOPMENT	30
6.4 RECOMMENDATIONS	31
SAVINGS AND CREDIT	32
7.1 INTRODUCTION	32
7.2 SAVINGS	32
7.2.1 Savings Overview	32
7.2.2 Shortcomings	34
7.3 DEMAND FOR AND PURPOSE OF CREDIT	35
7.3.1 Current Sources of Credit	37
7.3.2 Service Charges	38
7.3.3 Credit for Women	38
7.3.4 Credit - Progress Achieved	40
7.4 STRENGTHS AND WEAKNESSES OF CURRENT SAVINGS AND CREDIT PROGRAMMES	40
7.4.1 Strengths	40
7.4.2 Weaknesses	41
7.4.3 Timing in Issuing of Credit	42
7.4.4 Repayment Period	42
7.4.5 Collateral	42
7.4.6 Limited Credit Fund	43
7.5 PROGRAMME RECOMMENDATIONS	43
MANAGEMENT	45
8.1 FINANCIAL MANAGEMENT	45
8.1.1 Head Office	45
8.1.2 District Accounting	45
8.1.3 Budgetary Control	46
8.1.4 Recommendations	46
8.2 PERSONNEL	47
8.2.1 Numbers	47
8.2.2 Personnel Policies and Procedures	47
8.3 PLANNING, MONITORING, EVALUATION AND RESEARCH	50
8.3.1 Planning	50
8.3.2 Monitoring	50
8.3.3 Evaluation	51
8.3.4 Research	51
8.3.5 Recommendations:	51

8.4	ORGANIZATION STRUCTURE	52
8.5	DONOR RELATIONS	52
	8.5.1 Background	52
	8.5.2 On-Going Recurrent Cost Implications	53
	8.5.3 Recommendations	55
8.6	EXPANSION	55
	8.6.1 Background	55
	8.6.2 Coverage in Kohat and Charsadda	56
	8.6.3 Rate of Expansion	56
	8.6.4 Staffing Implications	57
	8.6.5 Observations	57
	8.6.6 Recommendations	57
9	HAS REPLICATION WORKED?	58

Boxes

1	Needs and Wants	5
2	Focus or Target Groups	7
3	Who Benefits?	8
4	A Note on Cost Benefit	11
5	Empowerment	14
6	Irrigation Management	16
7	Collective Purchasing and Marketing	17
8	A Green Revolution	19
9	Food Security	20
10	Changing Ground Rules on Gender	24
11	Remembering the Message	29
12	Borrowing From the Bank	37
13	Team Spirit	58

Text Tables

1	Status of Savings at Aug. 31, 1992	33
2	Credit for Women	39
3	Volume of Credit at Aug. 31, 1992	40
4	Purpose of Credit	40
5	Comparison of SRSC, AKRSP and BRSP Staffing	46
6	Shortfall in Operational Costs 1996-99	54
7	Number of New PPIs; 1993-99	56
8	Number of New Professional Staff Required; 1993-98	57

Annexes

1	List of VOs and WOs Visited	60
2	A Note on SRSC's Credit Programme Procedures	61
3	Calculations on Increased Agricultural Earnings	65
4	References	67

SRSC STRATEGIC PLANNING ASSESSMENT

EXECUTIVE SUMMARY

1 BACKGROUND

The Sarhad Rural Support Corporation was established to undertake a rural development initiative using the principles and methodology successfully demonstrated by the Aga Khan Rural Support Programme (AKRSP) in the Northern Areas of Pakistan. This Strategic Planning Assessment was undertaken at a very early point in the life of an organization whose work and whose very existence is an unusual and unique experiment. There has not likely ever been such a large-scale attempt to replicate, to scale-up, to expand the benefits and to apply the lessons learned by another organization. As such, SRSC represents a significant departure from the traditional ways in which NGOs are formed and develop. It already offers significant new material to the body of knowledge about NGOs, and will continue to do so in the future.

Had SRSC failed, many reasons could have been given. That it has not is a testimony to those with the vision and courage to form it, to work for it, and to support it. This report is critical in places, but the criticism is offered in a positive and enthusiastic spirit, in the hope that it may be of some assistance in making SRSC's achievements in the future even more significant than they have been so far.

2. PERFORMANCE AND ACHIEVEMENTS

The Report contains a section dealing with SRSC's performance against targets contained in the agreement with USAID. By and large, the majority of these have been either met or exceeded in 18 months, rather than the 24 of the plan period. One hundred and fifty nine village organizations and women's organizations, rather than the 100 targeted, were formed. Nearly seventy PPIs/PIs were completed or were nearing completion. Targets for training, for a savings programme, and for additional external support to SRSC were exceeded. Food security is one of the greatest programme outputs: 92% of the PPIs relate to food production; 97% of the R&D initiatives in the women's programme relate to nutritional intake; 71% of SRSC's training relate to production or crop loss-prevention; 54% of WO loans and 96% of VO loans relate to agricultural production.

3 INSTITUTIONAL MATURITY

Expectations of institutional 'maturity' in an organization that is operationally only 18 months old should not be high. The Assessment considered progress on a number of issues, however: the SRSC concept and strategy; vision and coherence; the role of and limits on the PPI as a strategic organization tool in NWFP; and SRSC's ability to reflect and adjust.

SRSC was modelled on the approach used by AKRSP in the Northern Areas. It was based on one major premise: 'that equitable and sustainable rural development is not possible without self-sustaining participatory village institutions'. This was later reformulated into a 'purpose statement': **The long-term objective of SRSC is to facilitate rural economic growth by supporting the evolution of organized rural communities capable of carrying on their socio-economic development with improved managerial abilities and financial means.** SRSC is thus an institutional capacity-building, rather than a service delivery organization.

Since startup, several things have blurred the application of the original concept and challenged the workability of the strategy. The first has been SRSC's interpretation of and close adherence to the AKRSP model, despite early acknowledgement that 'AKRSP cannot be copied as a blueprint for programme development'. The result of a narrow interpretation has meant that vision and the purpose of SRSC are not clear to many among the staff and the VOs/WOs.

A second and related pressure was the conclusion of an ambitious, target-oriented startup grant, to be implemented by an untested organization with limited managerial experience. A third problem is the difference between the Northern Areas where the model was developed, and the areas of NWFP where it is being replicated. A fourth has been a shortage in NWFP of PPI opportunities like those in the Northern Areas. Land-based PPIs, in fact, have the effect of skewing direct programme benefits towards those with land; these are not always the poorest. Most PPIs, however, demonstrate a significantly positive cost-benefit ratio. Bringing new acreage under irrigation and restoring waterlogged saline land to productive use adds to the productivity of families and to the food security of their villages and the country as a whole. The additional benefits in the post-PPI period are sometimes even more dramatic in their immediate economic impact.

A number of recommendations flow from the Assessment Team's analysis:

- 'Poverty criteria' should be added explicitly to SRSC's purpose statement and included more clearly in its thinking and planning for future programmes; if the poverty criteria are properly developed and applied, the problem of some PPIs being skewed towards the better off will take care of itself;
- The PPI is an investment in organization, not land. In stressing equity, productivity and sustainability, the SRSC village entry point should reflect real needs of the poor, and should be based upon a concept of *sustainable livelihoods*:

A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living. A livelihood is sustainable if it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide livelihood opportunities for the next generation; and if it contributes net benefits to other livelihoods at the local and global levels, and in the short and long run.¹

- greater *careful* experimentation is therefore needed with regard to PPIs: experimentation by type (e.g. some social rather than purely productive interventions, or PPIs that are not land-biased); and experimentation which encourages greater financial participation by the beneficiaries. The concept of 'productive *physical* investment' might well be amended to simply 'productive investment'.

4 VILLAGE INSTITUTION BUILDING

The Assessment notes a wide number of positive indications of emerging village institutions: participation, reduced dependence on SRSC; evolving VO management systems, independent collective activities, linkages with other organizations, and significantly improved natural resource management.

Although completely independent, self-financing village organizations are often set as an NGO goal, few have yet succeeded in creating such entities. SRSC is reaching the stage where it should, however, be able to foresee more clearly the role it could play in years three, four, five and beyond in the life of a given VO or cluster of VOs. Doing this effectively requires an understanding of how individual VOs and WOs are evolving. Beginning, therefore, to track VO/WO evolution and articulating the changing SRSC role will help SRSC to focus on pace and direction, and could also help deflect unrealistic donor expectations.

¹ See Chambers & Conway

The three SRSC development stages - formation, consolidation and institutionalization - should be more clearly articulated, particularly the latter, institutionalization. The AKRSP Institutional Maturity Index and those of other organizations such as BRAC and the Baluchistan Rural Support Programme should be studied for possible adaptation to SRSC's own needs. Whatever is introduced should be *simple*, usable by SRSC, and informative for outsiders. Baseline village surveys should also be re-introduced for each SRSC district, and periodically updated.

5 WOMEN

SRSC has embarked on an ambitious and laudable programme for women. In the absence of a long term view, however, the WID section seems to be taking up activities without much thought or planning for the future. As in many other organizations, it seems to be lost in the need to do 'something' for women, but it is short on time, patience, and the expertise necessary to determine what could be beneficial to the group concerned.

The opportunities provided by SRSC are different for men and women - at times more indulgent for women than necessary, dealing with wants rather than pressing needs. At other times, expectations are unrealistic; for example, expecting a barely literate group of women to form a credit management committee, keep accounts, and organize a revolving loan fund without much training support.

In terms of participation, women are still largely second class. PPI decisions are off-limits. Training and credit are discussed and recorded separately for VOs and WOs. Agricultural Extension Workers (AEWs) and the Livestock Extension Workers (LEWs) are considered 'VO property'. In most cases, no formal contact is made or responsibility taken by the LEWs for goat and calf health. They do not have a direct link with the AEW and are thus dependent on the agriculturist or the concerned SO from SRSC.

By the same token, learning to sew and knit better will not substantially increase the income of women. The same holds true for food processing and other domestic skills. Domestic science may be a valid activity, but it not 'development and income-generating.' It is important to differentiate between the two.

On the positive side, in a number of WOs young literate girls have been appointed as managers or secretaries. They mark attendance, record savings, and are now learning to record the proceedings of WO meetings. The interest generated in learning to read and write through the formation of WOs is extremely positive. Such enterprise needs to be highlighted, encouraged and supported as much as possible.

Doing 'something' for the women is not enough. In many cases it can be more harmful than doing nothing. SRSC should make greater efforts into sorting out its thoughts in this regard. Training, as part of human resource development, is the one major input from which women can benefit tremendously. This has to be taken more seriously than at present.

6 TRAINING AND HUMAN RESOURCE DEVELOPMENT

For SRSC, Human Resource Development is a crucial area of support to rural communities, and since its inception, SRSC has organised training in a number of disciplines related to agriculture, livestock and vocational skills. In addition, a research and demonstration programme including 'formal and informal participatory research' has been developed.

SRSC staff have also received various forms of training and have participated in a number of exposure tours. In the absence of a regular training or HRD section, and as a one-person, half-time effort, the coordination and quality of training is certainly worthy of praise. The corollary to this is that in some areas, little direction or

support has been provided. Some of the training provided to women, for example, has been a victim of inadequate selection, preparation and planning.

Skill training is, in some instances, skewed in favour of the better off - to people who have time to invest in being trained. In instances where the purpose of training is either unclear or is seen as an individual, non-monetary benefit, poorer members do not find it attractive enough to push for selection (e.g. silage making or vocational training). Those who have land and livestock remain the primary beneficiaries of the services of the AEW and LEW. They receive benefits in direct proportion to the size of these resources.

On the other hand, persons with more time on their hands may be precisely the ones who are able to give due importance to the skills they have received. In terms of women, this is more complicated, since persons who have time generally belong to the middle or upper classes and are less mobile. Lack of mobility restricts both their ability to receive training and to serve others.

Most AEWs and LEWs do not feel that it is their responsibility to attend to the goats or the poultry received by WOs, or to the kitchen gardens. In the absence of qualified female staff or adequately trained village women, WO members cannot avoid unnecessary losses and, in the end, explain these in terms of 'fate'. This goes against the grain of a programme which focuses on skill development for prevention of losses and increased productivity.

The Assessment makes a number of recommendations: the appointment of an HRD specialist with exclusive responsibility to introduce and maintain quality in all HRD related activities; a study to streamline HRD requirements and to develop a workable plan of action, especially in the light of expansion to other districts. The utilization of expertise already available at the village level is also recommended, as far as possible. The link between the VO and WO has to be strengthened and moved beyond one of control to one of support. Finally, re-examination and overhaul of all training packages and streamlining of terms of partnership is now warranted in light of experiences over the past two years.

7 SAVINGS AND CREDIT

SRSC management and staff have shown considerable initiative and an ability to respond to beneficiary needs by expanding the credit programme well beyond what was envisaged in the initial grant agreement. The importance of credit to VO members was revealed in an overall needs survey done by SRSC in 28 villages. This found credit to be the first or second priority over all, and in some, a higher priority than the PPI grant. Credit in many villages has taken over from PPIs - after their completion - as the key programme item keeping the VO together. Credit also complements agricultural extension, the other major success of SRSC interventions. The importance of credit to small farmers is understandable, as they have no access to formal credit and a large majority are in perpetual debt to *mandiwalas* and shop keepers, at effective rates of interest of over 50% per annum.

Savings, the basis for credit, is done regularly at VO/WO meetings and in the short period under review, Rs 2.3 million (\$91,000) was saved. This represents an average of Rs 466 per VO member and Rs 246 per WO member. These figures indicate a much greater potential to save than in most comparative programmes in the region. So far, 1,363 members (24%) have taken advantage of credit.

The limited credit fund of Rs 2.8 million (\$111,000) has constrained SRSC's ability to develop a comprehensive credit programme. This has resulted in inadequate credit being provided to a restricted number of members. SRSC urgently needs to increase its credit fund (with external assistance) in 1993.

SRSC's credit procedures need considerable revision, as they were prepared without much study or experience, and without the assistance of a credit specialist.

The Assessment recommends that SRSC undertake a comprehensive credit survey in all households in a sample of villages. It should prepare a revised credit programme and procedures. SRSC should also have a credit specialist on staff.

8 MANAGEMENT AND FINANCE

Management challenges during the speedy, target-bound startup phase have been enormous. The challenge for the coming years will be to develop and maintain a strong commitment, from the top down, to good management, to coherent planning and to careful implementation. Without it, SRSC will squander its auspicious beginning in false starts and scattered initiatives.

The enormous rate of expansion to which SRSC is committed in 1993 and 1994 will stretch it to the limits. The risks involved are even greater than those of the first two years; the physical and developmental challenges are certainly greater. *Under no circumstance should SRSC entertain any thought of geographic expansion of villages or districts until after 1995, beyond what is already in the pipeline.* Additional donor support may, however, be necessary for consolidation and improvement of existing systems and packages.

In its first year, SRSC had considerable problems with its accounting and financial procedures, although many of these have been corrected in recent months. There is still room for improvement in the areas of decentralized financial management, budgetary control, authority limits and certain basic financial procedures. A number of recommendations are made to deal with these.

Current and forthcoming programming and management challenges require the development of a committed and competent management. This can only be advanced through fair and open hiring and promotion procedures that are professionally and impartially managed. As yet, some key jobs within SRSC are not supported by job descriptions. Performance review is not done regularly. Some mid-level managers complain that they do not know what their job is. Others seem to be doing too many jobs, some poorly. Main recommendations in this area include:

- the hiring - *through fair and competitive process* - and the effective training of competent managers and field workers. This must be given topmost priority;
- the consolidation and improvement of management and programming systems, notably those relating to personnel (including effective workplanning and review), financial management, savings and credit.

One of the greatest problems faced by NGOs everywhere is a lack of forward commitment from donors who are often willing to fund programming expansion, but not the associated on-going recurrent costs. SRSC is in a relatively good position with regard to donor funds, and it should plan to stay that way. SRSC should develop a clear policy on the acceptance of donor funding, including an insistence on recurrent cost provisions for at least three years following an investment in growth. It should also begin to develop a plan through which future recurring operational costs can be met.

9 HAS REPLICATION WORKED?

The question 'Has replication worked?' comes perhaps too soon. At one level, it has obviously worked. An organization that looks very similar to AKRSP is up and running. VOs and WOs have been formed, savings and loans have started, and agricultural inputs have already yielded tangible benefits. The PPI/VO/WO approach, therefore - with some adjustments - appears to be replicable. Key elements in making the replication possible have included:

- the sustained interest of key people in NWFP;
- the energy, commitment and experience of the Chief Executive Officer;
- a core of senior people from AKRSP who knew what and how to replicate;
- a firm source of financial support and targets to keep an untested vehicle on the road in its early days.

The longer-term questions are more complex:

- Is SRSC adopting and/or adapting the more important AKRSP post-PPI VO development methodology?
- What, in fact, is this methodology? Is it based simply on a sound techno-managerial approach to village needs, or are there old-fashioned NGO-style conscientization aspects to it? Some thought should be given to this issue.
- How well has the AKRSP model actually been replicated by AKRSP? Until AKRSP's own Institutional Maturity Index has been fully implemented and analyzed, it is difficult to say.

These latter questions reinforce the need for an early and coherent approach to the development of an SRSC index of institutional maturity. It is in the building of participatory *social* organizations, in the growth and maturity of the VO and WO as confident, self-motivated, independent entities, that the real answer to replicability will be found in the years ahead.

The ultimate success of SRSC's efforts will lie in its ability to make an appreciable difference in the income of the VO/WO members and their families. In the future, both SRSC and donors must be able to gauge this in a quantifiable manner on a significant sample, rather than on a few individual success stories. To make this possible, it is vital that SRSC conduct a baseline survey on family incomes of VO members prior to interventions in new areas, so that a future comparative survey can measure genuine impact.

10 RECOMMENDATIONS CONTAINED IN THE REPORT

Main Recommendations

1. *Under no circumstance should SRSC entertain any thought of further geographic expansion of villages or districts, beyond what is currently in the pipeline, until after 1995.* Additional donor support may, however, be necessary for consolidation and improvement of existing activities.
2. SRSC's ability to sustain what it has started and to carry out the proposed expansion will depend primarily on two things:
 - the hiring and effective training of competent managers and field workers. This must be given topmost priority.
 - the consolidation and improvement of management and programming systems, notably those relating to personnel, financial management, savings and credit.
3. The Board of Directors should reconfirm that all candidates for mid level and senior positions - no matter how they are referred to SRSC - must go through the fair and competitive process outlined in SRSC's Recruitment and Hiring Procedures.
4. With the imminent rapid expansion of the programme, it is essential the SRSC review present staff training arrangements and prepare a workable plan of action. SRSC needs to focus on its own staff development as a first priority. Training others should come later.

5. The re-institution of Baseline surveys of villages should be an immediate priority. Without these, meaningful impact studies highlighting the results of SRSC interventions in villages will become increasing difficult, if not impossible.
6. SRSC must adapt and fine-tune the AKRSP approach to its own circumstances and to village needs. Because of the way it has started, it will always bear a striking resemblance to AKRSP, but the model should not become a constraint.
7. The PPI is an investment in organization, not land. In stressing equity, productivity and sustainability, the SRSC village entry point should reflect real needs of the poor, and be based upon a concept of *sustainable livelihoods*.
8. It is essential that SRSC monitor closely the performance of ADBP lending in the new programme areas and seek an early alteration in programme methodology if the system proves counterproductive. *There is no point in SRSC providing its services to expand into new areas if the underlying philosophy of development is undermined by the direct involvement of counterproductive systems.*

SRSC Institutional Maturity

9. 'Poverty criteria' should be added explicitly to SRSC's purpose statement and included more clearly in its thinking and planning for future programmes. Poverty-based criteria should be developed for village selection; thought should be given to the development of VOs for special interest groups and/or of clearly differentiating the types and levels of benefits according to need.
10. Greater experimentation is needed with regard to PPIs: experimentation by type, and experimentation which encourages greater financial participation by the beneficiaries.
11. The three SRSC development stages - formation, consolidation and institutionalization - should be more clearly articulated. The AKRSP Institutional Maturity Index and those of other organizations such as BRAC and the BRSP should be studied for possible adaptation to SRSC's own needs.

Training and HRD

12. The appointment of an HRD specialist should be the first priority of SRSC's HRD programme. Other HRD recommendations can be handled adequately only if SRSC has a section *and* a person who, in collaboration with technical sections, takes exclusive responsibility of all HRD related interventions.
13. SRSC should undertake a study to streamline HRD requirements and develop a workable plan of action for itself and the programme area, especially in light of its plans for expansion to other districts.
14. SRSC should ensure that training is offered to persons who will perform the tasks themselves, and to those who are prepared to put in the extra effort to provide service to others. A plan of utilization, prepared before training, should help in reducing losses in training.
15. SRSC should ensure that expertise already available at the village level is shared as far as possible. The link between the VO and WO has to be strengthened and moved beyond one of control to one of support.
16. SRSC should re-examine and overhaul all its packages (including training) and streamline its terms of partnership in light of its experience over the past two years.

17. Networking of specialists or trained workers could provide a useful forum to exchange experiences, to formulate guidelines for action, and to monitor progress and problems faced in the field. SRSC should consider initiating specialist conferences on the pattern of manager's conferences - possibly quarterly.

Savings and Credit

18. Service charges must be increased to reflect real market rates and, ultimately, the cost of borrowing.

There is an urgent need for SRSC to increase the size of its revolving loan fund. Estimates of need in Charsadda and Kohat alone, are for a fund of approximately Rs 13.8 m (US\$546,000).
19. All individual credit must be related to individual savings.
20. Loan ceilings must be introduced for individual credit.
21. SRSC should develop a policy on withdrawal procedures.
22. Credit must be issued at the time of need; e.g. credit for agricultural inputs should be issued just prior to harvest season.
23. SRSC should set different loan periods for each type of loan, depending on its cash flow requirements.
24. Recovery on an instalment basis must be insisted upon for loans resulting in a periodic cash inflow.
25. SRSC should develop a consistent policy on collateral requirements. Lower collateral requirement and the use of a portion of savings for credit purposes may be valid.
26. Loans for the purchase of agricultural inputs may not always require a check for feasibility. It is, however, important that a check for feasibility be done for all business loans.
27. An intensive household survey of current savings and credit practices, including commission/interest paid, must be done in a sample of villages in order to ascertain and project realistic credit needs for future programme restructuring.

Annex 3 contains a description of current savings and credit procedures, and a series of recommendations for improvement.

