

Shubinak – Romance Vs. Reality

A case study based on Aga Khan Rural Support Programme's (AKRSP's) hand-made woolen fabric producing business project, called Shubinak.

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The Legacy

During the piercingly cold winter months, in the high mountain villages of Chitral, for centuries women have sat by the hearthside, spinning wool into yarn to be woven into a windproof fabric commonly known as *patti*, and in *Khawar*¹ called *shu*. For a brief profile of Chitral, please refer to Annex A. Barely 40 years ago, the main purpose of most households in keeping sheep was to harvest wool to make shu clothing for the family. Shu was rarely sold (which remains the case in some parts of Chitral even today). It was women's personal pride rather than necessity that determined the quality of the product. A roughly spun cloak can be just as warm as one made from fine yarn.

As shrinking and scattered landholdings became increasingly incapable of sustaining a family's consumption needs, the commercial trade of shu began to catch on - in fact, more so among the poor: the landless and families where men were too old or incapable of going down country for work. During winter men migrated south in search of seasonal jobs and returned after 5 to 6 months. During these times, women found additional cash income from shu sale a highly meaningful supplement, in particular for meeting unforeseen expenses and catering to the emergency needs of their family. Most importantly, however, shu enabled women to earn cash income, which traditionally remains the elusive domain of men.

The Heritage Under Threat

Mogh a village in the Garam Chasma area of Chitral has traditionally been famous for its high quality shu. Nevertheless, over the years the incentive to produce high-grade shu had begun to decline due to several market developments. Shu manufacturing centers² had emerged down country, where a vast variety of shu qualities could be produced through mechanized and semi-mechanized processes far more cheaply³ than the hand-made shu in Chitral. Moreover, entrepreneurs' down country were making "imitation shu" with cheap synthetic yarn and employing weavers on a piece rate basis working in sweatshop conditions. In recent years, the flea markets in Chitral had been providing a range of cheap and colorful second hand jackets and woolies whose price was about one fourth or even less of the shu garments. In fact, in "Chitral/Islamabad" Bazar, the largest wholesale market of patti down country in Peshawar, caps and waistcoats produced from Russian and Chinese blankets and second hand garments were also being passed off as patti made-ups!

For a layperson it remains difficult to discern between good varieties of machine made patti made with a combination of wool and synthetic yarn and hand-made woolen patti. With no marked difference in appearance, feel and warmth between comparable varieties of the "imitation" and the real patti, competition rests on price rather than quality. In fact, it is accurate to say that the range of cheaper varieties of shu have come up in

¹ *Khawaar* is the name of the language spoken in Chitral.

² These consist of predominantly towns and cities of NWFP, such as Swat, Charsaddah, Matta and the peri-urban areas of Peshawar, and a patti factory in Jhang producing mechanized replicas of the Chitrali patti.

³ For example, weavers' wages down country range between Rs 4 - 10 per yard, whereas in Chitral weavers wage rate is over Rs 20 per yard.

response to suit the pocket and tastes of the core patti clientele which is the low to middle income consumers – mostly all men, among whom patti caps are the most popular among all patti made-ups followed to a far lesser extend the patti waistcoats. Since competition was focused on price, the Chitrالي shu began to loose out on market. Disheartened by limited commercial prospects, women began to slip on shu quality. Families began to sell their wool-producing sheep in order to meet household expenses and women began to lose interest in spinning.

What Lured AKRSP to Shu

Concerned about the extinction of an important source of cash income, the elders of Garam Chasma approached AKRSP to help revive and build shu-making skills. There were few alternative income earning opportunities open to the people in these areas, therefore, the focus on and interest in reviving shu-making was strong. For AKRSP, the shu production system presented a unique opportunity for enabling women improved access to cash incomes. Equally, it presented an unusual opportunity for increasing space for women’s economic and social empowerment, while reviving an indigenous art form. In an ultra conservative social environment where women have negligible ownership of productive resources and assets, women govern the shu production chain and are the owners of the final product.

