

IUCN Pakistan Programme

**Northern Areas Strategy for
Sustainable Development**

Background Paper

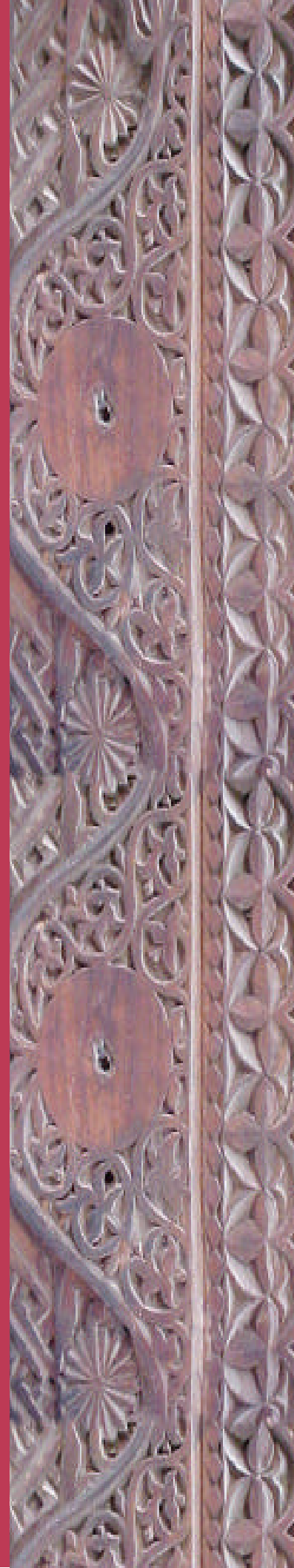
Private Sector

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LIST OF ACRONYMS

AIMS	Accelerating Income through Mobilizing Skills
AKCS	Aga Khan Cultural Services
AKDN	Aga Khan Development Network
AKHS	Aga Khan Health Services
AKRSP	Aga Khan Rural Support Program
BACIP	Building and Construction Improvement Program
BCS	Balochistan Conservation Strategy
CA	Contractor's Association
EE	Environmental Evaluation
HRD	Human Resource Development
IFAD	International Fund for Agricultural Development
ISO	International Standard Organization
ISSD	International Institute for Sustainable Development
IUCN	International Union for Conservation of Nature and Natural Resources
KADO	Karakoram Area Development Organization
KANA	Ministry of Kashmir Affairs and Northern Areas
LB & RD	Local Bodies and Rural Development
LPG	Liquid Petroleum Gas
MW	Mega Watts
NA	Northern Areas
NAC	Northern Areas and Chitral
NACC&I	Northern Areas Chamber of Commerce and Industry
NACS	Northern Areas Conservation Strategy
NASSD	Northern Areas Strategy for Sustainable Development
NAPWD	Northern Areas Public Works Department
NATCO	Northern Areas Transport Corporation
NCS	National Conservation Strategy
NGO	Non-Governmental Organization
NRM	Natural Resource Management
Oil/Gas	Petrol, Diesel, kerosene Oil, and Liquid Petroleum Gas
P&D	Planning and Development
PIDC	Pakistan Industrial Development Corporation
PMDC	Pakistan Mineral Development Corporation
PS	Private Sector
PTDC	Pakistan Tourism Development Corporation
SDPI	Sustainable Development Policy Institute
SME	Small and Medium Enterprise
VO	Village Organization
WASEP	Water and Sanitation Extension Program
WO	Women Organization
WWF	World Wide Fund for Wildlife

FOREWORD

The Northern Areas have a unique and critical role to play in the sustainable development of Pakistan. Although they span a relatively small geographical area, the Northern Areas serve as a vital catchment for the Indus River, upon which a majority of Pakistan's irrigated agriculture and hydroelectricity depends. The Northern Areas also contain the nation's most important natural forests, extensive mineral reserves, and a wealth of biodiversity. Dramatic scenery, some of the world's highest mountains, and a rich cultural and archaeological heritage make the Northern Areas one of the most visited tourist destinations in the country.

Over the last several decades, however, many of the Northern Areas' natural resources have come under increasing pressure, as a result of a growing human population and the opening of the Karakoram Highway. At the same time, it has become increasingly recognised that the isolated nature of many of the region's communities, coupled with the Northern Areas' high-altitude and fragile environment, poses special constraints and challenges to development. Perhaps more so than in any other part of Pakistan, there is a need in the Northern Areas to ensure that social and environmental considerations are fully integrated into the development process.

In response to these concerns, the Northern Areas Administration began the preparation of a Northern Areas Strategy for Sustainable Development in 1999, with the financial assistance of the Swiss Agency for Development and Cooperation, and the Norwegian Agency for Development Cooperation; technical support has been provided by IUCN–The World Conservation Union. The Strategy addresses a broad range of social, economic and environmental issues, and seeks to provide a comprehensive policy framework for the sustainable development of the region. It responds directly to the provisions and recommendations of the National Conservation Strategy, adopted by the Government of Pakistan in 1992.

In parallel, *The State of the Environment and Development in the Northern Areas* summarises in a single volume the key information gathered during the preparation of the NASSD. It is the first report of its kind to be produced for the Northern Areas, which provides a succinct, up-to-date and readily accessible analysis of the status of the most important environment and development sectors in the Northern Areas, including information on major trends and issues, the responses taken by both government and civil society to date, and strategic options for the future. It also provides a baseline against which future change can be measured and establishes the context and foundations for the Northern Areas Strategy for Sustainable Development.

During early consultations at the tehsil level, and with key governmental and non-governmental organizations 16 areas of intervention were identified as being critical for the NASSD. These include sectors like: water; agriculture; forestry; biodiversity; rangelands and livestock; the private sector; energy; urban

environment; and cultural heritage and sustainable tourism. In addition, some crosscutting themes were identified as crucial to each sector, including population, poverty and environment; communication for sustainable development; environmental education; NGOs; gender, environment and development; environmental health; and governance.

To address the needs of each of these areas, basic information was gathered through consultations and literature reviews. This data was analysed through background papers commissioned on each of the sectors and themes identified. The draft of each paper was shared with the larger community of stakeholders of the NASSD as well as experts in the relevant field of knowledge.

The papers follow a similar format: analysis of the current situation; issues; past and present initiatives in the sectors and thematic areas along with the lessons learnt; stakeholders; and recommended policy and action measures. The authors have also addressed cross-sectoral linkages and environmental concerns for the sake of more integration in planning for sustainable development.

There were constraints to developing these Background Papers and in some cases these hurdles were only partially overcome. These included the fragmented and scattered nature of information, the prevalent culture of not sharing information, contradictory and unreliable data, lack of thinking on cross-sectoral linkages and integrated planning, and lack of expertise in developing linkages with the environment.

Parts of the information of the papers were then incorporated into the State of the Environment and Development (SoED) and the main strategy, i.e., NASSD. However, since the Papers contain a wealth of extremely useful information, a decision was taken to produce a series of NASSD Background Papers.

Considering the need and importance of timely sharing information with the stakeholders, these papers are being produced without extensive editing. The authors have sole responsibility for the views expressed and data presented.

EXECUTIVE SUMMARY

The subject background paper on 'Private Sector in Northern Areas' is part of a series of Northern Areas Strategy for Sustainable Development (NASSD) Background Papers, initiated by the Planning & Development Department, Gilgit and IUCN NACS-Support Project, Gilgit, to address the issue of sustainable development of Northern Areas. The background paper, commissioned by the Northern Areas Administration, Gilgit, will feed into the draft NASSD Document and the State of the Environment Report. Moreover, this paper will be used to contribute towards the development of a comprehensive Northern Areas Conservation Strategy and as an independent reference document for the NASSD stakeholders.

The concept behind this background paper is to contribute towards the development of a comprehensive conservation strategy for the sustainable development of Northern Areas (NA) while analysing the private sector in terms of its role and significance in the sustainable development of the region. The context and rationale of this background paper is to analyse, identify, and recommend on the options to address the issues and trends prevalent in the private sector of the region for its sustainable development.

An analysis of the private sector of Northern Areas reveals that, at present, it is depressed i.e., suffering from an economic depression and working below the standard. The national economic and political instability in the past has severely affected the entire private sector of the country, notwithstanding Northern Areas, which has suffered more due to its inherent and peculiar constraints. Northern Areas' ambivalent constitutional status, geographic isolation, severe climatic conditions, and religious tensions have been serving as a constraint to its development. It is unfortunate that a resource-filled area like NA is so poor and underdeveloped.

The current situation of the private sector in Northern Areas is alarming. A large number of private sector businesses are bankrupt (in 1999 the Banking sector made a mere 13.31% profit on a working capital of PKR 140 million) and unemployment, poverty, and population is on the rise (in 1999 a mere 23,066 jobs were provided by the private sector for a population of approx 1.1 million people; 32% of the population is poor and 9% is very poor; and the region's population has increased by 66% between 1981 and 1998)¹. The region lacks basic infrastructure, such as, electricity, communications, water supply, sewerage and provision of basic social services. Pollution, open sewers, open disposal of wastes, contaminated drinking water, disease, and depleting natural resources are all prevalent in the region.

The private sector inevitably plays the role of a catalyst in the development process of a region. It is thus paramount to resurrect the private sector of Northern Areas

1. 'Private sector profile survey', conducted by Asif Hussain, and facilitated by IUCN-NACS Support Project Northern Areas, Gilgit, February 2001. Census 1998.

before any attempt to envision and ensure sustainable development of the region is undertaken. An analysis of the private sector reveals that due to lack of proper documentation, authentic secondary socio-economic data on the private sector economy is negligible - making it extremely difficult to assess the true state of the private sector. In order to compensate for the dearth of secondary data, a limited scale 'private sector profile survey'² was conducted for the purpose of this background paper, the strict report guidelines and specifications notwithstanding.

The survey reveals that in terms of asset holdings and profitability the Transport Sector (assets worth PKR 316.06 million) and the Forest Sector (profits of 115.18% on working capital) lead respectively. In terms of negative trends in the private sector economic activity and depleting natural resources, these statistics as a synopsis of the private sector economic activity, indicate that the least environmentally friendly businesses, the Transport and Forest related business in this case, are prospering the most. In terms of conservation and sustainability, pollution and deforestation are not the only two fallouts of the economic activity in the region; polluted water and ambient air, destruction and diminished output of land are some of the other consequences of inaction in the absence of an environmentally conscious private sector economic activity. Hence, absence of an environmentally friendly business development policy would turn any initiatives to develop the private sector of Northern Areas futile.