Financial Management

28. District accounting and financial procedures should be drafted, including authority limits.
29. Bank accounts presently maintained in the names of individuals must be converted to official SRSC accounts, operated by two signatories, without delay.
30. PPI and loan bank accounts should be operated by District rather than by Head office.
31. Detailed annual budgets must be prepared for both Head office and Districts.
33. Budgetary control must be introduced for operational as well as programme expenditure at District and Head Office levels.

Personnel

34. Effective workplanning and review must be implemented as a matter of some urgency. The workplanning process started with the 1992 strategic planning exercise should be continued and regularly updated.
35. In keeping with its NGO status, SRSC should develop a policy requiring government employees on secondment or deputation to make a permanent commitment to the organization within three to five years of joining.

Planning Monitoring, Evaluation and Research

36. Simplified, easy-to-understand formats need to be developed, especially for the WOs, to improve record keeping at the VO/WO level. This will improve the quality of data gathered by Social Organizers and district-level MER staff.

Donor Relations

37. SRSC should develop a clear policy on the acceptance of donor funding for expanded programmes. No agreement should be concluded without reasonable recurrent cost provisions for at least three years following the last year of investment in growth.
38. SRSC should start to develop a plan through which recurring operational costs can be met from 1996 and onwards. This would include:
 - a study to investigate the feasibility of income generation investments which might return a portion of the necessary operational costs from 1996 onwards.
 - investigation of the possibility of donor support for a sustaining endowment that would carry the organization through to the end of the century.
 - development of a strategy for a *sustaining* donor base, rather than one based on expansion, from 1996 onwards. This could include the creation of a donor consortium.

1 INTRODUCTION

1.1 BACKGROUND

The Sarhad Rural Support Corporation (SRSC) is a private, non-governmental, non-profit company without share capital, established to undertake a rural development initiative using the principles and methodology successfully demonstrated by the Aga Khan Rural Support Programme (AKRSP) in the Northern Areas of Pakistan.

SRSC has recently developed a mission statement: 'the long-term objective of SRSC is to facilitate rural economic growth by supporting the evolution of organized rural communities capable of carrying on their socio-economic development with improved managerial abilities and financial means. SRSC is thus an institutional capacity-building, rather than a service delivery organization.'

SRSC was established in November 1989, and organization began immediately. Operating funds were not available, however, until May 1991. This report, therefore, covers a startup period of approximately two years, of which approximately 18 months have been operational.

The Report was conducted under the auspices of the SRSC Board of Directors in September and October 1992, with the support and involvement of the Winrock International Institute for Agricultural Development and the Netherlands Organization for International Development Cooperation (NOVIB).

1.2 A NOTE ON REPLICATION

The SRSC experiment is, in almost every way, unique. There are probably no examples anywhere of an attempt to create a large rural development NGO in the image of another, and to do so in the very short space of time allotted to SRSC.² The experiment could have failed for a multitude of reasons: size, pacing, overly rigid targeting, the very different social and economic conditions of the new programme areas, staffing, and serious cash-flow problems at the outset. As recently as 1989, a World Bank evaluation of AKRSP expressed strong doubt about the replicability of the model, seeing government as the only body capable of taking the experiment to scale. Had SRSC failed, therefore, few would have been surprised, and any number of constraints and difficulties could have been cited as the reason.

Because it has not failed, however, and because further replication is already under way elsewhere in Pakistan, it is important to pause and reflect on the degree of SRSC's success, to consider the factors contributing to or detracting from the success, and to consider the gaps and weaknesses that have understandably emerged during a startup period characterized, above all, by a strong determination to meet the expectations of a demanding

² Attempts to clone the Bangladesh Grameen Bank experiment in countries such as Malaysia and Malawi differ in scale, complexity and sponsorship. Most have had very limited scope and objective, and most have been purely governmental in nature.

Board of Directors, and what in retrospect seem almost impossible physical and developmental targets agreed with the initial funding agency.

This Report is not intended to provide a full picture of the work and achievements of SRSC. Its intent was to examine the viability of the overall SRSC approach, to study certain key sectoral areas, and to suggest strategic directions for the future. Where a sectoral area was examined more closely - as in the case of savings and credit - the report contains detailed information and recommendations as well as the broad brush strokes. Because other studies on environmental issues and on livestock and agriculture had already been conducted, however, these key areas are covered only lightly in this report. This is unfortunate in a way, because some of SRSC's most striking early successes have been in these areas.

Normally, comparisons between one organization and another would not be made to the extent that is the case in this report. The replicability question has made this both necessary and unavoidable, despite the very different genesis and development of the two organizations. Future reviews, however, will be better able to treat SRSC purely on its own merits.

In preparing this report, the Assessment Team was conscious of a responsibility to offer praise where praise is due, but also to identify problem areas and to offer cautionary advice, where warranted - as clearly as possible. This is especially important, given the intention of the Government of Pakistan, through the AKRSP model, and to do so with a pace and scope that is much more ambitious than has been the case with SRSC.

The Report has been written with three audiences in mind. The first is the SRSC Board and staff, for whom some of the descriptive and explanatory sections may seem over-long. The second audience consists of supporters and potential supporters: government and donors for whom the replicability question may be of primary interest. The third set of readers are those in future years who will open the filing cabinet where SRSC's historical records are kept - evaluators, monitors, researchers and students. Many, if not most development organizations ignore the importance of corporate memory. One of the indirect but very important contributions that AKRSP has made to development is the establishment of a solid written record of its work. It is hoped that over time, SRSC can do the same.

1.3 METHODOLOGY

The Assessment was conducted between September 22 and Oct 14, 1992 by a Team of four individuals with different sectoral skills and with direct working experience of other major South Asian NGOs, including the Bangladesh Rural Advancement Committee, the Sarvodaya Shramadana Movement and the Aga Khan Rural Support Programmes in Pakistan and India.

Field trips were undertaken to Village and Women's Organizations in Kohat and Charsadda. In all, 18 VOs and 13 Women's Organizations, or 20% of the total were visited. (See Annex 2 for Itinerary.) Three training sessions were observed in Women's Organizations. Meetings with line departments were held in each district as well as at Provincial Government level. Extensive discussions were held at the Head Office and district offices with all senior managers and with virtually all senior and junior professionals working for SRSC. A meeting was held with the Donor Team monitoring AKRSP. Discussions were held with representatives of USAID and NOVIB. Individual discussions were held with several SRSC Board members, and a presentation of the main findings was subsequently made to a full meeting of the Board.

A weakness in the Report results from a decision made before the Assessment took place. As noted above, because an agriculture and livestock review was being conducted independently, it was decided that these areas would be omitted from the current report. This is unfortunate, as many of SRSC's most impressive achievements are in the areas of agriculture and livestock. While some effort has been made to incorporate observation of these achievements, the Report may seem somewhat lopsided in favour of other areas of endeavour.

1.4 ACKNOWLEDGEMENTS

The views expressed in this report are those of the Team Members, and do not necessarily reflect the views of SRSC, Winrock International, NOVIB, or any of the individuals consulted during the course of the review.

Very special thanks are due to the Chief Executive Officer of SRSC, Mr. Javed Majid, and all his staff for the time and patience they took in sharing their views and experience, and in arranging the demanding logistical itinerary requested by the Assessment Team. The Team benefitted from and was grateful for the willingness of villagers to explain things in great detail, often more than once. The Team would also like to thank Winrock Advisor David Smith for his help with insight, logistics and organization.

2 SRSC INSTITUTIONAL MATURITY

2.1 BACKGROUND: SRSC CONCEPT AND STRATEGY

SRSC was modelled closely on the approach used by AKRSP in the Northern Areas of Pakistan. It was based on one major premise, articulated in an early planning document: 'that equitable and sustainable rural development is not possible without self-sustaining participatory village institutions'.³ The institutional framework in which such institutions were to be created envisaged three components:

- a model of a managerially and financially self-sustaining village organization which recognized *inter alia* that in a climate of heavily subsidized rural development and widespread mistrust about institutions, initial incentives and subsidies (PPIs and PIs) would be necessary in order to establish credibility rapidly. The second major feature of organization would be an emphasis on participation of ordinary villagers, rather than representation through committees, managers or surrogates;
- the development of a support mechanism (i.e. SRSC) that could be a small, flexible non-governmental catalyst, rather than a super agency dealing with all rural development problems itself;
- the development of organizational linkages to other agencies in the public and private sectors;

This was later reformulated into a 'purpose statement':

The long-term objective of SRSC is to facilitate rural economic growth by supporting the evolution of organized rural communities capable of carrying on their socio-economic development with improved managerial abilities and financial means. SRSC is thus an institutional capacity-building, rather than a service delivery organization.

The implementation strategy is now seen as a three-stage process:

1. The formatory stage: the emphasis is on initiation of village institutions and savings; identification, planning and implementation of PPIs and PIs; development of management planning and financial skills; nurturing of community leaders; human resource development and the initiation of village-based development planning;
2. The consolidation stage: the emphasis is on technology transfer; the development of credit systems; training of educated unemployed entrepreneurs; and linking village institutions with public sector development agencies and formal credit sources;

³ Husain & Banuri, p. xi

3. The institutionalization stage: the facilitation of cooperation and linkages amongst village institutions or clusters thereof; research, extension and the development of a formal credit system; cooperative resource management and planning.

2.2 VISION AND COHERENCE

Since the SRSC startup, several things have blurred the application of the concept and challenged the workability of the strategy.

2.2.1 A Blueprint Approach

The first has been SRSC's interpretation of and adherence to the AKRSP model, despite early acknowledgement that 'AKRSP cannot be copied as a blueprint for programme development'.⁴ A blueprint approach was made almost inevitable by the generous transfer from AKRSP to SRSC of some of its most talented field workers, and by the presence on the SRSC Board of AKRSP's General Manager. As objective and experienced as these individuals were, they brought with them a particularized experience that did not always travel as well as might have been expected in NWFP. This is especially true of the approach to PPIs, discussed below. There was also an intellectual interest on the part of donors, government and AKRSP in finding that most elusive of development objectives: a *model* that was effective, equitable, sustainable, and above all, *replicable*. If AKRSP was to be such a model, then SRSC would have to follow the original as closely as possible.

The result of a narrow interpretation has meant that vision and the purpose of SRSC are not clear to many among the staff and the VOs/WOs. Development jargon is found in writing and speech, but real understanding is missing: among staff and even more so with the VOs/WOs. Focus group is not understood. Equitable distribution is falling by the wayside. Collective action has been a victim of individual loans. The use of terms such as 'demand' and 'need' has been stretched to include 'wants' - especially with WOs.

The capacity to work on evolving vision or creating a shared vision seems fairly limited at SRSC, despite the Strategic Planning Exercise undertaken recently.

The basics of the approach and the principles adopted by AKRSP - the programme SRSC is supposed to be replicating - are either not fully understood or are not adhered to by the staff. The 'trickle down' of knowledge and benefits expected is unrealistic - it seldom happens in real life. The importance of participation in VOs and WOs as against representation, and consensus as against voting is not well understood or practised - especially amongst women.

Box 1: NEEDS AND WANTS

The definition of need and response has been stretched by SRSC. It is obvious that in some cases PI/PPIs, training, and credit have been offered without assessment of need and more under the pressure of either meeting targets or doing something for specific groups such as women. Need, in a number of instances, is equated with wants. Although it may be difficult, at times, to differentiate between the two, it is essential to keep in mind the relative importance and benefits of meeting needs against wants. SRSC cannot hope to contribute towards institution-building through an indulgent approach.

Terms of partnership should be tailored to match prevalent socio-economic conditions and fine-tuned according to the situation and ability of specific groups. Obviously, this is a tall order. The need for serious designing of workable intervention packages is clear and urgent. Continuous redesign following feedback from the field is just as essential. SRSC needs to develop a capacity for this. Being demand driven and having flexibility is a strength, but only up to a point. It can become a major weakness and a hurdle once it goes beyond that point.

⁴ Husain and Banuri, p. xxii

'Learning by doing' among staff is being carried too far. It is bound to cause delays and distort the picture of sustainable development. Learners (on the job) will never find enough time to discuss details and understand the picture completely. They will, invariably, find the easiest way out and take only what is easily comprehensible and of immediate use to them, frequently at the expense of that which is absolutely essential in the given approach. For example: focus on savings alone instead of savings and regular meetings; voting instead of developing consensus on issues.

2.2.2 Targets

A second and related pressure on the concept and the strategy was the conclusion of an ambitious, and target-oriented startup grant from USAID. The generosity and prescience of the donor notwithstanding, it tied a non-existent organization first to its own creation, then to the completion of 70 small infrastructure projects, the training and support of 750 villagers in a wide range of skills, and to the development of 100 functioning village organizations. All this was to be done in an untested area, within a period of 24 months which, in the end, was effectively reduced to only 18 months because of funding delays.

The impact of this inflexibility has helped skew the programme towards the better off. Although SRSC carried out extensive dialogues in over 250 villages, the mistrust towards outside interventions that was identified in the early stages proved all too real. In the end, because of time pressure, SRSC was obliged to accept applications from the 51 villages that actually came forward with requests. Some of these very clearly meet the poverty criteria, while others very clearly do not. Had there been time for further dialogues and better motivation, more deserving villages might have been selected.

2.2.3 A Different Economic, Social and Physical Setting

A third problem affecting the concept and strategy is the difference between the Northern Areas where the model was developed, and the areas of NWFP where it is being replicated. Although Kohat and Charsadda have a wide range of problems, these differ from those faced by AKRSP. In the Northern Areas, villages are more socially and economically homogeneous than in NWFP. The debilitating constraints of climate, water and poor access to services are suffered by all. This is not the case in NWFP where landholding, social stratification, income and access to resources vary markedly within villages, and from village to village. In NWFP, most villages are not far from a paved road, and a significant proportion have electricity. Opportunities for increases in farm production are significant, and poverty is a question of relativity. In addition, the mistrust of external interventions, developed over several generations of disappointment in NWFP, was far less pronounced in the Northern Areas.

2.3 LIMITS TO THE PPI APPROACH

2.3.1 Background

A fourth problem has been a shortage in NWFP of PPI opportunities of the sort developed by AKRSP in the Northern Areas. In NWFP, land-oriented PPIs (irrigation, bunds, dams, gypsum treatment) benefit those with land. The more land one owns, the greater the relative benefit. As a result, membership in some VOs is skewed towards the better off,⁵ with tenant farmers (i.e. the poorer) often gaining only from a downward trickle of

⁵ It should be noted that 'better off' in this context means those owning some land, usually between two and five acres. Generally, such farmers, especially those in the arid areas, regard themselves as poor, especially in relation to others who own 100 acres or more. Few SRSC VO members own more than 15 acres, and much of what they do own is relatively unproductive.

indirect benefits. While the original concept paper talked briefly about the possibility of different VOs for different interest groups in a given village, the pressures of time gained the upper hand, along with a feeling (largely untested) that 'the community' had to be addressed rather than special interest groups.

In most cases, it seems that PIs/PPIs benefit the poorer members of VO/WOs only in as much as they are part of a process. The Assessment Team did not have enough information on individual schemes and their benefits per member to calculate this in detail. The general impression from observations in the field is that labour intensive schemes used and paid wages to the poorer members of the VO. In one case, all active members were tenants and had gained considerably from the building of a water reservoir combined with fish-farming (Raisee). In another, members were mainly small farmers and had benefitted equally from the link road (Tarkha).

Box 2: FOCUS OR TARGET GROUPS

The mission statement of SRSC does not mention any focus or target group. There is a vague recognition of the need for specification. Some members of the staff feel that the target is the poor or small farmer, and say that this is stated in the mandate. Others, while understanding the necessity of a focused approach, fall back on the justification that due to socio-cultural conditions in NWFP, it is not practical to exclude the rich. The difference between exclusion and focus is not recognised. It is not necessary to exclude some in order to focus on others. Focusing can and should be made workable.

The decision on schemes is always taken by consensus rather than majority decision. (Although with distribution of credit and women's PIs it seems to be a different story - see Section 5, below.)

2.3.2 The Economic Impact of PPIs

It was not within the mandate of the Strategic Planning Assessment to examine in any detail the cost-benefit or the economic impact of individual PPIs. The Team was generally satisfied, however, with the rough cost-benefit studies done by SRSC on each PPI, and by an impact study done on 18 sample village organizations. Based only on immediate or short-term results, most PPIs demonstrate a significantly positive cost-benefit ratio. Bringing new acreage under irrigation and restoring waterlogged saline land to productive use can only add to the productivity of families and to the food security of their villages and the country as a whole.

The additional benefits that follow in the post-PPI period are sometimes even more dramatic in their immediate economic impact. (See Box 8: 'A Green Revolution'.)

2.3.3 The Strategic Value of PPIs

In the Northern Areas, the two basic types of AKRSP PPI - irrigation channels and link roads - served several strategic purposes:

- they provided basic infrastructure from which *a large part or all* of the community benefitted;
- they provided employment for many villagers, notably VO members; this in turn became the basis for a savings programme;
- they took time and provided much of the glue that pulled the VO together.

Because of SRSC's apparent but unintended slant towards the better off, however, PPIs in NWFP that require labour have not, in most cases, been a vehicle for group development, nor have they served as the basis for group savings. (In many cases, however, they have provided employment and income to the poorest, whether they are VO members or not.) Neither have most PPIs required enough time to serve as a bonding agent. Gypsum treatment, boreholes and cane crushers can be introduced relatively quickly, and without much group activity.

The basic strategic impact of the PPI has been rather to act as SRSC's 'social organizer',⁶ the honey necessary to draw sceptical villagers together in a common enterprise. The value of this is not in question: villagers have been burned by a long string of promises and programmes which have failed to deliver: the Rural Works Programme, the People's Works Programme, Integrated Rural Development, the Five-Point Programme, the

Box 3: WHO BENEFITS?

SRSC programme interventions do not differentiate between class groups. Initial work with villages was taken up on the basis of response to the invitation to organise. A large number of those who responded were generally better off, had more exposure to such programmes, and included those who could appreciate the opportunity to benefit, who could afford to take the risk of investing time and effort in a new development 'adventure', and those who could also articulate and present themselves in a better light. Pressure of time and targets did not allow a selection which could have helped to focus on the poorer villages or groups in villages.

WOs were initiated mainly in villages where men were able to see that benefits could increase (if not exactly double) with the formation of a women's group. In some cases WOs have shown resilience and steady growth. In others, they simply reflect the VOs attitude towards the programme.

Figures for income distribution within and between VO/WOs are not available; neither are details on the percentage of landless within VOs/WOs. The Assessment Team exposure in the field, though limited, does give an idea of the wide range of incomes, land and livestock resources within and between VOs/WOs. Some organisations are mainly tenant farmers, others are exclusively land owners who have either tenants or wage labour working their lands. Still others are a mix of farmers and tenants where the farmers dominate. A few organisations are a mix of small and large farmers where small farmers also work on the lands of others for a wage. Some groups are based exclusively on clan, language or ethnicity, whereas others included the landowning class from one ethnic group with tenants from their own or another group. This leads to a conclusion that organisations will be formed and will generally include a range of income and land/livestock distribution. It is for SRSC to ensure that the basic idea of improving the condition of poor gets across and is adopted at the VO/WO level.

Women's groups include a larger range of farmers and tenants. The concept of helping the poorer also seems to have been accepted in a large proportion of WOs. This does not mean, however, that all is well. In a number of cases, larger farmers or the 'Khan' seem to be getting a first large chunk of programme benefits, including skill training, before the remainder is made available to others. One of the major constraints is the inability of staff to convey SRSC objectives, and to guide and encourage those who have less to take part. (Staff do not seem clear on the inadequacy of the 'trickle down' approach). Nevertheless, it was heartening to see that in a fair number of organisations, members were aware of the programme's interest in improving the situation of the less fortunate.

Improving the present situation is not as difficult as it may seem. Women from the poorer households are much more mobile, are involved in many more tasks, and are willing to take on more responsibility for themselves than those from better-off households. This can be used to encourage them (and to discourage others) to take skill training which could bring them additional income and thus improve their position within the household and in terms of the WO.

Needs and poverty are both relative; SRSC staff should keep this in mind, communicate it, and encourage VO/WO members and office-holders to monitor their decision-making accordingly. Active participation and decision-making ability of the poorer section of VO/WOs has to be increased by skill training and staff support.

People's Programme, and the cooperative movement as a whole. Small farmers and the poor everywhere are understandably cautious about embracing new and possibly risky enterprises, especially those which might affect a year's productivity on land which is their primary source of income. They are especially wary of pooling savings into a common account over which an external body has control. This part of the PPI strategy was always clearly understood by SRSC. The difficulty with it is twofold:

⁶ Husain & Banuri, p. 22

- it contradicts a widespread NGO philosophy which posits that villagers should come together on a largely voluntary basis, often sharing the costs of a startup activity before any significant economic activities are provided;⁷
- at an average of \$10,000 per village, it is a costly approach, one that will require constant reinforcement and study if it is to retain its appeal to funders.

On the first point, AKRSP and SRSC have demonstrated that the PPI can be a workable substitute or an alternative to standard NGO practice. Properly managed, it does not diminish the self-help ethic that is to follow; nor should it devalue the importance of the post-PPI work carried out by the social organizer. If it brings villagers together, however, if there is a positive ratio of cost to benefit, if it adds to productivity and food security, then it is money well spent.

The second point - cost - is largely a matter of opportunity cost (for villagers, donors and government), and more pointedly, one of what the sponsors *and the villagers* can afford and will support. The figure of Rs 200,000 to Rs 300,000 for a PPI is purely arbitrary. The idea that most or all of the cost can and should be borne by SRSC is based on the premise that villagers cannot and will not contribute significantly to the costs themselves. Already there is evidence that this is not the case. In villages where the cost of the PPI has exceeded the budget (e.g. tubewells), SRSC has been able to 'negotiate' a cash and in-kind contribution from villagers that has not been insignificant.

Further, to the extent that the PPI is SRSC's 'social organizer', perhaps too much emphasis has been placed in NWFP on defining 'productive' solely in terms of immediate economic benefit. SRSC is hearing over and over that educational facilities for girls, and health, for example, are major needs in the areas where they work. While investments in these or similar areas may not have immediate payoff in economic terms for VO members, they could very well provide the glue for SRSC that AKRSP found in link roads and canals, but which is so far largely missing from PPIs in NWFP.

2.3.4 PPIs, PIs and Sustainable Livelihoods

The PPI is an investment in organization. The strategy does not speak only or even primarily of land. Rather, the PPI - the initial village entry point - should be based on equity, productivity and sustainability. These words, however - equity, productivity and sustainability - can become buzzwords for anything deemed to be 'good', and are not always easy to translate into concrete action.