Women’s Role In The Shu Production Chain

Either women complete the various tasks in the shu production chain themselves or contract them out to men on a piece rate basis. Most importantly, spinning, which adds maximum value in the production process, and has a significant bearing on the quality of the final product, is strictly, a woman’s domain. In addition, all production activities take place within the village - the prescribed sphere of women’s mobility - facilitating women to go about their business confidently without hesitation and checks.

<u>The Shu Production Chain & The Gender Division Of Labor</u>										
Shearing (men)	→	Carding (women)	→	Spinning (women)	→	Weaving (men)	→	Felting (men/women)	=>	Shu
1 day		2 weeks		2 weeks		1 day		1 man hour to felt		
1 man		2 women		2 women		1 man		10 yards of shu		
6-7 sheep		1 kg of wool		1 kg wool		1kg wool=		4-5 yards of shu		

The Pre-intervention Assessment

In 1997 AKRSP engaged an Australian couple with knowledge and experience of the wool and sector and designing knowledge to study the wool production and shu making system in Chitral and determine the interventions that would be required to help improve the quality of the Chitrالي shu. The study highlighted that while the quality of spinning was the principle determinant of the final shu product, the spinning capacity of women was also a bottleneck in the shu production chain. The study revealed that women spin only 2-3 hours each day when they get some time from their physically onerous and time consuming household responsibilities and chores. For example, each family had

typically 2 women spinners who took about 2 weeks to spin a kilogram of wool. On the other hand, the weavers could weave about 4-5 yards in a day, working on a full time basis. On the raw materials side, most families had 7-10 sheep, which were capable of supplying all the wool that the 2 spinners in a family could spin in a five-month period (in summer, farm and field responsibilities do not allow much time for spinning). The finding relating to women's production constraint was to become the cornerstone of AKRSP's intervention strategy for the shu project in the coming years.

AKRSP's Intervention Strategy

Having identified women in the production chain as the main determinant of the quality and quantity of shu, AKRSP decided to develop a shu production and promotional strategy that would go around the spinning constraint, thus retaining the hand woven feature without increasing women's workloads. Since there was a limit to the quantities of wool that women could spin, AKRSP decided to help women improve the quality of the shu being produced by them so that it could be sold at a high price among unit price among the high-end consumers. By pursuing this strategy AKRSP aimed to carve an upper end market niche for high quality shu where revenues would come from a higher price per unit rather than volume sales. The pressure would, thus, be on producing and maintaining high quality as opposed to mass production for mass distribution as was the practice in the mainstream patti market. In order to build a brand identity distinct from the shu ordinarily available in the market, and for promotional purposes the selling pitch was to be based on the "shu story": *Since age immemorial, a traditionally produced 100% pure wool fabric, organically dyed in an environmentally friendly way, and hand-spun by poor women sitting by the hearthside in the snow clad valleys of the remote high Hindukush mountains of Chitral.*

From Heritage To Business – The Creation Of Shubinak Project And Its Objectives

In January 1999, with assistance from the Swiss Agency for Development and Cooperation (SDC), the Shubinak⁴ Project (SP) was established with the principal objective of improving income earning opportunities for women. The project envisaged accomplishing this objective by building communities skills and technical capacities for making high-grade shu on the one hand, and purchasing all the high-grade shu produced at a premium price over, above the going market rate, on the other hand. AKRSP's objective in providing an assured market for high-grade shu was to provide women with an incentive to improve its quality.

In order to ensure shu quality, AKRSP's interventions were directed at all the processes involved in the production of shu - including making improvements in sheep breeds and the supply of wool⁵ - so that the quality of the hand-made shu could be improved dramatically. The project was set up with two distinct wings, a women's development wing called the Hunnermanhost and a shu made ups manufacturing and wholesaling/retailing wing referred to as the Shubinak outlet/workshop and marketing

⁴ Shubinak means a spider's web, analogous to the fine skills and the adeptness required for weaving shu.