The more specific issues and trends in the private sector economy suggest lack of appropriate finances, financial services and inter-mediation; an underdeveloped and ineffective enterprise development sector; inadequate levels of marketable and transferable skills; and lack of coordination and communication between the private and public sectors.

The consequences of inaction, in not dealing with the deteriorating situation of the private sector, have been adversely impacting the conservation of bio-diversity, tourism, agriculture and the very existence of the habitat and habitants of the region. Increasing rates of poverty, population, unemployment, pollution, and disease are some of the other consequences of inaction in the region.

Among the current initiatives the Government, NGOs, and the private sector have ambitious developmental plans geared in the right direction. The NA P&D Department has allocated RS 200 million for poverty alleviation programs. Construction of several hydroelectric power plants and all-weather roads is in the pipeline. The Government is extending micro-credit facilities in the region. AKDN is in the process of establishing a micro-credit bank in the region. The Government has established a Small & Medium Enterprise Bank (SME Bank). The IUCN is currently involved in the formulation and promotion of a comprehensive NASSD for the sustainable development of the region. AKRSP has initiated 'Apna Karobar Scheme', which selected, trained, and is currently facilitating 25 entrepreneurs to start their own businesses. This scheme will continue every year for the next five years at a total cost of PKR 10.6 million. AKRSP is also involved in giving business training to the local business community on a regular basis. The present Government under its devolution plan has decided to establish Village Councils in all the villages of the region.

2. Ibid.

Amongst the various stakeholders, the biggest mandate lies with the Government, which has the responsibility and resources to coordinate the activities of the other actors, and pursue a course towards achieving sustainable development in the region. The private sector and NGOs as other major stakeholders must be brought together with the public sector on a single platform to contribute towards the development and implementation of a comprehensive conservation strategy for the sustainable development of the region.

The way ahead demands implementation of the following preferred options and recommendations: Infrastructure, being the backbone of any economic activity, needs intensive investments from the Government, private sector, and NGOs in the areas of power generation; communications; telecommunications; safe drinking water; waste disposal; and sewerage. Enterprise Development, as an essential criterion for any private sector activity, is required through attracting foreign investment; provision of finance and financial services; improvement of management, technical, and BDS skills; and investments in strengthening market information, communications, and institutional linkages. Poverty and Gender imbalances, as a proven constraint in the development of any private sector, need to be addressed through broad-based economic growth; job creation; targeted programs in more marginal areas for the very poor; promotion of pro-poor enabling environment; broader participation of women in development; development of special programs for women; creation of better gender balanced work force; and promotion of an enabling environment for the development of women. On-farm Asset and Opportunity Creation, essential in view of the region's limited and under-pressure agricultural land with 90% of the regions population being involved in subsistence farming, needs introduction and cultivation of higher-yielding cereals, vegetables, and fruits seed. And finally Policy Work, crucial for the success of achieving any objective leave alone attaining the objective of sustainable development in the region, demands national public policies and practices beyond the needs of NA to determine an enabling environment for the region. There is a need at the national level to both improve practices and develop relevant government policies, specifically, through greater integration and involvement with the national development scene. This involves sharing of experiences to develop good practices, and more effective dialogue with the government to build valuable linkages between internal and external institutions. An excellent example of this would be AKRSP's involvement and leadership in Micro Finance Group, which is a collection of NGOs drawn from all over Pakistan with a shared interest in micro-finance. Moreover, policy work influencing greater national involvement in the areas of social development, monitoring and evaluation, enterprise creation, food policy implementation, and dialogue with the government, both in the NAas well as at the national level is critical part of this process. Finally, providing recommendations, advocating, and investing in improving and promoting the law and order situation, accountability, fight against corruption, professional competence and efficiency, honesty, hard work, intelligent decision-making, excellence and above all sincerity of purpose in all our efforts are our only available and preferred options essential for our viability and success.



1. INTRODUCTION

The subject background paper on the 'Private Sector in Northern Areas' is part of a series of NASSD Background Papers, intended by the IUCN NACS-Support Project, Gilgit, to address selected topics concerning the sustainable development of Northern Areas. The paper will contribute to the draft NASSD Document and the State of the Environment Report and will serve as an independent reference document for the Northern Areas Conservation Strategy Stakeholders.

The concept behind this background paper is to emphasize conservation of nature and highlight the role and significance of private sector in the sustainable development of Northern Areas.

The context and rationale of this background paper is to analyse, identify, and recommend on the options essential to deal with the issues and trends prevalent in the private sector of Northern Areas crucial for its sustainability. To achieve this purpose an attempt has been made in exploring and identifying the nature, and distribution of the activities and establishments involved in the private sector of the Northern Areas.

Further, identification of growth trends and issues in the NA's private sector, including limitations on access to opportunities, seasonality, availability of raw materials, costs, etc. has also been attempted in this paper to serve the above purpose.

Moreover, the private sector has been analysed in terms of the following aspects: analysis of demand and supply situation; focus on the past, current, and future trends; current initiatives taken in dealing with the issues and trends; conclusions and suggestions; development measures (in terms of policy and practice); identification of the environmental and the socio-economic impacts (including gender and pollution).

Finally, the relevant sections of the Pakistan National Conservation Strategy, the SPCS, and the BCS have been duly considered while writing this paper.

1.1. Background

This background paper is primarily based on the limited scale private sector profile survey conducted in the absence of sufficient secondary data, review of published and unpublished documents, workshops with the essential stakeholders, and the author's analysis of existing information on private sector in the Northern Areas.

IUCN NACS-Support Project³, the sponsor of this background paper, has been a committed pioneer in raising awareness about conservation of nature. More

3. NACS Support Project, collaborating with the Northern Areas' Administration and endorsing Agenda 21 and the NCS, is an entity involved in the formulation of a conservation strategy for sustainable development of the region.

specifically, IUCN NACS-Support Project has been the leader in formulating the scope of interventions required in the private sector to make it effective, conducive, sustainable, and environmentally friendly. It has stressed the need for the education and encouragement of the local businesses and industries to carry out their activities in an environment friendly manner and practice conservation of natural resources.

In this regard, the NACS Support Project in 1999 commenced working with the various stakeholders of the private sector. This collaboration was to ensure the stakeholders' involvement in a strategy formulation process, to show the private sector's role in sustainable development of the region.

The strategy formulation process revealed that the private sector has not been able to grow to its minimum required level and that it carries huge potential for economic growth and poverty alleviation.

Sustainable development, from a business point of view is defined as, 'adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today, while protecting, sustaining, and enhancing the human and natural resources that will be needed in the future'⁴.

The strategy formulation process concluded a need to design a broader policy framework, which would increase the efficiency of the resource base by ensuring the integration of environment in the economic development processes. Hence, the integration of environmental concerns with sustainable economic development processes is one of the major objectives of the NASSD.

1.2. Current Situation

The Northern Areas of Pakistan, spread over an area of 72,496 sq. km, lies between 72 -75 degrees longitude and 35 -37 degrees latitude, and possesses a unique geographical, political, anthropological, climatic, and cultural diversity.

Northern Areas is different from the rest of the Pakistan in its political constitution. Due to the dispute over Kashmir with India and to keep the cause of 'Occupied Kashmir' alive, Pakistan has opted to keep Northern Areas as a federally administered area under the jurisdiction of Pakistan's Federal Ministry of Kashmir Affairs and Northern Areas and a Legislative Council, headed by a federally appointed Chief Executive, consisting of 24 locally elected members who elect a Deputy Chief Executive. The people of Northern Areas do not get to elect their representatives to the National Assembly, are not directly taxed, and are provided a number of subsidies.

An analysis of the physical setting and demographics⁵ of the Northern Areas indicates that it has:

- m A total population of approximately 1,055,600 people (with 363 thousand in Gilgit, Ganche and Ghizar; 303 thousand in Baltistan; 72 thousand in Diamir; and 317 thousand in Chitral.
- m Nearly 60% of the population is less than 20 years old

4. IISD Publication, 1990: Business Strategy for Sustainable Development

5. Source: AKRSP Strategy Formulation Process manuals, 2001

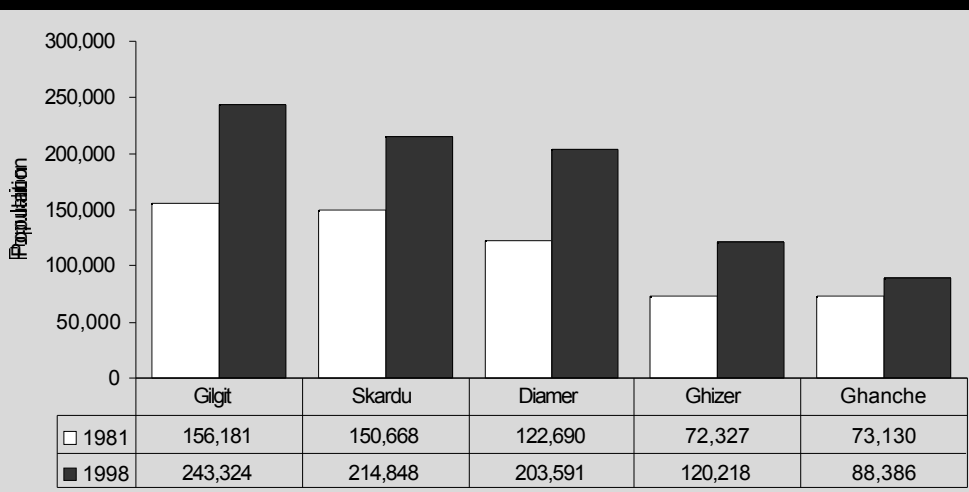
- m The total households in the region are over 121,000, with an average household size of eight +.
- m The count of villages in the area is about 1,100.
- m The climate is extreme, ranging from minus 30 C to plus 45 C.
- m Religion constitutes the three branches of Islam (Shia, Sunni, Ismaili), in roughly equal proportions; and the languages spoken are Shina, Wakhi, Balti, Khowar, and Brushaski.
- m About 90% of the population is engaged in subsistence farming, where, people have small land holdings (12 'kanals' per family), which are 60% suitable for crops.
- m 32% of the population lives below the poverty line.
- m Agricultural productivity is relatively low.
- m Literacy rate is 57% for males and 23% for women.
- m Population growth rate is about 2.5% per annum.
- m Per capita income is half of the national average.
- m Poor infrastructure and communications exists coupled with virtually no manufacturing base; and there is limited financial inter-mediation from both public and private sector

Perhaps the biggest disadvantage of Northern Areas has been its uncertain constitutional status. This has resulted in the non-representation of NA's constituencies during its public policy formulation by the successive National Assemblies. Moreover, the region's geographic isolation and severe climatic conditions, its political power vacuum and non-local District Management Administrations, and its religious tensions have all contributed as constraints to its development.