In a recent paper on sustainable rural livelihoods, Robert Chambers and Gordon Conway challenge conventional thinking about production, employment and poverty, and articulate some of the tenets of the AKRSP/SRSC approach in slightly different ways.⁸ The 'production problem', they say, is not always a problem of producing more, but is often a question of entitlements and distribution. It has to do with access to information, material, technology, and to services which include transportation, education, health, shops and markets.

The idea of 'jobs' and full employment is challenged by the reality of rural people who put a living together from a variety of activities, including agriculture (on their own land, as tenants, or a mix of the two), livestock, daily labour, wage labour, migration, cottage industry, small shopkeeping and the sale of semi-skilled services.

⁷ Of course subsidized social or productive NGO village entry techniques are not new. What is new about AKRSP/SRSC is that the technique has been systematized in order to get maximum productive value out of a limited investment, and to define the point at which the subsidy ends and the village contributions begin.

⁸ 'Sustainable Rural Livelihoods: Practical Concepts for the 21st Century', Robert Chambers and Gordon Conway, IDS, 1992

Box 4: A NOTE ON COST-BENEFIT

The Terms of Reference for the Assessment asked for a cost-benefit analysis of SRSC's work. Because the organization is operationally only 18 months old, because many of the initial startup costs have yet to bear fruit, and because some of the operational costs - high now - will not increase significantly with the growth of programme, a complete and accurate cost-benefit was beyond the scope of this study. A number of indicators of cost-benefit, however, are available.

Original cost-per-household estimates were based on an average VO membership of 70, the creation of 290 VOs (i.e. 20,300 households) and a USAID grant of \$5,017,000 over five years. This was expected to result in a cost of \$247 per beneficiary household. AKRSP's cost was estimated in the USAID proposal at \$193, although this requires clarification. The cumulative total AKRSP cost per household between 1983 and 1988 was \$252,⁹ with an annual average cost per household of \$56.¹⁰ Over five years, the SRSC cost as projected would have been \$49 per household, or 13% less than the AKRSP average.

These comparisons are somewhat misleading, as the first includes Winrock technical assistance, and the second does not include the technical backup AKRSP receives from the Aga Khan Foundation and other sources. Using the same basis for SRSC actuals to the end of August, 1992, VO membership - a proxy for household coverage - was 4317, and expenditure (exclusive of the Winrock technical assistance) was \$1,358,223, resulting in a cost per beneficiary household of \$314. World Bank-funded rural development projects initiated in the 1970s cost about \$1000 per participating household, usually covering a six to eight year programme.¹¹

Using current operational expenditures (for HO, Kohat & Charsadda) as a basis for projection, assuming no new income beyond operational costs, and assuming that growth in VO membership is completely offset by growth in inflation, SRSC's five year expenditure would be \$3,230,000 or \$149 per household per annum.

It should be remembered, however, that a vehicle at rest will consume great amounts of petrol. Similarly, an accelerating vehicle will achieve relatively low mileage, or low cost-effectiveness, until it has reached cruising speed. As the number of VOs and membership increases, operating costs will decrease. As the cost of PPIs is amortized over more years, the annual average unit cost will decline.

It should also be remembered that the calculations above take into consideration only the investment cost, rather than the return. A much more sophisticated 20-year analysis of the SRSC approach was done by the Asian Development Bank in preparation for its SRSC-related programme in Kohat, Karak and other districts. Using only directly quantifiable inputs and outputs, the ADB estimated the Economic Internal Rate of Return at 25 percent overall, and 31 percent for the agricultural component alone.¹²

People's livelihood is determined by their assets, by their ability to gain access to services and resources, by their ability to plan and manage a livelihood which optimizes resources and skills, and which balances opportunities and potential risks. Much of this boils down to questions of sustainability and *capability*.

'Capability' means the ability to be adequately nourished and comfortably clothed, to avoid escapable sickness and preventable mortality, to lead a life without shame, to be able to visit and entertain one's friends, to keep track of what is going on and what others are talking about. Other livelihood capabilities include being able to cope with stress and shocks and being able to make use of livelihood opportunities.

⁹ World Bank, 1989, p. 47

¹⁰ \$59 in 1991: AKRSP Annual report, 1991, p. xxi & 124

¹¹ World Bank, p. 48

¹² NWFP Barani ADP, May 1992

Chambers and Conway therefore propose a definition of sustainable livelihoods which could be of use to SCRC:

A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living. A livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels, and in the short and long run.

The concept of **environmental sustainability** - the external impact of livelihoods on other livelihoods - is relatively well developed. The concept of **social sustainability** - the internal capacity of a livelihood to resist outside pressures is not.

External pressures can be gradual (declining availability of labour opportunities, growing soil salinity, declining rainfall and water tables, indebtedness), regular or seasonal (monsoon, heat, cold), or sudden (drought, storm, war, illness, famine). Vulnerability to external shocks and stress can be reduced in two ways: through government action (e.g. flood prevention, public works, vaccination) and through private action 'in which a household adds to its portfolio of assets and repertoire of responses so that it can respond more effectively and with less loss.'

Chambers and Conway suggest three basic concepts for advancing sustainable livelihoods, several aspects of which are already being addressed by SRSC, and many of which provide clues for alternative approaches to the PPI, or village entry point:

- a) **Enhancing Capability:** Capability requires individuals who are adaptable, versatile, quick to change, well-informed and able to exploit diverse, complicating and changing resources and opportunities. Practical implications include:
 - education for livelihood-linked capability. SRSC is already well into this, through livestock, agriculture and to a lesser extent, vocational skill training;
 - health, both preventive and curative to prevent permanent disability. SRSC has commissioned a health and nutritional survey of women and children in NWFP. Programming possibilities have not yet been discussed;
 - bigger and better baskets of choices for agriculture, and support for farmers' experiments. This is a centrepiece of SRSC activities;
 - transport, communications and information services (about rights, markets, prices, skills...); SRSC has begun to tackle some aspects of this question;
 - flexible credit for new small enterprises. This is an important element in the SRSC approach, but much remains to be done (see Section 7).

- b) **Improving Equity:** giving priority to the capabilities, assets and access of the poorer, including minorities and women. Practical implications include:
 - redistribution of tangible assets, especially land, and land to the tiller; secure rights to land, water, trees and other resources. SRSC's major interventions in this area have to do with improved and/or secure access to water in arid areas;

- protection and management of common property resources and equitable rights of access for the poorer. Many traditional PPIs - water channels, bunds, dams, reservoirs are intimately involved in the development, protection and management of common property resources;
 - enhancing the intensity and productivity of resource use. This is a major part of the SRSC strategy and an important early success;
 - rights and effective access to services, especially education, health and credit. SRSC has initiated credit operations, although much remains to be done at a conceptual and implementation level. Education for girls and health-related interventions are major needs and common demands from most programming areas - from both men and women; SRSC has initiated interaction between VOs/WOs and government line departments, although the depth and breadth of this has limitations which reflect the limitations of government;
 - removing restrictions which impoverish and weaken the poor.
- c) **Increasing Social Sustainability:** reducing vulnerability by restraining external stress, minimising shocks and providing safety nets so that poor people do not become poorer. Practical measures include:
- peace and equitable law and order. The Assessment Team heard many examples of how village organizations had solved or had begun to solve disputes which had hitherto required police intervention. The VO as a forum for discussion in NWFP could be extremely important;
 - disaster prevention. Not part of SRSC's mandate, but could be the basis for a PPI or a PI;
 - counter-seasonal strategies to provide food, income and work for the poorer at bad times of the year. SRSC is introducing new food crops as well as improved and late maturing varieties which provide special market advantages. Conceptually, more could be done to develop a comprehensive approach to this, especially related to poorer families;
 - health services that are accessible and effective in bad seasons, including treatment for accidents. SRSC teaches people how to prevent illness in cattle, but not people; how to cure a sick buffalo, but not a child. This is not a criticism, but a suggestion that sooner or later, SRSC will have to make a conscious decision about its role in health. Could be a valuable organizational tool for women, especially poorer women;
 - conditions for lower fertility.

Not all of these concepts have direct or immediate relevance for SRSC; many, however, do. More to the point, some lend themselves to SRSC's entry into a village, and more particularly to its ability to target poorer families and provide meaningful interventions for women.

The only words of caution about a more broadly-based approach to PPIs are self evident: they should not involve VOs or VO members in risky ventures and, because it is an investment in permanency, should not involve moveable assets, such as tractors. *Interventions or packages related to new areas such as health or education should be very carefully tested and refined over time before any attempts are made at widespread implementation.*

2.4 SRSC'S ABILITY TO REFLECT AND ADJUST

SRSC has undertaken a number of commendable initiatives which have been intended to encourage internal reflection, adjustment and the development of independent vision. These include:

- a 1991 external consultancy on the establishment of reasonable overhead rates;
- an environmental review conducted by IUCN in May 1992;
- a 1992 study tour for senior programme managers of several prominent NGOs in Bangladesh, including BRAC, Proshika and Grameen Bank;
- a strategic planning workshop, conducted in August, 1992;
- an agriculture and livestock review conducted by external consultants in August, 1992;
- a study of health and nutritional status of children and women in Pakistan, with special reference to the rural areas of NWFP, conducted in September/October, 1992.

The quality and usefulness of these initiatives may vary, but SRSC is to be congratulated on undertaking them. Most are relatively recent, and they have fed into the Strategic Planning Assessment, of which this report is a product. The value of those initiatives and of this report is not so much in SRSC's acceptance or rejection of recommendations, but in an ability to debate what is being offered, and to make well-informed, conscious decisions.

Box 5: EMPOWERMENT

Empowerment is a word with which some people have difficulty. In the context of SRSC's work, it means 'to enable', and as such is an extremely important part of development. There is considerable evidence of SRSC success in this regard:

- o Groups are getting together to discuss the problems they are confronted with. They seem to be developing a sense of collective power, even to the extent of dictating terms to SRSC: no interest, lower service charges, longer time-frame for repayment etc. Some have attracted contributions from politicians and line departments (Raisee, Nimoray Baba)
- o Young and old are sitting together. Older persons are, in some instances, overruled and led by younger persons who may be more aware of the new opportunities, better able to handle structured situations, and maintain records of activities undertaken. Barriers of age, class, and gender are slowly and gradually being broken (Chacha Koroona, Jowaro Ghudai, Tarkha)
- o Savings have led to some forms of collective capital and seem to have induced a sense of economic independence, if not power. Some groups seem excited about the prospects of personal savings, especially amongst women; others accept it as a necessary condition to get promised benefits. This is specially true of women who take the invitation to organise as a Godsend, and mention the opportunity to socialize as a major benefit of WO formation.
- o Where women have taken up a substantial activity (even if it is only in terms of learning to sew better or vaccinate chicks) they seem to be developing a sense of power. The confidence of having a voice, of being able to negotiate as a group with outsiders (and men) is extremely positive.
- o The small chunks of money or facilities received by women have clearly shown them that they can get cash in hand without having to ask the men for it. Even in situations where they are getting money from the men to put in their savings, their confidence comes from having some amount of money, however small, in their own name (Manda Khel; Chacha Koroona)

The Assessment Team sensed a predilection by some senior staff to allow recommendations, studies and study trips to wash over them, and then to return to the urgent business of PPIs, VO organization and training. The Assessment Team also developed an impression that the Board of Directors, for whom strategic matters should be of ultimate importance, has perhaps been more concerned with numbers and the urgency of expansion, than with what is actually being expanded.

A related constraint has been lack of staff capacity (little or very narrow base of experience) to reflect on important issues face in the replication of a programme.

While analysing SRSC's efforts at replicating AKRSP in NWFP, we should keep in mind that the two situations are quite different and that the model has had to be adapted in many ways: to the benefit and detriment of the local population. For example, whereas provision of individual loans could be considered a creative adaptation, it can undermine collective action and, in certain cases, may to defeat the principle of equitable distribution (buffalo credit taken by only those who are better off and who can afford to make a risky investment; 'vocational' and food preservation training taken by those who can afford the time to learn skills which do not increase incomes substantially).

So far, the capacity to learn from experience seems limited at SRSC, especially in certain aspects of the programme, e.g. WID and the development of 'packages' - both remain unchanged and fairly rigid even if hazy in their original application.

2.5 RECOMMENDATIONS

- 'Poverty criteria' should be added explicitly to SRSC's purpose statement and included more clearly in its thinking and planning for future programmes. Poverty-based criteria should be developed for village selection; thought should be given to the development of VOs for special interest groups (e.g. tenants; a ceiling on landholding) and/or of clearly differentiating the types and levels of benefits according to need;
- if the poverty criteria are properly developed and applied, the current problem of some PPIs being skewed towards the relatively better off should take care of itself. This will, however, make it even more difficult to identify PPIs which can increase the incomes of all or most villagers in a short time, and which can be identified, implemented, completely managed and maintained on a permanent basis by villagers;
- the way in which the AKRSP model has been interpreted has caused problems. SRSC must adapt and fine tune the approach to its own circumstances and village needs. Because of the way it has started, this will always bear a striking resemblance to the AKRSP model, but the model should not become a constraint in SRSC's evolution;
- The PPI is an investment in organization, not land. In stressing equity, productivity and sustainability, the SRSC village entry point should reflect real needs of the poor, and be based upon a concept of *sustainable livelihoods*;
- greater experimentation is therefore needed with regard to PPIs: experimentation by type (e.g. some social rather than purely productive interventions, or PPIs that are not land-biased); and experimentation which encourages greater financial participation by the beneficiaries.

3 VILLAGE INSTITUTION BUILDING

3.1 BACKGROUND

The numbers of village organizations and their achievements are addressed elsewhere in this report. A question arises, however, as to the effectiveness and sustainability of the VOs and WOs. At the outset of the Assessment, the Team asked a number of fundamental questions:

- Are the VOs/WOs on the way to becoming secure, well-rounded rural institutions, or are they simply compliant organizations using and repaying credit?
- Is there evidence to date of development activities being initiated by a VO/WO with its own resources? Is there any attempt so far at networking between VOs/WOs?
- What other indicators are emerging of VO/WO stability, independence and cohesion?

3.2 VO/WO INSTITUTIONAL MATURITY

Completely independent, self-financing village organizations, are often stated as an NGO goal, but few South Asian organizations have succeeded in creating such entities. Some of the best, including BRAC, have concluded that even if self-financing becomes a reality, some on-going support and coordination will remain necessary, especially among the poorest villages. SRSC is reaching the stage where it should, however, be able to foresee more clearly the role it could play in years three, four, five and beyond in the life of a given VO or cluster of VOs. Doing this effectively requires an understanding of how individual VOs and WOs are evolving. Beginning, therefore, to track VO/WO evolution and articulating the changing SRSC role, even in tentative terms, will help SRSC to focus on pace and direction, and could help deflect unrealistic donor expectations as well.

AKRSP has recently tested and introduced (September 1992) an 'institutional maturity index' (IMI) which can be used by a VO itself as well as by AKRSP to chart the quality of, and the physical progress towards VO maturity. The index is broken into five parts, with a series of indicators in each. The AKRSP IMI is not completely transferable to SRSC. SRSC VOs/WOs are very young, and as yet, SRSC has limited objectively verifiable indicators of VO maturity. Nevertheless, the AKRSP IMI provides a useful preliminary yardstick against which some observations about SRSC can be made:

Participatory Social Organization:

- household coverage within the VO: SRSC VOs range in size and coverage: in 13 villages, coverage in July, 1992, was less than 50% of the households; in 62 villages it is 50% or more;

- frequency of meetings: varies widely from once weekly to once monthly. VOs and WOs complain that there is often nothing to discuss; they can 'send' their savings. The purpose of regular meetings needs to be commonly understood and accepted by SOs and VOs. A series of topics for discussion could be developed for each meeting;
- attendance: fair - in July, 1992, 29 VOs/WOs attendance was less than 50%; in 53 it was 50% or more;
- record maintenance: good;
- growth in savings: with some exceptions, generally excellent.

Box 6: IRRIGATION MANAGEMENT

Throughout South Asia, including rural Pakistan, village-instituted and village-maintained irrigation systems have existed for centuries. SRSC is heavily involved in new self-help irrigation-based initiatives as well as the refurbishment of old ones. Typically, maintenance as well as regulation of water use is done collectively in informal groups or through traditional village societies. Already some of the SRSC VOs have taken over both maintenance and the water regulation function, sometimes also involving non-members.

As many of the PPIs in both irrigated and rainfed areas are related to irrigation, the management of these systems and other related systems - canals, tubewells and water usage - are a natural function of the VO, and could contribute to VO cohesiveness and maturity. SRSC should consider taking up collective water management as a conscious programme activity, monitoring and recording progress in its reports.

Reduced Dependence on SRSC:

- PPI maintenance: good; several VOs have instituted special maintenance funds or levies for the upkeep of channels, wells, pumps; some have introduced special welfare or emergency funds;
- self-financed PPIs: the question has not arisen as such, although some PPIs have exceeded budget allocations and VOs have contributed the balance, either in cash or kind, or a combination (notably tubewells); some WO PIs have been given in the form of interest-free or soft loans;
- willingness to pay service charges on loans: a difficult subject, but there is evidence of improvement (see discussion in Section 7);
- self-financed development activities at household level: a number of these are listed in SRSC's 1991 annual review and the Assessment Team came across others: the independent arrangement of soil testing; the opening of a small shop; a seven-member vegetable initiative; and eight-member mango and guava nursery;
- cash purchase of inputs: agricultural inputs have been purchased with SRSC/VO credit, but some is being purchased without credit from the market or through SRSC. Spraying and livestock services are being purchased from SRSC-trained extension workers without any apparent problems;
- performance of VO specialists: beyond the scope of this study, but seems generally good, and well appreciated by VOs and by government departments;
- VO willingness to share the cost of specialist training: the question has not yet arisen.

System of VO Management

- planning capacity: still elementary in most cases, although some VOs have demonstrated considerable sophistication;
- capacity for conflict resolution: still largely untested/unknown, although anecdotal evidence of conflict resolution is provided by VOs without prompting. Some VOs see 'unity' as the most important impact of SRSC - understandable in an area where violent feuds and long-standing 'enmity' are endemic;
- capacity for financial management: still early days, but generally good so far.

Linkages with Other Agencies and Organizations

- Linkages indicate the VO's ability to access resources for social and economic purposes from other agencies for the benefit of its members. These include private sector, NGO and governmental services in agriculture, livestock, forestry, education, health, etc: Some VOs are almost two years old, but most were formed in the last 12 months. The capacity for independent linkages is still, therefore, weak. There is evidence, however, that some VOs have successfully used their institutional base to make requests of government line departments and politicians. In one notable but somewhat atypical case, a VO successfully approached the Public Health department for a UNICEF pump, received a grant of Rs 100,000 (\$4000) from its MNA, and had applied for affiliation with the Trust for Voluntary Organizations (TVO). In another case, a Women's Organization hired a van in order to transport a number of students to the District Education Office in order to protest the regular absence of the appointed staff at the girl's school.

Box 7: COLLECTIVE PURCHASING AND MARKETING

In some villages, VOs have begun purchasing fertilizer collectively from the Agricultural Development Authority, with the assistance of SRSC. Collective purchasing of inputs has resulted in savings in transportation costs, price discounts from bulk buying, less adulteration and, therefore, better quality goods.

From SRSC's point of view, a more vital justification is the encouragement of group cohesiveness and growth. SRSC should encourage, monitor and record such activity, but should work to make groups increasingly independent. This can be done by involving a VO activist in all purchases and by insisting that VOs arrange their own transport.

Similarly, some VOs have started collective marketing. The potential for this will grow as more and more villagers are freed from the mandiwala through SRSC interventions. Collective marketing strengthens members' bargaining power with the buyer, gives a better price to volume selling, reduces transportation costs, increases the potential of reaching more distant markets and better prices, and gives members another good reason to work as a group. Collective marketing should be encouraged and developed in concert with the availability of an adequate credit fund.

Improved Natural Resource Management

- This relates to technology transfer through the VO in agriculture, livestock and forestry. The NRM score is a key indicator of AKRSP VO maturity: technology transfer is one of SRSC's greatest areas of success to date, although an early effort to establish baseline data and to carry out follow-up surveys has been abandoned. This should be re-started, with such samples maintained over time in each district.

3.3 RECOMMENDATIONS

- The three SRSC development stages - formation, consolidation and institutionalization - should be more clearly articulated, particularly the latter, institutionalization. The AKRSP Institutional Maturity Index and those of other organizations such as BRAC and the Baluchistan Rural Support Programme should be studied for possible adaptation to SRSC's own needs. Whatever is introduced should be *simple*, usable by SRSC, and informative for outsiders;
- Baseline village surveys should be re-introduced for each SRSC district, and periodically updated.

4 PERFORMANCE AND ACHIEVEMENTS

4.1 BACKGROUND

Although this section of the report is entitled 'performance and achievements', it is only a partial description of what has been accomplished. It has been limited almost exclusively to the targets that were established at the outset of the grant provided by USAID, and as such focuses on a somewhat narrower range of verifiable and quantifiable objectives than might otherwise have been the case. In the view of the Assessment Team, however, these targets and the realization of them are significant, and can serve as a proxy for other achievements in other areas.

4.2 TARGETS OF THE TWO-YEAR USAID GRANT

By the end of the two-year grant period, SRSC is expected to be a locally registered PVO and will be a viable entity with a well-defined structure, financial accountability, properly maintained bank accounts, effective contracting and personnel administration, and a sound track record of programme experience and project success.

The two-year grant period is from 10 January 1991 to 9 January 1993. The grant agreement with USAID was signed by Winrock International Institute for Agricultural Development on 4 March 1991, the subgrant agreement with Winrock International was signed by SRSC on 1 April 1991. At the time of the Assessment Team visit, SRSC had been in a fully funded, operational capacity for 18 months.

Achievements expected during the first two year period include:

- a) 100 Village Organizations (VOs) established and implementing rural development activities
- b) 70 infrastructure subprojects (PPIs) completed
- c) villagers' contributions to subprojects (PPIs) totalling \$349,000 obtained in cash or in kind
- d) at least 20 VOs having initiated unsubsidized activities
- e) 70 villages generating profits from savings available as unsubsidized credit to community members
- f) 750 villagers participating in SRSC training programmes, based on training for 180 village specialists, plus 30 conferences averaging 19 attendees each
- g) Ten percent of the annual SRSC operating budget raised from new donors outside of USAID

4.3 SRSC's ACHIEVEMENTS

According to the USAID Handbook for PVO registration, SRSC has met all conditions required. USAID/Pakistan now only has to undertake the final formalities necessary to register SRSC as a certified PVO. SRSC is to be commended for the amount it has accomplished during the 18 months it has been in a fully funded, operational mode.