⁵ The project also aimed to address the shortage of quality wool in some of the shu producing villages. Shu quality had also begun to deteriorate due to convenient availability of Afghan wool, which is coarse and not suited for shu production.

section. Specific objectives of Hunnermanhost were as follows:

- 1 Refine the technical skills of people - in particular women - involved in all the shu production processes.
- 2 Improve the technology involved in shu production so as to enhance production efficiency, and ease the burden of labor.
- 3 Address the shortage of wool and women's access to its supply system.
- 4 Through the above interventions, improve women's self-perceptions, and their confidence and abilities to undertake their traditional skills more meaningfully.

The manufacturing-retail/wholesale section of project comprised of a stitching unit with a team of tailors trained to stitch fine shu garments and accessories, and a retail outlet cum showroom in Chitral through which the shu made-ups could be sold locally. In the down country markets, Shubinak was to wholesale its products to a select group of upscale shops located primarily in Peshawar, Rawalpindi/Islamabad and Lahore.

The functions of the marketing section of the project were as follows:

- 1 Purchase the high-grade shu being produced under supervision and guidance of the project at a premium price, so as to provide an attractive financial incentive to the communities to improve their shu making skills and technology and to produce superior quality shu.
- 2 Diversify shu usage by designing and preparing modern styles of shu garments and accessories, such as, tea-cozies, cushion covers, tissue boxes, wallets, ladies handbags etc. with the high grade shu purchased from the Chitrali women.
- 3 Sell the products produced by the project at its retail outlet/show room in Chitral at the SP office premises and through selective upscale outlets in the major cities of Pakistan.
- 4 In the long run become the income generating, financially self-sufficient wing of the project, The ultimate objective was for Shubinak to become profitable manufacturing-retail/wholesale business and cover the communities development activities of the SP or alternatively be privatized.

From administrative and management standpoints the women's development wing i.e. Hunnermanhost and the marketing section of the project functioned as a single unit. They had a common project manager, administration, office premises and financial system.

The Community Development Interventions of the Shubinak Project - Hunnermanhost

Mobilizing Women & Emergence Of Women Leaders: The project works with women spinners by working through a cadre of women leaders developed from among the

community women. Relatively educated women spinners, enthusiastic to work and quick on the uptake, are contracted by AKRSP to serve as the Guild Organizers (GO). These women help to mobilize women into spinners' guilds/clusters (a guild consists of 200-300 women from about 4-8 villages), supervise their work, provide guidance, and organize AKRSP-sponsored training sessions in the villages. Women spinners from the community who have been trained to serve as the lead resource people conduct training sessions. By being closely assisted by women from among them, women's self confidence is reaffirmed and they feel inspired to invest time and effort in enhancing their skills further. Moreover, permanent staff members of the project work closely with the GOs to assess ways and means of improving shu quality.

In some of the more advanced clusters where the project commenced its work a few years ago, women are still able to pay only a nominal fee to contribute towards the costs of the lead trainer. AKRSP expects to continue subsidizing the trainers' costs, though at varying levels, among advanced and new clusters. Currently, the fee is mainly serving to introduce a "client-pays culture" and tune women into market realities, though the long-term aim is to have the remuneration of the GOs and the lead trainer covered by the trainees.

Improved Technologies: The time-consuming and intense workloads characterizing the daily routines of the women were reflected equally in shu production processes. However, the drum-carding machines introduced by AKRSP have dramatically reduced the thoroughly disliked, dirty, and health hazardous⁶, two-week long task of wool sorting and carding into a neat job of only 15 minutes!

These machines are maintained and operated by individuals in the communities who earn an income by charging women spinners Rs 25 per kilogram of wool for sorting and carding. However, the drum carders can damage the wool and come at a steep cost of Rs 28,000⁷ each. Additionally, Rs 25/kg is still a high cost for mostly landless peasant women for whom shu income constitutes a major part of their household income. Realizing that in expanding geographic coverage this level of subsidy was not sustainable, brush carders have been introduced, which are relatively cheaper at about Rs 1,300 each and do not damage the wool. These are given to each household individually, heavily subsidized at Rs 300 each. These easy, effective and time saving devices are now being demanded by upwards of 1,000 women!