Ineffective and inefficient public and private sector investments have resulted in a very depressed private sector and a large number of bankrupt businesses. Consequently, poverty, high unemployment rates, rising population, absence of basic infrastructure and social services, pollution, disease, and depleting natural resources are all existent in the region.

The following graph shows the population trends in the five districts of the region. Gilgit, Skardu, and Diamir, being the hubs of regional economic activity, have grown fast population wise. With a depressed private sector, low rates of employment,

Figure 1: Population Growth in the Northern Areas



absence of the basic infrastructure (such as communications, power, water, and sewerage system) the increasing population has become a burden on itself.

The population of the region has increased by 66 % over a period of 19 years⁶ (during 1981 to 1999), suggesting growth rates of approx. 2.5% per annum. This increase in population of Northern Areas has resulted in the habitants' ever-increasing pressure on the region's limited and depleting natural resource base and demands for alternative sources of livelihoods, conservation of nature, and sustainable development measures.

1.3. The Private Sector

Proper documentation of the private sector economy has never been conducted in the region. Consequently, the quantity and quality of socio-economic data on the private sector from authentic secondary sources is negligible. These constraints in the availability of data make it extremely difficult to assess the accurate state of the private sector.

Except for a limited amount of secondary data available for the period of late eighties and early nineties with NGOs such as AKRSP, IUCN, WWF, and AKDN, sufficient data on the private sector is not available from other potential sources.

It was, therefore, a challenge to gather data on the private sector economic activity identified for this background paper. To compensate for the above listed constraints in the collection of secondary data, a limited scale 'private sector profile survey'⁷ was conducted on the private sector in Northern Areas.

This survey attempted to identify the major businesses of the private sector in Northern Areas. The survey, conducted in Gilgit, also attempted to collect time series data on the assets owned, the working capital involved, and the profits earned in the subject areas of the private sector by tracking down its evolving situation.

In order to analyse the private sector, it has been classified into major businesses or sub-sectors for the purpose of this background paper. The selection and classification of the private sector businesses, identified hereunder, is based on their capital worth, environmental and economic impact, role, and substantial standing as business entities in the private sector of Northern Areas.

The major businesses in the region, identified and classified through the above mentioned 'private sector profile survey', belong to the following sub-sectors of the private sector:

- m Transport
- m General Trade
- m Agriculture
- m Infrastructure
- m Tourism
- m Banking
- m Fuel and Gas

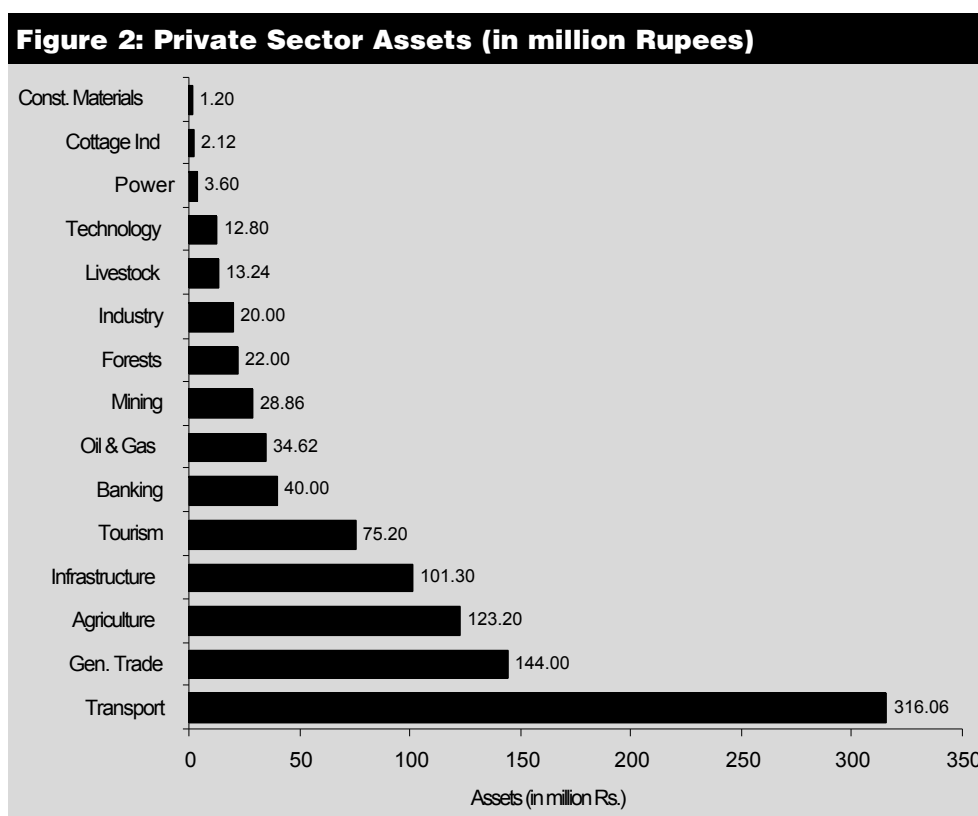
6. Census 1998

7. Survey conducted by IUCN-NACS Support Project Northern Areas, Gilgit, by Asif Hussain, February 2001

- m Mining
- m Forests
- m Industries (except for a few flour mills, this sector mainly constitutes value addition)
- m Livestock
- m Science and Technology
- m Power Generation (electricity)
- m Cottage Industries, and
- m Construction Materials.

1.3.1. Analysis of Private Sector Businesses in Terms of Asset-Holdings

The growth profiles, in terms of asset holdings, of the above listed businesses up to the year 1999, are depicted in the Figure 2.



The graphic presentation above indicates that the **Transport Sector** has grown as the largest business in the region in terms of asset holdings. The Transport Sector holds assets worth RS. 316 million. This amount constitutes 34% of the total private sector assets. This sector holds the same leading position in terms of geographical coverage of the region and includes businesses such as automobile workshops, spare-parts shops, service stations etc.

According to the 'private sector profile survey'⁸, the public transport system holds assets worth 60% of the total assets in the transport sector compared to 39% by the

8. Ibid.

private transport system and 1% by automobile workshops and service stations. The government and private financial sources invest in the transport sector competitively.

The second largest sector identified is **General Trade**, which has acquired assets worth RS. 144 million. This sector includes businesses involved in the ordinary trade of goods and services required in fulfilling the basic needs within and beyond the region. According to the selected sample profile survey, the share of assets for the trading services is worth 5% of the total assets in this sector, compared to 2% for ordinary trade, and 95% for businesses related to import and export.

The **Agriculture** related businesses constitute the third largest sector in the region. It constitutes 13% of the total PS assets, which seems quite meagre for a sector that claims to be the mainstay of the region's population, with 90% of the region's population engaged in it. Cash crop businesses such as Potato seed, vegetable, and fruit cultivation dominates this sector. Out of the total assets in this sector, the potato business acquires 81% of the share; vegetable and fruit 16%; and other agronomic businesses merely 2% of the share.

Despite being dependent on the down country agricultural products, Northern Areas produces some of the best potato seed and fruits in the country. The potato seed and fruit produced in Northern Areas is best in terms of being disease free and organically produced respectively.

The **Infrastructure Sector**, which constitutes businesses related to construction of roads, buildings, and power generation, has grown as the fourth largest sector in terms of asset holdings. The assets in this sector amount to RS. 102.50 million. This amount turns out to be 11% of the total assets in the PS. The public sector investments involved in this sector constitute 75% of the total investments.

Out of the total assets involved in this sector, the service providers (contractor's associations) share 98% while the related businesses such as manufacturing, construction materials and value addition share 2% of the total assets involved in this sub-sector. The poor asset-holdings by the manufacturing and construction material businesses are attributable to the free availability of the natural resource base of sand and stone in the region.

The **Tourism Sector**, being the fifth largest asset holding sector, holds 8% of the total assets involved in the private sector. Despite this sector's vast geographic coverage, its poor asset-holdings are indicative of non-prioritised and poor allocation of financial resources, lack of financial support, political instability in the region, and physical threat to the tourist. In terms of profitability in hard currency, this sector has the biggest potential in future private sector growth provided the geopolitical situation of this part of the world improves and the tourist does not feel a threat to his safety.

The **Banking Sector** turns out to be the sixth largest in terms of asset holding. The banking sector owns assets worth RS. 40 million, that amount to 4.26 % of the total private sector assets. According to NACC&I, more than six scheduled banks with dozens of branches are operating in Northern Areas since the last two to three decades and have deposits worth approximately 100 billion rupees from the region.

The banking sector operates on investments from both the public and private financial sources. Predominantly, the major banks in the region are government owned, except for a few privately owned banks.

The **Mining Sector** holds 3% of the total assets in the private sector. Out of the total assets in mining related businesses, 87% are in the areas of extraction and mining, while 13% are associated within the area of value addition. Despite the region being potentially rich in mineral resources, the mining sector has not grown to its desired level. Its poor asset-holdings, from an investment point of view, are a consequence of the high risks and costs associated with the mining sector and lack of investment.

Except for the businesses related to Oil and Gas, Mining, and Forests, whose assets amount to 2 – 4% of the total assets in the PS, the rest of the businesses identified in this background paper have meagre asset holdings. These businesses with meagre asset- holdings classify as very small-scale businesses and are mainly providing the bare minimum consumption requirements. Nevertheless, these businesses provide foundation for the businesses related to the provision of Services.

The above listed graphical presentation and analysis is presented in Table 1.