- a) 100 Village Organizations (VOs) established and implementing rural development activities

Box 8: A GREEN REVOLUTION

Many SRSC interventions, including PIs, credit, livestock training and the introduction of vegetable cultivation, are resulting in clear increases in VO member incomes. But nothing is as dramatically and consistently successful as the agriculture extension work, which gives villagers access to new varieties of seeds and the correct quantity and type of fertilizer for their major crops - wheat, maize, and sugar cane. Virtually every VO in Charsadda, and several in Kohat, spoke to the SPR Team in glowing terms about the increases in yields and income they have received because of SRSC's advice and the access they now have to the latest varieties and highest quality inputs.

In the NWFP there is a considerable shortage in the availability of new varieties of seed. The single source being the Agricultural Development Authority (ADA). The quantity available even from the ADA is very limited, less than 5% of what is required. A majority of the small farmers cultivating a few acres of land would normally not be aware of the existence of these new varieties of seed, much less have any influence to gain access to them.

SRSC usually begins by initiating demonstration plots of new varieties of seed and correct usage of fertilizers on one farmer's land. The results are so startling that most VO members want the new seed variety and instruction on how to properly apply fertilizer. SRSC then multiplies the seed in the villages so that within one or two seasons, all farmers will have enough. In many VOs, members take great pride in displaying the vast difference in quality between traditional crops and the new varieties. And they express sincere appreciation to SRSC for this obviously beneficial intervention.

One of SRSC's main achievements, therefore, is the transfer of gains from modern research to small farmers. Previously, only the wealthier, more influential farmers had access to these improved seeds and technology, due in part to the inability of the Agricultural Department to reach small farmers. As calculations in Annex 3 indicate, wheat cultivation income over traditional practices increases range between Rs 2,115 and Rs 4,315 per acre (increases of 51% to 217%), maize between Rs 2,275 and Rs 2,820 per acre (increases of 69% to 113%), and sugar cane between Rs 720 and Rs 3,110 per acre (increases of 9% to 59%). The most dramatic increase in income was for gur producers who showed an increase in income ranging between Rs 10,345 and Rs 18,360 per acre (between 74% and 306%), reflecting the higher quality gur produced from improved sugar cane.

A 1992 environmental review conducted by IUCN observed that, 'SRSC is making dramatic strides with the introduction of HYV wheat and maize, in some cases doubling or tripling the usual production levels. The impact of this 'green revolution' on the income and lifestyle of Sarhad villages cannot be over-emphasized.'

The grant agreement did not differentiate between Village Organizations (VOs) and Women's Organizations (WOs). SRSC, however, does break down its activities by VOs and WOs. VO and WO activities will be consolidated when appropriate to compare programme outputs with target figures.

SRSC's Progress Report indicates that 122 Village Organizations and 37 Women's Organizations have been established as of August 1992 - a total of 159 overall. The entry point of SRSC's participatory approach towards equitable and sustainable rural development is via the establishment of Village Organizations. By all accounts, SRSC has made remarkable inroads organizing villages in the Charsadda and Kohat Districts.

b) 70 infrastructure subprojects (PPIs) completed

As Productive Physical Infrastructure (PPIs) projects are often the collectively determined need of a VO, Productive Investments (PIs) are the equivalent to the WOs. SRSC therefore defined its target as 60 PPIs and 10 PIs to be completed.

As of 31 August 1992, 62 PPIs and 24 PIs had been implemented by SRSC. (Fifty six of the 62 PPIs were funded from the current USAID grant, two by CIDA, and four by the initial USAID grant to SRSC via AKRSP). Of the 62 PPIs implemented by the end of August, 23 had been completed, approximately 15 more had scheduled completion dates in September and October, and the remainder were expected to be completed before the end of the year. Six more PPIs funded from the current USAID grant were expected to be initiated by 31 December, 1992. The average period of time estimated to complete a PPI is approximately six months.

All 24 PIs have been completed. Five more were expected to be initiated before the expiration of the current USAID grant.

Box 9: FOOD SECURITY

- o Most of the production sector interventions supported by SRSC (92% of the PPIs initiated) are aimed at increasing production and access to food. Water reservoirs, water channels, tube wells, dug wells, gypsum treatment, diversion dams, land levelling, karez rehabilitation, and farm-to-market roads all contribute (directly or indirectly) to improved access to food: better and more dependable irrigation, watering facilities for animals, and improved quality of land for cultivation.
- o Other initiatives such as PIs for drinking water supply, introduction of new technology in agriculture, and kitchen gardening, poultry and goat packages for WOs also improve nutritional intake at the household level. These three interventions for WOs constitute 97% of the R & D initiatives undertaken by the WID section.
- o Transfer of skills is directed mainly at prevention of losses and increased productivity. This means that both men and women have better access to support in the production, management and treatment of crops and animals. Food storage and skills for processing of food items have also been introduced in some organisations. 71% of all training courses organised, and 64% of the total number of individuals trained have focused on the fields mentioned here.
- o Credit utilization figures show that 96% of all loans advanced to VOs and 54% of all loans advanced to WOs have been utilized for agricultural inputs, marketing, livestock/dairy development, or tubewells.
- o The loop of production, processing, and marketing has not always been completed. Some interventions were not directly aimed at increase in income as much as improved practices to reduce losses and improve the nutrition intake at the household level. Other interventions, which could have benefitted from such a linkage, are still focused on increasing production and have not reached a stage where processing (if required) or organised marketing becomes a necessity. It is important to keep this in mind and bring up related issues for discussion at the VO/WO level.

[Figures from: SRSC's Progress Report at a Glance, August 1992]

c) villagers' contributions to subprojects (PPIs) totalling \$349,000 obtained in cash or in kind

SRSC has produced a 'Basis for Calculation of Beneficiaries Contribution' worksheet which establishes the standard VO contribution to its PPI at Rs 42,000. PIs require no contribution from the beneficiaries. Sixty two PPIs have been implemented to date, thus this portion of the beneficiaries' contribution totals Rs 2,604,000 (62 x Rs 42,000). A certain number of VOs have made substantial in-kind contributions towards either cost overruns or additions to the 23 PPIs completed by the end of August. These additional beneficiary contributions amount

to Rs 1,224,840. (Additional beneficiary contributions are expected to increase significantly since this figure can only be calculated upon completion of the PPI. Thirty nine of the 62 PPIs implemented have expected completion dates between September and 31 December, 1992.) Total beneficiary contribution to PPIs to date is Rs 3,828,840. This equals approximately \$152,000 at October 1992 rates of exchange, but \$174,000 at the rate when the grant was made.

- d) at least 20 VOs having initiated unsubsidized activities

Interpretation of this target within SRSC is not consistent as different reports give conflicting numbers. This needs to be clarified in order to facilitate accurate reporting of these activities. Among the numerous unsubsidized VO-initiatives that do exist, the Assessment Team visited two in the village of Jowaro Ghundai alone. VO members started a fish farming business in their recently completed irrigation reservoir PPI. In addition, the members also built a drinking water pipeline system which taps the spring water feeding the reservoir. Both ideas, and the money to fund them, came from the VO members. They even sent one of their members to be trained in fish farming operations.

- e) 70 villages generating profits from savings available as unsubsidized credit to community members

All 122 VOs have established VO bank accounts that are earning profits. The VOs have not yet had to use these profits in the form of unsubsidized credit due to the unanticipated launching of a credit programme by SRSC. SRSC is to be commended for their early detection that profits generated from VO savings in the initial stages of the VOs existence would not satisfy the demand for credit. Thus SRSC initiated a programme which grants a credit entitlement to the VOs of twice their group savings. This substantially increases the amount of credit available to fund the income generating activities of the villages. The lesson learned is that the revolving credit fund implemented by SRSC should be increased to meet the demand. SRSC should require all future donors to direct a portion of their funding to the revolving credit fund.

- f) 750 villagers participating in SRSC training programs, based on training for 180 village specialists, plus 30 conferences averaging 19 attendees each

To date, 316 village specialists have been trained in addition to 21 conferences averaging 57 attendees each. This comes to a total of 1,524 villagers participating in SRSC training programs. Thus training of villagers is one of SRSC's brightest achievements during its first 18 months in a fully operational mode.

- g) Ten percent of the annual SRSC operating budget raised from new donors outside of USAID

SRSC was awarded a grant for Rs 4.8 million by the Trust for Voluntary Organizations in early October 1992. The grant specified ten percent of SRSC's operating budget to be covered through January 1993. SRSC has also raised \$30,432 in operating costs from CIDA, the GONWFP, training fees, and other miscellaneous receipts.

5 A NOTE ON THE WOMEN'S PROGRAMME

5.1 BACKGROUND TO THE NOTE

Despite lengthy initial discussions and a consensus on avoiding a special section on women in the Report, the Assessment Team ultimately felt that everything it wanted to say on the women's programme of SRSC had not been said in a first draft. Hence this 'additional note' rather than a dedicated section on women. The Team has tried to keep a special focus on women throughout the Report and in each meeting or discussion at VO/WO and district levels. A special meeting with all staff in the women's programme, RPOs, and CSO was also held by a member of the Assessment Team, to clarify observations from the field and understand the approach adopted by SRSC.

The questions kept in mind while preparing this note relate to the direction and purpose of the programme; the nature of opportunity provided; participation in development activities; and training in skills. The note concludes with remarks on the overall direction and approach required for a women's programme, which is an integral part of a programme of rural development. Guidelines for action could probably be taken from these remarks, but the remarks are not directly intended as guidelines.

5.2 DIRECTION AND PURPOSE

A great deal of effort is being placed by SRSC in its WID programme. In the absence of a long term view, however, SRSC's WID section seems to be taking up activities without much thought or planning for the future. At the same time, as in many other development programmes, WID seems to be lost in the need to do 'something' for women; while running short on the time, patience, and expertise needed to figure out what could be beneficial to the group concerned.

A large number of activities taken up by WID are justified in terms of awareness and consciousness raising. This is also used regularly as a fall-back option to defend any activity initiated for women: poultry 'gifts'; goat credit; vegetable seeds; drinking water; 'soft' credit; 'joint credit'.

5.3 OPPORTUNITY PROVIDED

Opportunities provided by SRSC (for various kinds of activities) are different for men and women: at times more indulgent than realistic for women. For example, training in sewing, food processing and poultry at the doorstep of each collection of households, frequent visits by field teams to ensure savings and meetings, and acceptance of savings as a substitute for regular participation. At other times, expectations are completely unrealistic. For example, expecting a barely literate group of women to form a credit management committee, keep accounts, and organise a revolving loan for itself, without adequate training support provided for this purpose.

For women from poor households, the opportunities provided may be considered equal but not realistic. For example, women from tenant households do not feel confident enough to take a loan for keeping buffalo; or for skill training which does not promise direct cash returns. Although this is the group which could benefit more with some increase in income, in many cases it is others who make use of the credit and training facilities offered.

5.4 PARTICIPATION IN DEVELOPMENT

In terms of participation in other development activities, women are still second class. PPI decisions are off-limits to women. Activities such as training and credit are discussed and recorded separately for VOs/WOs. Agriculture Extension Workers (AEWs) and Livestock Extension Workers (LEWs) are considered VO 'property'. In most instances, no formal contact is made or responsibility taken by the LEWs for goat and calf health, following the goat rearing and calf fattening projects initiated by WOs. Some WOs have received primary training in poultry vaccination and management and goat management and silage making. They do not have a direct linkage with the AEW and are thus dependent on the agriculturist or concerned SO from SRSC.

The staff at SRSC, VO and WO representatives, and the women themselves are not aware of the need to involve women in other than exclusively WID activities. In fact, on the contrary (most probably for lack of experience, exposure and ideas) a large number of WID interventions are designed by male staff (acceptable of course, where male is also more knowledgeable and experienced in the specific subject, not simply by virtue of his being male or senior) or male representatives or male relatives of women participating in the WOs.

5.5 TRAINING IN SKILLS

One example of training for women is vocational training. Vocational training is, in fact, limited to sewing, embroidery, knitting. The stated purpose of this training is income generation. The projections and calculations made in this regard are not realistic and do not take into consideration the market situation. Learning to sew and knit better will not substantially increase the income of women, especially in a situation where 10 or more women from the same WO are being trained in the same skill; and where those being trained have 'promised' to train the others.

The same with food processing skills, especially when the processing taught is not related to surplus production available from their lands. Such skills can only add to women's skills in terms of being a better housewife. Domestic science may be a noble aim and the programme may choose to include it or focus its interventions on this side. But it is important not to name domestic science programmes for women as 'development and income-generation interventions'. It is important to differentiate between the two from the very outset.

5.6 MONITORING AND MAINTENANCE OF RECORDS

The monitoring of women's programme interventions, training, and credit is loose and needs to be streamlined urgently. Records are kept either by men and women from upper class families or men from the middle or poor households. In both instances, women's groups remain dependent. Record keeping has to be simplified, especially for WOs. Simple and easily usable formats need to be prepared with the help of monitoring and finance sections.

Some very encouraging initiatives were observed by the Team in this regard. In a number of WOs, young girls, studying in class four or five, are appointed managers/secretaries of the WOs. They mark attendance, note down savings, and are now learning from their fathers or brothers to record the proceedings of WO meetings. In one case, a woman with primary school education had been appointed manager but did not have enough confidence and was still dependent on her father to record the proceedings of WO meetings. A discussion with her regarding

the basic skills required for record keeping convinced her that she could attempt to take on the responsibility herself. Simplifying recording procedures to more charts and tables (with words and numbers) rather than expecting a composition or essay-type record of every meeting will encourage these girls to practice and improve their skills.

Box 10: CHANGING GROUND RULES ON GENDER

- o Although the ground rules on gender seem to have changed in favour of women over the past five to ten years, the socio-cultural scene of NWFP also suffered a negative change as a result of the influx of refugees and others involved in the Afghan crisis. This has affected life in the cities more than rural areas.
- o Overall, SRSC has been bound by these unwritten rules and does not seem consciously focused on altering them. Obviously, it is too early to expect a change in attitude (or any sustainable behavioural change in women or men) with respect to gender roles as a consequence of SRSC's presence. It is expected, however, that such change is imperative and planned interventions can be either supportive or counteractive to it. At the moment, it seems that SRSC is supporting the status quo in some ways (the indulgence of providing everything at the doorstep) and encouraging a change in others ways (emphasizing the need for managerial and other skills, staff providing the more mobile role models, etc.)
- o Another example is the organisation of courses in sewing, embroidery etc. through the Social Welfare Department. This is a traditional, stereotypical female enterprise, but an important conceptual breakthrough has been achieved because women who are supposed to be locked within the boundary wall have actually travelled out to learn some skills at a teaching centre.
- o SRSC will have to be conscious (and extremely careful) that its interventions do not tie women down to the existing patterns of behaviour. It has to impress upon both women and men (among staff and VO/WOs) that change is positive only if it increases the self-esteem and self-reliance of the people concerned, and that 'people' includes women and men. This should not be limited to the level of philosophy. SRSC will have to follow-up and act it out in real situations. VOs and men should be held responsible to involve women in the major decisions: the voice of women has to be developed and heard. Women will have to understand the need to have a collective voice and collective decision-making power. Even though in a number of situations the unit for action remains the household, for other needs and action, women's groups (WOs) cut across households. This will have to be respected.
- o Just as SRSC has to guard against programme benefits reaching only the Khans and the large farmers, it should be careful not to promote or concede to an action which supports the subservience of women to either upper class women or men. The idea that woman is the property of man is just as baseless as the idea that the tenant is the property of the landowner. Both go against the whole concept of organising either class.

Such enterprise needs to be highlighted, encouraged and supported as much as possible. The interest generated in learning to read and write through the formation of WOs is extremely positive. SRSC should take full advantage of this.

5.7 CONCLUDING REMARKS

Doing 'something' for the women is not enough. In many cases it can be more harmful than doing nothing. That is what too many programmes end up doing. SRSC aims to be different. It has to put in more effort in sorting out its thoughts in this regard. Training, as part of human resource development, is the one major input from which women can benefit tremendously. It has to be taken more seriously than at present.

Senior management should avoid the temptation of shaking off responsibility by claiming that they cannot do much since male managers cannot interact with women. A lot can and needs to be done on the conceptual and

technical side. Their role is to get information (not opinions) from field staff, and from other men and women who have information, and to help to work out specific strategies to find the best match of prevalent conditions and available expertise. If education and health are major gaps, help bridge those. If tasks performed in the production sector need support, work out the kind of support required. The purpose of the programme has to be clearly stated and the direction and the approach carefully worked out.

The assumption that, in a male-dominated, purdah-observing society it is not possible for women to get together for training outside their villages, needs to be questioned. The Team's observations and queries in this regard show that a fair proportion of women are willing to join training courses outside their immediate village if transport and accommodation arrangements are ensured by SRSC. In fact, there has already been at least one instance where women have attended a residential course in animal husbandry at the Animal Husbandry In-service Training Institute (AHITI), and a couple of others where they have attended courses at a Social Welfare Centre. Their experience (if positive) needs to be spread to others. They could be taken on a visit to other WOs who have shown willingness for such mobility to encourage future participation.

For investment in skill development, SRSC should initially focus on women from the poorer section of the village. These women tend to be more mobile and relatively free from the restrictions observed by others. A village worker, male or female, is given training on the assumption that others will benefit from the skills transferred to the village level. Investment in a woman who is bound to stay within the four walls of her house, as is the case with most middle and upper middle class women, makes little sense.

In most villages it is possible to find women from tenant and landless households who have a different lifestyle simply by virtue of having to earn their daily living. This is the group which will pay off in the long run. They need the increased income. If the skills provided are of any worth and if they can increase their income through provision of services to others, they will do their job with an interest and commitment unmatched by anyone else claiming a social welfare or voluntary work background.

Mobility is not an insurmountable problem with all groups of women. The one question that should be asked on a continuing basis when planning development programmes with women is: *which women* are we talking about?

5.8 MOVING ON . . .

SRSC embarked on an ambitious and laudable programme for women on the pattern of the AKRSP. Even the original model has taken a fairly long time to reach its present stage, and this model, unfortunately, does not fit very well with the ground conditions in SRSC's programme area.

Recognizing these limitations, and interested in working with immediate felt needs in the programme area, SRSC has now commissioned a study on the health and nutrition of women and children, with a view to identifying more appropriate entry points. Another topic under consideration is education for girls, a top priority identified over and over by both men and women in most villages visited by the Team.

SRSC's women's programme is now in need of a major overhaul. SRSC may be on the right road, but serious conceptualization, review, and revision of the programme is urgently required. Also required is solid training (including gender awareness and orientation) for all levels of staff. With two years of experience behind them, the staff at SRSC is the best group to take on such a conceptualization and revision exercise, under the guidance and leadership of a subject specialist.

6 TRAINING & HUMAN RESOURCE DEVELOPMENT

6.1 BACKGROUND

In its Annual Review 1991, SRSC notes that Human Resource Development is a crucial area of support required by rural communities: 'the building up of capacity of communities to be able to analyze their situation, plan strategies and implement and monitor activities for attainment of their goals'. Since its inception, SRSC has organised skill training in a number of disciplines. These include training of community leaders in managerial and accounting skills; and of extension workers in livestock, agriculture, poultry, fisheries, food-processing and vocational training. Total number of local extension workers trained, as of August 1992, in the disciplines mentioned above is 316.

In addition, a research and demonstration programme including 'formal and informal participatory research' has been an important feature of SRSC. The programme tests alternative models, provides exposure and information to rural communities in improved production technology, and facilitates the adoption of these models. The different kinds of activities organised under research and demonstration include introduction of varieties and crops which are new to the particular area, formation of organic manure, rodent control, gur making, fodder plants, poultry management, kitchen gardening, goat rearing, and sewing machines.

Staff of the programme has received various forms of training and participated in a number of exposure tours, especially over the past year. Unfortunately, reports of training or course details available with the programme are few and sketchy. Staff of several other programmes have also been provided training by SRSC. In the absence of a regular training or HRD section, and as a one-person half-time effort the coordination and existing quality of training is certainly worth praise. The counterpoint to this is that on the women's side inadequate direction or quality support has been provided.

Although no staff or VO extension worker training programme, district planning meeting, or managers conference had been scheduled during the course of the review mission, three separate VO training sessions were observed by one member of the Team during field visits. The following discussion, therefore, is based on the few reports and curricula provided, formal and informal discussions with SRSC staff, selected VO/VO members, trainers, and extension workers, and observation of selected training sessions. The next sections of the discussion relates to training of extension workers, and staff, followed by recommendations of the Assessment Team.

6.2 TRAINING OF EXTENSION WORKERS

6.2.1 Assessment of Needs

Aside from a detailed note on the prevalent conditions in the two districts, no assessment has been conducted to determine overall HRD needs of the programme area. Within SRSC, the one document which addresses this need is the report of the 1992 Strategic Planning Workshop conducted by an external consultant. This does not, however, give clear directions on the way to go, either in terms of extension workers or in terms of staff training.

Since a formal needs assessment has not been done at SRSC, training needs have been determined largely following the lead provided by AKRSP, but also on the basis of information from the note on socio-economic conditions of the programme area. In most cases SRSC staff conducts a discussion on the need for skill training and takes guidance from the suggestions (or 'demands', as in the case of WOs) which come up.

6.2.2 Criteria for Selection of Trainees

Criteria for selection of nominees is neither clearly defined nor understood by all levels of staff contacting VO/WOs for skill training. This is especially true of WOs. Thus it is as likely as not for the trainee or potential village worker to match up with the role expected of him/her. We see cases where agriculture and livestock workers have been very good choices and are performing very well, and others where this is not so. We see instances where training provided for silage making or poultry vaccination has practically gone to waste because of a wrong choice, and we see cases where poultry vaccinators are doing an admirable job. Learning from these experiences is extremely important.

Training provided to individuals who do not normally perform the particular tasks; those who are incapable; or those who are uninterested in providing service to others is a dead investment and cannot be justified. Careful selection is, therefore, absolutely essential. Ideally, criteria for selection should be developed for each type of training provided in consultation with social organisers and concerned technical staff.

6.2.3 Terms and Conditions

Terms and conditions are still under experimentation in training packages. This is especially true of WO training programmes, but also of VOs. The difference in training packages applied in Kohat and Charsadda may partly be a result of the prevalent conditions in these two districts, but it also seems to reflect the difference in approach of the concerned staff.