With a better grip on wool carding, women in more mature clusters are interested in learning weaving, which is traditionally a man's job, so that they can save on what they pay to a weaver to weave shu. Research and development (R&D) efforts are underway to design table looms, which are comfortable, can be accommodated within the home, and are convenient to use for the women. Currently, improved looms for the traditional male weavers are being field-tested. These looms are expected to improve weaving efficiencies and quality. Even within the traditional weaving looms, improved parts have been supplied at subsidized rates, which have enabled the weavers to improve weaving

⁶ The wool fibers generated in sorting and carding cause eye and throat irritations.

⁷ Approximately 1US \$= Pak. Rs.60

quality. Through R&D efforts the shearing apparatus and spinning wheels to further improve the quality of wool and facilitate women spinning have also been introduced.

Wool Supply Program: With more time available for spinning due to the drum-carders and electricity in the evenings (thanks to AKRSP installed micro-hydel units) there has been an upsurge in the demand for wool⁸. As a result the number of households purchasing wool in key shu producing areas has risen from nil to nearly 50%. Plans are underway to link areas with surplus wool to those with strong shu producing traditions and wool demand. A central sales point in the private sector – being established with AKRSP’s assistance – will enable women to fulfill their additional wool requirements. In order to facilitate the flow of wool to the village-bound spinners, the Guild Organizers acting on behalf of the guilds associations will communicate the association’s wool requirements to the wool supplier, negotiate the prices, and ensure timely delivery of wool.

Skills & Personality Development - The Demonstration Effect: Extensive training programs have been conducted for over 2,500 spinners in more than a 100 villages. The training programs are meant to familiarize women with quality criteria that will enable them to fetch a higher price.

In the last few years, there have been marked changes in women’s approach to their work, their self-perception, inspirations, and how the community regards them. The Shubinak experience has brought market recognition and value to women’s skills, restoring the prestige of their work. Through modern technologies, production machinery has been improved, acquiring a more professional and modern look. Educated girls who shunned spinning are now most interested to learn spinning and venture into the male domain of weaving as well! In response to demand in the advanced clusters, AKRSP is also providing enterprise development training focusing on simple accounts/record keeping, costing, pricing, and market information. Impressed and inspired by what women have accomplished, women in more conservative areas are also demanding the project to begin operations in their areas. In response, the project has commenced operations in new villages aiming to serve 5,000 additional women.

The Marketing Activities of Shubinak Project

Experience Within Chitral: Initially, Shubinak purchased all of the high-grade shu being produced in the couple of clusters of its operations, at a premium price so as to provide an incentive for the women to make better qualities. Though the local shu wholesalers felt threatened by this policy, and discouraged women from engaging with the project, over time, they began to appreciate the high-grade shu and began to purchase it. Currently, many traders make advance bookings for “A” grade shu even before it is produced. In fact, competition for purchasing better qualities increased to a point where individual wholesalers were happy to pay a price higher than what was being paid by Shubinak, in

⁸ Quality shu needs the particular kind of wool produced by the tiny Chitrali sheep. Finding sheep varieties that give similar wool or alternate sources of wool down-country has been difficult, despite AKRSP’s best efforts.

order to ensure their access to the good quality shu. Consequently, women could negotiate better prices, and the price of “A” grade shu increased from Rs 35-60 per yard to almost Rs 114-120 per yard. On average women can earn between Rs.3,000 – 3,500 in one season, making a net profit margin of over 60%. In addition, the demand for the project’s training picked up in other villages too, in particular the conservative communities, which were earlier cynical of the project.

Prior to the initiation of the project there were only a handful of local shu shops in Chitral. Inspired by the market opportunities being created in shu trade, Chitrali shu traders based in Peshawar have relocated their shops to Chitral, and the number of shu shops in Chitral Bazar has swelled to over 25. The marketing wing has set standards in garment stitching and designing which the other shu retailers are trying hard to copy.

