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**The Commercialisation of BDS through an NGO:
Case Study of AKRSP-Pakistan**

By

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The Commercialisation of BDS through an NGO: Case Study of AKRSP-Pakistan

(Final Draft)

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ABSTRACT

Based on the theme of how donors can play a more effective role to stimulate effective and sustainable provision of BDS by or through private sector intermediaries, this case study looks at how the Aga Khan Rural Support Programme (AKRSP) has sought to encourage the development of markets for Business Development Services (BDS) in the remote areas of northern Pakistan.

This paper explores that the isolation of the region, poor infrastructure, small scale of landholdings, and lack of economic development leads to problems when attempting to promote markets for business development services. In the short term, the priority is the development of more basic markets, rather than markets for business development services. Without active markets there are a few opportunities for BDS provision let alone the development of vibrant private sector markets for BDS.

It specifies the geographic, economic, political, and institutional context in which the AKRSP's interventions have been implemented. Grassroots village based initiatives have been discussed, where groups of farmers are facilitated by AKRSP to provide BDS to neighboring farmers (farmers interest groups in Chitral), along with more structured formal approaches such as the more direct provision of BDS through commercial entity associated with AKRSP (North South Seeds).

It is argued that both models have a positive impact on MSME performance and lead to market development in the long run. Both are methods through which donors can promote BDS markets but which model is most appropriate depends on the market being served. Where the service offered is relatively simple and the business of the BDS provider is relatively straight-forward, facilitating private sector intermediaries may be the most effective way of creating markets for BDS. However, where the service is complex and there is a need to establish a sophisticated organisation to provide the service, it may be necessary to set up an organisation within the NGO, on commercially sustainable basis if possible, with a view to fully commercialising and ideally privatising the organisation over time.

1. Introduction

This case study considers how the Aga Khan Rural Support Programme (AKRSP) has promoted the development of markets for Business Development Services (BDS) in the remote areas of

Northern Pakistan - the 'Northern Areas and the district of Chitral' (NAC). As part of a wide range of development activities in the NAC, AKRSP facilitates and provides services to farmers cultivating fruit and vegetables (to develop agriculture), the mainstay of the local economy. Due to their isolation, farmers often face problems in accessing markets and securing a reasonable price for their produce. Two contrasting models have been reviewed, which have been evolved in AKRSP in this context.

With both models AKRSP has built on more general developmental work carried out over the past eighteen years of its operation. The Village Organisations (VOs) and Women's Organisations (WOs) established by AKRSP provide excellent means for gaining access to and trust from poor rural farmers. Use is also made of the greater AKRSP organisation and infrastructure, for example using AKRSP area offices for meetings and training sessions. Yet there is a strong commitment to private sector and commercially delivered BDS by AKRSP. As their interventions in the horticulture sector have evolved there has been more focus on cost recovery and a general move towards the commercialisation of BDS provided or facilitated by AKRSP.

2. Context

2.1 The Aga Khan Rural Support Programme

The Aga Khan Rural Support Programme (AKRSP) is a private, non-profit company, established in 1982 by the Aga Khan Foundation¹ to help improve the quality of life of the villagers of the Northern Areas and Chitral in Pakistan. It acts as a catalyst for rural development, organizing local human and financial resources in order to enable the communities to bring about their own development in an equitable and sustainable manner. While striving to support and assist other agencies in promoting social sector programmes, it has also been involved into following activities through its seven thematic sections viz. Agriculture, livestock, forestry, credit and saving, training, mountain infrastructure and engineering, and enterprise development:

- Organising local/human resources in the form of "Village Organisations and Women Organisations (VOs/WOs)", so that they can function as semi-permanent entities for the good of all community households.
- Mobilising financial resources, ensuring that the savings and credit mechanisms are sustained.
- Empowering communities to bring about their own development, working with other agencies such as government and semi-government agencies and NGOs.
- Managing natural resources to realise their potential in contributing to sustainable development.
- Stimulating local entrepreneurial capacity to enhance the area's economy.

2.2 The Northern Areas and Chitral

Geographically, the region covered by AKRSP activities is confined to the Northern Areas and Chitral (NAC). This presently includes six districts: Ghanche and Skardu (together also known

¹ The Aga Khan Foundation is a private, non-denominational, philanthropic network established by His Highness the Aga Khan. It seeks to promote social development, primarily in low income countries of Asia and Africa.

as Baltistan), Gilgit, Diamer, Ghizer, and Chitral². The programme area measures 74,200 sq. km of hills, valleys, and high mountains. It has two major lifelines: the rivers, which provide irrigation water and hydro-electric power and among which the Indus and the Hunza, Gilgit, and Chitral rivers predominate, and the roads, in particular the Karakorum Highway (KKH), but also some major roads connecting Baltistan and Ghizer with the KKH. (Streefland, P. H., 1995)

According to the 1998 census, the population of the NAC is 1,055,600. While population growth rates are beginning to slow down from recent historical highs (the preliminary results of the 1998 census suggest growth rates from 1981 to 1998 of 2.5% per annum), the size of the labour force can be expected to explode in the next two decades. The current labour force (men and women between ages 20 and 60) of about 400,000 will swell to over 600,000 in ten years time – a growth rate of nearly 5% per year. Coupled with the fact that the current young are better educated than their parents are, the demand for jobs for educated youth will increase at an even faster rate.

Politically, the Northern Areas of Pakistan falls under the Federally Administered Northern Areas (FANA). Before the government of Mr. Nawaz Sharif was overthrown by military in October 1999, it announced a range of political reforms for the Northern Areas and a PKR 3 billion package for infrastructure and development. The status of these developments is now in doubt. All this creates a very uncertain macro-economic and policy environment. The outcome is likely to be reduced government spending in the Northern Areas (it is already low in Chitral). It will also discourage investment by the private sector in the NAC, complicating the task of generating economic growth and creating jobs in the region. However, it is expected that the situation will not constrain the ability of AKRSP to operate effectively and to some extent to shield the communities from the uncertainties of the macro-economic environment.

The economy of these areas revolves mostly around subsistence agriculture organised at the village level. The area lies outside the monsoon rainfall system and therefore receives very low annual precipitation estimated between 100 and 500 millimeters. This level of rainfall marks the region out as semi-desert. Melt water from the numerous high peaks are tapped for use in irrigation. The average size of cultivable land holdings is small (around one hectare) which places limits on the extent of mechanisation and commercialization possible with existing land (Safdar, P., 1998). Also due to low rainfall and extensive logging, the level of forest cover is quite low. Livestock holdings are small but even so overgrazing of pastures at high altitudes is a common occurrence. With rampant population growth, the pressure even on the existing small holdings is increasingly prompting local inhabitants to search for more off-farm work both within the programme area and the rest of the country, and abroad.