Private Sector Business	Assets (In million of Rupees)	% of Total Assets in the Private Sector
Transport	316.06	33.69 %
General Trade	144.00	15.35 %
Agriculture	123.20	13.13 %
Infrastructure	101.30	10.80 %
Tourism	75.20	8.02 %
Banking	40.00	4.26 %
Oil & Gas	34.62	3.69 %
Mining	28.86	3.08 %
Forests	22.00	2.34 %
Industry	20.00	2.13 %
Livestock	13.24	1.41 %
Technology	12.80	1.36 %
Power Generation	3.60	0.38 %
Cottage Industry	2.12	0.23 %
Const. Materials	1.20	0.13 %
Total	938.20	100.00 %

1.3.2. Analysis of the Private Sector Businesses in Terms of Profitability

Table 2 illustrates the current situation of the above listed business categories based on the level of their respective profitability. The analysis is primarily based on primary data; however, some of the data is collected from authentic secondary data sources, such as business records of the identified businesses. The table below indicates that the businesses related to the Forests earned the largest profit i.e., 115%

profit on the working capital involved in this sector. The businesses related to Forests include timber wood, fuel wood, and furniture wood industries. The figures depicted in the table below are for the calendar year 1999.

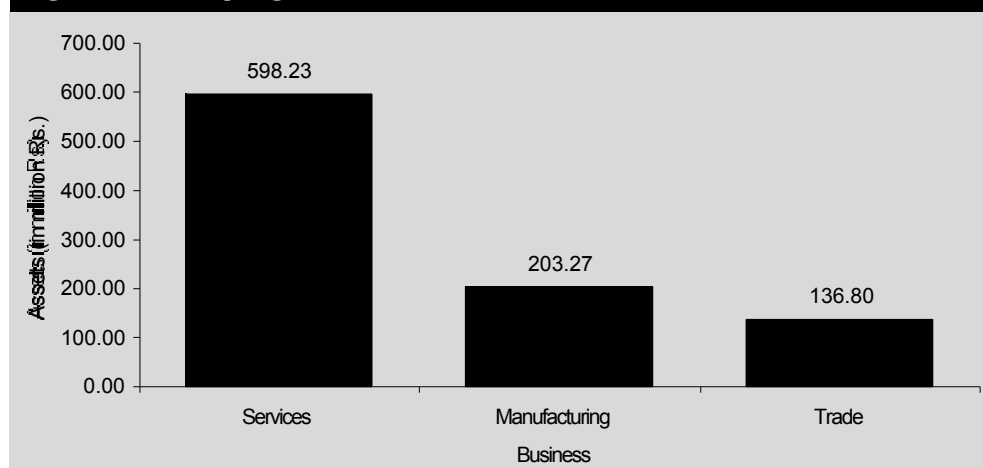
Table 2: Working Capital and Net Profit in the Private Sector (1999)

Business Categories	Working Capital		Net Profit Earned For Year 1999		
	Rs. in millions	% of Total Capital	Rs. in millions	% of Total Profit Earned	% of Working Capital
Forests	5.60	0.63%	6.45	2.35%	115.18%
Infrastructure	102.15	11.45%	55.70	20.26%	54.53%
Mining	16.81	1.88%	8.76	3.19%	52.10%
Tourism	75.40	8.45%	32.69	11.89%	43.36%
General Trade	138.90	15.56%	52.60	19.13%	37.87%
Sc. & Technology	32.12	3.60%	9.14	3.32%	28.46%
Agriculture	23.20	15.58%	34.35	12.49%	27.88%
Industry	20.00	2.24%	5.03	1.83%	25.15%
Transport	130.27	14.60%	32.15	11.69%	24.68%
Fuel & Gas	18.25	2.04%	4.31	1.57%	23.62%
Livestock	24.04	2.69%	5.15	1.87%	21.42%
Cottage Industry	47.77	5.35%	8.38	3.05%	17.55%
Banking	140.00	15.69%	18.63	6.78%	13.31%
Electricity	18.00	2.02%	1.60	0.58%	8.89%
Total	892.50		274.94		30.81%

1.3.3. Grouping of Private Sector Businesses in terms of Asset Holdings

As indicated in the chart below, the largest amount of assets in the private sector of the region are owned by the private sector businesses grouped under 'Service Providers'. The assets owned by this group of businesses amount to RS. 598.23 million. This amount constitutes 55.26 % of the total assets in the private sector.

Figure 3: Grouping of Businesses

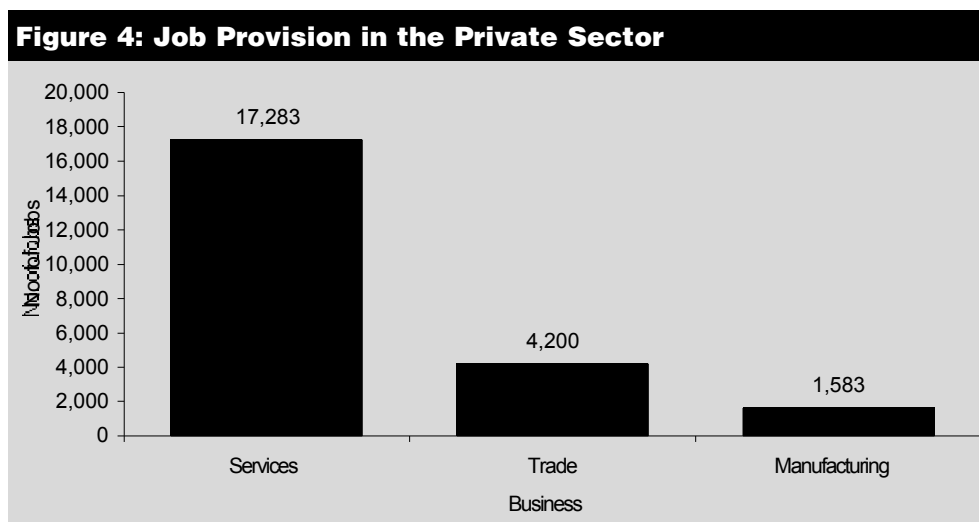


The businesses grouped under the heading of ‘Services’ include all forms of service providers including financial service providers. The businesses grouped under the activity of Manufacturing constitute the second largest in terms of asset holdings, followed by businesses related to Trade.

In terms of human resource development, the above data obviously indicates the significance of the service providers in the private sector business activity. In this respect a pressing need for a comprehensive human resource development strategy is paramount.

1.3.4. Job Provision Analysis of the Private Sector

In the following chart, job-providing capacity of the private sector is being depicted. The businesses grouped under the heading of ‘Services’ (including financial services) provide the maximum number of jobs. This statistic again signifies the importance of service providers in the private sector economy of the region demanding a pressing need for a comprehensive human resource development strategy. Businesses grouped under the broad heading of ‘General Trade’ (including the import and export business) provide the second largest number of jobs followed by the group of businesses under the heading of ‘Manufacturing’ (including value addition). The above listed data also indicates that in order to create jobs the manufacturing industry in the region demands a prioritised effort in terms of attracting investment.



As indicated in the chart above, the private sector businesses grouped under the heading of ‘Services’ accommodate the largest number of jobs, which amounts to 94 % of the total jobs in the private sector. Similarly, the private sector businesses grouped under the heading of ‘Trade’ constitute the second largest business activity in terms of providing jobs, followed by businesses related to ‘Manufacturing’.

1.3.5. Laws, Rules, and Policies Governing the Private Sector Businesses

The Federal Government in Islamabad administers the Northern Areas of Pakistan due to its disputed territorial status. The laws and regulations governing the

private sector economic activity of the region are very much in place. Below is a list of laws and regulations applicable to various businesses in the private sector.

Table 3: Laws and Rules Governing the Private Sector

Business Sector	Governing Laws & Regulations
Transport	Pakistan Penal Code, 1860 W. Pakistan Motor Vehicle (NA Amended) Order, 1990 The NA Local Government Order 1979, Amended 1996
Agriculture	Pakistan Penal Code, 1860 The Land Acquisition Act, 1894 The Gilgit & Baltistan Right Of Prior Purchase Act 1938 The Allotment Of Govt. Land Rules, 1975 The NANoutore Rules Order, Amended, 1990 The NASEed Certification Rules, 1976
Livestock & Poultry	The Town Committee Slaughter Bye Laws, 1979 The NA Local Govt. Order, Amended, 1996 The Wildlife Preservation Act, 1975 The Cattle Trespassing Act, 1976
Tourism	Pakistan Penal Code, 1860 The Cinematography Act, 1908 The Registration Of Foreigners Act, 1939 The Pakistan Hoteliers & Restaurant Act, 1976 The Pakistan Tourism Guides Act, 1976 The Pakistan Travel Agencies Act, 1976 The Drug Act, 1976 The Ancient Monument Preservation Act, 1904 The Antiquities Act
Forests	Pakistan Penal Act, 1860 The Forest Transit Rules, 1983 The NAForest Rules, 1975
Fisheries	The NAFisheries Rules, 1975
General Trade	Pakistan Penal Code 1860 The Drug Act 1976 The Transfer Of Property Act, 1976 The Contract Act, 1872 The Opium Act, 1878 The Dangerous Drug Act, 1930 The Income Tax Ordinance, 1979 The Partnership Act, 1932the Companies Act, 1913 The Companies Ordinance Act, 1984 The Cooperative Societies Act, 1925 The Cooperative Societies Rules, 1927 The Explosives Act, 1984 The Explosives Substance Act, 1908 Loudspeaker Sound Ordinance Act, 1965 The Factories Act, 1934 The Industrial Relations Ordinance, 1974 The Contract Act, 1872
Import & Export	The Pakistan Customs Act, 1950 The Import Export Act, 1950 The Quarantine Act, 1976
Oil & Gas	The NAPetroleum Act, (Adoption Order) 1990
Infrastructure	The NAPWD Act, 1872 The Contract Act, 1872
Cottage Industry	Local Govt. Order, 1979, Amended 1996

2. ISSUES AND TRENDS

The growing population⁹ of the Northern Areas, exerting an ever-increasing pressure on land and other natural resources of the region, demands alternative sources of livelihoods for its survival. In order to redress the depressed private sector of the region, an ongoing need for economic growth to raise income levels, reduce poverty and improve livelihoods remain paramount and the following issues and trends cannot be ignored.