2 Experience Outside the Chitral Market:

As compared to its impact on the Chitrali shu market, the marketing wing has had a very challenging experience in markets external to Chitral. Though concerted efforts were being made to improve the styles and quality of stitched shu garments the project was experiencing difficulty in cultivating an upper end market down country. Retailers’ complaint of the high Shubinak prices as compared to the Chitrali patti that they received from other sources such as the Islamabad Bazar in Peshawar (the single largest wholesale market of patti in Peshawar), through the individual Chitrali wholesalers or the shu varieties that they received from other areas. In the absence of visible difference in qualities the consumers decision was swayed by price.

Before further attention could be paid to addressing the issues being faced in Pakistani markets, the focus shifted to tapping the export market in the United Kingdom, influenced largely by the seductive appeal in the west for the “women’s handicrafts”. It was thought that in the international arena, shu would be a completely novel product - as opposed to the national shu market – and thus shu and its story would be better valued there. The project aimed to enhance women’s incomes and since their spinning capacity was a production constraint, it was considered best to promote shu where margins per unit would be the highest. The enthusiasm for the international market was also shared by the Australian consultants, which further aroused the interest and inclination of donors and AKRSP alike.

In exploring the international markets, expensive design and marketing experts were engaged who organized fashion shows in the UK, where stylish shu garments were modeled on catwalks, including hiring a British designer at a daily professional charge of Pounds Sterling 500 per day for about a month! These efforts resulted in some interests among a couple of designers and one small shu order which could not be delivered in time, due to political disturbances in Chitral. The traditional shu prepared on the handlooms was not more than 12 inches in width. This placed a limitation on the cuts and styles of garments that could be made out of it. The export aspirations came to a halt when the Board of Directors of AKRSP vetoed exploring export markets any further, given that the resources that had already been invested had had no tangible outcome and

that there was an absence of a well delineated and coordinated production and marketing strategy steering the process.

Within AKRSP and SDC there were concerns regarding the marketing wing of the project, since international market it was having problems even in the national market⁹ which raised concerns regarding when it would become profitable. On several occasions the AKRSP's in-house auditor had pointed out irregularities and a loose system of management controls and checks, due to which the operational costs of the marketing section were steep. For example, inventory pilferage was common, and some SP tailors were rumored to have a shu business "on the side". Many sales went unrecorded and accounts receivable were unusually high and old. The manager of the SP though well versed in social development issues, had no experience of managing a business, in particular one trying to create a high-end niche in a competitive consumer market. In addition, it had been difficult to find and retain an experienced business manager and an accountant for the project in Chitral

Given these issues, in late 2001, AKRSP and SDC went through a series of deliberations regarding the most appropriate arrangement for the marketing section. Several alternatives were discussed: The prospects of selling the marketing section to a private party were bleak in view of its weak performance and amalgamation with the women's development section (*Hunnermanhost*). And who would buy? The master tailors of Shubinak House were considered as one potential option since they manufactured the products and had a vested interest in turning it around? Or should the marketing wing be closed?

In view of the immense resources that had already been consumed by the marketing section, it was decided to make another serious attempt to put the marketing wing in order, by hiring an adept garment business professional from the mainstream garment industry in Lahore to manage the marketing section. Most importantly, it was decided to streamline and rationalize the two sections of the project by completely separating their management, office premises, finances and giving them distinct identities. The women's development was named *Hunnermandhost*¹⁰ and the marketing wing was christened *Shubinak House* (Shubinak).

⁹ Almost 75% of the total sales were being made out of the showroom in Chitral and only 25% down country.

¹⁰ Means skilled hands in the local language of Chitral.