Exchange of experiences, review, and redesigning of packages is not done adequately at the core office. Specific terms of partnership, are worked out independently at the district level. The same package or training programme, for example, is being offered on different terms under very similar ground conditions. This makes little sense. Flexibility and decentralized implementation should not lead to two different programmes altogether. The Core Office should take it upon itself to ensure that the basics remain the same. Packages developed may be adapted with good reason but not turned around completely without reason. At the moment, this is not monitored as closely as required. For example, women do not contribute, and are paid a daily allowance to attend vocational training at one place. At another, women are not paid anything but contribute towards the maintenance of the training room. Both groups are comparable in their ability to meet expenses. Such differences are unhealthy and will only create a confusing image of SRSC.

The tendency to justify all wrong turns on the basis of following a 'process rather than a blueprint approach' has to be curbed. By now, this has become a game of semantics more than anything else. **Some basics of partnership and limits of indulgence have to be decided upon before individual tailoring is allowed or accepted at the district level.**

6.2.4 Design & Organisation of Training

Extension worker training courses are developed by the concerned government departments in consultation with the head of the technical sections at SRSC. These courses seem to be working well in the fields of agriculture and livestock. The Animal Husbandry In-service Training Institute (AHITI) has helped in organising some training courses in animal husbandry.

Courses for poultry specialists are limited, in many instances, to SRSC non-technical staff teaching women the basics of poultry management and vaccination of birds. This, obviously, is not enough. Similarly, training in food processing and lectures in health and hygiene are being conducted on an ad hoc basis. Field personnel from different government departments are invited in sessions which seem to be more 'show and tell' than anything else. SRSC needs to improve the quality of its training, especially for women.

In-house courses in management and accounting are organised better and seem to be working well with VOs. No similar training has been held for WOs. The vocational training course (of three months duration) has a better structure than any other training for women. Detailed work plans are available for some of the courses, but not for all. It is essential to plan and design all courses and prepare for individual training sessions carefully.

Follow-up and monitoring of performance is mainly done in terms of numbers (inputs: animals vaccinated, area sprayed). Refreshers are designed and held regularly, based mainly on performance feedback from the field and dropout figures. A formal assessment of newly emerging training needs or retention of contents among extension workers or trainees is not carried out.

6.2.5 Performance and Utilization of Skills

The rapturous applause for and obvious success of a number of Agriculture Extension Workers (AEW) and Livestock Extension Workers (LEW) and a few poultry specialists observed during the Team's contact with VO/WO members, shows that villagers are happy with the service provided by these workers. This can also be taken as a reflection of the quality of training received and the appropriateness of the selection made.

Substantially different rates for providing service to members and non-members, as noted in the record of provision of service, further confirm that the training must be of a fair quality for non-members to avail of the service, especially in the case of AEW, LEW, and a few poultry specialists.

It is of concern, though, that poultry specialists have been trained mainly in management and vaccination (especially in Kohat, where they do not have a livestock specialist among female staff). Situations which require the cure or prevention of diseases beyond this cannot be handled at all. Similarly, in kitchen gardening, the success or otherwise of vegetables cannot be allowed to remain totally dependent upon the presence of the one agriculture specialist among female staff.

With reference to making the training programme sustainable in the long run, it is also important to consider the marketability of training courses. In cases where the transfer of skills is neither meaningful nor adequate in the given circumstances, training will not be attractive enough for trainees to invest their time and effort (and especially money) in it.

In many instances, plans of utilization are not made before providing training. Expectations from trainees are not clearly stated either. There is often only a vague idea, if at all, of how the trainee is going to provide service to the VO/WO members and others. Vocational training (a catch-all for sewing, embroidery, and knitting skills) and food processing is one such example. Another is training in silage making.

6.2.6 Benefits and Impact

The transfer of technology has had a clear and positive impact on the programme area. This is particularly true of livestock and agriculture where performance of extension workers is very impressive. The training in management skills and accounting has also been solid for VO managers. Training in poultry vaccination and management, likewise, shows good results, especially in cases where the person trained for vaccination had the margin of mobility required for such a role. Other forms of training have been the victim of inadequate preparation and planning for the utilization of skills.

The issues raised in the following paragraphs are aimed at identifying gaps which need to be filled in for further improvement of the programme. These, of course, should be seen in the light of the already impressive numbers in the prevention of losses and increased productivity noted in regular progress reports of SRSC.

Training in skills, in some instances, is skewed in favour of the better off: people who have time to invest in training programmes. In instances where the purpose of training is either unclear or is seen as individual, non-monetary benefit, the poorer members do not find it attractive enough to insist upon being selected for the training (e.g. silage making or vocational training). Those who have land and livestock remain the primary beneficiaries of the services of the AEW and LEWs, since they receive benefits in direct proportion to the size of these resources.

On the other hand, persons with more time on their hands may precisely be the ones who are able to give due importance to the skills they have received. In terms of women, this is a little more complicated since persons who have time generally belong to the middle or upper middle classes and are, therefore, less mobile. Lack of mobility restricts their ability to receive training and serve the others. Given their higher status, they do not feel obliged to meet any standards of performance either.

Most AEWs and LEWs do not feel it is their responsibility to attend to the goats received by WOs or the poultry, or the kitchen gardens. In the absence of qualified female staff or adequately trained village women, the WO members cannot avoid unnecessary losses and, in the end, explain it in terms of 'fate'. This goes against the grains of a programme which focuses on skill development for prevention of losses and increased productivity.

The Team observed that in a number of VOs extension workers were willing to help out with problems on the WO's side. Such support needs to be built upon and encouraged. Villagers have a responsibility to village resources as a whole. They should, therefore, be made to feel obliged to pool in their expertise and support WO enterprises as well.

Another area where WOs can do with some support is a record of utilization of skills. In many cases written records are limited and poorly maintained. Staff and VOs/WOs alike have to understand the need for such records. There are ways to get around the problem of a barely literate group of participants: records for membership and savings are already being maintained at the WO level. There is no reason why this can't be taken a step further to include utilization of skills. SRSC has to move beyond the verbal culture for women and emphasize the need for such records.

Box 11: REMEMBERING THE MESSAGE

In the mid 1980s, BRAC embarked upon a large programme to introduce oral rehydration therapy (ORT) for diarrhoeal disease. Village-level workers were trained to carry a basic ten-point message from household to household.

A survey of the initial pilot programme found, however, that although mothers had received the message, many did not remember it properly or adequately when questioned several months later.

BRAC found a unique remedy. It paid the village level workers an added bonus if, after six months, a random sample of mothers could repeat the seven most important points accurately. The result was a vast improvement in the retention rate, one which allowed BRAC to take the message to ten million households.

6.2.7 Networking

Networking between VO/WOs does not yet seem to be happening beyond the monthly VO managers conferences and a couple of exchange visits. Meeting of extension workers is not organised by SRSC.

One WO managers' conference was held and one proposal for such a conference was killed (opinions and conservative attitudes of the staff rather than the reality of women's situation seem to have dominated). Unfortunately, the proceedings of the sole women's conference held at Charsadda were not recorded, so others cannot learn from it (the report became a victim of internal strife). SRSC should not underestimate the importance of such a meeting. This could have been a very important first step.

The very first workshop for women managers at AKRSP was held upon the insistence of an external consultant as far back as 1985, despite opposition from most local and non-local male staff. It worked because of the perseverance of the consultant, the support of a few local women and men in the management, and the enterprise of a small group of 13 women who decided to take this major first step. Seven years later, AKRSP boasts over 500 WOs and regular meetings of women managers and specialists at unit, valley, and district levels.

6.3 STAFF DEVELOPMENT

The capacity and training of staff represents a major gap at SRSC. Despite the fact that SRSC has inherited some of the senior most staff from its 'parent' programme, staff capacity at most levels is limited. One problem has been high staff turnover at senior level specially in WID, MER and, to some extent, Finance. Social organisation (or field operations) has also faced difficulty in retaining staff on the WID side. This has resulted in ad hoc appointments and informal, unstructured training of individual appointees.

SRSC does not have an HRD section or a person exclusively assigned to training and staff development. The programme has been working in collaboration with different government departments and other agencies for extension worker training. The services of individual consultants have been utilized for staff development sessions. Besides this, all in-house training is done on an informal basis with individual staff members: CSO and RPOs train staff 'on-the-job'. No formal orientation courses are organised for new staff or interns.

The assumption that 'on-the-job' training is best is misplaced. Field attachments should be a part of all meaningful training programmes but they do not substitute for everything else. The Assessment Team had detailed discussions with a cross-section of staff at all levels. It is obvious that SRSC has some very solid people, but this is, as yet, a very small number. There may be another small number who do not match the work expected of them at all. But what is important to note is that SRSC has a fair number of staff who constitute good raw material. Serious staff development can do wonders with this particular group.

At present, a large proportion of the staff does not seem to understand the meaning of institution-building. Their concept of 'participation' is unclear. Their understanding of the conceptual package of the programme SRSC is supposed to replicate is, at best, weak. They see compliant organisations using and repaying credit as having matured. Despite this, a fair number of VO and a few WOs seem to be moving beyond this stage. It is important to cash in on this ability of VO/WOs, learn from the experience and use their initiative to convey to others the possibilities inherent in becoming a secure, well-rounded rural institution. To keep its staff in step and, hopefully, in a leading role, it is essential that SRSC ensures proper orientation and continuous refreshers for all levels of staff in terms of programme philosophy and approach.

It is also extremely important to ensure that SRSC is staffed by individuals who understand and communicate with each other on the same frequency, and who are able to relate to and convince others of the guiding philosophy and the main purpose of the programme. Only then will the programme be able to develop and push forward with a life and energy of its own.

It will be suicidal to try and run a programme aimed at institution building and behaviour change where the basics of the programme philosophy are not understood, let alone applied by a large proportion of field staff.

6.4 RECOMMENDATIONS

- The appointment of an HRD specialist should be the first priority of SRSC's HRD programme. The following recommendations can be handled adequately only if SRSC has a section and a person who, in collaboration with technical sections, takes exclusive responsibility of all HRD related interventions in the programme;
- It is extremely important that SRSC undertake a study over the next few months to streamline HRD requirements and develop a workable plan of action for itself and the programme area, especially in the light of its plans for expansion to other districts;
- It may be worthwhile to undertake selected case studies of extension workers in different disciplines and to develop a profile of successful and unsuccessful workers. A useful guideline for selection could be developed through such an exercise;
- SRSC should ensure that training is offered to persons who perform the said tasks themselves, and to those who are prepared to put in the extra effort to provide service to others. A plan of utilization prepared and agreed upon, before training is provided should help in reducing losses in training;
- SRSC should ensure that expertise already available at the village level is shared as far as possible. The link between the VO and WO has to be strengthened and moved beyond one of control to one of support;

SRSC should re-examine and overhaul all its packages (including training packages) and streamline its offers and terms of partnership in the light of its experiences over the past two years;

- Networking of specialists or trained workers could provide a useful forum to exchange experiences, to formulate guidelines for action, and to monitor progress and problems faced in the actual field situation. SRSC should consider initiating specialist conferences on the pattern of manager's conferences - perhaps on a quarterly basis;
- Improvement in the design and organisation of training courses, especially keeping in mind the women's side of training and the fact that a large section of the population is barely literate, is also required. **All this clearly points to the need for a strong HRD component at the core office. A section with capacity to focus on bringing and maintaining quality to the present training efforts;**
- **SRSC needs to focus on its own staff development as a first priority.** Training others should come late in the life of a programme. SRSC is too young to indulge in such activities and runs the risk of getting distracted from its actual mandate;

There is an urgent need for conceptual and theoretical training (in addition to on-the-job training) for staff of SRSC. Such training should focus on participatory rural development, group dynamics, and the basics of behaviour change, and build on experiences from within the country and the region where sectoral or integrated development programmes have made their mark.

7 SAVINGS AND CREDIT

7.1 INTRODUCTION

SRSC management, from the Chief Executive Officer to the field staff, must be congratulated for initiating a credit programme which goes far beyond what was envisaged in the original USAID grant. SRSC management commenced the credit component because of its findings in a 'Summary of VO Needs' baseline survey of 28 households, a specific credit survey done in four villages, and because of expressed needs for credit by many VO/WO members. SRSC staff also realized that the continued economic exploitation of villagers by local *mandiwalas* (money lenders) further prevented VO members from reaping the full benefits of any growth in agricultural productivity stemming from SRSC interventions. Credit is ultimately at the core of any agricultural income improvement package in NWFP. SRSC took commendable initiative, therefore, at the risk of increasing its own responsibility and work load, in starting a credit programme with a very modest revolving fund of Rs 2.0 million (US \$80,000) from the PPI line item in the original USAID budget. Further, SRSC developed its Credit Policy document and began to initiate disbursements in July 1991, without the assistance of credit specialists, only fifteen months before the current review. Any criticism of the current credit programme must therefore be seen in this context.

7.2 SAVINGS

7.2.1 Savings Overview

SRSC has successfully replicated the AKRSP strategy of encouraging Village Organization (VO) members to save at least a small amount at each VO meeting. Commencing in March 1990 in the village of Purdil Khan, today 5,633 members in 131 VO/WOs are saving. Remarkably, this is the first time that nearly 75% of these people have ever saved on a regular basis. VO savings now total more than Rs 2.3 million (\$91,000). Average cumulative saving per member is Rs 414 despite the fact that most VO/WOs are not yet one year old. For many, savings has become the newest asset after a house, land, and animals. Other than an animal or two, these savings represent the only real asset for many tenant farmers. At the present level of savings, currently averaging Rs 30 per month per member, the accumulated savings of VOs/WOs is likely to double within a year, reaching Rs 5.0 million. What is unfortunate, however, is that the savings of these poorer rural people are placed in fixed deposits in banks who in turn channel these funds to commercial activity in urban areas. Thus the present scheme of retaining the entire savings as collateral does not generate productive development within the programme areas.

For an individual, saving provides the following benefits:

- 1) It develops the habit of regular savings;
- 2) It provides an opportunity for individual credit for income generating purposes, using savings as collateral;
- 3) It helps avoid unnecessary consumption and increases personal capital.

A Village Organization as a group derives the following benefits:

- 1) Group savings provide an ideal activity for the fortnightly meeting. If group meetings do not have activities, members will not find it worthwhile to attend.
- 2) An opportunity for poor members to save. In the absence of such opportunity, poor members will not have an incentive to save small amounts. Saving such amounts in banks is not worth the cost and time of travel to banks.
- 3) Group savings give the VO access to group credit to invest in community-owned and operated businesses.
- 4) Group savings give the VO access to a commonly-owned pool of capital to be used for community needs such as infrastructure development or maintenance, as well as for productive investments.

Table 1: Status of Savings at Aug. 31, 1992

(Rupees)

	<u>VO</u>	<u>WO</u>
Cumulative Savings	2,013,160	323,863
Savings in August	156,557	22,094
Cumulative Savings Per VO\WO	16,501	8,752
Cumulative Savings Per Member	466	246
Average Savings Per VO\WO in August	1,283	597
Average Savings Per Member in August	36	17

The total volume of savings which a VO can attract will depend on three key factors:

- 1) Ability to save;
- 2) Opportunity to save;
- 3) Incentive to save.

Ability to Save

Baseline surveys conducted in 27 VOs, of all individual members in 1990 and 1991 at the initial stages of VO formation, indicated that the average monthly income of a member is Rs 2,600. This figure ranged from Rs 7,335 per member in one VO to Rs 965 in the poorest VO of the 27 in the sample. In 18 of the 27 VOs, average income was over Rs 1,800 per month per member. These figures are generally understated as villagers do not monetize livestock and crop produce retained for family consumption. They also generally tend to be conservative in stating personal income figures. What these income figures do indicate is a tremendous capacity by a majority of members to save much larger sums than the average of Rs 36 presently deposited in the VO account. The opportunity to save is enhanced by farmers receiving lump sums of money periodically for their produce and also by the fact that these districts (especially Kohat) have a large number of migrant workers, both overseas and within Pakistan, who send lump-sum remittances back to their respective villages. The fact that many members can save much larger amounts was clearly seen by examination of VO savings ledgers. These

ledgers indicated much larger sums deposited by members in the initial months, ranging from Rs 50 to as much as Rs 1,000 per month, before stabilizing at around Rs 20 to Rs 40 per month.

Interviews also revealed that some members save with competing institutions, mainly through savings accounts in banks. The capacity for VO members to save more in both Charsadda and Kohat can also be illustrated by noting that an average member has already saved Rs 466 after only one year of operation in most villages, while in AKRSP's Gilgit District - after eight years of operation - the average savings per VO member was only Rs 1,858 for VOs formed in 1983.¹³

Opportunity to Save

Many villagers, particularly those whose income is small, do not save because an institution or system does not exist that makes it easy for them to save such small amounts at frequent intervals. Many save small amounts in the most secure place within their home. Due to the ease of accessing these funds, they are often consumed when the first need arises. In addition, it is neither convenient nor cost effective to make frequent trips to the bank to save small amounts. The VO has thus given the poorer members an opportunity to save. This is a very basic and important programme output. Villagers do not have to travel away from the village to save; they can save as small an amount as they can afford; they save with an institution which is their own and which they can trust; their savings earn interest; and they also have an opportunity to access credit. The very poor, whose only assets may be an animal and perhaps a small piece of land, now possess a new asset in the form of capital due to accumulated savings.

Incentive to Save

Poorer members have several major incentives for saving with the VO - to gain membership and the ability to access credit. Most of them are saving regularly for the first time in their lives and the programme has done much to raise their personal capital base. The better-off members, however, have no major incentive to save more than the norm at present. If SRSC does not access sufficient donor funds for credit, the need to create incentives to attract more savings from the wealthier VO members in order to build the capital base will eventually have to be addressed.

7.2.2 Shortcomings in the Present Savings Programme and Strategies to Overcome Them.

A number of fundamental shortcomings are present in the current savings programme. These have resulted in members savings edging closer to the amount deemed affordable by the poorest member (i.e. downward). The poorest members now save around Rs 20 per month and the richest not much more than Rs 40 per month on average. The key reasons for the low monthly savings rate are:

Absence of a Direct Relationship Between Individual Savings and Credit

At present the credit entitlement of a VO is twice the total amount of its savings. However, in many VOs the division within the VO is not directly related to the savings accumulated by a single member. Hence a person whose cumulative savings is Rs 200 can access the same amount of credit as a person who has saved Rs 2,000. This does not provide incentive for an individual villager to save more than the average or the norm. A significant growth in individual savings will occur if there is a direct relationship established between individual

¹³ Although not completely comparable, savings per VO in the Baluchistan Rural Support Programme were Rs 852 after seven years (Kasprzik, p. 32)

savings and access to credit. This could, however, lead to inequity, with richer members accessing the bulk of the credit; more on this below.

Access to Savings

For poorer members, to whom VO saving is the only form of saving, having access to it for emergency purposes may be a key issue in the future. A member who has an upcoming wedding or funeral may need cash. Similarly, a better-off member who can save far beyond his credit need or limit, may need to invest in land or a major item of consumption. The present savings policy, however, does not clarify withdrawal procedures.

If SRSC cannot secure sufficient donor funds for a matching credit operation and has to follow a strategy of mobilizing maximum savings for credit purposes then it should permit members to withdraw anything above the average amount of savings per VO member, subject to the collateral an individual is required to deposit for his personal credit needs. For example, if an individual VO member has saved Rs 2,000, the average savings of all members is Rs 500, and required collateral against his loan was Rs 750, then he should be permitted to withdraw up to Rs 1,250.

7.3 DEMAND FOR AND PURPOSE OF CREDIT

A majority of the members of the VOs visited by the Assessment Team were in debt. Villagers, however, do not consider advances taken for agricultural inputs from local *mandiwalas* or the amount they owe to the village grocery shops as credit. This kind of borrowing is commonplace, however, as is credit from relatives and friends for other purposes such as emergency or consumption needs. The purpose of the bulk of credit is for purchase of agriculture inputs and consumption goods. A key reason why villagers do not think of these 'advances' as loans is that there is no fixed interest rate (i.e. service charge or mark-up) for credit taken from *mandiwalas*. However, VO members realize that they are being exploited by *mandiwalas* and that they are, in effect, paying a very high interest rate, as they are bound to sell their produce back to the *mandiwala* at a price well below the real market price. This is why a study of VO needs done by SRSC in 28 villages indicated that credit is the first priority in 10 villages and the second priority in 16 others. Two additional villages rated credit and PPIs equally. Further household surveys done with 522 members in 13 villages in Kohat indicated that as much as 401, or 77%, gave credit as a need. The demand for credit were lowest in VOs in Hangu Teshil in Kohat.

A detailed survey done in four villages and 216 households revealed future needs as follows:

Agriculture (land preparation, inputs, implements)	135
Livestock	71
Business	54

At present there is not a single formal institution - banks, cooperatives or NGOs - which provide credit to small farmers and tenants in the two districts. In the 16 villages visited by the Assessment Team, less than ten people had received credit from banks or cooperatives. And those who acquired this credit were the better-off members of the VOs. Present procedures of the banks do not make it worthwhile, much less possible, for a villager to seek bank assistance for the few thousand rupees required for credit. Since the formation of VOs and the commencement of group savings, however, villagers now have access to a new source of credit through SRSC. Every single village visited by the Assessment Team in Charsadda District was keen to take credit.

SRSC's Savings and Credit Programme is to be commended as it is an integrated part of a comprehensive rural development package for agricultural development which includes the provision of or access to new varieties of seeds, fertilizer and extension advice on correct use of these inputs. In the area of livestock too, by training

village extension workers and providing vaccines and medicines SRSC's approach is not a 'minimalist' approach, as is the case with some major credit programmes in the region. The integrated approach is absent only in the business sector where current support is limited to credit.

Agriculture

The main use for credit is agricultural inputs and land preparation. Presently, most villages are left with little money after the harvest season, following repayment of their agricultural loans to *mandiwelas* and consumption loans to shopkeepers. Thus they remain in debt season after season. Currently, 73% of credit issued by SRSC has been for agricultural inputs. Furthermore, in the majority of villages the quantum, and thus the cost, of inputs has gone up as farmers have started increasing the amount and variety of fertilizers and better quality, more expensive seeds - due to SRSC's agricultural extension programme. Agricultural extension, provision of good quality seeds and fertilizer from the Agriculture Development Authority, with the assistance of SRSC, combined with credit to buy these items, has resulted in a virtual revolution in agriculture for most of the villages that SRSC assists (see Box 12). But it has also increased the need for credit.