Keeping in view the problems of scattered land, limited landholding, distant market, massive unemployment, and nascent enterprise culture, AKRSP from the very beginning decided to support community initiatives through various interventions³ directly in productive sectors related to the rural economies of the NAC. To lessen pressure on land and to afford community members the possibility of diversifying their income-earning portfolio, an enterprise development programme was initiated. The objective of Enterprise Development Section (EDS) is to foster enterprise development in the programme area. EDS offers a wide range of BDS to its clients, including vocational and entrepreneurial training, establishing market linkages,

² Chitral is a part of North West Frontier Province (NWFP), whereas the rest of the five districts constitute FANA.

³ For details, please refer Appendix II

providing market and price information, forming interest groups, conducting learning and exposure visits, R&D, and disseminating appropriate technology.

3. Two Approaches to BDS in Remote Rural Areas

AKRSP have intervened in a variety of ways over the years to support economic development in the NAC. This case study focuses on two current approaches adopted by AKRSP to develop markets for fresh fruit and vegetables, vegetable seed, and dried and processed fruit. The first involves AKRSP facilitating private sector intermediaries to provide services and the second involves AKRSP providing services directly by developing a separate commercial entity.

Although many government and non-government interventions such as the Karakoram Highway (linking Pakistan and China) have played a role in social and economic change, the NAC still faces particular constraints to market development due to its isolation (Shakil, S., 1997). This isolation, poor infrastructure, small scale of landholdings, and lack of economic development leads to problems when attempting to promote markets for business development services.

Despite the demand in down country markets for fruits, vegetables, and seeds produced in the NAC, there is not a developed market of intermediary or ‘wholesale’ organisations to link producers in the NAC with these markets. AKRSP have used a number of approaches to fill this gap, two of which are reviewed in this case study. In the first case, farmers groups have been established with support from AKRSP but with the investment coming from the groups themselves. All the groups have been formed on the partnership basis, with a couple formally registered under The Partnership Act 1932.

The second initiative is a separate commercial entity (North South Seeds) established by AKRSP, currently operating as a cost centre but with a view to it being established as a private sector company in time. Currently, the farmers in the country are using either the low quality, locally produced cheap or expensive imported seeds (usually adulterated by importers). The virus resistant environment (due to high altitude, chilled nights, and longer days, etc.) of the NAC is conducive to produce high quality vegetable seeds. Therefore, the NSS aims to meet the demand of high quality seeds by producing locally, and marketing it in the country.

4. Methodology

A mixture of qualitative and quantitative analyses has been used in the study. Along with the information and background material such as the baseline survey conducted by AKRSP, secondary information/data available with AKRSP, business plans of NSS, and activity reports on “Farmers Interest Groups” by AKRSP. Primary data have also been collected by conducting surveys of farmers and farmers interest groups. This study is primarily based on this primary data.

In the first case of developing links between farmers and markets through the promotion of private sector intermediaries (farmer interest groups in Chitral), all eight groups at meso level⁴ and thirty five individual farmers (eight members of farmers interest groups and twenty seven non-members) at micro level⁵ have been interviewed on one to one basis. In the second case of

⁴ Appendix III, Questionnaire for Farmers Interest Groups

⁵ Appendix IV, Questionnaire for Farmers

creating links between client businesses and markets through establishing commercial entities that function in a business like manner (North South Seeds), a sample of thirty eight seed growers⁶ from three different areas, i.e. Hunza, Gilgit and Gojal were interviewed on one to one basis.

5. Intermediary Organisations - Farmers Interest Groups in Chitral

In order to overcome the problem of small and scattered agriculture production, AKRSP assists farmers and potential entrepreneurs in forming farmers interest groups. These groups not only market their own produce, but also that of the neighbouring farmers. They are formed on a partnership basis, the profit being shared according to the individual's investment. In addition to marketing activities these groups are involved in fruit processing and drying as well as some other income generation activities such as honey bee keeping, fresh fruit marketing, and retailing agriculture inputs.

*Table 1
Farmers Interest Groups*

Model	Recipient	Provider	Services	Facilitator
Farmers Interest Groups (Case-a)*	Farmers Interest Groups	AKRSP	Packaging material development, Linkages development, Technology Dissemination, Market Information, Exposure Trips/Test Marketing, Post Harvest Management Training, Food Processing Training, Entrepreneurial Training	AKF, DFID and other donors
Farmers Interest Groups (Case-b)**	Farmers	AKRSP/ Farmers Interest Groups	Fruit Drying, Fruit Processing, Post Harvest Management Training, Agricultural Input Supply, and Marketing of Produce	AKRSP/ AKF, DFID and other donors

* Case -a: AKRSP provides training/services/facilities to the groups

** Case -b: Groups provide training/services/facilities to the farmers

5.1 Description of the Market

Although district of Chitral accounts for 20% of the total area of the North Western Frontier Province (NWFP), it contains only 1% of the population. High, dry mountainous area remains cut off from the rest of the country for at least half of the year when heavy snow fall blocks the Lowari and Shandur passes, which are the only access routes connecting Chitral with other parts of the country.

The on-farm enterprises of Chitral can be divided into agriculture, livestock, and forestry sectors, which play a vital role in the economy of Chitral. Some valleys of Chitral specialize in fruit production such as apple, pears, apricot, and mulberry. Due to the lack of storage facilities and other marketing services for agricultural produce, farmers were either forced to sell a large portion of their produce at once or let the produce go to waste. In the private sector, the retailers and inter-market traders (specially the "Pathans/Afghans" from down-country) made the best use

⁶ Appendix V, Questionnaire for Contract Seed Growers

of the lack of storage facilities, unfair and fraudulent trade practices, and the taboo of discouraging the sale of fruits and vegetables, thus purchasing the produce at a cheaper rate. Although this meant good income earning opportunities for the traders, the low value received by farmers for their produce limited their social and economic uplift.

The main government involvement could be seen through the Chitral Area Development Project (CADP) although this project has now been phased out. CADP was a multi-sectoral rural development project having a marketing section with limited staff and resources. One significant contribution of CADP was the construction of the fruit and vegetable wholesale market, which has been helpful in creating awareness among local farmers to sell their produce. Moreover, the construction of the Chitral to Booni (farm to market) road, though an infrastructure project, had significant impact on the promotion of farm enterprises in that part of the district.

There has only been one NGO involved in providing services to the agricultural market (other than AKRSP). The Project for Horticultural Promotion (PHP) previously the Malakand Fruit and Vegetable Development Project (MFVDP), has been working in the area since 1988. Funded by the Swiss Development Agency, it provides assistance to the farming community during each step of the product cycle; from pre-production through post marketing. However, the scope of its activities in the district is limited. It believes in and encourages the collaboration of efforts with other agencies in order to promote horticulture in the province and provides technical backstop on horticulture promotion to several agencies in the district. As the programme covers the whole province (NWFP), Chitral, being a small and remote district, remains a marginal beneficiary.

Both CADP and PHP offered their services either free of cost or at highly subsidized rates. These efforts had a limited impact as they focused only on the marketing of agricultural produce and did not take account of other BDS requirements of the farmers such as the need to improve the quality of production and increase yields.