Revenues and Expenses – Shubinak Project

	1997	1998	1999	2000	2001
Initial Research	2,245,755				
Sales	-	-	542,000	1,327,000	855,000
Staff & support costs		237,502	569,371	700,495	1,941,640
Women’s training, wool development, and approp.tech.		1,001,034	3,392,896	2,403,014	516,017
Consultancies		3,815,101	3,600,186	1,783,477	152,260
Marketing, selling, design		484,323	1,990,777	1,959,031	1,121,124
Equipment & appliances			133,761	126,880	-
Total Expenses		5,537,960	9,686,991	6,972,897	3,731,041
Expense/Loss	(2,245,755)	(5,537,960)	(9,144,991)	(5,645,897)	(2,876,041)

Source: AKRSP, Chitral

2002 onwards, the two wings of the project were separated from accounting and administrative standpoint.

Revenue and Expenses 2002 to 2003

	2002	2003
Sales	1,544,144	1,403,833
Hunnermanhost expense	2,613,732	2,787,142
Shubinak expense (Marketing wing)	2,460,507	1,832,028
Total Project Expense	5,074,239	4,619,170
Loss without Hunnermanhost	(916,363)	(428,195)
Loss with Hunnermanhost	(3,530,095)	(3,215,337)

Total loss net of sales since project inception: 26.7 million. This does not include the resources spent on British designers at Pounds Sterling 500 per day for almost a month spent in tapping the export market in the UK.

Moreover, Shubinak was promised financial support for the next three years, with the target of operationally breaking even at the end of this period. This arrangement highlighted the challenge for the two sections of the Shubinak Project to draw on each other’s expertise and experience, in order to add more value and relevance to their activities but to remain focused singularly on their different objectives (i.e., making profits for Shubinak House and for Hunnermanhost enhancing women’s skills and ameliorating bottle necks in the shu production value chain which would consequently help women increase their incomes).

In trying to meet the break-even target within the next three years, the new manager of Shubinak had made aggressive plans for pursuing additional high end shops in more

cities, and enhancing the product range on the one hand and curtailing in-house operational costs and bringing operational efficiencies on the other. Nevertheless, he was finding it difficult to cultivate an upper end market in Pakistan. Retailers' complaint of the high Shubinak prices even in comparison with the genuine Chitrali patti that was delivered to them by traders from Chitral. Though the manager spent considerable time trying to educate the upper end market retailers about the superior quality of Shubinak products, the retailers did not share the same interests in trying to promote the Shubinak made-ups among consumers, since their margins on it were quite similar to the cheaper machine made patti made-ups of comparable quality. Moreover, patti made-ups constituted a negligible percentage of the total shop inventory¹¹.

Forced by the tide of the market forces and competition, Shubinak was compelled to make adjustments. Instead of buying the more expensive patti varieties from the communities as it did in the past, it began to hunt for good bargains in order to maintain low costs. It also had to reduce its wholesale price to the retailers in order to compete more favorably with the less expensive but comparable qualities of machine made patti made-ups. The discontinuation of the project's purchase of "A" grade shu did not bring down the market price of shu¹². Traders continued to compete to buy better varieties and women could negotiate better deals for themselves. Nevertheless, the manager had to deal with discontented communities who considered him an "outsider" and frequently tried to sell him the B grade shu as A grade by saying "...Shubinak has been established for us, ...it is *suppose* to buy shu from us at higher prices".

The manager was also discovering that being a business wing with social concerns at heart, some of Shubinak's business policies placed it at a disadvantage vis-à-vis the private sector shu traders. For example, "officially" Shubinak could not follow the common market practice of purchasing imitation varieties of Swati, Peshawari, Jhangi, and Matti shu and selling it as the Chitrali shu. Similarly, local retailers in Chitral purchased shu on credit from the local wholesalers and made sales on credit too. Shubinak on the other hand made cash purchases from the local communities but its sales were credit based. This mismatch increased the working capital requirements - more so, since retailers frequently did not fulfill their payment obligations on time and had to be pursued which in itself was costly and time consuming since they were located in distant markets down country.