Livestock

Demand for credit for livestock purposes has also increased due to SRSC interventions. Previously villagers used to increase their herd only when they had extra cash after harvest or from outside employment. Credit was not traditionally used to increase animal stocks. Easier access to credit from SRSC, combined with livestock extension training, has made many villagers ambitious enough to want credit in order to increase livestock holdings. Previously, only the well-off in most villages had buffaloes, while the poorer members had goats or sheep. Now even the poorest villagers are thinking in terms of buying buffaloes and cows with SRSC credit. Despite constraints on credit due to the limited resources of SRSC, 86 VO members in Charsadda and 56 in Kohat have taken credit for animals so far. The number wanting to take credit for livestock purposes in the immediate future is probably ten times the number currently taking credit for this purpose.

Business

Due to its proximity to Peshawar and its high rates of migration for outside employment, Charsadda has a considerable number of villagers who are in business or who are seeking credit for business purposes. SRSC's August 1992 Progress Report for Charsadda indicates that even at this early stage in the programme, as many as 44 VO members have taken credit for business purposes, compared with 38 for livestock. In total, 191 (14%) of the beneficiaries in both districts have taken credit for business purposes. Business credit so far is largely aimed at increasing working capital in village grocery shops and for trading in rice, timber, electrical appliances, tobacco, shoes, and clothes.

A demand for micro-industries such as flour machines exists but has remained unsatisfied due to constraints on credit available from SRSC. Some men have also got their spouses to take credit for businesses such as electrical appliance shops. SRSC's credit survey of 216 households in four villages indicated 54 members seeking credit for business purposes. Initial village studies, based on detailed surveys of individual members, indicated that as many as 35% of the villages in Kohat wanted loans for business. These 'need' surveys generally give much higher figures than the real demand. Nevertheless, such high figures indicate the desire, the lack of alternative sources for business credit, and the decreasing income opportunities from wage labour and agriculture. Increasing population in these two districts, fewer job opportunities in the urban areas and the Gulf States, and growth in educated, but unemployed youth will create a growing demand for business credit. The increase in population and a growth in demand for consumer goods will also provide greater opportunities for micro-business.

Box 12: BORROWING FROM THE BANK

An interview with the former manager of a district branch of the ADBP reveals very clearly why villagers prefer high-interest money lenders to banks which lend at 12.5%. A villager seeking a loan from the Mobile Credit Officer (MCO) of ADBP is first told to purchase an Agriculture Pass Book for Rs 5 from the Post Office. Invariably the Post Office has no stock remaining, as the pass books have all been cornered by the Patwari or Revenue Officer, who must attest to the authenticity of land holdings and income of all loan applicants. The Patwari will give a book to a villager for Rs 100 and will provide assistance in the loan process for an even larger unauthorized fee. The approval procedure is lengthy and must pass through many levels involving delay, transportation costs and unauthorized rent-seeking:

1. Loan Application
2. Mobile Credit Officer
3. Post Office/Patwari (Initial Civil Approval)
4. Girdawar at Union Level
5. Tehsildar Level (Final Civil Approval)
6. Mobile Credit Officer
7. Visit of MCO for inspection
8. Supervisor of MCO
9. Final Approval by Bank Manager.

Farmers requiring cash in time for planting cannot predict when a loan will be approved, if ever. The same procedure is adhered to whether the loan is for Rs 3,000 or Rs 300,000, although ADBP loans of less than Rs 20,000 are normally discouraged. Further, all loan applicants must either mortgage their land to the bank or arrange a surety note through a good customer of the bank.

In addition to the time and frustration involved, payment of transportation costs and 'extras' can run as high as Rs 2,500, putting formal sector lending institutions well beyond the reach of small farmers and raising the effective rate of interest on a Rs 20,000 loan to well over 25%.

The President of the Fazli Haq Mian VO is an MCO of the ADBP, the leading bank in Pakistan for agriculture credit. Despite his obvious positive influence on the process, in his VO only four members out of 35 have been able to arrange credit from ADBP.

7.3.1 Current Sources of Credit

At present villagers have no source of credit for livestock or micro-business. They do, however, have a regular source of credit for agricultural inputs and land preparation costs associated with their primary income generation activity in the form of *mandiwalas*. The *mandiwalas* usually operate from the nearest market city and advance cash to villagers for their agricultural input and land preparation expenses. These advances are provided under the condition that the produce (e.g. gur in Charsadda District) would later be 'sold' back to the *mandiwala* who provided the advance. No flat interest rate is charged on the advance, but in a specific case studied by the Assessment Team, the following charges were made on the return of produce:

- 1) Rs 15 per bag of gur was taken as a commission;
- 2) 10 kilograms of gur per bag was taken as a second form of commission;
- 3) The price paid by the *mandiwala* was approximately 10% below the market price for gur.

A quick calculation made during the visit to Fazli Haq Mian village indicated that this effectively worked out to cost the villager Rs 3,400 per annum for a loan of Rs 7,000, an effective interest rate of nearly 50% per annum. Villagers were aware of this but they said they had no choice. Banks which give credit at interest rates varying from 12% to 17% were used by less than 1% of the target population.

Relatives and friends proved to be a limited source of credit. In an emergency, consumption credit was given by village shopkeepers with repayment expected monthly and/or after harvest and sale of produce.

7.3.2 Service Charges

As indicated in the previous section, the main source of credit for agricultural purposes, the *mandiwala*, charged an effective rate of interest amounting to 50% per annum, while banks charge 12% to 17%. SRSC charges 7% and 10%, of which 2% goes to the Village Organization Credit Management Committee (CMC), for a net rate of 5% and 8% only. When the Assessment Team pointed out that this subsidized rate for credit could not be sustained in the long run, several staff members of SRSC, as well as a few of the better-off VO members in Kohat District, argued against any increase in interest rates on religious grounds (Islam regards the charging of interest an injustice). They also argued on the economic grounds that villagers cannot afford to pay higher rates. In several villages where *mandiwalas* were the primary source of credit, the Team took time to analyze carefully, with VO members, what effective rates of interest they were actually already paying. Following these discussions, villagers said they would accept realistic interest rates. In one village they stated that 7% was paid only because that was the rate prescribed by SRSC; if a higher rate was charged, they still would pay it.

At the VO in Deri Zarhad, after a detailed discussion of the need to charge realistic market rates for service charges, VO members agreed that they would be willing to pay bank rates, or even more, in order to cover SRSC's costs. However in other VOs, some members - particularly the leaders - spoke against increasing service charges.

It may not be an easy task to convince all VOs that service charges must eventually reflect the real market rate, but this must be done if SRSC is serious about developing a viable credit programme. Subsidized credit for the poor has been proven counterproductive in all major NGO and other credit programmes throughout the developing world. First, the better-off - who know the value of money - take advantage of the cheaper credit, 'hijacking' such programmes very quickly. Secondly, no subsidized credit programme can be financially sustainable. In the credit programmes of BRAC, Grameen and Sarvodaya - all targeted at the poorest - realistic market rates of interest, or higher, are met without complaint. There is a simple reason: market rates are significantly cheaper than what these people have been used to paying in the past.

Even at 20% per annum, credit for agricultural inputs can give villagers a tremendous increase in their income and quality of life. What seems lacking in the SRSC case, is the will to argue the case with VO members, to explain how they are being exploited by *mandiwalas*, and to show how they could benefit from credit received at realistic market interest rates. If this is done seriously with a unified will by all SRSC staff, they should be able, in time, to overcome the resistance of a minority who use illogical arguments to keep the poor in their current state.

In villages where SRSC has not started a credit programme, a minimum rate of 12% should be implemented, and in older villages already receiving credit, the current rate should gradually be revised up to this figure. Eventually, the interest charged should be 3% above the rate for savings deposits, in order to make better use of the savings. At present, this would amount to a rate of 15% per annum.

7.3.3 Credit for Women

From the total amount of credit disbursed to date, Rs 2,535,000, as much as Rs 937,000 (38%) went to women. This gives a strong impression that there was considerable demand for credit among women. It should be noted, however, that almost Rs 320,000, or over 33% of the total credit disbursed to women, came under the heading of Productive Investments (PIs). This credit was offered at no service charge, for a period of up to two years.

This practice of giving interest-free loans is unsustainable and could make it difficult to charge real interest rates in the future.

The weaknesses found in the programme for men were even more pronounced in the programme for women. For instance, only 185 women, from a total of 1,316 WO members, benefited from credit. This is only 14% of the total membership, in comparison to 27% of the total male membership. This was not due to lesser credit extended to women as a group. Credit available to men, if divided by all male VO members, amounts to Rs 370 each, whereas credit available to women amounts to Rs 712 each. Fewer women are taking larger loans. The average loan size for women is Rs 5,064, for men Rs 1,356.

Table 2: Credit for Women

Name of WO	Membership in WO	Members Receiving Credit	Notes
1. Tarkha	29	27	7% & 10% credit
2. Cheena	45	14	Interest-free PI
3. Nimoray Baba	27	11	10% credit
4. Sadran Qala	36	8	Interest-free PI
5. Purdil Khan	17	12	10% credit
6. Nazo II	57	16	10% credit
7. Aziz Abad	41	8	Interest-free PI
8. Utmanzai I	30	5	Interest-free PI
9. Utmanzai II	30	8	Interest-free PI
10. Utmanzai III	<u>50</u>	<u>14</u>	Interest-free PI
	362	123	

Only one third of the membership in the above WOs received credit. In WOs that received credit as a PI, it was even lower - only 57 out of 232 (25%) received interest-free credit, despite the fact that the PI is expected to benefit every member. This tendency on the part of a minority to take most of the benefits could lead to frustration in other members and a drop in WO membership. This may already have happened: in December 1991, there were 24 WOs with 1214 members vs. August 1992, when there were 37 WOs with 1316 members. Average membership per WO had dropped from 50 to 36 during this period, in contrast to the average membership in VOs which, during the same time period, increased from 34 to 35.

Women were repaying credit on a regular instalment basis, but they were revolving this credit among themselves within the WO. This could lead to total disarray in the accounting and monitoring of credit, as neither the WOs nor SRSC is keeping adequate records.

It appears as if the WID component of SRSC has been forced to embark on credit in many villages due to an absence of alternatives in the social or economic sphere and, in some cases, as an alternative to PPIs rather than as a response to a real need among women for credit.

7.3.4 Credit - Progress Achieved

SRSC commenced issuing credit in July 1991. As Table 3, below indicates, SRSC had disbursed Rs 1,598,000 (\$63,000) at Aug. 31, 1992, to 33 VOs with 11 repeat loans, and Rs 937,000 (\$37,000) to 15 WOs with three repeat loans. In total, 1,363 households benefitted from credit - 20% of the current membership. Average loan size for men was Rs 1,356 and for women Rs 5,064. As shown in Table 3, 73% of the beneficiaries have taken credit for agricultural inputs, 14% for businesses, and 10% for animals.

Table 3: Volume of Credit as of 31 August 1992

	<u>VO</u>	<u>WO</u>	<u>Total</u>
No. of Organizations	33	12	45
No. of Loans	44	15	59
No. of Beneficiaries	1,178	185	1,363
Amount Disbursed	Rs 1,598,000	937,000	2,535,000
Loan per Beneficiary	Rs 1,356	5,064	1,859

Table 4: Purpose of Credit

	VO	WO	Total	%
Agricultural Inputs	999	--	999	73
Business	109	82	191	14
Livestock/Dairy	42	100	142	10
Other	28	3	31	3
Total Loans	1,178	185	1,363	100

7.4 STRENGTHS AND WEAKNESSES OF CURRENT SAVINGS AND CREDIT PROGRAMMES

7.4.1 Strengths

Some of the strengths of the current programmes that should be retained as much as possible in the future are:

Simplicity

The present system is easy for villagers to understand and easy for staff to operate. Current shortcomings in the programme mean modifications will be necessary in the future. Nevertheless, every attempt must be made to retain as much simplicity in the system as possible.

Strong Sense of Group Responsibility

The present programme and approach instills a sense of group responsibility within the Village Organization for repayment of credit. As such, all members feel the social pressure to repay. This must be maintained.

Direct Relationship Between Savings and Credit

The present system offers a direct and observable relationship between savings and credit at the VO level. This is important. This relationship between savings and credit must be retained and extended further to the level of the individual.

7.4.2 Weaknesses

There are weaknesses in the programme which should be addressed:

No Relationship Between Individual Savings and Credit

At their own initiative, some VOs currently make credit available to individual members at double the amount of savings they have in the VO group account. This is not the standard practice nor is it mandated by the SRSC Credit Policy paper. Absence of the relationship between individual savings and credit can lead to influential VO members or office holders taking the maximum amount of credit while others are deprived of their fair share. For example, in Mamu Banda VO, with 53 members and savings of Rs 42,700, a credit package of Rs 60,000 was granted. It was learned that this was shared between seven members, the VO Secretary getting as much as Rs 20,000 of the total credit extended. This amount did not reflect any relationship to his individual savings in the VO group account.

In another case, Rs 25,000 of credit was granted to the Fazli Haq Mian VO. Fourteen of the 35 VO members shared in this credit but three members received Rs 13,000, or over 50%. Two of the three are the largest land owners in the village with 5 and 7 1/2 acres respectively. Their individual savings in the VO group account bore no relationship to the amount of credit they received. It is true that all members may not be able to get credit if the total savings is insufficient, but it should not mean that the influential, better-off members should take the bulk of the available credit. A direct relationship between savings and credit, along with a individual loan ceiling, should encourage the poorer VO members to save more. The more consistently VO members deposit the surplus from the marketing of produce in the VO savings account, in order to get credit for the next cultivation season, the more freedom they will have from the *mandiwala*.

Absence of Individual Loan Ceilings

At present there are no ceilings for individual loans. The previously mentioned case of the VO Secretary who received Rs 20,000 of the Rs 60,000 VO credit points out the need for individual loan ceilings. Individual loan ceilings are one strategy to target the programme to the poor and the needy. One Village Organization has a member with more than 20 acres of land wanting over Rs 40,000 for agricultural inputs and land preparation. Another has a member who wants credit to buy a pick-up truck. Will SRSC ever have the resources to supply such large amounts of credit to individual members, however productive their needs may be? For the foreseeable future, SRSC will have a limited credit fund, and as such it will not be able to afford to extend such large sums of credit to individual members. Hence, it is recommended that credit ceilings be introduced perhaps as follows:

- 1) Inputs and land preparation costs for sugar cane, wheat, maize, vegetables, or rice, the most commonly cultivated crops in the area, for a maximum of 5 acres;
- 2) Credit for one cow at the average market price;
- 3) Credit for two goats or sheep at the average market price.

SRSC could design its own ceilings which could be converted into a rupee figure for each type of loan, with an overall maximum of, say, Rs 10,000 for a single individual loan. This is suggested as an example only, as actual ceilings will also depend on funds available.

7.4.3 Timing in Issuing of Credit

At present, the time or date when a loan is issued bears no relationship to the time when the credit is actually needed. Villagers are now tempted to, and often do, apply for credit as soon as their accumulated VO savings are sufficient to receive credit. The main purpose for which credit is now taken, however, is for agriculture inputs. Credit for agriculture purposes should be extended only in the month of intended use. Disbursing credit earlier than required leads to the temptation to spend it on unproductive consumption items. Late disbursements by SRSC, on the other hand, could mean missing the planting season, thus rendering the credit useless. A case study done by SRSC in Cheena village, Charsadda District, showed that a number of villagers complained that they did not receive funds in time. Even if villagers demand credit at the wrong time, SRSC should have a policy to insure that it is issued only at the time of need.

7.4.4 Repayment Period

Loan repayments are presently differentiated into six month, one year, and two year periods without regard to the nature of the cash flow of the recipient's activity. Detailed studies must be done for the different loan activities undertaken in order to properly ascertain a *feasible* repayment period. If the repayment date given by SRSC is too long, villagers will be tempted to use the funds elsewhere, whereas if it is too short, villagers will find the benefits of credit negated by the demand for premature repayment. Present SRSC policies give rise to both of these conditions, as a composite loan given to a VO for multiple purposes will still require a lump sum repayment on the same day. For example, in Sheikh Jee Baba village, loans were given to 24 members for the following activities: fertilizer for cultivation of sugar cane, purchase of a buffalo, sheep, a calf for fattening, a watch repair business, a coconut business, a timber business, and a scrap business. Yet all loans had the same repayment date at the end of one year. SRSC should set repayment guidelines for each loan category, based on estimated cash flows for that respective category of activity.

7.4.5 Collateral

Mandiwalas, the main source of credit in the North West Frontier Province, rarely ask for collateral from their borrowers. Borrowers are usually introduced to the *mandiwala* by a mutual acquaintance. Thus their transactions are largely based on a set of personal relationships. The key reason why villagers repay without fail, despite the absence of collateral, is the fact that the need for credit is recurrent. If they do not repay, they will not be able to get credit for the next cultivation season. There is also a definite social stigma attached to default.

VOs have the built-in advantage of being able to exert considerable social pressure. Present SRSC policies ensure that the entire VO does not get a second tranche of credit until the first is repaid in full. In this context, requiring 50% collateral in the form of savings would now appear excessive. Caution was clearly warranted initially, and the rule was also useful at the outset because of SRSC's very small credit fund. In the case of four villages in Charsadda, however, SRSC has required no collateral, allowing 100% of the VOs' savings to be issued as credit back to VO members. This indicates that a 50% collateral requirement is probably overly cautious. But it may also be risky to swing completely to the other extreme, as has been done in villages such as Sheikh Jee Baba and three others, where no collateral was required.

The present limit has had another effect: a majority of borrowers, over 50%, are not receiving sufficient credit for their needs. In Cheena village 16 members out of 35 in the VO who received credit have also taken additional credit from the local *mandiwala*. This was because the average amount required for inputs and land preparation for five acres is Rs 6,000, whereas SRSC was only able to extend an average of Rs 1,000 per member, based on the availability of funds. It is recommended that SRSC reconsider its policy on collateral, by establishing a rate sufficient to generate savings and reflect the true risk involved.

7.4.6 Limited Credit Fund

- 1) SRSC has not been able to supply the basic credit needs of VO members, thus their continued dependency on money lenders;
- 2) Due to its limited credit fund, SRSC has not always been able to supply credit on time, resulting in villages not being able to use credit for the purpose intended;
- 3) The limited credit fund has prevented SRSC from supplying credit to all members needing such services. Only one fifth of VO members have received credit.

7.5 PROGRAMME RECOMMENDATIONS

SRSC faces a particular difficulty with regard to increasing its revolving loan fund. The existing fund was carved out of the USAID startup grant, although no specific provision was made for it. It has already been increased once. Although credit is seen as an important part of the IFAD and ADB expansions into new districts, all lending will be done through the ADBP - using the very system which is currently proving so unhelpful to small farmers. As noted in Box 12, the problem with ADBP is not only an insistence upon collateral, but an overall bureaucratic, time-consuming, rent-seeking system which could, in the end, totally undermine the values and development that SRSC is promoting.

There is, therefore, an urgent need for SRSC to do two things:

- to increase its own revolving loan fund. This could perhaps be done through assistance from NOVIB or other donors, and by negotiating an alteration in approach for the final year of USAID funding. Estimates of need in Charsadda and Kohat alone, based on 25% collateral, a doubling of membership savings, and lending to 75% of the existing membership, would be for a fund of approximately Rs 13.8 million (US\$546,000). This is only an indicative figure; a detailed credit survey of a sample of villages would need to be undertaken to determine a more precise figure.
- to monitor closely the performance of ADBP lending in the new programme areas and to seek an early alteration in programme methodology if the system proves counterproductive. *There is no point in SRSC providing its services to expand in new areas if the underlying philosophy of development is undermined by the direct involvement of counterproductive systems.*

Other Programme Recommendations:

- All individual credit extended must be related to individual savings maintained;
- Loan ceilings must be introduced for individual credit;

- **SRSC should have a policy on withdrawal procedures, either allowing no withdrawals, as is the case with ERAC, or establishing a figure, such as anything above the amount of the average savings of a VO member. (The policy will depend on whether SRSC needs to use savings for a revolving credit pool. If SRSC needs to attract large savings, however, it must also permit withdrawals) ;**
- **Service charges must be increased to a minimum of 12%. If VO members' savings are being used for credit, at least to 15%;**
- **Credit must be issued at the time of need. For example, credit for agricultural inputs just prior to harvest season;**
- **SRSC should set different loan periods for each type of loan, depending on its cash flow. Examples of different loan types are:**
 - **type of crop**
 - **shop keeper/trading**
 - **animals for meat**
 - **milk packages**
 - **sewing**
- **Recovery on an instalment basis must be insisted upon for loans resulting in a periodic cash inflow;**
- **SRSC should develop a consistent policy on collateral requirements. A lower collateral requirement and the use of a portion of savings for credit purposes may be valid;**
- **Loans for the purchase of agricultural inputs may not require a check for feasibility, as they can be based on the cost of agricultural inputs in a crop budget reflecting land size, type and timing of the crops. It is, however, important that a check for feasibility be done for all business loans prior to disbursement of credit. Social Organizers should be trained in this discipline;**
- **An intensive household survey of current savings and credit practices, including commission/interest paid, must be done in a sample of villages in order to ascertain and project realistic credit needs for future programme restructuring;**
- **A revised credit programme has to be drawn up which can meet the actual credit needs of the poorer members of VO on a consistent basis;**
- **Based on the above, a credit proposal should be given to donors to assure that SRSC has a revolving fund adequate to meet the basic credit needs of VO members.**

8 MANAGEMENT

The management challenges in SRSC's speedy, target-bound startup phase have been enormous. The challenge for the coming years will be to develop and maintain a strong commitment, from the top down, to good management, coherent planning and careful implementation. Without it, SRSC will squander its auspicious beginning in false starts and scattered initiatives.

8.1 FINANCIAL MANAGEMENT

8.1.1 Head Office

In its initial months, SRSC had considerable problems in accounting and financial procedures. A new Finance Manager has brought the Head Office arrears up to date, has introduced improved procedures, and is exercising more financial discipline in accounting and payments.

8.1.2 District Accounting

One of the major defects still remaining in accounting and financial management is a lack of decentralization. To date, all finances are controlled, managed and allocated to Districts on a weekly or even a day-to-day basis by Head Office. For administrative expenses, Districts Offices operate 'petty cash' bank accounts established in the name of the RPO and used for day-to-day expenditure such as petrol and vehicle maintenance.