5.2 AKRSP as a Facilitator

In the absence of support agencies providing BDS in the district, AKRSP aims to foster enterprise development primarily through providing vocational as well as entrepreneurial training to existing and new enterprises, facilitating them in establishing market linkages, striving to create an enabling environment for enterprise development, and extending credit facilities to meet the working capital requirements of existing enterprises.

In this context, the Enterprise Development Section (EDS) of AKRSP has helped organizing the farmers having common interest in a commercial activity into groups. Building the capacity of these nascent enterprising groups is crucial for their success. In this context, AKRSP provided the following services as per the needs of the individual farmers interest groups.

- **Group Formation:** EDS has been instrumental in forming interest groups. Generally these groups consist of individuals who share common interest such as apple growers, pear growers, agricultural input supply, dried fruit producers and marketers, etc. The group members not only market their produce, but also that of the farmers in their vicinity. EDS assists them in their formation, assesses their potential and needs, guides them in formulating a plan of action, prepares brief business plan, and carry out cost benefit analysis for individual commercial activity that the group is capable to carry out on profit.

- **Fruit Drying Training:** In this dry mountainous area, fruits had traditionally been dried by spreading it out on the rocks and exposing it to the sunlight. However, through this traditional drying method, fruit catches dust particles and remains prone to insect attacks. This results in a poor quality of product, which fetches low farm gate prices in the market (Rs. 3 - 10 per kg)⁷. AKRSP introduced improved drying methods, which involves the use of sulphur fumigation chamber and fruit drying trays. In this context, AKRSP provided fruit drying training to individual fruit growers as well as to these groups. The method has been widely accepted through the training provided by AKRSP resulting in improved quality and optimum profitability. With the help of this method, the resulting product (mostly dried apricots) is appreciated by consumers and is fetching better farm gate prices (Rs. 20 - 45 per kg).
- **Food Processing Training:** Huge quantity of fruits and vegetables used to be wasted, due to the non availability of proper market, poor communication/transportation network, lack of food processing industry, and insufficient post harvest management practices. The main objective of the food processing training was to minimise the wastage of fruits and vegetables and make them marketable by transferring the skills to the community. This training gave a reasonable benefit of learning jam, squashes, pickle, puree, and glacey making techniques to the trainees.
- **Post Harvest Management Training:** The main objective of the post harvest management training was to augment the skills of local growers in picking, grading, packing, and marketing, in order to reduce the post harvest losses, increasing the shelf life of the produce, resulting in increase of the income of a common farmer.
- **Fresh Fruit and Vegetable Marketing Training:** Preliminary need assessment surveys/meetings were conducted with apple/pear growers in the area. Despite an immense potential for fruit production, lack of market information and proper marketing of the produce were rated as the highest barriers. Proper marketing techniques along with price information from down-country were imparted to the farmers.
- **Down-Country Exposure/Learning Trips:** To remove the fear and suspicion in the minds of potential entrepreneurs about “what will happen to the produce once it is exported out of district to down country markets”, not only training sessions were conducted in packaging and storage but learning trips were also made to explore down-country markets and development of linkages with down-country retailers.
- **Linkages Development:** AKRSP developed linkages of “Farmers Interest Groups” with PHP, Fruit and Vegetable Development Board, Agriculture Research Centre, national beverage companies such as Shezan and TOPs, and down-country fruit markets.

5.3 Interest Groups as Providers

The above range of services provided by AKRSP to interest groups assist members of interest groups in marketing their own produce and in their own post harvest activities (case a in Table 1), but interest groups also provide training and other services to interested individuals in the villages (case b in Table 1).

⁷ US \$ 1 = Pak. Rs. 54

Training to interested individuals in the villages is often carried out in conjunction with AKRSP, with interest groups performing a similar role as extension workers for AKRSP. The groups organise most of the pre-requisites of the on-farm training programme such as delivering invitation messages to trainees, organising their transportation to the training site, arranging food, training places/halls, and training material for the trainees. The training sessions have been found to be informative as well as cost effective in terms of outreach and actual cost.

Several years ago farmers were paid to attend training sessions, but the trend has been to reduce these incentives, culminating in the introduction of nominal fees for training courses to encourage only genuine trainees to attend. Even though training to farmers remains subsidised, it should be noted that some of this subsidy comes from interest groups (as opposed to AKRSP) as interest groups incur costs in arranging training that are not fully recovered through fees or reimbursed by AKRSP. By providing such training, the groups establish a linkage with the farmers and develop their market in either purchasing farmers produce, or selling them agriculture inputs available in the group's agriculture supply retail store.

In addition to training services, farmers interest groups provide neighbouring farmers with a range of services and inputs appropriate to the main activities of the groups in order to improve the quality of the products available in the neighbourhood.

These services and inputs are provided on a commercial basis by the groups, and can be seen as effectively cross subsidising the costs of the training provided. An interest group stands to benefit if the quality and quantity of produce purchased from neighbouring farmers improves. Thus the costs incurred by farmers interest groups in training neighbouring farmers are recovered as farmers interest groups earn higher margins on better quality product and increase their turnover through increased yields.

Table 3
Farmers Interest Groups:
Services provided to farmers and support received from AKRSP

Name of Group	Membership	Services Provided to Farmers by Groups	Support from AKRSP to Groups	Number of Beneficiaries
CAPAS	13	Training on fruit processing, drying, picking, grading, marketing of fresh fruit, nursery raising, and agricultural input supply	Training on post harvest management, fruit processing, drying, picking, grading, entrepreneurship, and marketing Exposure trips, price information, and appropriate technology transfer	186
REDS	5	Marketing of fresh fruit, honey bee keeping, product exhibition, Training on apple picking, grading and packaging to the farmers	Training on fruit processing, drying, picking, grading, marketing, and down-country price information	40
BGO	18	Marketing of fresh fruit, training on fruit picking,	Training on fruit processing, drying, packaging and marketing,	89

		grading and packaging to the farmers	exposure trips down-country	
SBA	10	Potato marketing, food drying, processing and marketing	Training on fruit processing, drying, packaging and marketing, exposure trips down-country	37
PGMA	14	Purchase from the local farmers at better rates, and marketing of potatoes	Training on marketing, exposure trips down-country	46
CPA	12	Poultry production, marketing, and discouraging the influx of unhealthy chicken in the area	Training on poultry breeding, and marketing in the area	21
DBA	4	Purchase from the local farmers at better rates, and Pear , Potato, and Walnut marketing	Training on packaging and marketing, exposure trips down-country	19
EEC	2	Food processing (Jam, Squashes, and Puree, etc.) purchase from the local farmers at better rates	Services of a food technologist, and training on packaging material development	23

5.4 Research Questions Addressed

5.4.1 How can donors promote BDS markets?

Supporting entrepreneurial groups that go on to train and provide services to a wider public appears an effective approach to promoting BDS markets. It is difficult to decrease subsidies to nil if the establishment and development of farmers interest groups in the NAC has to be maintained. A new group requires initial subsidies in terms of AKRSP assisting them in formation of the group, training (both vocational and entrepreneurial), exposure visits, or any transfer of appropriate technology to the groups. Initially the level of support provided by AKRSP to these groups is high, but as the groups mature there is less of a need for training and the groups become stand-alone ‘partnerships’ providing services to farmers on a commercial basis.