Though the manager had successfully streamlined business operations and had also brought down production costs he was still in a conundrum as to how to break into the markets down country. Several options lingered in his mind, "...an aggressive advertising and promotional campaign?...awareness creation for hand made quality shu?...market research?...further compromise on quality and thus lower costs in order to compete with the mainstream varieties?...what should I do?". Recently, the manager had come across a copy of an SDC sponsored study for the potential of establishing a

¹¹ Typically, shu garments are not sold at mainstream garment stores but handicraft shops

¹² In any given year, the Shubinak Project has never purchased more than 1% of the total shu produced in Chitral.

Shubinak-like project in Gilgit. He wondered how information from this study could inform Shubinak's strategy. Excerpts from this study appear in Annex B.

Lately, the manager of Shubinak had also learnt that the overall enterprise development strategy of AKRSP was being reoriented to a market driven approach under which the emphasis would be on strengthening markets to the advantage of the micro and small businesses, following a more facilitative and time bound role for AKRSP rather than indefinitely supplying services directly to small businesses. Though the manager felt that Shubinak was right in line with this market emphasis since it was trying to meet a market demand he often wondered what implications this strategy would have for Shubinak. Nevertheless, that issue was not his concern, he was more preoccupied with his immediate problem - sleepless nights over fulfilling his assigned and ever elusive target of making Shubinak profitable!

Questions:

- 1 What was the core objective of the Shubinak project? What roles did the two wings of the project play in accomplishing this objective or deviating from it? How far did the overall project keep perspective of this objective?
- 2 Is the manager right in thinking that the marketing wing of the project is "right in line with this emphasis on market, since it was trying to meet a market demand"? Assess the marketing strategy of Shubinak. Why do you think that the marketing section is having problems making in roads down country?
- 3 What are the critical lessons that can be drawn from the Shubinak Project experience? In particular, discuss the rationality of AKRSP establishing a self-owned and managed women's development and marketing/business units?
- 4 AKRSP is rationalizing its enterprise development activities so that they are in line with its new market development strategy you have been hired as a consultant to advice on the future strategy for Hunnermanhost and Shubinak House. What advice would you give to AKRSP? Give reasons for what you decide and the expected influence on the market and prospects of sustainability.

Annex A

Chitral vis-à-vis Northern Areas

Chitral is a poor district, especially in comparison with Gilgit and Baltistan, the other two districts of AKRSP's operations, as can be seen in the table below.

Illustration of the Overall Development Gap Between Chitral & Other District

Some Comparative Indicators	Chitral	Gilgit	Baltistan
Per capita income in Rs (rural population)	9,543	12,545	10,109
Percentage of population below poverty line	36	23	30
Percentage literacy rate – female	26	32	13
Average land holdings (kanals per household)	9	12	15
Population/sq.km	21.46	13.53	12.14

Source: AKRSP Baseline Survey, 1998

The opening of the Karakorum Highway, in the late 1970s, linking the Northern Areas (Gilgit and Baltistan) with China in the north and mainland Pakistan in the south, opened up a range of trade and commercial opportunities for the Northern Areas (NA) and helped in relative diversification of the NA economy to more value added agricultural products and off-farm income opportunities. On the other hand, access to Chitral, from mainland Pakistan, through the Lawari Pass, is snow bound for almost 5 months in winter, and air flights are unpredictable due to poor weather conditions. A metalled road linking Chitral with Gilgit through the Shandoor Pass in the North, has been constructed only very recently and its accessibility is also related to weather.

The economy of Chitral is mostly subsistence agriculture based but land holdings are small and scattered. The limited and nascent markets of Chitral provide few alternative sources of livelihood for a people who are still struggling to acquire improved access to basic social services (health, education, sanitation etc). Due to its peculiar mountainous landscape distance from the provincial capital, Peshawar, is reinforced and physical and economic infrastructure facilities remain insufficient and weak. Distant from external world and with limited exposure to contemporary trends, the socio-cultural set up in Chitral is still very restrictive for women and perpetuates their traditional roles and responsibilities.