2.1. Issues

For the purpose of this background paper the issues are grouped under five broad categories viz.: Infrastructure Development Issues; Enterprise Development Issues; Poverty and Gender Issues; On-Farm Asset and Opportunity Creation Issues; Policy Work Issues.

In order to address the depressed private sector and enable it to play a significant role in the sustainable development of Northern Areas, the following major and pressing issues, grouped under the above listed five broad categories, demand immediate consideration:

2.1.1. Infrastructure Development Issues

m Absence of essential Infrastructure projects (specifically, in the areas of communications, power generation, drinking water, sewerage, and telecommunications).

2.1.2. Enterprise Development Issues

- m Lack of appropriate finances, financial services and inter-mediation, high interest rates, and lack of collateral to access credit
- m Inadequate levels of marketable and transferable skills and lack of exposure to best practices in enterprise and business development
- m The general macro-economic instability of the national economy and political instability of the country
- m An underdeveloped enterprise sector due to lack of technical training skills and ineffective business practices
- m Absence of manufacturing industry

2.1.3. Poverty and Gender Issues

- m Unemployment
- m Gender imbalances in form of social, cultural, and religious barriers hampering female participation in the private sector economy

9. 2.5 percent growth rate in the Northern Areas, estimated through the last Population Census.

2.1.4. On-Farm Asset and Opportunity Issues

- m Absence of commercial agriculture despite a huge demand for the local high-valued disease-free vegetable seed, cereal-seed, and organic fruit
- m Fragmented markets

2.1.5. Policy Work Issues

- m Pollution
- m Non-conservation of depleting natural habitat and resources
- m Development of private sector without due consideration towards the sustainable development of the region.
- m Lack of hard data on private sector for sound business and investment decisions

It is worth mentioning here that the existent natural assets resource base in the Northern Areas of Pakistan is incapable of supporting and sustaining the growing population of the region. The average household agricultural land holding in NA is stagnant at a meagre 1.1 acres. In addition, the unavailability of sufficient land and overgrazed pasture areas has caused the livestock holdings to diminish¹⁰. Therefore, to protect and sustain the livelihoods, the region's need for optimum and sustainable use of the existing natural assets and promotion of additional sources of income generation is paramount.

It is obvious, in the backdrop of the above listed issues, that a comprehensive strategy is required to address a list of daunting constraints, develop businesses, create enterprises, and above all enable the private sector to play a significant role in the sustainable development of Northern Areas.

With an estimated growth rate of nearly 5% per year in the labour force¹¹ and relatively static employment levels in the public sector, the private sector will have to absorb this labour growth. This implies that the private sector of the region can grow faster than it is currently. This faster growth could be possible if there are enabling conditions for economic revival, economic stability, and a collective effort by the public and private sectors to promote enterprise development in the region.

2.2. Trends

The trends in the private sector businesses, identified in the 'private sector profile survey' for the purpose of this background paper, are delineated below:

2.2.1. Transport

Due to the isolation and inaccessibility of the Northern Areas, Transport has been and is playing a vital role in the economy of the region. It involves investment from both the private and public sectors. According to the 'private sector profile survey'¹², the Transport sector boasts to be the largest in terms of assets at RS. 314.50 million, that constitutes 34% of the total assets in the private sector. The Transport

10. Poverty Reduction through promoting Sustainable Livelihoods", a report by AKRSP, 2001.

11. Ibid.

12. Survey conducted by IUCN-NACS Support Project Northern Areas, Gilgit, by Asif Hussain, February 2001

Sector also provided 2,322 jobs, which amount to over 15% of the total jobs in the private sector.

The Transport Sector generates annual revenues worth approximately RS 24 million and profits exceeding RS 12 million on a working capital of over RS 130 million.

Unfortunately, this sector is least environmentally friendly, like it is in the rest of the country, and is the leading cause of environmental pollution in the Northern Areas. A recent assessment of toxic gas concentrations in the centre of Gilgit town, conducted by the IUCN revealed the following average results: Nitrogen oxides 10.5 ppb; Sodium dioxide 6 ppb; Carbon monoxide 0.9 ppb; and Carbon dioxide 300 ppb. These averages of toxic gas concentrations, despite being lower than the international ambient air standards and guidelines, speak out loud about the deteriorating state of environment in the region.

Public and private transport bus-stands, automobile workshops and service stations are scattered all over the cities of the region and pollute the environment. In the absence of sewerage systems, solid and liquid hazardous waste can be seen spewed all over the city around motor workshops.

The environmental issues associated with the transport business are:

- m Air pollution
- m Soil pollution
- m Water pollution

(All due to the spillage and improper disposal of toxic waste and absence of emission control laws)

2.2.2. General Trade

The General Trade constitutes local trade of goods and services, and the import and export business. The second largest business in terms of assets, the General Trade Sector has assets worth RS. 144 million. This figure constitutes 15% of the total assets in the private sector. The import and export businesses, which include domestic as well as foreign imports, constitute RS 138 million worth of assets out of the total amount of RS 144 million.

In the absence of industry in the region, the domestic imports (which constitute literally all consumer goods required as the necessities of life) have to be brought in from down country. The foreign imports dominate border trade with China. The first border trade agreement between Pakistan and China took place in 1969, emphasizing barter trade. With the construction of KKH in late 1970, there exist tremendous opportunities for this sector to flourish and play a vital role in the private sector of the region. According to NACC&I, since 1990, there has been a trend towards declining exports to China against increasing imports from China. Smuggling, corruption, and poor implementation of laws are the ills confronted by this business.

2.2.3. Agriculture

Due to the peculiar geographic and severe climatic conditions, most of the region falls under the single cropping zone. However, parts of the region can qualify as

double and transitional cropping zones. This sector is dominated by farm businesses such as the cultivation of potato, vegetables, and fruits. Major crops of the region include wheat, maize, barley, and millets. The region is 45% deficient in cereal production and 20% deficient in vegetable production. To counter this deficiency, the government spends about RS. 150 million annually by supplying wheat to the region on subsidized rates. The region grows a variety of fruits, which include apricot, mulberry, apple, cherry, grapes, almond, walnut, pomegranate, pear etc. *According to the World Bank Report on AKRSP, March 12, 2002, with respect to the objective of economic growth, progress has been quite strong in agriculture, livestock, and forestry, including the creation of about 48,000 hectares of new cultivable land, about a one-third increase in cultivable land area, and intensification of production on existing land.*

The distribution of land in the Northern Areas is depicted in Table 4.

Distribution of Land	Area (in ha)	Percentage
Land Under Cultivation	59,680	0.90 %
Range Land	3,960,000	54.62 %
Forests	313,000	4.32 %
Mountains	2,615,120	36.07 %
Glaciers	279,200	4.00 %
Rivers, Streams, Lakes	12,800	0.17 %

The trend for commercial farming in the region emerged in the early 80's. The government and NGOs introduced a variety of new cereals, vegetables, and fruits on a large scale in the region. Road improvements during this time improved farmers' accessibility to markets and resulted in increased farm incomes. Seed potato cultivation was introduced in the region, and today potato and seed potato is a lucrative and major export of the region to the down country markets. According to the 'private sector profile survey', during 1998-99 the potato business generated revenues worth RS. 85 million.

Unfortunately, due to the high profits associated with potato and potato seed cultivation, the farmers have abandoned the cultivation of traditional crops. Secondly, due to the excessive use of chemical fertilizer, uncertified seed, and continuous use of land for potato and potato seed cultivation the soil has degraded and crop diseases have broken out. New trends are developing to convert ration potato into seed potato production since the region provides the most suitable climate for the production of seed potato. In addition, the concept of crop rotation and cultivation break, to improve the fertility of soil, is being propagated amongst the farming community.

According to the 'private sector profile survey', the agriculture related businesses have assets worth RS. 123.2 million. This amount constitutes 13% of the total private sector assets. One hundred and fifty four jobs were created by this sector, which are 1% of the total jobs created by the private sector for the year 1999-2000. The job profile on this sector excludes the retail shopkeepers, entrepreneurs, and street hawkers involved with this business.

On average, 4,400 tons of vegetables are imported annually from the down country markets. The dry fruits exported out of the region to the down country markets and China, during the year 1999 totalled 4,200 tons.

Table 5: Agricultural Statistics by District

District	Cultivated Area (Hectors)	Cultivable Waste (Hectors)	Area Under Cereals (Hectors)	Area Under Fruits (Hectors)	Area Under Vegetables (Hectors)
Gilgit	13,180	8,200	8,700	2,800	1,680
Ghizar	8,150	3,800	6,350	1,200	600
Skardu	15,500	10,400	11,650	3,250	600
Ghanche	8,000	5,600	6,050	1,750	200
Diamir	14,850	32,000	13,550	1,000	300
TOTAL	59,680	60,000	46,300	10,000	3,280

2.2.4. Infrastructure

This sector incorporates businesses related to the construction of roads, bridges, buildings, irrigation-channels, and construction materials. Businesses related to this sub-sector provide the largest number of jobs, which total 66% of the current job providing capacity in the private sector.

This sector earned RS 55.70 million in profits on a working capital of RS 102.15 million, during the year 1999. The profits associated with this sector are one of the highest amongst the businesses identified in the 'private sector profile survey', and amount to 20.26% of the total profits earned in the private sector.

2.2.5. Tourism

The peak tourism season in the region starts from May and lasts until October. The 'private sector profile survey' indicates that a total of 20,000 foreign tourists visited the region during the year 1998, while this number sharply dropped down to 7,500 tourists during the year 1999. This trend of decline in the number of tourist visiting the region is attributed to the 1999 Kargil war between India and Pakistan and a general sense of physical harm and insecurity felt by the tourist.

During the year 1999, per immigration records, 3,250 tourists crossed over to China through the Sust check-post at the border between China and Pakistan. With a working capital of RS 75.40 million, the net profits earned by this sector during the year 1999 amounted to RS 32.69 million, which come to 11.89% of the total profits earned by the private sector.

During the periods between 1997-1998, when the tourism business was relatively doing well, a number of new hotels and tourist facilities were heavily invested in. This heavy investment trend in the construction of hotels is presently experiencing a heavy crunch, thanks to the tensions with India and the September 11, 2001 incidence, which have literally stopped the flow of tourists in the region. At present the hotel industry is literally bankrupt with no tourists to help the hotels pay back the heavy loans owed to the banks.