This transition from subsidised BDS provider to commercialised BDS provider can be an effective way of promoting BDS markets where ‘underlying’ markets (transactions between MSMEs and their customers) are particularly undeveloped. There may be a need to subsidise the development of the underlying market before the development of markets for BDS provision can be developed.

5.4.2 Under what conditions do supply side interventions lead to market development over the long run?

The inputs provided by AKRSP have made farmers interest groups more conscious about quality and value addition. A pre requisite for competition is that people have to strive to improve products and services. Market information and exposure trips have shown farmers interest groups that they can earn a good return if they produce high quality produce. This process of

product improvement and the resultant competition should create a good environment for market development for BDS.

Subsidies are decreasing⁸ over the years and farmers interest groups are encouraged to stand on their own feet. Initially participants were paid to attend training sessions and enjoyed free boarding and lodging facilities with per diem. After one year boarding and lodging was provided but without per diem. Now, after three years a nominal fee has been introduced for attending some on farm training programmes to encourage only genuine trainees to attend and to make the programme gradually self-sustainable.

Another indication for the potential of market development is the purchase of packaging materials by the farmers interest groups on their own during the closure of AKRSP offices due to some political disturbances in Chitral in August 1999. Farmers interest groups not only purchased packaging materials at their own but proved to be capable of operating without AKRPS's support.

The above example depicts that the commercialization is expected but it needs proper development of the underlying market, which requires time and effort. Based on this result, it can be assumed that with the passage of time, other BDS suppliers may enter into the market for a healthy competition.

5.4.3 Do private BDS providers have a positive impact on MSMEs performance?

Farmers have been able to earn more by increasing yields and improving quality, due to BDS such as training on fruit drying, food processing, and post harvest management techniques provided by farmers interest groups. Data obtained from the survey depicts that the farmers interest groups activities have created a substantial impact on the lives of the groups members and neighboring farmers. As they are earning more due to more production, on time sale, and reduced wastage, their annual income has been increased sharply resulting in better living standards. While 94% of farmers surveyed think that they are capable of eating more nutritious food and wearing better cloths, 97% want to spend their extra income on better/higher education of their children. These results suggest that the farmers interest groups have had a positive impact on the income of MSMEs.

The difference between farm gate prices in Chitral and wholesale prices in down-country markets is decreasing every year due to the development of efficient marketing channels. Data collected during interviews shows that farm gate prices in Chitral are increasing, while wholesale prices in down-country markets have remained at the same level (considering inflation) as they were three years ago. One of the key reasons is that since the emergence of farmers groups in the area, farmers have a bigger and better market, with more choices for selling their products. Farm gate prices are increasing due to increased competition; the increase in down-country market price information among the growers of the area through the efforts of EDS by sending them over to these markets on exposure/study trips; and growers valuing cash more and more as the economy is in transition towards cash economy. The increase in farm gate prices while wholesale prices remain stable (factoring inflation in) implies farmers are gaining an increased share in the rewards of their productive efforts.

⁸ According to the data collected from AKRSP as well as based upon the farmers groups' evidence

5.4.4 Under what conditions are MSMEs willing to pay for BDS?

The interview results suggest that farmers are willing to purchase BDS provided they add value to their businesses. Although they expect some free inputs from farmers interest groups such as training on fruit drying/processing and post harvest management techniques, they are ready to pay for certain services such as supply of agricultural tools/equipment and pesticides, and packaging material, etc.

There is a clear split between services that farmers pay for and those that they resist paying for. Tangible inputs such as tools and pesticides are paid for, whilst training provided by farmers interest groups is not paid for (although nominal fees have been introduced). Yet despite the fact that training is provided free, the farmers groups that provide training earn additional income as a result of higher quality produce and increased volumes so effectively cross subsidizing the costs of training with increased profit through trading higher quality produce and larger volumes.

5.4.5 To what extent do subsidised providers displace private BDS suppliers?

There have been very few private sector providers of BDS, already subsidizing their services to farmers in the NAC. This lack of marketing opportunities combined with the lack of storage options meant that farmers were forced to sell their produce below normal market rates. During the harvest season, the local market used to be suddenly flooded with the local produce for a short period of time and then the local produce would vanish from the market altogether. The inhabitants of the area were thereby forced to buy imported produce at inflated price. The farmers were at double loss i.e., cheap disposal of their produce with costly purchases to follow. The advent of farmers interest groups has increased competition and improved farm gate prices. This may have displaced some private sector suppliers but these were often monopoly suppliers who exploited their monopoly position with farmers by unfair practices such as offering low prices, applying unfair weighing methods, and delaying or/and denying payments. Therefore, it is hoped that farmers interest groups would be playing a vital role in the social and economic uplift of the community by displacing mostly exploitative dishonest down-country traders by practicing fair trade.

6. Commercial Entity – North South Seeds

6.1 Description of the Market

Since late 1997, AKRSP has targeted seed production and dried fruit marketing as enterprises with a high potential for success. The potential for production of superior potato and vegetable seed was established earlier by both AKRSP and FAO in a variety of investigations and projects⁹. The market potential of vegetable seed was first understood as potentially profitable with the realisation that no professional vegetable seed production industry exists to meet the enormous seed demand in Pakistan, necessitating either the use of poor quality locally produced seed or expensive imported vegetable and potato seed (Business Plan of NSS, 1999).

The studies conducted in this regard showed that there existed an enormous vacuum in the seed market in Pakistan (Devarrewaere, M., 1998). A seed growing/marketing company could bring

⁹ Mountain Oases, Mr. Peter Whiteman's 1984 end of tour report for FAO, also technical reports by Mr. M. Pokhrel of FAO on vegetable seed production.

not only good profits for the owners but also prosperity for the seed growers of the NAC as well. Keeping in view the demand in the area and down-country, North South Seeds was established as a cost centre within AKRSP. Actual production began in 1998 with the following objectives:

- Profitable production and sale of vegetable seeds
- Provision of high quality seed varieties fulfilling the farmers' demands

These commercial objectives of NSS fulfil the AKRSP's mandate by:

- Providing a variety of profitable cash crop to more than 1000 farmer households in potentially every part of the AKRSP area of operation,
- Offering profitable alternatives to complement or replace potato, with incomes ranging from Rs. 5,000 to 15,000 per kanal¹⁰,
- Targeting women farmers as producers; 50% or more of NSS contract growers are women,
- Providing unique and valuable skill of specialised seed production to farmers and NSS workers belonging to the programme area, and
- Indirectly addressing a variety of peripheral issues such as free grazing, pest management, job creation, and introduction of appropriate technology.