Until August 1992, each of the two districts had a book keeper who maintained a memorandum account and vouchers. There was no double-entry bookkeeping. New, qualified accountants were appointed to the District offices in August, 1992, and the petty cash book has now been properly written in double entry form, with a ledger. Other accounts are still in the form of memorandum accounts.

There is another bank account in each District which is operated by Head Office for PPIs and, more recently, for loans and other development expenditure. Funds are transferred to these accounts by Head Office, based on requests by the Regional Programme Officer, on a one-by-one basis. Signatories for these accounts are the Finance Manager and the Chief Social Organizer. Books of account for these are maintained at Head Office. Funds are transferred from this account to VO accounts by cheque. The only deposits to these two accounts besides Head Office transfers are from loan recoveries which are deposited by District staff.

Cash for administrative expenses is replenished from Head Office to the RPO as and when needed. The RPO takes the vouchers to Head Office and gets a cheque to replenish the amount spent.

This system entails virtually no financial decentralization to District level. The result is that RPOs and District staff must go to Head Office at least twice a week for financial and approval purposes. This system will be untenable in an operation which plans to operate in three new districts while also expanding in the current areas.

Greater financial decentralization and autonomy must be given to Districts, with approval procedures in place for major expenditure such as PPIs and loans by senior staff at Head Office. Such approvals should be obtained once a month so that frequent visits to and from Districts are not required for financial purposes.

8.1.3 Budgetary Control

At present, budgetary control in SRSC is limited to an attempt to work within the budget framework and funds provided by USAID. The USAID budget, however, does not allocate expenditure by District. The USAID budget was meant only for funding and not budgetary control. For example, it has only 9 heads or accounts for administrative purposes, while SRSC needs at least 15 separate accounts for operational purposes. As a result, there is no budgetary control by financial heads at District level for administrative or programme expenditure.

This has resulted in:

- a) Inadequate control of administrative expenditure such as vehicle running costs, printing and stationery;
- b) RPOs not knowing to what extent PPIs and loans can be initiated in villages.

It has also meant that promises of credit to certain villages could not be honoured because they were made by field staff who were unaware of budgetary and funding constraints.

Head Office administrative budgetary control is also inadequate for administrative purposes, as expenditures for the two districts are combined with Head Office expenditures.

8.1.4 Recommendations

- District accounting and financial procedures should be drafted, including authority limits delegated to RPO level;
- Bank accounts presently maintained in the names of individuals must be converted to official SRSC accounts, operated by two signatories, without delay;
- PPI and loan bank accounts should be operated by District rather than by Head office;
- Detailed annual budgets must be prepared for both Head office and Districts;
- Budgetary control must be introduced for operational as well as programme expenditure at District and Head Office levels;
- Important registers such as an asset register should be introduced and maintained as soon as possible (assets *are* currently being recorded in an assets card system);

- Books of accounts for all bank accounts must be maintained in double-entry format;

8.2 PERSONNEL

8.2.1 Numbers

At the beginning of October, 1992, SRSC had a total of 75 staff in the following categories:

	Total No.	of which Women
Management	7	1
Senior Professional	6	1
Junior Professionals	33	8
Support Staff	28	1

Ratios of staff to programme activities can be misleading, especially when an organization is in a process of rapid expansion, as is the case with SRSC. The following comparison with AKRSP are not intended as a criticism of SRSC as it presently stands, but more as a historical record and as a gauge against which future ratios may be judged. It should also be remembered that it presents a picture of AKRSP in its ninth year, and SRSC in its 18th month.

Categories and definitions of staffing in the two columns are not perfectly comparable; different categorization would change the ratios. A further difference is that VO managers, activists and valley supervisors provide a solid network of field support to AKRSP, a feature developed over an eight year period, reducing the need for regular staff.

For comparison, on rural development/extension projects financed by the World Bank, the ratio of farmers to professional field staff generally lies in the range 300 - 1,100, with each first-level agent serving from 400 to 1,500 farms.¹⁴ SRSC would be at the bottom end of this range, while AKRSP would be at the top.

8.2.2 Personnel Policies and Procedures

Over its first two years, SRSC has gradually developed a series of policy papers on personnel management, ranging from recruitment and hiring, through disciplinary measures and grievances, to performance reviews and salary levels. Taken together, they form the basis of a reasonable and comprehensive personnel manual.

Some of the procedures are very new and are relatively untested, however, and some have yet to be implemented fully. Three areas that are of prime importance have to do with recruitment and selection, training and development, and work planning and review.

Recruitment and Selection

In the startup phase, SRSC took staff from almost any willing source: government, AKRSP, personal acquaintances of senior management and Board members. Advertising and competitive interviewing has only recently been introduced, most notably for the hiring of accountants for district offices.

In the view of the Assessment Team, current and forthcoming programming and management challenges require the development of a committed and competent management. This can only be advanced through fair and open

¹⁴ AKRSP Interim Evaluation, World Bank, 1989, p. 90

hiring and promotion procedures that are professionally and impartially managed. This is not to suggest that people known to be interested in and competent to fill a position should be discouraged. It does mean, however, that all candidates for senior positions - no matter how they are referred to SRSC - must go through a fair and competitive process as outlined in the Recruitment and Hiring Procedures.

Table 5: Comparison of SRSC, AKRSP and BRSP Staffing

	SRSC Aug. 1992	AKRSP Dec. 1991	BRSP ¹⁵ 1990
Management Staff	7	15	
Senior Professionals	6	49	}
Junior Professionals	33	112	}
Support Staff	<u>29</u>	<u>151</u>	42
Total	75	327	<u>95</u>
Number of Village Organizations	122	1503	147
Number of Women's Organizations	37	517	
Membership of VOs	4,317	67,087	3,400
Membership of WOs	1,316	17,723	
Average VO Membership	35	45	25
Average WO Membership	36	34	
Ratio Professionals to VOs & WOs	1 to 4.1	1 to 12.5	
Same, but Excluding Interns	1 to 5.5		
Ratio of SO to VOs and WOs	1 to 6.0	1 to 38.0	
Same, but Excluding Interns	1 to 16		
Ratio Professionals to Households	1 to 110	1 to 416	
Ratio of SOs to Households	1 to 392	1 to 1265	

Government Secondments

Some staff have come to SRSC on secondment or deputation from government departments. In the interest of internal staff fairness and consistency, and in keeping with SRSC's non-governmental status, SRSC should develop a policy requiring such individuals to make a permanent commitment to the organization within three to five years of joining. If pension or other benefits are a consideration in this, SRSC should work now towards ensuring that all staff enjoy the same benefits when the policy comes into effect.

Work Planning and Review

Current SRSC personnel policies discuss the importance of job descriptions, and outline a procedure for performance review. In addition, SRSC organized a strategic planning workshop in August 1992 which dealt with questions of individual workplanning.

¹⁵ The figures for the Baluchistan Rural Support Programme are taken after seven years of operation; source: Kasprzik, 1991

Box 13: TEAM SPIRIT

As noted in various parts of this report, several senior and mid-level managers are uncertain of their jobs and of their levels of authority. There has been a tendency to approach key programming areas such as PPIs and Women's Organizations almost by rote. Because of an emphasis on on-the-job training, a rapidly increasing field staff and constantly evolving systems, there is also a lack of shared vision and team spirit.

The SPR Team noted the development of a number of dysfunctional and somewhat unpleasant cliques within SRSC: a group whose allegiance seems to lie beyond SRSC; groups owing allegiance to one or another senior manager whose personal acquaintance they were when hired; those who fall outside such cliques, and who are caught in inter-office crossfire. Far too many managers complained to the Team about other managers; far too many said they would quit if such-and-such a thing happened or didn't happen.

This is perhaps understandable in an organization as new as SRSC, especially one that has been as force-fed and as target-bound as has been the case. The pace of evolution and the demands on staff will not diminish, however. Through 1993 and 1994, they will increase. The need for a strong team spirit and for clear, consistent direction by the Board and senior management is therefore essential. Understanding of and commitment to it by all staff is equally essential.

The team-building recommendations contained in this report include:

- clarification of the purpose of PIs and PPIs; clarification of the poverty criteria; clarification of the purpose of programmes aimed at women;
- regular discussion about and constant reinforcement of the SRSC vision;
- the development of structured training programmes for senior and mid-level managers, especially SOs;
- fair, open and competitive recruitment and hiring procedures;
- strong and effective leadership;
- effective workplanning and review.

Following the implementation of these recommendations and procedures, staff who repeatedly express unhappiness or confusion about their roles should be encouraged to look elsewhere for work. Debate and productive tension are healthy; complaining and confusion are not.

As yet, some key jobs within SRSC are not supported by job descriptions. Performance review is not done regularly in all cases. Whether or not it is an excuse for other problems, some mid-level managers complain that they do not know what their job is. Others seem to be doing too many jobs, some poorly.

Many of these things are understandable in a young organization. But SRSC is entering a period where programme consolidation, an extremely important aspect of future success, will be seriously challenged by unprecedented expansion of both programme and staff. It is managing large amounts of public money. If effective workplanning and review are not implemented and properly managed, the result will be a confused and demoralized workforce and an increasingly chaotic workplace.

Recommendations

- the Board of Directors should confirm or reconfirm that all candidates for mid level and senior positions - no matter how they are referred to SRSC - must go through a fair and competitive process as outlined in SRSC's Recruitment and Hiring Procedures;

- in keeping with its NGO status, SRSC should develop a policy requiring government employees on secondment or deputation to make a permanent commitment to the organization within three to five years of joining;
- the process started with the August 1992 strategic planning exercise should be continued and regularly updated;
- effective workplanning and review must be implemented as a matter of some urgency.
- With the imminent rapid expansion of the programme, it is essential the SRSC review present training arrangements and prepare a workable plan of action. Questions for the review should include: How much longer can the relationship with government departments be sustained? Will they be willing to take on the additional workload that will accompany SRSC's expansion? If so, under what terms? Similarly, how can the staff development programme be streamlined? Which agencies, if any, can be approached to support SRSC's staff development? How can the present in-house training capacity be improved and streamlined?

8.3 PLANNING, MONITORING, EVALUATION AND RESEARCH

The Planning, Monitoring, Evaluation and Research (PMER) Division has suffered as a result of staff turnover and difficulties in recruitment. A PMER Division head was initially recruited in November 1991 but had departed by August 1992. Subsequently, the division has been split into two with a new recruit given planning and project proposal responsibilities while the former deputy, who was initially recruited as Chief Marketing Office, has been appointed head of the monitoring, evaluation, and research functions. The Assessment Team does not see the logic in breaking the division into two as the pressure to write proposals to donors is only temporary. It is more logical to retain one division for all four functions as planning should follow monitoring, evaluation, and research findings.

8.3.1 Planning

The most important planning exercise done by SRSC was the Strategic Planning Workshop in July 1992 where all professional staff participated. This exercise caused the entire team to sit together and brainstorm about the organization and go through a Strengths/Weaknesses/Opportunities/Threats (SWOT) analysis of the organization and of each programme. This was the first time that the staff reflected on their work in a formal, structured manner, outside of the regular management meetings at the Head and District Offices which are less structured and more short-term oriented. It is necessary to do follow-up work on planning in a scientific manner on a continuous basis and to prepare work plans and modify programmes based on the findings of the workshop. Training needs and other weaknesses identified in the planning session need to be addressed too. Planning should be an on-going process, not a workshop to attend and forget.

8.3.2 Monitoring

Despite the problems with the PMER head position, this division has done a satisfactory job in monitoring progress based on donor targets. Two PMER staff members at the district offices feed data to the Head Office data on a monthly basis. For the most part, appropriate forms have been drafted to collect information. Information is generally timely and a comprehensive progress report is produced within ten days of the end of the month.

Monitoring should not be limited to programme targets only. It is important to monitor information such as progress on collective purchases of inputs, collective marketing, other significant trends in VO and WO initiatives.

The monitoring division also needs to more thoroughly identify VO/WO-initiated unsubsidized activities as these activities were under-reported.

Monitoring of women's programme interventions, training, and credit needs to be streamlined. Simplifying record keeping formats at the WOs is an important first step.

8.3.3 Evaluation

The major exercise done by PMER in this area was an impact study of programmes in 18 villages conducted in June 1992. This study went on to ascertain issues such as beneficiaries' perception of the quality of work of PPIs, the cost-benefit and value of PPIs to the community, and revealed the extent of PPI benefits to non members as well. This last piece of information was especially interesting as it showed that 1,335 households outside the VO benefitted from PPIs compared to 674 VO member households. In seven of the 18 villages studied, the PPIs impact was greater on non members. This revealed that the benefits reach a significantly greater portion of the population than just the direct beneficiaries. This also applies to improved agricultural practices, access to trained livestock workers, and other SRSC interventions as well.

A weaknesses in the impact study was the fact that increases in income of members before and after SRSC intervention was not monitored. This is the most vital piece of information to measure the impact of a development project or intervention. In the early months of operation, SRSC had commenced a detailed baseline survey which ascertained the average income of a VO based on individual income figures. But this was not followed through in all villages. Even now it is vital to do a baseline income survey of a selected number of villages on a detailed member-by-member basis. This will be a starting point to measure the success of the intervention when a comparative survey is done in the future.

The monitoring division should not confine its reports to statistics but should analyze trends and warn management and programme staff of emerging problems. For example, the drop in average WO membership from 50 in December 1991 to 36 in August 1992. They must also highlight specific successes. PMER should act as an independent management auditor, advising senior management on programme strengths and weaknesses.

8.3.4 Research

SRSC has done considerable research and studies using outside consultants on a range of areas such as environment, agriculture, and health issues. But one of the most useful and relevant pieces of programme-based research was done by a junior PMER staff officer who did a case study on credit in one village. This indicated the importance and value of in-house applied research. No major programme changes or new programmes should be done without applied research and a pilot basis experimentation. PMER has a key role in this.

8.3.5 Recommendations:

- Baseline surveys of villages, providing data such as household income, should be made an immediate priority. Without these, meaningful impact studies highlighting the results of SRSC interventions in villages will become increasing difficult, if not impossible, to do.
- Comparison of the programme's progress-to-date against the expected outputs specified in the original grant agreement should be a straightforward exercise. This proved not to be the case. Interpretation of certain expected programme outputs were not consistent among staff. For example, the 1991 Annual Review listed 34 unsubsidized VO-initiated activities as of 31 December 1991, however, the PLM indicators completed on 30 September 1992 show no unsubsidized VO-initiated activities. Local initiatives are currently tracked. These should, however, be differentiated between VO and individual initiatives. These initiatives should also be clearly defined and differentiated from VO contributions to

the PPI. Defining and interpreting all expected outputs from the grant agreement should be standardized and the first page of the monthly progress report should compare the programme's progress-to-date with all expected outputs.

- Simplified, easy-to-understand formats need to be developed, especially for the WOs, to improve record keeping at the VO/WO level. This will improve the quality of data gathered by Social Organizers and district-level MER staff.

8.4 ORGANIZATION STRUCTURE

The current structure of SRSC was designed to accommodate a programme with two field operations, neither very remote from the Head Office. It consists basically of an Operations Section and three support units - Technical, Finance/Administration, and Monitoring/Evaluation/Research (MER).

In the coming year, the organization will grow significantly in size, geographic spread and sophistication. This will require greater decentralization of the service and support functions and the building of more self-contained district teams.

Detailed suggestions or recommendations on the organizational structure are beyond the scope of this review, however a number of recommendations within the report bear directly on it:

- because of the importance of women's programmes to the overall impact and effectiveness of what SRSC does, and because of the need for these programmes to be revamped in both concept and practise, the Assessment Team is of the view that the chief WID officer should be in the first tier of management, reporting directly to the CEO, with continuing support and guidance from the Operations Section;
- similarly, HRD is a cross-cutting theme that needs urgent attention and high-calibre professionalism. In the view of the Assessment Team, consideration should be given to the creation of a section and the recruitment of an individual who would also be in the first tier of management, reporting directly to the CEO;
- savings and credit will occupy an increasingly large place in the thinking and operations of SRSC. An experienced individual is urgently required to help shape this aspect of programming in the coming months. This is a programming function, however, and clearly belongs within the Operations Section.

8.5 DONOR RELATIONS

8.5.1 Background

By normal NGO standards, SRSC has had an odd relationship with donor agencies. One, USAID, sponsored 90 percent of the start-up programme and administrative costs for the first two years - 1991 and 1992. Additional support was obtained during this period from the Canadian International Development Agency and from the Trust for Voluntary Organizations.

The USAID grant, however, originally envisaged as a five-year support programme, was curtailed as a result of the US Congress 'Pressler Amendment' which severely reduced American development assistance to Pakistan.¹⁶ Early in its startup phase, therefore, SRSC was faced with the prospect of a cutoff, with very little time to organize new support at similar levels. Three alternatives have been or are being negotiated:

- a request was made to the Netherlands Organization for International Development Cooperation (NOVIB) for three-year general programme support. The initial response, expressing an interest in SRSC's overall programme in Kohat and Charsadda, and emphasizing food security and women's development, was positive. At the time of writing, no agreement had been concluded;
- an agreement was concluded between the Government of the NWFP and the Asian Development Bank for a six-year (72 month) 'Barani Area Development Project' using SRSC methodology in Kohat, Karak, Abbottabad and Haripur Districts. Under this project, which will begin in 1993, SRSC will establish VOs and identify appropriate PPIs. SRSC will receive US \$1.19 million over the six year period for overheads; all other costs will be administered by government;
- an agreement between IFAD, the Government of NWFP and SRSC is nearing conclusion on a seven-year (84 month) 'Manshra Village Support Project' for Manshra District, beginning in 1993. Under this project, SRSC will be more directly responsible for implementation of the programme, including the planning, design and implementation of PPIs. Funds will be available to SRSC for the establishment of an office in Manshra, four social organizing units, and for 25% of 'relevant costs of SRSC's Head Office'.

In addition, USAID has tentatively agreed to a \$1 million extension of its support to Kohat and Charsadda Districts for one year.

8.5.2 On-Going Recurrent Cost Implications: A Weak Donor Commitment to the Future

The programming implications of these developments are discussed in other sections. What must also be taken into consideration is the implication of accepting donor funds with recurrent cost implications which will outlive the donor's involvement.

As long as SRSC grows, and as long as funding agreements include provision for core and operational costs, on-going recurrent costs do not present a major problem. Had the USAID funding ended in December 1992 and no other donor found, however, the on-going recurrent cost implications of what it had set in motion would have been approximately Rs 10.1 million or \$432,000 per annum. These operational costs include the basic Head office and RPO administration, plus the VO consolidation and programming costs associated with the on-going delivery of basic agriculture, livestock, forestry training, inputs and other services.

Had no donor been found to meet such costs, either directly, or indirectly through an expanded programme, SRSC would have faced sudden bankruptcy.

In negotiating favourable arrangements with ADB and IFAD, and in arranging an extension with USAID, SRSC has avoided the worst-case situation. In another sense, however, it has made a bad deal with ADB and IFAD. Both of these organizations are generous in their support of overall operational costs *only as long as there are new programming activities*. Up to the last day of FY 1998-9, a year in which SRSC is expected to initiate 33 new

¹⁶ The Pressler Amendment was altered early in October, 1992, to permit continued support to NGOs. This may change the status of the current relationship between USAID and SRSC.

VOs and support the 200 others created in the previous four years, ADB funds will be available for on-going operational costs. The moment the expansion is over, however, there is no funding from any source for very real continuing costs. The same will happen with IFAD funding the following year.

Based on broad assumptions about agreements that have not yet been concluded (NOVIB and USAID), and allocating roughly 30% of each agreement to operational expenses in the geographical areas of donor interest, it would appear that the funding picture for 1993 is more or less in balance.

Thereafter, increasing levels of on-going operational costs will not be met from existing donor agreements. The shortfall will be as follows:

Table 6: SHORTFALL IN OPERATIONAL COSTS 1996-99¹⁷
(Rs 000)

	1996	1997	1998	1999
Required by Districts	19320	19320	19320	19320
Available for Districts	16920	16920	16920	12120
Required by H.O.	6000	6000	6000	6000
Available for H.O.	2292	2292	2292	2088
Shortfall (Rs 000)	6108	6108	6108	11112
Shortfall (\$ 000)	244	244	244	444

Based on current assumptions, the shortfall in 2000 when the ADB and IFAD funding ends will be Rs 25.3 million (\$1 million).

While not a problem until the end of 1995 (assuming all agreements are concluded as calculated), the problem does take on larger proportions thereafter. It can be dealt with in a number of ways:

- a) Continuing expansion. SRSC would need new programmes and funding of as much as \$2 million from January, 1996 to cover on-going operational costs in old programming areas.
- b) The development of SRSC's own source of funding through income generation activities. Some Southern NGOs have been quite successful in developing their own income-generation activities. BRAC has a printing press, a cold storage operation and a large handicraft operation. In Sri Lanka, Sarvodaya generates income through a printing press and 15 other small and medium enterprises. While these funds are extremely useful when relating to donors, they do not represent large amounts of either organization's budget.

Through 1998, however, SRSC needs to be concerned only about a relatively small part of its budget - roughly \$250,000 per annum. Assuming a 15% return, this would entail an investment of approximately \$1.7 million.

The tradeoffs involved would have to be carefully weighed, should a donor for such an investment become available. SRSC does not at present have the capacity to find, develop and manage such an

¹⁷ The figures in this table have not been adjusted for inflation, although the IFAD and ADB agreements do contain such provision. The figures are for illustrative purposes only.

investment. The coming two years will require a massive effort just to handle existing commitments; a completely new venture could stretch SRSC to the breaking point.

It is recommended that SRSC not pursue this route to partial self-financing very actively. It could commission a feasibility study in 1993 to investigate productive investment possibilities, with a view to longer-term financial self-reliance, but this should not be seen as an immediate or the only solution to the problem.

- c) The establishment of an endowment. While endowments for NGOs are not popular among donor agencies, there is an important precedent in Pakistan in the creation of TVO with USAID funding. A fixed deposit yielding 13% would suggest the need for an endowment of approximately Rs 48 million or \$1.9 million. Given the precedent established by USAID with TVO, and given USAID's initiation of SRSC, a compelling case could be made for assistance of this sort.
- d) The cultivation of sustaining donors, as has been done by AKRSP. The amount required is only a 'bare-bones' figure, and there would likely be a need for additional programming activities. Given SRSC's anticipated size and sophistication by 1995, however, the amounts required are not excessive. They are, in fact, less than the anticipated support from NOVIB during 1993 and 1994. On-going support of this sort should be attractive to donors who appreciate the on-going and non-expanding imperatives of SRSC operations. It could also fall within the mandate of the NRSP.