The trend in this sector has been to concentrate on attracting foreign mountaineering and trekking expeditions with little attention to diversifying tourism products and development of eco-tourism, low altitude trekking, cultural tourism, and most importantly attracting domestic tourists.

2.2.6. Mining

Geological experts maintain that the Northern Areas possesses world-class mineral deposits. There are 18 varieties of minerals and 10 varieties of gemstones identified and extracted in the region. According to the 'private sector profile survey', this industry owns 3% of the total private sector assets and its profit-earning ratio, relative to the total profit earning capacity of the private sector, is 3.46%. It is unfortunate that this sector, with so much potential, has been ignored in terms of investment.

There have been various endeavours by the public and private sector to explore mining in the region, but no significant results have been materialized. For the promotion of minerals in the region, a mining cell was established in 1973, which operated under the control of Northern Areas administration. This cell was terminated in 1976, due to its failure in showing results. During 1980s, Pakistan Industrial Development Corporation (PIDC) conducted exploration and mining of Hunza ruby deposits. This project was later taken over by the Gemstone Corporation of Pakistan, which had tangible results in the form of extracting Hunza ruby, and several precious and semi-precious stones.

Similarly, Pakistan Mineral Development Corporation (PMDC) with the technical assistance of Australia launched the Northern Areas Resource Project for the exploration of Gold metal in the region. The present Gold Placer Project in the region, which was started in 1999, is an extension of the Northern Areas Resource Project. The Gold Placer Project has identified symbolic deposits of alluvial gold in the region.

However, due to the unavailability of proper human, technical, and financial resources no significant results have been materialized. It is worth mentioning here that the centuries old business of extracting gold from Indus continues even today. According to the 'private sector profile survey' about 300 families of gold washers extract gold from Indus and they sell about 50 kg of gold in the local market monthly.

Due to the mining involved in this industry, grave environmental concerns such as air pollution, landslides, water contamination, and permanent migration of wild life from the mining sites is associated. The Mining Concession Rules and Regulations, 1973, do not support the environmental concerns associated with this industry.

2.2.7. Oil and Gas

The storage, distribution, sale, and consumption of Petrol, Diesel, Kerosene Oil, and Liquid Petroleum Gas constitute this business. With a working capital of RS 18.25 million and net profits exceeding RS 4.31 million for the year 1999, this business has a large and all weather consumer market.

A positive trend associated with this business is the use of oil and gas as an alternative source of power and energy generation against the use of fuel wood.

2.2.8. Forests

The businesses associated with this sector constitute timber and fuel wood marketing. The area covered by forests in the region is 1100 sq. miles, which are barely 4.32% of the total area in the region. Some of the reasons behind the depleting forests of the region are:

- m Indiscreet cutting of trees due to lack and implementation of conservation laws
- m Federal government's lax and under-budgeted conservation-of-forest policies
- m Strong lobbying by a very rich and influential 'Timber Mafia', influencing forest conservation policies at the federal government level, to serve its business interests
- m Fuel wood consumption by the general populace in the absence of alternative sources of energy such as electricity

According to the 'private sector profile survey', the businesses associated with this sector earned the highest profits in the year 1999. This sector earned 115.18 % profit on a working capital of RS. 5.60 million. At present there are 41 lessees registered with the Forest Department, Northern Areas, Gilgit, with exclusive rights to cut wood for commercial purposes.

In Diamir district, the local communities have property rights on the natural forests and they get special permits to cut trees for personal use. In the last ten years, some 1.5 million cubic feet of timber wood has been exported to the down country markets. The recent trend in this sector has been a complete ban on deforestation by the government.

2.2.9. Livestock and Poultry

This business operates on assets worth RS. 13.24 million. The revenues earned were RS. 14.62 million and profits earned were RS. 5.15 million for the year 1999, according to the 'private sector profile survey'. Slaughtering of animals is a religious and customary activity in the region. The demand for poultry, mutton, and beef is higher than the supply.

Most of the demand in this sector is met by importing livestock and poultry from the down country markets. There has been a trend towards establishing poultry farms in the region but due to lack of expertise and excessive costs the local businesses associated with this sector can not compete with the down country suppliers.

The environmental impacts associated with this business are alarming. Meat and poultry shops are located all over the market place. The animals are slaughtered and gutted in the open and the waste can be observed scattered all over the streets. The intensity of air pollution caused by this indiscriminate littering can be smelled in the stink pervading the market place.

Most of the animals and birds imported from the down country are the left over because they are either infected or too old to be of any demand for the down country livestock and poultry market. Locally, the free grazing of animals is destroying the crops and high pastures.

2.2.10. Cottage Industry

This industry constitutes local handicrafts, stone carving, woodcarving, traditional jewellery, traditional textile (wool spinning and weaving), fruit processing (dry

fruit products) etc. The Cottage Industry business has assets worth RS. 2.12 million, that amount to only 1% of the total assets in the private sector. According to the 'private sector profile survey', this sector operated with a working capital of RS 48 million and generated revenues worth RS 56 million. The depressed level of investment in this sector has been an unfortunate trend, considering the huge potential this sector has for creating jobs and strengthening the entire private sector.

The NGOs have taken an initiative in focusing on the cottage industry. AKRSP has been a leader in this respect. The Dry Fruit Project (DFP), operated by AKRSP, for the first time has produced dry apricot, apple, and mulberry that is being exported to the UK market. The demand for these dry fruits in the UK market exceeds the supply. DFP at present is in the process of training local farmers in producing dry fruits that meet international standards to meet the demand.

It is worth mentioning here that the AKRSP's Dry Fruit Project has added value to the local fruits tremendously. The local apricots that were being sold by the farmers for RS 6 to 7 per kilogram, today the foreign buyers purchase for RS 150 to 200 per kilogram.

The Dry Fruit Project processes the local apricots, purchased at RS 40 to 50 per kilogram, from the local farmers and sells it to the foreign exporters at RS 150 to 200 per kilogram. Eventually, AKRSP intends to pass on the technology of drying local fruits to the local farmers and is presently in the process of passing on this technology through trainings.

Similarly, AKRSP has initiated another project under the name of North South Seed (NSS). NSS has been involved in experimentation to produce disease-free quality vegetable seeds. This project intends to develop new breeds of seeds and disseminate it to the local farmers.

Another project of AKRSP is working under the name of Shubinak. In this project the locally produced woollen cloth or 'Patti' is being perfected. This project has improved the quality of 'Patti' to meet international standards and most importantly added value to this local cottage industry.

Similarly, other NGOs are also promoting the local handicrafts by giving incentives to the local farmers helping them to add value to their local products. These handicrafts include traditional jewellery, clothes, carpets, and needlework designing on clothes. One of the leading NGOs working towards promoting the cottage industry in the region is the World Wide Fund for Nature (WWF). WWF is also involved in arranging trophy hunting of the local species of animals like ibex and leopard. The revenues generated from these activities are used towards the conservation of nature.

3. CONSEQUENCES OF INACTION

The short-term and long-term consequences of further inaction in addressing the above listed issues and negative trends would be grave. A detailed analysis of the consequences of inaction in dealing with the above listed issues and trends is presented below:

3.1. **Absence of essential infrastructure in the areas of power, communications, drinking water, sewerage, and telecommunications**

Due to inaction in dealing with the above listed issue, today and for a long time in the past, the region has been in dire need of the essential utility (essential for any activity, leave alone business activity), called electricity. At present Gilgit does not even produce enough electricity to meet one third of the required and ever-increasing demand for residential consumption of electricity. To meet the commercial and residential demand for electricity at present, Gilgit, alone, needs a minimum of 20 megawatts of electricity compared to the available production of 8 megawatts.

The private sector businesses in the region are therefore suffering immensely due to the unavailability of electricity and it will get worse if this trend continues. It would not be an exaggeration to say that life in Gilgit is at a standstill due to the unavailability of electricity. Diesel and petrol generators compensate ineffectively in the absence of electricity at the cost of polluting the air. With the help of the Chinese government, a hydropower generation plant is near completion. This plant would double the production of electricity in the Gilgit region. There are major dams in the pipeline for the region and it is hoped that in the near future the demand for electricity in the region would be met.

Similarly, the private and public sector are both suffering, in the areas of telecommunications, drinking water, and sewerage systems, the consequences of any further inaction in these areas would be catastrophic. As of today, despite digital telephone systems connecting the Northern Areas with the rest of the country, the five districts in the region are poorly connected to each other. Public Call Offices (PCOs) abound the market area in Gilgit but it is extremely difficult to get a new telephone connection for either business or residential purposes.

In Gilgit, the drinking water, which is only available to a limited area, is 85 % contaminated with E-coli and hepatitis virus. The majority of the region has no proper water supply. This is impacting human resource development as precious man-hours are wasted due to illness.

Absence of a sewerage system has added to the problems of the private sector businesses in the region. Today waste could be seen littered and spewing out of tiny

channels along the streets, polluting the air, soil, and water of the area inhibiting the smooth running of business activity.

3.2. High risks and generally low rates of returns to investments

This issue is a direct result of the mismanagement of the banking sector. The consequence of inaction in dealing with an ineffective banking system is that today the list of defaulters is too long. The banking business like other businesses is fraught with corruption, favouritism, and professional incompetence. The due diligence required by a bank before granting a lone is not practiced.

The high risks and low rates to investments are a direct result of an overall non-conducive business environment. The high risks and low rates of returns to investments are associated with the peculiar characteristic of the Northern Areas. These peculiar characteristics include the harsh climatic conditions, inaccessibility and remoteness of the region. The business activity in the region suddenly comes to a standstill during the winter season.

A good example here would be the case of hotel business in the region. The hotel business in the region is firstly seasonal and secondly dependent on foreign tourists. When the tourists do not come the hotels shut down. Consequently the loans borrowed by the hotels cannot be paid back. Today the majority of hotels in the region are high on the banks' defaulters list. The banks, before granting out loans, should be cognizant of the viability and feasibility of the business for which the investment is asked for. It is possible that the region along with the country would go bankrupt if the present trends of inaction continue.