Table 2
Commercial Entity (NSS)

Model	Recipient	Provider	Services	Facilitator
North South Seed (NSS)	Seed Growers/ Farmers	NSS	Provision of Seeds at the Doorstep, Training on Seed Growing Techniques, Information/On-Farm Technical Advice, Training on Bee Keeping, Labour Force Development, Seed Cleaning, and Marketing of Seed.	AKRSP, AKF, DFID and other donors

In response to these opportunities and challenges, North South Seeds has, in its first year of commercial vegetable seed sales:

- Successfully introduced a new brand in key seed markets throughout the country.
- Thirty - two metric tons of commercial seed potato were grown and sold in 1999 during the Punjab spring production season.
- Sold more than Rs.1.2M worth of seed for cash – a precedent in the Pakistan industry.
- Presented improved local varieties to farmers using international quality seed and packaging.
- Established a nascent core group of 350 contract seed growers in the Gilgit area.
- Formed a team of committed and skilled production, processing, marketing and finance & administrative staff
- Begun accumulation of critical technical information on every facet of the seed business in Pakistan.

¹⁰ One kanal is one-eighth of an acre.

It was also realized that there was an adequate excess production of fresh apricots in the NAC, which were already produced to a locally marketable standard throughout the region. However, lack of systematic quality control procedures were major hurdles to make the product legally tradable in foreign markets. Keeping in view the potential, AKRSP started developing farmers' capacity (by improving tree husbandry, fruit harvesting methods, and drying procedures) and the entrepreneurial capacity of NSS (for some time) for establishing a self sustainable venture of export-marketing agricultural produce and providing business development services to the community (Brett, A.,1999).

Therefore, in 1998 a small apricot drying and marketing project was initiated under the auspices of NSS on the pilot basis. The results of 1998 were encouraging enough that it enticed a UK based firm "Tropical Wholefoods" to come to Gilgit and explore the possibility of developing a business relationship with the growers of NAC. The visit resulted in a business plan. In the meantime, the apricot drying and marketing initiative continued under NSS. However, from year 2000, it is envisaged that the initiative would be separated from NSS and would form a business with a proposed name of Gilapex. However, the final decision would be taken by the AKRSP's board of directors in February 2000 in this regards. As of now, the business has been able to produce and sell 8 metric tons of apricot in 1998 and 47 metric tons in 1999 in the local and overseas markets.

6.2 North South Seeds as a Provider

North South Seeds benefits from the long involvement of AKRSP in the NAC. The AKRSP programme has organised over 3,000 Village Organisations (VOs), Women's Organisations (WOs), 14 Field Management Units (FMUs), and three Regional Programme Offices (RPOs), which provide a suitable platform for developing a business relationship with hundreds of local farmers (potential seed and apricot growers) who would otherwise have to be contacted on an individual basis¹¹. The VOs and WOs provide an ideal point of contact at the village level.

In case of seed growing, the contract grower is the "factory" of North South Seeds. These people, often women, are actual producers of the commercial and stock seeds (breeder seeds are produced under direct supervision of NSS seed production officers). They sign a contract, which binds them to provide seeds to NSS at specified levels of quality, and in turn, NSS is bound to pay the grower a set price for the seeds. These transactions lead to increased skill levels among farmers. For example, a farmer can earn Rs. 650 per kg for open pollinated tomato seed. But he may earn Rs. 2500 per kg for hybrid tomato seed. He first needs to master normal tomato seed production, but can have as a future goal the latter. Farmers are contracted to sell their seeds at fixed prices to NSS. The survey results show that 89% are willing to sell at fixed prices as they receive cash on delivery (within 15 days). NSS has been providing the following inputs to the seed growers:

- **Cash Advance:** Each contract grower gets or is entitled to get an interest free advance facility in kind up to 30% advance against the expected yield of his/her seed crop. This 'in kind' advance is for the purchase of barbed wire for fencing the crop, pesticides, and fertilizers. In addition to this, each contract grower gets an advance of seed over and above the 30% advance in kind described earlier.

¹¹ For details, please refer Appendix I

- **On Farm Training:** The Seed Production Officers (SPOs) undertake regular visits to the contract growers' fields and provide on farm training to them. This includes providing technical training on the row to row distance, seed cultivation, seedlings production, application of pesticides and fertilisers.
- **Post Harvest Assistance:** NSS provides post harvest assistance in varying degrees to the contract growers. For instance threshing of seeds through simple equipment, and assisting contract growers establishing linkages for by-products such as in case of tomato seeds, linking the contract growers with the potential buyers of tomato pulp.
- **Quality Control:** Instilling in the contract growers the importance of quality control, consistency in production, grading, and producing according to standards and then training them accordingly. This is very important and at the moment lacking among the farmers of the area.
- **Research and Development:** Although R&D is carried out for the advantage of the NSS but through R&D, the farmers of the area are given information that what they can grow and when and how. Through this action research type of R&D, the farmers are leaning new technology and accumulating new information.
- **Strengthening the V/WOs:** When a Seed Production Officer (SPO) visits a V/WO, the members get together and discuss various business options with the SPO and learn the advantages of growing seed. In this process, one can observe that an enterprising culture is being developed in those V/WOs and their members.
- **Availability of the Market:** NSS provides a ready market for the contract growers and pay cash on delivery. Both of these things are crucial and important for the resource poor farmers of the area.

6.3 Financing by AKRSP and Cost Recovery

North South Seeds functions in a business like manner and the long term aim is that it should be fully commercialised and attract private sector investment. According to the business plan, a significant investment of Rs. 30 millions would be required until 2002, when it would hit a breakeven and generate enough revenues to sustain its operations on a sustainable basis.

These are still early days for NSS, and the long-term profitability of the organization has yet to be proven. Nevertheless if the projections in the business plan are accurate, and they appear reasonably prudent, in a few years NSS could be a large profitable company. Establishing a seed business is a complex high risk venture, particularly when a breeding programme and the development of hybrid seeds are planned. But AKRSP appears to have suitable expertise in place, developed a very useful link with the contract growers, and developed a suitable marketing channel in the country market.

6.4 Research Questions Addressed

6.4.1 How can donors promote BDS markets?

Donors can promote BDS markets by building on capacity built through other development activities. This applies to the farmers interest groups in section 5 as well as NSS. The survey results show that VO/WOs established by AKRSP have played an important role in providing information on the benefits of contract seed growing. All of the contract growers interviewed are members of these organisations. The average length of VO/WO membership is 13 years. Most of the seed growers stated that their prior good experience with AKRSP has helped them to decide to grow seed with/for NSS.

The development of contract growers who now have experience in commercial vegetable seed production and understand the importance of quality control should in time provide the opportunity for other seed companies to establish themselves in the area. NSS is very concerned about competition and other companies entering the same market once they see the success of NSS. This suggests that NSS's initiative may foster the development of a seed industry in the area, however this depends upon the success of NSS as a commercially viable business.

Growing high quality seeds on a commercial basis was relatively untested at the time when the first growers (early adopters) were contracted by NSS. Interviews with contract growers suggested that other farmers who could have taken up the opportunity to be contracted by NSS preferred to wait and see the results of the first contract growers. This suggests that the existing contract growers are likely to be more risk taking than the risk-averse 'wait and see' farmers and therefore more likely to develop markets.