8.5.3 Recommendations

- a) SRSC should develop a clear policy on the acceptance of donor funding for expanded programmes. No agreement should be concluded without reasonable recurrent cost provisions for at least three years following the last year of investment in growth;
- b) SRSC should start to develop a plan through which recurring operational costs can be met from 1996 and onwards. This would include:
 - a study to investigate the feasibility of income generation investments which might return a portion of the necessary operational costs from 1996 onwards;
 - investigation of the possibility of donor support for a sustaining endowment that would carry the organization through to the end of the century;
 - development of a strategy for a *sustaining* donor base, rather than one based on expansion, from 1996 onwards. This could include the creation of a donor consortium.

8.6 EXPANSION

8.6.1 Background

The Strategic Planning Assessment took place at a time when the opportunities for and limitations on SRSC's expansion were still somewhat unclear because of various pending donor agreements (See Section 8.5). A number of broad calculations and observations can be made, however.

If USAID and NOVIB funding is approved as envisaged, and with ADB funding for Kohat, SRSC expects to expand its operations in Kohat and Charsadda by an estimated 50 to 60 VOs in each of the next three years. Assuming an average PPI cost of Rs 200,000, this would entail approximately US \$1 million in productive investment without provision for inflation. Although a number of important assumptions must be made about donor commitments, priorities and scheduling, the growth would appear to be more or less financially feasible, especially if ADB funding is available for PPIs in Kohat.

8.6.2 Coverage in Kohat and Charsadda

There are an estimated 350 rural settlements in Charsadda and 387 in Kohat. If 20 percent are subtracted because their need is limited or for other reasons (semi-urban, etc), the number of available villages for SRSC operations is approximately 590. By October 1992, SRSC had created 136 VOs. If it expands at the rate of 60 PPIs per year for the next three years, it will reach a total of 316 villages, or approximately half the possible number of rural settlements in the two districts.

These figures are speculative and somewhat over-optimistic, however, because USAID funding is currently only available through 1993, and NOVIB through 1994. There would appear, therefore, to be very limited funding - from ADB only - for Kohat in 1995. In other words, there is almost no funding for PPIs in Kohat and Charsadda in 1995.

8.6.3 Rate of Expansion

While the PPI growth rate does not reflect the full range of SRSC activities in the initial stages of VO/WO development, it can serve as a relatively simple proxy for the purpose of growth projections:

Table 7: Number of New PPIs; 1993-1999

Year	USAID NOVIB	& ADB	IFAD	PPIs Per Annum	% Increase	Cumulative Total
1992				32 (av.)		64
1993	44	16	10	60	87%	124
1994	60	50	25	135	125%	259
1995	0	50	30	80	-40%	339
1996	0	50	60	110	38%	449
1997	0	50	80	130	18%	579
1998	0	33	70	103	-20%	682
1999	0	0	25	25	-78%	707

Not all villages require or are capable of handling a PPI. This only becomes obvious after some of the dialogues have taken place, and in some cases after a VO has been formed. If PPIs are implemented in, say, 80% of the villages where organizational activities have taken place, the rate of VO formation would actually be higher than what is suggested above.

8.6.4 Staffing Implications

The following numbers are based on ADB and IFAD budgets, and on a tentative programme related to women and food security under negotiation with NOVIB. They do not include any increase in Head Office staff.

Table 8: Number of New Professional Staff Required

	SSO/ RPO	Accountant	MER	WID Coord	Senior Technical	Other Senior	SOs & Jr Professionals
1993	3	2	1	2	4	3	34
1994		1					4
1995							5
1996							
1997							2
1998							1

Given SRSC's experience of staff turnover in its first two years, these numbers should be increased by at least 25% for recruitment and training purposes.

8.6.5 Observations

Given the need to consolidate and improve efforts in most areas of programming and management, the rate of expansion to which SRSC is committed in 1993 and 1994 will stretch it to the limits of endurance. The risks involved are perhaps even greater than those of the first two years; the physical and developmental challenges are certainly greater.

8.6.6 Recommendations

1. *Under no circumstance should SRSC entertain any thought of further geographic expansion of villages or districts until after 1995.* Additional donor support may, however, be necessary for consolidation and improvement of existing systems and packages.
2. SRSC's ability to sustain what it has started and to carry out the proposed expansion will depend primarily on two things:
 - the hiring and effective training of competent managers and field workers. This must be given topmost priority;
 - the consolidation and improvement of management and programming systems, notably those relating to personnel, financial management, savings and credit.

9 HAS REPLICATION WORKED?

Replication is one of those development words that has been damaged by over-use. In the case of SRSC the broad question of interest to outsiders is: 'Has replication of the AKRSP model worked?'

The simple answer is yes. It has taken a successful methodology from one place, and made it function in another, greatly increasing the number of beneficiaries. There have been four major factors in this success:

- sustained interest on the part of key decision-makers in NWFP;
- the energy, experience and commitment of the Chief Executive Officer;
- a core of senior staff with AKRSP background, who knew the process, and who knew what was to be replicated;
- a firm source of financial support.

A factor of mixed blessing was the existence of the firm targets contained in the USAID grant. While this created problems of one sort, discussed in Section 2, it also provided an important roadmap for an unproven organization starting on its first journey.

There is perhaps another question, however: 'What elements in the model *should* be replicated?'

AKRSP itself is an example of replication - replication of a basic model to over 2000 VOs and WOs. It is based, as noted in Section 2, on a hot-wired approach to community development that contradicts common NGO community development wisdom. The standard NGO approach to group formation is usually based on varying degrees of 'conscientization', shared member contributions of labour, and social sector programming (e.g. primary health care, adult literacy). Invariably, income generation plays a relatively low-keyed role, if any, at first - following after a year or so, and building up slowly.

The AKRSP model, however, uses the PPI as its social organizing tool, short-circuiting the standard conscientization process and going straight to income generation as the motive for group formation. The open 'dialogue' process, in which all villagers can participate and which all villagers at least hear, is an important part of the exercise, but how important is it? In its first three months in 1983, AKRSP formed over 30 VOs and began PPIs in half of them. Is it possible to create genuinely well-motivated VOs with members who understand what they are doing in such a short space of time?

Observers of those early days say that in the first year, the emphasis was on numbers, and quality took something of a back seat. This is understandable in a new organization which confronts a buyer's market. During the second year, however - in something more akin to a seller's market, it was realized that viable VOs required much more than three visits and a PPI agreement. 'Dialogue' became much more than a simple formula. It became part of a long process of give and take between villagers and AKRSP field staff, a process that in some cases is now ten years old. In other words, AKRSP may have short-circuited one aspect of group formation, but it could be said

that the community development or 'conscientization' aspects still required time and patience - coming after the first economic activity, rather than before.

It is likely that the strongest AKRSP VOs/WOs today are those where this process (rather than the economic activities) has been carried out most carefully. Otherwise there would be little to distinguish the AKRSP approach from that used in dozens of failed bilateral and multilateral 'integrated rural development programmes'. If this is true, it is ultimately the work of the AKRSP social organizer - and perhaps more particularly the village-based extension workers - that makes or breaks the process.¹⁸

Within AKRSP, determining the success of replication will be an output of an Institutional Maturity Index, developed in 1992. The stronger VOs will likely be the ones where the model has actually been replicated well. Until this indexing has been completed, however, and until some analysis is done on the reasons for disparities, it will be hard to say how well replication (or - another way of saying it - the development of mature VOs/WOs) has actually worked.

The question 'Has replication worked?', therefore, comes perhaps too soon. At one level, it has obviously worked. An organization that looks very similar to AKRSP is up and running. VOs and WOs have been formed, savings and loans have started, and agricultural inputs have already yielded tangible benefits. The PPI/VO/WO approach, therefore - with some adjustments - appears to be replicable.

The longer-term questions are more complex:

- Is SRSC adopting and/or adapting the more important aspects of AKRSP's post-PPI VO development methodology?
- What, in fact, is this methodology? Is it based simply on a sound techno-managerial approach to village needs, or are there old-fashioned NGO-style conscientization aspects to it? Some thought might well be given to this issue.
- How well has the AKRSP model actually been replicated by AKRSP? Until the IMI has been implemented and analyzed, it is difficult to say.

This somewhat unsatisfactory answer reinforces the need, outlined in Section 3, for an early and coherent approach to the development of baseline data and the development of an SRSC index of institutional maturity. It is in the building of participatory *social* organizations, in the growth and maturity of the VO and WO as confident, self-motivated, independent entities, that the real answer to replicability will be found in the years ahead.

¹⁸ There could be other reasons, of course, well beyond the control of AKRSP and its workers. Another way of looking at it is provided by Grameen Bank, where the simple discipline of any (or at least one) on-going activity is enough. Grameen Bank groups are offered little in the way of social programming, and yet they stay together - mainly on the basis of their saving and borrowing activities.

LIST OF VILLAGE AND WOMEN'S ORGANIZATIONS VISITED

Village Organizations

Charsadda District

Tarkha
Purdil Khan Kalay
Gul Md. Kalay
Khaista Khan Kalay
Sarwar Kalay
Fazli Haq Mian Kalay
Deri Zarad
Abbas Kalay
Shadkhan Kalay
Abazi

Kohat District

Raisan
Dhoke Kohati
Manda Khel
Pershi 2
Keri Sheikhan
Raisee
Mamu Banda
Juwaro Gundai

Women's Organizations

Charsadda District

Tarkha
Purdil Khan Kalay
Gul Md. Kalay
Khaista Khan Kalay
Sarwar Kalay
Cheena
Nimoray Baba
Uthmanzai 1
Sadran Qilla

Kohat District

Raisan
Dhoke Kohati
Manda Khel
Pershi 2
Keri Sheikhan
Raisee
Mamu Banda
Juwaro Gundai

A NOTE ON SRSC'S CREDIT PROGRAMME PROCEDURES

Background

SRSC recognizes that financial self-reliance is achieved only after communities create a capital base by pooling their savings and experience and by learning the management of credit. The SRSC credit programme hopes to result in an organized community of individuals interacting with one another and learning to utilize credit equitably and productively. The SRSC Credit Policy document was produced to guide the newly created credit programme.

What follows is a description of the credit programme procedures currently in use, programme procedures in the development stage, and recommended procedures for the credit programme in the future. Recommendations in this section are not on credit policy, rather they are specific credit programme procedures. These procedures will be relevant to the existing credit programme as well as to any version adopted in the future. Adherence to them will hopefully improve the management aspects of the credit programme as well as increase the efficiency of the monitoring, evaluation and reporting of the same.

Current Credit Programme Procedures

The major points of the SRSC Credit Policy document are as follows:

- The general body of the VO elects a three member Credit Management Committee (CMC) by a two-thirds vote for a one year period;
- Upon accumulation of a sufficient amount of savings in its account, the VO can then decide, by vote of the general body, if it wants to offer its group savings as collateral in order to open a credit account with SRSC;
- Credit entitlement by SRSC can be up to twice the amount offered as collateral;
- The period of credit for agricultural inputs is defined as to not exceed one crop season, i.e. up to one year;
- Credit is to be disbursed equitably among VO members;
- The service charge by SRSC should be at a minimum of 7% per annum, of which 2% will be paid to the VO Credit Management Committee as a management charge;
- Repayment of credit should be on a crop season basis and payable from VO members to the VO/CMC. VO/CMC then repays SRSC in full at due date for the consolidated VO loan;
- Any defaults will be deducted from the principal/profit of VO savings held as collateral.

The following paragraphs describe the current credit programmes procedures in practice.

Applying for Credit

When sufficient VO savings have accumulated the Social Organizer (SO) and VO will begin discussions on opening a credit account with SRSC. Individual VO members identify the amount of credit they need, for what purpose, and for how long. These individual requests are brought to the VO/CMC to be consolidated into one loan for the entire VO. The total amount of the loan is subject, of course, to a maximum of twice the amount of accumulated VO savings. Should individual demands for credit exceed the total credit available to the VO, it is up to the VO to decide how to equitably distribute the credit available among its members. The purpose, amount, and timing of the consolidated loan sought by the VO is discussed with the SO. The SO will seek advice

from the Regional Programme Officer (RPO), and other SRSC staff as necessary, regarding the 'practicality' of the loan and availability of funding. If given approval to proceed, the SO begins to prepare the loan application with the VO. The completed application form (with VO and VO/CMC members signatures) identifies the relevant characteristics of the consolidated VO loan and individual loans by broad sector. For example, agriculture, livestock or business; this information, recorded in a VO credit sheet is passed over to the MER division. Depending on the purpose of the individual members' loans that form the consolidated VO loan application, e.g. livestock, agriculture, WID, etc., SRSC staff responsible in those respective areas are to sign off on the VO loan application. After the SO signs off on the application, it goes to the RPO, the Chief Social Organizer (CSO), and the Chief Executive Officer (CEO) for their respective signatures.

At this point the loan is officially approved. The CEO forwards the loan application to the Chief Financial Officer (CFO) with orders to issue a cheque payable to the Village Organization. The CFO makes note of loan amount, the VO, the due date and rate of service charge. The cheque is signed by the CEO and then physically passed from the CFO to RPO to the district office accountant. The district office accountant makes note of the cheque for the VO loan in his Credit Register book. The accountant passes the cheque along to the SO who then formally presents the cheque for the consolidated VO loan to the Credit Management Committee in full view of all members during a VO meeting. The VO/CMC cashes the cheque and distributes the respective individual loan amounts to members as decided upon during the time of applying for credit.

Repayment of Credit

The VO members pay back the principal and service charge on their individual loans to the VO/CMC. The VO/CMC records this information and deposits the amount recovered. At the due date of the consolidated VO loan, the VO/CMC either returns the total amount recovered plus service charge to the SO at a VO meeting or the VO/CMC members deliver the loan repayment directly to the district office accountant. Upon delivery, the VO/CMC receives a receipt confirming repayment of the loan. The VO loan is recorded as repaid by the district office accountant in his Credit Register book and by the SO in his detailed VO credit sheet. The SO passes this information to the MER staff at the district office. The district office accountant passes his information to the Chief Financial Officer in Peshawar. The loan repayment is then deposited in the district field office bank account. This repayment money is eventually transferred back to Peshawar headquarters bank account to be re-issued as credit.

The SO records loan information for the purpose of assisting the MER staff in the production of programme progress reports. This information is by individual loan of each VO member receiving credit. The MER staff also produce a 'summary of credit disbursed' table detailing the total amount of credit disbursed, amount currently due, amount recovered, amount outstanding, and balance vs. the purpose of the loan, e.g. livestock, fertilizer and seed, land preparation, business, etc. The CFO and district office accountant record loan information for the purpose of insuring recovery of all loans. The detail of information they keep is at the consolidated VO loan level only.

Programme Procedures in the Development Stage

The Chief Financial Officer has recently developed a credit control card for each VO (similar to the detailed VO credit sheet now used by the SO) and a monthly consolidation form with the intent to better monitor the credit programme. The CFO realizes this is a temporary measures and has informed the Assessment Team he is in the process of preparing a more comprehensive credit policy and procedure document for SRSC.

Recommendations for Credit Programme Procedures:

- All VO/CMC members must be trained to maintain a standardized set of records for savings and credit at the VO level;
- All Social Organizers must be trained in savings and credit management and micro-business feasibility preparation and management;
- No systematic, regular reconciliation of the total between individual savings books, credit register, and VO savings account is currently in place. A regular system of checking must be done by the Social Organizer at least once a month, without prior notice. This will stop any tendency for VO/CMC members to delay banking of savings and will detect any fraud at an early stage;
- Amounts repaid by individual members must be recorded in their pass books and in the VO Credit Register. At least once a month the SO should check these records, the VO bank account, and records of SRSC's bank receipts;
- A credit/micro-business/marketing specialist must be appointed to the SRSC Head Office to assist in management of credit, micro-business, and marketing programmes;
- At present, little, if any, emphasis is placed on checking the feasibility of the business loans - or even listing the specific purpose of the business loans. Neither district office nor the head office records could reveal the purpose for which 16 business loans were issued in Deri Zardad, Tulanday, and Shadkhan Kaley. The purpose for each business loan should be recorded at least at district offices;
- Except for the WOs' loans, few VO loans were repaid on a monthly instalment basis. The term periods for almost all VO loans are 6 months, one year, or two years. Though such term periods may be valid for agricultural loans, it is not valid for business, dairy, and other loans that have regular cash inflows. A three month grace period may be necessary for start-up business but monthly instalments should be required thereafter. This will strengthen repayment habits, ease the burden of lump sum repayments, and improve the liquidity of SRSC's revolving credit fund;
- Present loan repayment procedures could be susceptible to fraud and should be revamped as the programme continues to expand. Presently, the Social Organizer collects loan repayments from the VO/CMC in cash, gives a receipt for the money to the VO/CMC, and then gives the money to the district office accountant for deposit into the bank. The SO should not have a role in the collection of repayments. A member of the VO/CMC should be responsible for collections. Following collection of loan repayments, he should deposit the money in the VO bank with instructions for a cheque to be issued in favour of the SRSC bank account. This procedure minimizes opportunity for fraud and places the responsibility of collection directly on the VO;
- An explicit definition of the number of days past due a loan is 'late' vs. 'in default' needs to be documented. This is not defined in the current Credit Policy document. Perhaps up to 90 days past due on repayment of a loan could be considered 'late' and anything beyond 90 days considered 'in default'. Penalties for both categories should also be clearly documented and understood by all staff;
- Other VO members must be requested to pool and repay the amount due from a member who has gone into default if the member refuses to repay or is not currently in a position to pay. If VO members wish to pool and repay jointly, it should then initially be recovered from the savings of the member in default and the balance from the group collections or savings;

- **The practice of revolving credit in kind, such as goat kids in WOs, must stop as this is difficult to monitor and account;**
- **The practice of members to revolve credit within the village from instalment of repayments must cease as neither VO/WOs not SRSC can maintain accounts on this basis.**

SRSC AGRICULTURAL PROGRAMMECalculations on Increased Agricultural Earnings**WHEAT**

<u>Cost of Inputs and Gross Income - 1 Acre</u>		<u>Rs</u>
<u>Traditional Method I</u>		
Seed: MexiPak - Liyal Piro - Khushal	50kg	165
Fertilizer: Urea	3 bags	<u>630</u>
		795
Gross Income	12 maunds	1,980
<u>Traditional Method II</u>		
Seed: Pak 81 - Pirsaba 85	50 kg	250
Fertilizer: Urea	1 bag	210
DAP	1 bag	<u>280</u>
		740
Gross Income	25 maunds	4,125
<u>SRSC Recommended Method</u>		
Seed: Pak 81 - Pirsaba 85	40 kg	200
Fertilizer: Urea	2 bags	420
DAP	1 bag	280
Weedicide		<u>200</u>
		1,100
Gross Income	40 maunds	6,600
SRSC surplus over Traditional Method I		4,315
SRSC surplus over Traditional Method II		2,115

MAIZE

<u>Cost of Inputs and Gross Income - 1 Acre</u>		<u>Rs</u>
<u>Traditional Method I</u>		
Seed: Gul Abadi or Mari	24 kg	96
Fertilizer: SSP	2 bags	220
Urea	1 bag	<u>210</u>
		516
Gross Income	15 maunds	2,475
<u>Traditional Method II</u>		
Seed: Gul Abadi or Mari	24 kg	96
Fertilizer: Urea	2 bags	420
DAP	1 bag	<u>280</u>
		796
Gross Income	20 maunds	3,300

SRSC Recommended Method

Seed: Kissan or Dehgan or Azam	16 kg	96
Fertilizer: Urea	2 bags	420
DAP	1 bag	280
Insecticide		<u>200</u>
		996
Gross Income	40 maunds	5,775
SRSC surplus over Traditional Method I		2,820
SRSC surplus over Traditional Method II		2,275

SUGAR CANE

Cost of Inputs and Gross Income - 1 Acre

Rs

Traditional Method I

Seed: Type 310	50 maunds	1,250
Fertilizer: Urea	4 bags	<u>840</u>
		2,090
Gross Income - Sugar Cane	350 maunds	5,250
Gur (Poor Quality)	30 maunds	6,000

Traditional Method II

Seed: Type CP44/CP48/L-62/L-65/CP5121	50 maunds	1,250
Fertilizer: Urea	2 bags	420
DAP	1 bag	<u>280</u>
		1,950
Gross Income - Sugar Cane	500 maunds	7,500
Gur (Med. Quality)	41 maunds	13,875

SRSC Recommended Method

Seed: Type CP44/CP48/L-62/L-65/CP5121	50 maunds	1,250
Fertilizer: Urea	2 bags	420
DAP	2 bags	560
SOP	2 bags	200
Insecticide		<u>300</u>
		2,730
Gross Income - Sugar Cane	600 maunds	9,000
Gur (High Quality)	50 maunds	25,000

SRSC surplus over Traditional Method I (Gur)	18,360
SRSC surplus over Traditional Method II(Gur)	10,345
SRSC surplus over Traditional Method I(Sugar Cane)	3,110
SRSC surplus over Traditional Method II(Sugar Cane)	720

REFERENCES

- Ahmed, S.K., 'SRSC Indirect Cost System', 1991
- AKRSP, Ninth Annual Review, 1991
- AKRSP, 'Institutional Maturity Index', 1992
- Akhtar, Tasleem, 'Health and Nutritional Status of Children and Women of Pakistan, With Special Reference to the Rural Areas of NWFP', (draft)SRSC, 1992
- Chambers, R. & Conway, G., *Sustainable Rural Livelihoods: Practical Concepts for the 21st Century*, IDS, Sussex, 1992
- Government of NWFP, 'Mansehra Village Support Project', PC1 and supporting documents, 1992
- Government of NWFP, 'Barani Area Development Project', PC1, 1992
- IUCN, 'SRSC; An Environmental Review', May, 1992
- ter Hofstede, Ko, 'SRSC Food Security in Three Year Programme Proposal' SAWA/NOVIB, 1992
- Husain, Tariq & Banuri, Tariq, 'The Sarhad Rural Support Corporation: A Proposal for a New NGO in NWFP', Submitted to O/ARD USAID, Pakistan, September, 1989
- Kasprzik, W., 'A Strategy for Future Institutional Development in AKRSP', 1991
- SRSC, Annual Review, 1991
- SRSC, 'Agricultural Development in the SRSC Project Areas', PARC/USAID/MART/Winrock, 1992
- Winrock International Institute, 'Establishing the Sarhad Rural Support Corporation as a Recognized PVO in the NWFP', 1990
- World Bank, *The Aga Khan Rural Support Program in Pakistan; A Second Interim Evaluation*, 1989