3.3. Lack of appropriate financial services and inter-mediation, high interest rates and lack of collateral to access credit

A comprehensive strategy to address this issue is required. At present, the banks do not provide sufficient financial services and inter-mediation before and after granting loans. In terms of the availability of appropriate financial services the lending institutions do not have a comprehensive strategy. Consequently, the businesses that do have a potential for success never receive the attention from the banks and get bogged down in the red tape bureaucracy of the government.

In terms of appropriate intermediation, again, the business community seeking loans do not receive the guidance and counselling from the lending institutions and business development providers before applying for the loans and after starting their businesses.

Due to the harsh climatic conditions most of the region is classified as a single cropping zone and most of the businesses are seasonal. The lending institutions do not compensate for this disadvantageous condition of the region and charge the same exorbitant interest rates as applicable in down country.

Similarly, the lending institutions do not accept land as collateral if it is in the unsettled areas. The settled area lands are very limited and most of the deserving farmers end up not qualifying for loans.

The consequences of inaction in dealing with this issue, again, are failed and bankrupt businesses. At present the private sector economic activity is at a standstill as a consequence of inaction in dealing with this crucial issue.

3.4. General macro-economic instability of the national economy and political instability of the country

This issue is of paramount significance in the poor performance of the private sector at the regional and national level. It is certainly an issue attached to the geopolitical situation of South Asia. The conflict with India over Kashmir, in-debt national economy, political instability, weak democratic institutions, international sanctions against Pakistan, absence of insurance to foreign investments, unfavourable image of Pakistan internationally, absence of Rule-of-Law, and the general foreign investment xenophobia are perhaps some of the reasons hindering action in dealing with the above issue.

A significant consequence of inaction in not dealing with this issue is that international aid and funds for Pakistan have been dropping more rapidly up to the September 11 incident. From 1993 to 1997 funds for official international development assistance (ODA) to Pakistan decreased by 40% in current dollars (implying an even steeper decline in real dollars) and as a percentage of Pakistani GNP from 2.6% in 1990 to 1.3% in 1997 or from USD 10 in 1990 to USD 5 in 1997¹³.

3.5. Fragmented markets

The general constraints cum inability of the government in properly allocating the resources in building roads to connect the remote areas of the region have left the markets fragmented. Due to this reason, the markets are scattered without proper connectivity. A consequence of inaction in not dealing with this issue is that a large quantity of agricultural produce is wasted today and does not fetch premium prices to the farmers. Most importantly, due to the fragmented markets, the supply and demand side of the business activities is not being met.

3.6. Absence of manufacturing industry

The consequences of inaction in not dealing with this issue are immense. A large portion of the local population despite being educated is unemployed and seeks jobs down country. Also, not dealing with this issue is defeating the purpose of high levels of literacy achieved in certain parts of the region like Hunza and Gilgit. Discontent coupled with unemployment and poverty is prevalent in the educated and skilled youth of the region. The short and long term consequences of inaction in dealing with this issue would be

13. "Sustainability and AKRSP: Plans for the Future", A Report by the Task Force on Sustainability, November 1999.

further deterioration of an already dysfunctional, unsustainable, ineffective, and inefficient private sector.

3.7. Poverty and gender imbalances in form social, cultural, and religious barriers hampering female participation in the private sector economy

Although according to data from AKRSP's Farm Household Income and Expenditure Survey (FHIES), from 1991 to 1997, per capita incomes in NAC have grown at a rate of nearly 8% per year, NAC still lags behind the rest of the country in household incomes. The household incomes in NAC currently are at a little under 60% of the national average or about PKR 10,000 per annum¹⁴. By latest World Bank estimates, the poverty incidence in the rural areas is 37.9 percent for the Northern Areas and 46.5 percent for North Frontier Province, placing both near the bottom of the Pakistan Province/Region ranking. The consequences of inaction in dealing with this issue could be devastating in the short and long term. The poverty rates in the region are alarming at present. Thirty two percent (32%) of the population of the region is poor and 9% is very poor¹⁵. It is estimated that the incidence of poverty increased from about 20 percent in the 1980s to more than 30 percent in 1990s and the rate of increase in poverty in the rural areas was reported higher than in the urban areas¹⁶.

As a consequence these trends of increase in poverty are getting worse left unattended. At present income levels are still below the poverty target set in the International development Goals (IDG). Currently, average per capita incomes in the Northern Areas is about US 50 cents per day against the IDG poverty goal calling for cutting in half the proportion of people living in extreme income poverty of less than \$1 a day by 2015.¹⁷ Similarly, the gender imbalances have created a vacuum in the work force. Approximately 50% of the region's population is female and if it is not allowed and encouraged to contribute to the work force, the region would not be able to sustain itself. The short and long term consequences of inaction in not dealing with the above listed issues would only exacerbate the present deteriorating trend in the private sector.

3.8. Absence of commercial agriculture despite a huge demand for the local high-valued disease-free vegetable seed, cereal-seed, and organic fruit

The proportion of total employed (and self-employed) work force engaged in farming and domestic work is approximately 90 % in the total work force of the region¹⁸. In the absence of alternative sources of income due to an already

14. Ibid.

15. FHIES, 1997.

16. Reported in the "Draft Poverty Assessment" of the Asian Development Bank, April, 2001.

17. March 12, 2002, Operations Evaluation Department of the World Bank, Document of the World Bank, "The Next Ascent: An Evaluation of the Aga Khan Rural Support Programme, Pakistan.

18. Findings from AKRSP's Farm Household Income and Expenditure Surveys, "An Assessment of Socio-economic Trends in Northern Pakistan (1991-1997)".

depressed private sector, and the majority of the workforce linked to agriculture, the need for streamlining the region's agricultural sector on commercial basis is the need of the day. Taking into account the existing pressure on land the need of the day is to maximise the cultivation of cash crops such as high-grade and high-value vegetable seeds and organic fruits instead of the usual cereal crops.

The consequences of inaction in dealing with this issue do not need any explanation. With the present high rates of population, unemployment and poverty, delay in formulating a comprehensive strategy to incorporate commercial agriculture in the region would only further increase unemployment, poverty, and an unsustainable agricultural sector.

3.9. Non-conservation of depleting natural habitat and resources

The consequences of inaction towards the dangerous trends in non-conservation of depleting natural habitat and resources could be well imagined from the following statistics¹⁹. Climatically, Northern Areas fall in the dry continental Mediterranean zone, beyond the reach of monsoon rains, leaving the area and mountains predominantly barren. Except for Diamir District (where forests occupy about 30 % of land), Northern Areas lack good forests and the forests in Diamir District are not state owned. In other words, the majority of the forests in Northern Areas are not protected for they are treated as commercial forests. During the last two decades, local demand for wood has increased more than the population growth in NA. As per estimates in the "Forestry Sector Master Plan", NA with a population of 0.8 million, need 0.72 million cubic meters of fuel wood and 0.0224 – 0.922 million cubic meters of timber per year. Over-grazing coupled with dry weather conditions is hindering natural regeneration of forests.

In view of the above statistics, there would be no forests left in the region, because of inaction towards the depleting natural habitat and resources.

3.10. Pollution

A consequence of inaction in itself, pollution entails dangerous consequences for the region. A recent assessment of toxic gas concentrations in the centre of Gilgit town, conducted by IUCN revealed the following average results: Nitrogen oxides 10.5 ppb; Sodium dioxide 6 ppb; Carbon monoxide 0.9 ppb; and Carbon dioxide 300 ppb. These averages of toxic gas concentrations, despite being lower than the international ambient air standards and guidelines, speak out loud about the deteriorating state of environment in the region.

There are no statistics and data available on the consequences of pollution in the region; however, it is worth mentioning in this context that the infant mortality rate for NAC is 130 per 1,000 births, while the average for Pakistan is 95²⁰.

19. Statistics provided in a paper supported by AKRSP on "The Role of Elected Institutions in Community Forestry in Hindu Kush Himalayan Region", by Ali Gohar, 1998, Kathmandu, Nepal.

20 "Sustainability and AKRSP: Plans for the Future", A Report by the Task Force on Sustainability, November 1999

However, the polluted air in the cities and high rates of lung disease and mortality in the region could be reasonably associated to the pollution. This pollution is caused by smoke spewing diesel generators, unregulated traffic emissions, deforestation, openly dumped garbage, and open sewerage through out the region. It is well imaginable that if action were not taken to regulate and implement laws and policies curtailing pollution, the region would be inhabitable in the short and long-term future.

3.11. Inadequate levels of marketable and transferable skills and lack of exposure to best practices in enterprise and business development

The consequences of inaction regarding this issue are: a large number of bankrupt and failed businesses; default bank loans; low rate of returns on investments; an underdeveloped enterprise sector; widespread poverty; and high rates of unemployment, just to mention a few. Any further inaction in developing marketable and transferable skills and formulating strategies to implement effective and efficient business practices would further deteriorate the performance of private sector.

3.12. Social impediments and cultural cum religious barriers hampering female participation in the private sector economy

The role and significance of female participation in the private sector is undeniable. For example, women have been engaged in constant or frequent activities such as weeding and care of livestock. AKRSP estimates that women, on average, contribute roughly half of the total labour requirements on family farm in the region²¹. The activities of women in the region are relative to men. In various capacities, women perform a variety of tasks related to household, farm, and community related activities.

Moreover, in the absence of men (out in search of jobs) and children (attending schools), consequently, women are performing additional tasks that were otherwise the responsibility of men and children. Within the household, women are mothers and responsible for the domestic chores. As farmers, women cultivate vegetables, tend to livestock and poultry, and carry out the activities of sowing, weeding and threshing. At the community level, women organize and actively participate in traditional festivals and weddings.

Consequently, the prevailing social context within Northern Pakistan has traditionally limited women's mobility and exposure to the world outside their village, along with their access to health, education, employment and other development activities. The predominance of conservative traditions and culture has further distinguished between the public and private realms of social interactions for women and limited their productivity and contribution. Women do

21. Annual Report, AKRSP, 1999.

not have equal development opportunities; they have inequitable access to services and lesser mobility resulting in higher levels of female poverty, vulnerability, and insecurity²². The consequences of inaction in not attending to the above negative trends would be detrimental to the private sector of the region.