6.4.2 Under what conditions do supply side interventions lead to market development over the long run?

Although the creation of an organisation such as NSS is clearly a supply side intervention, through improving and expanding seed production in the region, it creates a potential demand for other intermediary organisations serving the BDS market relating to seed production. NSS does have a comparative advantage through their association with AKRSP. The vast majority of contract growers are members of AKRSP's VOs or WOs. Yet AKRSP does not intend to subsidise NSS beyond its initial years of development. An unsubsidised NSS should stimulate market development over the long term provided AKRSP does not stifle competition and ensures that NSS does not abuse its connection with AKRSP.

There is a balance to be struck between supporting ground-breaking organisations (that develop 'underlying' markets) such as NSS and promoting the development of markets for BDS. This is particularly significant when substantial investment of money and time is required to establish the operation. NSS, as a commercially focused organisation, wants to maximise market share and maintain a monopoly position as long as possible. If the objective is to develop markets for BDS, NSS should not be allowed to use AKRSP to develop a monopoly position that excludes competition. Yet AKRSP has to support NSS to the point where it is sustainable or else the market for high quality seed produced in the NAC may never develop.

6.4.3 Do private BDS providers have a positive impact on MSME performance?

NSS deals in high quality, well-packaged seeds, with an emphasis on quality control and establishing a reputation. Although farmers in the NAC have produced seed for many years, the demands of producing seeds to an 'international' standard requires contract growers to improve the quality of their seed production.

Only one out of thirty eight contract growers interviewed has previous experience of growing seed on commercial basis. However, almost all of the contract growers have seed growing experience for their own use. Through their involvement with NSS contract growers are learning to grow different kinds of seeds, which they did not know in the past, and in the process they are diversifying risks. In addition to this, they are learning the advantage of crop rotation.

According to Farm Household Income and Expenditure Survey conducted in 1997, the average per capita income in the NAC is Pak. Rs. 10,000. During the 1999 season the average net earnings of NSS contract growers after deducting the cost of the inputs was Rs. 4,638. This is 46% of the average per capita income from the survey referred to above. This suggests that NSS has a positive impact on the farmers they service. All the contract growers interviewed are also involved in other income generation activities, but contract seed growing for NSS is generating additional income for them, hence increasing their standard of living.

Ninety six percent (36 out of 38) contract growers interviewed expressed their desire to expand their business with the NSS. This suggests that NSS has a positive impact on MSME performance. At the start of the season NSS contracts with growers for which seeds to grow and how much NSS will pay. This is an advantage for the growers as it allows them to plan their business and was described by many as the reason for wanting to expand their business with NSS.

6.4.4 To what extent do subsidised providers displace private BDS suppliers?

There are no other seed companies in the NAC that farmers could work for as contract growers. As contract growers, farmers are supposed to sell their seed harvest to NSS at a price fixed at the start of the season. All but one contract grower in the survey were of the view that they have no alternatives other than selling vegetable seeds to NSS, with the exception of potato and onion seeds. In case of potato seed, M/s Jaffar Brothers Private Ltd. buy from farmers, and in addition, there are a few other local buyers (not registered companies but individuals and small groups) who purchase potato seed and sell it in the down-country market. For onion seed, there is a market of sorts. Spice retailers (*pinsars*) and onion bulb growers purchase the seed locally as a food item. Provided NSS expands the supply of seed production rather than competes with existing seed purchasers for a limited seed supply, NSS's activities should improve the quality and increase the supply of seed rather than displace existing private sector players.

6.4.5 How can donors effectively support product development and commercialisation?

The survey results show that only 16% of contract growers are willing to pay the cost of seeds up-front, but 92% would be willing to do so if they had the money. This suggests that although contract growers expect benefits from the association of NSS with AKRSP, once their businesses have been developed and their incomes have been increased they would be willing to take on more themselves and enable NSS to commercialise.

In this context product development and commercialisation reflects the balancing act between AKRSP supporting NSS in developing the market for high quality seed production and promoting the development of markets for BDS in the seed sector referred to in section 6.4.2. Product development has to come first, followed by commercialisation. Although AKRSP is supporting an individual provider so giving it an advantage over other non-subsidised suppliers, there are currently no other suppliers in the market anyway. Once the product (effective capacity of contract seed growers in the NAC and demonstrable marketing opportunities) has been developed the focus has to shift from product development to commercialisation and market development.

7. Comparison of Both Models

Relatively direct comparison can be made between facilitating BDS provision and directly providing BDS (but on a commercial basis) with the example of dried apricots.

Both NSS and farmers interest groups market dried apricots. From the point of view of subsidies by AKRSP, there are greater subsidies in providing BDS directly through NSS than working through farmers interest groups. Interest groups are cheaper to maintain than a large organisation. Yet in theory the subsidies provided by AKRSP to NSS have more potential to be recovered than those to farmers interest groups. If NSS becomes profitable AKRSP may recover some of its investment.

Only NSS export apricots to overseas markets. It may be that in time farmers interest groups become capable of this but currently the organisational and quality control requirements of exporting are only found in NSS and farmers interest groups market dried apricots in the local markets. This suggests a more general conclusion about the appropriateness of donors facilitating private sector intermediaries or getting involved in direct service provision. Based on the apricot example, facilitation may be more appropriate where the service required is relatively straightforward and individuals or groups can be relatively easily trained to deliver these services. However, where the service required is relatively complex, it may be necessary to get involved in direct provision and develop a commercially focused and specialized organisation that has the capacity to deliver these more complex services.

8. Conclusions

The context of this case study is particularly important. It is only on travelling to and from the region that one appreciates just how remote and cut off Chitral and Gilgit are. Due to distant markets, poor physical infrastructure, lack of market information or poor access to market information by the local entrepreneurs, nascent enterprise culture, small land holding, scattered production, low literacy rate and low level of exposure of the outside world, there are hardly any organisations (private entities) providing BDS on commercial basis. The resultant lack of the economic development means that AKRSP faces particular problems in promoting the development of markets for BDS.

The survey results indicate that another reason for the non-existence of substantial market for BDS in the NAC is the combination of lack of suppliers and the unwillingness or inability of MSMEs to pay commercial rates for BDS. Therefore, there is a need to develop first the basic market, which may be followed by BDS market development.

Due to the undeveloped nature of markets in the NAC it is argued that there is a need to support the development of 'lower level' markets, creating MSMEs that will demand BDS, before well functioning markets between MSMEs and BDS providers can be developed. As such supply side interventions that promote the development of 'lower level' markets such as the two models reviewed in this paper may lead to greater demand for BDS and act as a demand side intervention that promotes the development of BDS markets. Therefore, AKRSP is striving to develop 'underlying' markets through BDS provision and the facilitation of markets for BDS provision. With the development of these underlying markets more demand for BDS is being created and this in turn stimulates markets for BDS.

AKRSP has been able to build on its other development activities to facilitate and deliver BDS. However the past record of AKRSP in community development and infrastructure projects has been to deliver substantial assistance along side mobilising the capacity of the local people. AKRSP have to overcome the resulting expectations of subsidised BDS delivery.