Annex B

Excerpts from the Shu Market Study

A Comparison of Retail and Wholesale Stitching Charges/unit in Rupees

Garment	Chitral (retail rates) ¹³	Gilgit (wholesale rates)	Peshawar Chitral/Islamabad Bazar (wholesale rates)
Waistcoat	400	200-250	35-60
Jacket	800		50-60 (jackets are not commonly stitched in wholesale in Peshawar)
Long coat	1,500	400 (with embroidery)	300 with embroidery 200 without embroidery
Cap	20-25	12 –15	4-5

Source: Fact Finding Survey – “An Assessment of Patti Market Potential”. Supported by the Swiss Agency for Development and Cooperation, and conducted by Fatimah Afzal. September, 2003.

Wholesale per unit prices in Rupees in the “Islamabad/Chitral Bazar” (the largest wholesale patti market located in Peshawar) as of winter, 2003

Wholesale Price in Islamabad/Chitral bazaar, Peshawar (The largest wholesale market for patti products in Pakistan)	Chitrali Patti	Jhangi Patti	Swati, Matta & Peshawari patties	Patti made from secondhand garments & blankets
Patti fabric price per yard	120-250	42-65	30-35	Not sold as fabric
Caps	150-250	60-75	30-58	12-30
Waistcoat	1,200-1,500	450-600	250-400	140-160
Jacket	3,000-4,000	1,000-1,500	700-1,000	-
Coat/Chogaz	5,000-5,500	1,200-1,800	800-1,000	-

Source: Fact Finding Survey – “An Assessment of Patti Market Potential”. Supported by the Swiss Agency for Development and Cooperation and conducted by Fatimah Afzal. September, 2003.

the market for high quality hand made all wool patti exists within the Northern Areas, Chitral, Kohistan and the FATA. Among the upper market consumers in the major down country cities and towns, the high quality patti may sell at special artisans and handicrafts exhibitions and display events, but it does not have a regular or lucrative following among consumers who can afford to pay a high price for high quality. This is reinforced by the fact that patti made-ups form a negligible percentage of the total inventory in the few upper end market shops which do carry patti madeups...

¹³ No wholesale stitching of patti garments takes place in Chitral.

the small patti market in Pakistan is dominated by patti producers down country who can make patti qualities comparable to the hand made varieties through mechanized processes which allow higher and quicker production at low costs. The most popular patti product is the cap, which sells across Pakistan and has the highest demand among the lower to middle income market segments. Demand for patti garments such as waistcoats, jackets and coats is not encouraging. The popularity of the shu caps on the other hand lies across Pakistan, extending even to mainland cities, such as Karachi, Hyderabad, Lahore, Faisalabad and Silalkot, where winters are very short and mild and do not require heavy woolies. Cheaper imported jackets and second hand jackets are more affordable and increasingly gaining more popularity among the traditional clientele of patti. Moreover, shawls pose stiff competition to patti garments in patti's traditional consumer market and are increasingly being produced in far more quantities than patti even in the traditional patti producing areas down south...

An Update

In December, 2003 Shubinak House was closed down. Subsequently, SDC also decided to culminate its Hunnermanhost development activities by end of 2004.

In summer, 2004 two Australian lady consultants initially working with the Shubinak Project decided to launch a business, *Karavana* capitalizing on women's handicraft skills in Chitral. Initially, they presented a range of products (ladies garments and accessories and certain household linen items made from a combination of leather, bead work, crochet, and embroidery) at an exhibition in Australia. Subsequently, they have been receiving a steady stream of orders. 700 women have received a total of Rs.5.1 million between June 2004 and August 2005 for producing the assorted products. Business prospects of *Karavan* are growing as it is receiving orders from different retail stores in various parts of Europe and the Middle East. The project provides the space/centers where women can come and work, recruits the women and takes the responsibility for getting the work done. Designing, marketing, getting additional orders and supplying raw materials is the responsibility of *Karavana*.

In summer, 2005, the Government of Pakistan announced a Rs.35 million grant for Jafakash Aurat, a program to be implemented by the Project. The programme is expected to benefit 9,000 women by building their associations, capacity building for a variety of skills (tailoring, sheep rearing, spinning, marketing exposure and market linkages etc) and research for enabling women to make marketable products from wool.