Issues of the displacement of existing private sector BDS providers are addressed but in an area, where markets are as underdeveloped as the NAC, additional provision of the sorts of intermediary groups and organisations which, AKRSP facilitate will on the whole tend to create better functioning markets rather than distort markets that already function well. There may be some existing private sector BDS suppliers that no longer earn the monopoly (exploitative) profits they previously enjoyed but the increased competition will tend to increase the value received by farmers

It is argued that both models have a positive impact on MSME performance and lead to market development in the long run. Both are methods through which donors can promote BDS markets but which model is most appropriate depends on the market being served. Where the service offered is relatively simple and the business of the BDS provider is relatively straight-forward, facilitating private sector intermediaries may be the most effective way of creating markets for BDS. However, where the service is complex and there is a need to establish a sophisticated organisation to provide the service, it may be necessary to set up the organisation within the NGO, on commercial basis if possible, with a view to fully commercializing and ideally privatizing the organisation over time.

As such elements of this case study may be less relevant for other regions where economic development has reached higher levels. However, the challenge facing AKRSP is to continually adapt its BDS interventions to address the changing needs of its clients. One assumes that this need for adaptation is the case in all environments, so tailoring the approach and services required to meet the particular needs in a region should not make the AKRSP experience uninteresting.

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Appendix I

The Aga Khan Rural Support Programme – An Overview

The history of NGOs working in development related activities in the Northern Areas of Pakistan goes back to 1946, when Aga Khan III, Sultan Muhammad Shah started the Diamond Jubilee Schools programme in the region. Subsequently, the Aga Khan Development Network (AKDN) expanded its operations in the north, with the establishment of the Aga Khan Education Services (established in 1946 and registered as a services company in 1985), the Aga Khan Health Services (established in Chitral in 1964, Northern Areas in early 1970s and registered as a services company in the late 1970s), the Aga Khan Housing Board (established in the late 1970s) and the Aga Khan Rural Support Programme (established as a services company in 1982)¹².

The Aga Khan Rural Support Programme is a private, non-profit company to help improve the quality of life of the villagers of the Northern Areas and Chitral. It was established with the mandate to focus on economic and institutional development in collaboration with Government departments, elected bodies, national and international development agencies and commercial institutions. Although AKRSP’s own emphasis is on the productive sectors, it also strives to support and assist other agencies in promoting social sector programmes. AKRSP was established to act as a catalyst for rural development, organising local human and financial resources in order to enable the communities to bring about their own development in an equitable and sustainable manner.

AKRSP commenced its activities in the Gilgit region of the Northern Areas (NAs) in 1982, and extended its activities on a trial basis in 1983 to the Chitral district of the Northwest Frontier Province. During 1986, the complete range of AKRSP programmes were introduced in Chitral and the Baltistan region of the NAs. The six districts of the Programme Area have a combined population of approximately one million, consisting of about 100,000 households, in 1000 villages, settled on an area of 74,200 square kilometers. Much of the region lies above 1,200 meters and settled farming communities exist at altitudes of just above 3000 meters. The population of the region exhibits religious, cultural and linguistic diversity: three Islamic traditions - Sunni, Shia Ithnasheri, and Shia Ismaili - and five languages - Shina, Balti, Buroshaski, Chitrali, Wakhi.

In line with these objectives and principles, AKRSP has developed a programme which encompasses a wide range of activities for rural development. The main components of the Programme include infrastructure development, natural resource management (agriculture, livestock, forestry sectors), human resource development (village-level training), credit and savings programme, and enterprise development. Two major issues which cross-cut all of these

¹² Streefland, Pieter H. (1995) *A Contextual Study of the Northern Areas and Chitral*

components include social organisation and women's development; these also include linkages activities for promoting social sector development programmes between community organisation and various development partners including Government and non-government organisations.

Social organisation has been the main process through which AKRSP has fostered a network of Village and Women's Organisation (V/WOs) throughout the Programme Area. This approach takes a participatory approach to mobilising village communities so that they can collectively manage their various development priorities. Traditionally, VOs are formed on the basis of majority household participation which are then required to contribute regular savings towards the VO. The VOs are formed around a project, which the community identifies as priority; typically these projects have been Productive Physical Infrastructures (PPI) which serve as a catalyst for and an investment in social organisation. In this traditional approach, the social organiser and the village activist have played a crucial role.

A prerequisite for social organisation and V/WO formation has traditionally been that the majority of village households should participate in the V/WO with office bearers being identified or selected by the entire V/WO. On this basis, a respectable degree of participation, approximately seventy-five percent of all rural households, has been achieved while efforts of social organisation continue to emphasise expansion of household participation in VOs to extend development benefits to the maximum number of village households. Similarly, coverage of VOs is about eighty percent of the total number of villages throughout the Programme Area.

As essential component of participation in the V/WO is that members contribute regular savings (an amount determined by the general body) towards the V/WO. This has led to a significant accumulation of capital in the shape of collective V/WO savings against which members can access credit from AKRSP. Cumulative savings of V/WOs amount to Rs356 million.

Promoting women's participation is another challenge that AKRSP has undertaken which has resulted in a significant increase in the role of women in development. Several studies have been commissioned by AKRSP, which explore gender roles in the farming system and have enabled AKRSP to formulate interventions which promote a balanced approach to addressing the needs of women. In the context of empowerment, women's participation has increased through the WO platform whereby women have been enabled to enhance their social value in the community.

The ultimate objective of any rural development project is the economic and social uplift of the targeted population. AKRSP's own stated goal in this regard is to work towards achieving a definite improvement in the standards of living of beneficiary households in the Programme Area. While measuring improvements in the standard of living is an intricate task, increase in per-capita incomes is one of the many indicators possible for objective verification of the achievement of the stated goal. More concretely, therefore, AKRSP aims to contribute towards achieving parity with Pakistani per-capita incomes in the Northern Areas and Chitral by the end of the current project phase.

Keeping in view the problems of scattered land, limited landholding, distant market, massive unemployment, and nascent enterprise culture, AKRSP from the very beginning decided to support community initiatives through various interventions directly in productive sectors related to the rural economies of the Northern Areas and Chitral (NAC). To lessen pressure on land and

to afford community members the possibility of diversifying their income-earning portfolio, an Enterprise Development Programme was initiated. A Commercial and Industrial Development Section was also established to encourage cooperative marketing of agricultural products. Later, the section was converted into an enterprise development division to perform a variety of functions including training for market specialists, product development and research, promotion of micro-enterprises and facilitation of household markets. Moreover, the broadening of the institutional development landscape with the proliferation of local development (community-based) organisations has led to an internal review of the social organisation approach, which will enable AKRSP to address the new needs of the communities.

AKRSP can justifiably claim that significant achievements from development projects have:

- Reduced the isolation of the village communities of the NAC from the rest of Pakistan,
- Increased production of agricultural products and enhanced the food security of the local production,
- Improved livelihoods and made more comfortable lives for rural residents,
- Secured gain in health services and educational opportunities at local level,
- Stimulated the growth and development of regional centres and markets offering an increasing variety of goods and services,
- Increased the economic choices for local residents, and
- Improved employment opportunities for the younger generation.

It has also been pointed out by a number of independent evaluations of the programme that the costs per beneficiary of providing these services is comparable with similar rural development programmes around the world. These and other related figures are an indication of the wide spread impact AKRSP's interventions have had on the beneficiary population and the extent of participation achieved through these activities.

AKRSP through supporting communities and in collaboration with other partner agencies has contributed towards achieving this respectable growth in a relatively short period of time. However, significant challenges remain. Poverty in the Programme Area is still very high. With persistent fragmentation of landholdings owing to rapid population growth, there is urgent need to promote commercialisation for better productivity from the existing land. This has to be complemented by continuous innovation to increase villagers' access to off-farm sources of income. All this has to be done keeping in view the need to achieve balanced and equitable economic growth.

Appendix II

Performance of Farmers Interest Group: Case Study of CAPAS

Chitral Allied Partners for Agro Services (CAPAS) was formed by a group of farmers (the partnership deed was signed by all the partners and was registered under The Partnership Act 1932 of Pakistan) with an initial capital of Pak. Rs. 130,000 on March 26, 1997 (because of AKRSP interventions in grassroots level organizational development in Chitral), to fulfill following objectives:

- Establishment of fruit and forest plants nurseries and their marketing
- Vegetable growing and marketing
- Fresh and dried fruits marketing
- Fruit processing at household level
- Skill development by providing training to the farmers

AKRSP through its Enterprise Development Section (EDS) provided training to the group in post harvest management, marketing know-how, getting market information, packaging material development and test marketing before exposure trips to down country markets.

The group is playing a vital role in agri-business of the community now by providing vegetable seeds, pesticides, and insecticides to VOs and individuals being a certified pesticide dealer. It is involved in fruit processing, whose products (Apple/Pear jam, Grape syrup, and Tomato ketchup, etc.) are kept in the CAPAS shop. CAPAS owns the shop and the income/profit is being deposited in the group's bank account for equal division to the members for sale. It has also provided training in fruit picking, processing, drying, and packaging to the farmers.

CAPAS' assets have been risen to Pak. Rs. 450, 000 just in 33 months (at December 11, 1999). The local produce is purchased at an average of Rs.12 per Kg, which used to be purchased from growers, not more than at Rs. 3 to 5 per Kg. It is obvious that with the increase in profit of the group, the ultimate benefit goes to the poor growers.

Appendix III

Meso questionnaire for farmers (interest) groups in Chitral

1 Background

- 1.1 Name of group?
- 1.2 How did you form the group?
- 1.3 Did your group evolve out of a VO?
- 1.4 How long has the group been operating?
- 1.5 What is the size of the group?
- 1.6 What are the main products that your group markets?

2 Inputs from AKRSP

- 2.1 What sort of training did AKRSP provide?
- 2.2 What sort of financial help was provided by AKRSP?
- 2.3 What other services did AKRSP provide?
- 2.4 If the group is self-sustainable financially, how many years did it take the group to reach this stage?
- 2.5 If the group is self-sustainable financially, do AKRSP still provide inputs such as training or other services?
- 2.6 Does the group keep any accounting records?
- 2.7 If yes, who manages them (can we see them)?
- 2.8 Does the group make a profit? If yes, how is it divided up?
- 2.9 What kind of services does your group expect from AKRSP now?
- 2.10 Are you willing to pay for these services? If not, why?
- 2.11 How do you see the group evolving in the future (getting involved in other products, becoming a company)?

3 Situation before the intervention and after

- 3.1 Has working in interest groups reduced your fruit losses?
- 3.2 Is it possible to judge how working in interest groups has effected your incomes? If so, how?
- 3.3 Has there been other business benefits through working in groups other than marketing fruit?
- 3.4 What services are being provided by the group to the farmers (marketing, packaging, training, etc.)?
- 3.5 How do you think your group has impacted on the lives of farmers?

4 Market analysis

- 4.1 Are there any other organization providing the same kind of services?
- 4.2 If yes, what are the range and types of services?
- 4.3 What is the difference in prices offered by your groups and these other services?
- 4.4 What is the difference between prices earned selling in the local market and selling through the group?

Appendix IV
Micro questionnaire for suppliers to farmer groups

1. Background

- 1.1 Name?
- 1.2 VO and location?
- 1.3 How many years have you been a member of a VO?
- 1.4 How many years have you been using?
- 1.5 How were you introduced to the marketing your products through 'interest groups'?
- 1.6 What types of fruit do you produce and how many trees do you have of each?
- 1.7 What other business or farming activities are your family involved with?
- 1.8 What proportion of net household cash income is earned from marketing of fruits?
- 1.9 What proportion of the fruit that you sell do you sell through these organizations?

2 Situation before the intervention and after

- 2.1 Were you marketing your products before, and if so, how were they marketed?
- 2.2 Why are you now selling through interest groups (convenience, trust, assured market, and cash on delivery, higher prices)?
- 2.3 Has working with interest groups reduced your fruit loses?
- 2.4 How has marketing your crops through interest groups affected the way you look after your trees?
- 2.5 Is it possible to judge how working through interest groups has effected your incomes? If so, how?

3 Benefits

- 3.1 What associated benefits that you get from selling to interest groups (training, information, income security, marketing, cash on delivery, guaranteed payment)?
- 3.2 What other services would you like them to provide?
- 3.3 Are you intending to expand your marketing through interest groups?
- 3.4 Do you have any alternatives to marketing produce through interest groups?

4 Impact (consumption questions)

- 4.1 How have you spent the additional income from marketing through interest groups (school fees, investment in other businesses)?
- 4.2 If you earn more money next year, how will you use it?

Appendix V

Micro questionnaire for contract growers for North South Seeds

1. Background

- 1.1 Name?
- 1.2 VO and location?
- 1.3 How many years have you been a member of a VO?
- 1.4 How many years have you been producing?
- 1.5 How were you introduced to the North South Seeds project?
- 1.6 How much land do you own?
- 1.7 What would be your yield of 'potatoes' if you grew potatoes on your land?
- 1.8 What other business or farming activities are your family involved with?
- 1.9 What proportion of net household cash income is earned from seed production?

2 Costs of production and income

- 2.1 What was the cost of purchasing seed from North South Seeds last season?
- 2.2 Did you incur any transport costs in purchasing the seeds?
- 2.3 What inputs did you purchase and how much did they cost?
- 2.4 What transport costs did you incur delivering the final product?
- 2.5 What was your income/how many KG did you sell?

3 Benefits

- 3.1 What associated benefits that you get from North South Seeds (training, income security, information, income security, marketing, cash on delivery)?
- 3.2 What other services would you like them to provide?
- 3.3 Are you intending to expand your production with North South Seeds?
- 3.4 Do you have any alternatives to selling seeds to North South Seeds?
- 3.5 Would you pay cash up front for seeds?

4 Impact (consumption questions)

- 4.1 How have you spent the additional income from seed production (school fees, investment in other businesses)?
- 4.2 If you earn more money next year, how will you use it?