3.13. Development of the private sector without due consideration towards sustainable development of the region

The consequences of inaction because of this negative trend are obvious today in the form of dwindling forests, pollution, contaminated water, soil degradation, and extinction of a large variety of flora and fauna, just to mention a few. In addition, these consequences, naturally, would get worse in the short and long term future if no action were taken in this regard.

Sustainable development is adopting business strategies and activities that fulfil the objectives of the business while protecting, sustaining, and enhancing the natural and human resource base for the future generations to come. Unfortunately, the private sector businesses today are so much in the spell of increasing profitability that sustainable development has no priority for them.

3.14. Lack of a vibrant culture, inhibiting wholesome exploitation of business possibilities and development opportunities

The non-conducive business environment in the region, perhaps, is the biggest constraint and issue that needs attention before the private sector can be rescued from its present slump. The business environment is non-conducive because, firstly, it lacks institutional capacity to promote sustainable businesses. Secondly, the environment does not provide business development services to support small businesses. Thirdly, the environment lacks policy and institutional framework to create an enabling environment for business development.

The consequences of inaction in not dealing with this issue would fail all attempts towards building and promoting the private sector, leave alone any hopes for sustainable development of the region.

22. Findings from AKRSP's Farm Household Income and Expenditure Surveys "An Assessment of Socio-economic Trends and Impact in Northern Pakistan (1991 - 1997)".



4. CURRENT INITIATIVES

The current initiatives taken or in the pipeline, in dealing with the issues and trends enumerated above, are delineated below. In terms of current initiatives, the issues and trends have been grouped together under five broad headings viz.:

- m Infrastructure Development
- m Enterprise Development
- m Poverty and Gender Issues
- m On Farm Asset and Opportunity Creation
- m Policy Work

The current initiatives outlined below are in terms of an assessment of what has been or is being done and the effectiveness of interventions to address the issues and trends. An attempt has also been made to analyse the factors contributing to success or failure of the interventions.

Beside the successive elected governments' developmental initiatives, in recent years, there has been a significant increase in the number of development associations and NGOs in the region, with a variety of development mandates and objectives.

An AKRSP survey listed 70 such organizations in Gilgit region alone. These organizations - to name the most prominent ones such as IUCN, WWF, IFAD, FPAP - are either multi-purpose or focused on a specific issue like education, health, conservation of nature, natural resource management etc.²³

Almost all of these NGOs work at the grassroots level through village and women's organizations fostered and collaborated by AKRSP. The collaboration of these agencies has been successfully creating a synergy by leveraging the impact of each of the agency's own efforts.

Several of other NGOs, the major ones being AKDN institutions, are listed below with their respective past and present developmental initiatives in the region:

- m AKHS has been working in NAC since the 1960s. Since 1987, it has been running an extensive and successful primary health care program in the region. AKHS is currently working with the government on primary health care in Ghanche and Gilgit.
- m AKES has been working in NAC since 1946 and operates 177 (mainly girls') schools in the region. Currently AKES is working with the government on the Northern Areas Education Project, which is aimed at improving the quality of education and teaching.
- m AKCS has been working in NAC since 1992, and has currently undertaken construction projects in Gilgit, Baltistan and Hunza.

23. A report by the task force on sustainability, "Sustainability and AKRSP: Plans for the Future", November 1999.

- m AKPBS has been working in the region since 1970s and has three projects in the pipeline currently:
 - BACIP, which is currently working on developing low-cost technologies to improve the construction and ‘liveability’ of existing houses.
 - WASEP, which is constructing water supply projects in 105 villages in its present funding phase, is engaged in the promotion of sanitation and water supply projects.
 - KADO, which has been involved in solid-waste-management projects is presently working on the development of waste management and disposal systems

4.1. Infrastructure Development

In terms of past and present initiatives taken towards the development of Northern Areas, AKRSP stands hand-in-hand with the government of Pakistan. Some 2,250 small infrastructure projects have been initiated by AKRSP since its inception in 1982, at a total cost of about RS. 1.2 billion.

These infrastructure projects are in the areas of land development, communications (such as small roads, bridges and micro-hydro-electric- power projects), and drinking water supply schemes. These projects have contributed significantly to lower the levels of poverty and improve the standards of life in the region. Continued investments are being made by AKRSP in the above listed infrastructure projects²⁴.

The Local Planning and Development (P&D) Department funded by the Federal Ministry has allocated budget for the following infrastructure projects during year 2001:

Communications: Rs. 42.93 million

Water Supply: Rs. 9.11 million

Health & Sanitation: Rs. 0.89 million

The Federal Minister for Northern Areas, Abbas Sarfraz, recently announced that the electricity requirements for Gilgit would be completely met in the next three years time (2002 – 2005). Naltar Hydroelectric Project, near Gilgit, will be completed by year 2005. This project will cost an estimated one billion rupees and will produce 18 MW of electricity. Another Hydroelectric Project, at Juglote Gaa, will start working this year doubling the present output of electricity in the district of Gilgit.

The present government of Pakistan has laid emphasis on the development of Northern Areas. In fiscal 1999/2000 total government outlays in the Northern Areas were Rs. 2,546 million, of which Rs. 910 million was for development. There are several projects in the pipeline, with budgets already allocated, to construct a network of all-weather roads linking the various remote areas of Northern Areas with the rest of the country. The road linking Kaghan with Chilas is going to be complete by the end of this year. This road at

24. A report on "Poverty Reduction through promoting Sustainable Livelihoods", AKRSP, 2001.

present is not metal and remains open during the summer season only. After completion at the end of this year, this road would not only be asphalted but will also become all weather.

Similarly, Northern Areas are also going to be connected to the district of Chitral through Shandur Pass. This road is also being constructed and would be asphalted as well as turned into an all weather road, which it is not at present.

Moreover, most of the rough roads linking the five district of Northern Areas, namely, Diamir, Gilgit, Baltistan, Ganche, and Ghizar are presently being widened and asphalted. These measures taken by the present government would improve the communications between the remote villages, which constitute the vast territory called the Northern Areas.

4.2. Enterprise Development

One of the most significant current initiatives taken by government for the development of private sector in the region has been the establishment of Northern Areas Chamber of Commerce and Industries (NACC&I). The establishment of NACC&I has already consolidated and focused the developmental efforts in the formation of a viable private sector. The private sector of the region, for the first time, now has a forum regionally, nationally, and internationally.

The regional Planning and Development (P & D) Department has allocated RS. 200 million for poverty alleviation programs for the region. The objective of this fund is to create self-employment through micro-credit schemes. The Government of Pakistan has initiated the Poverty Reduction Strategy Plan (PRSP) and is seeking international aid to implement it.

The Government has also established an Honorary Tourism Development Board; established a Tourism Cell for the promotion of Eco-tourism in the region; and established the Northern Areas Mineral Development Company.

The IUCN is currently involved in the formulation and promotion of a comprehensive Northern Areas Conservation Strategy for the sustainable development of the region. The NACS Support Project and P & D Department has

Table 6: Budget under Poverty Alleviation programme (2001)

Sector	Allocated Budget (in million Rs.)
Irrigation	78.88
Communications	42.93
Soil Conservation	13.78
Water Supply	9.11
Health and Sanitation	0.89
Women Development	2.27
Information Technology	1.30
Skill Training	0.19
Municipal Committee	2.40
Total	151.75

jointly initiated a project for Accelerating Income through Mobilization of Skills (AIMS) funded by the Poverty Alleviation Program.

A summary of the budget allocation, under the Poverty Alleviation Program in Northern Areas during year 2001.

Besides the government, if there is an organization dedicated to enterprise development, rural development, and improving the quality of life in the region, it is AKRSP. In terms of current initiatives, AKRSP has been working on a comprehensive strategy to develop and promote enterprises in the region. The broader conceptual framework of AKRSP's current enterprise development strategy is to focus on capacity enhancement and partnership building in the private sector.

The objective of AKRSP's enterprise development strategy is to build long-term capacity of the private sector. This strategy of AKRSP is being implemented through the promotion and training of 'Business Development Service Providers' (BDS-Ps) so as to facilitate provision of an enabling and conducive business environment in Northern Areas and Chitral. This objective is aimed at generating growth in existing businesses, and stimulating creation of new, creative, successful, and viable enterprises in the region.

Currently, AKRSP's comprehensive enterprise development strategy is focused on three essential operational dimensions²⁵:

4.2.1. Building institutional and individual capacity

In line with the international trends in BDS, at the institutional level, capacity of potential business development service providers (such as banks, lending institutions, service providers, and collective business forums such as Chambers of Commerce and Industry) is being built. At the individual level self-motivated entrepreneurs, already owning a business or aspiring to start one, are being facilitated by AKRSP. To help develop and promote an enterprise culture in the region, attitudinal and motivational training for young and aspiring entrepreneurs is being targeted. A prime example of this is the recent launch of AKRSP's "Apna Karobar Scheme".

Apna Karobar Scheme is being launched in collaboration with the financing of Small and Medium Enterprise (SME) Bank. Under this scheme AKRSP, through a competitive selection process, plans to facilitate twenty entrepreneurs from each of its three regional program areas (Gilgit, Baltistan, and Chitral) every year for the next five years. In other words sixty new, innovative, viable, and successful businesses would be initiated in the region every year for the next five years.

Beginning in year 2001, AKRSP successfully initiated this scheme as a pilot project and selected twenty-two entrepreneurs through a competitive selection process which included determination of the most innovative and feasible business ideas, psychometric tests determining the business acumen of the applicants, and personal interviews of the applicants.

25. "A report on Poverty Reduction through promoting Sustainable Livelihoods (2003 – 2007), AKRSP, 2001".

The selected entrepreneurs with their respective unique business ideas have already received a one-month business-training program. The next step, to help these entrepreneurs in the preparation of their respective business plans and feasibility reports has also been completed. The next step in which the selected entrepreneurs were attached with established and successful businesses related to their prospective business ideas has also been completed. At present, the selected entrepreneurs have been recommended to the SME Bank for loaning purposes. As a final step, AKRSP will continue to support these entrepreneurs for a period of up to two years, with any problems or help that they may seek related to their respective businesses, in a handholding phase.

The estimated total cost of Apna Karobar Scheme, budgeted by AKRSP for this five-year program, is RS 10.7 million. This amount is exclusive of the costs that would be incurred under the heads of Vehicles, Drivers, Staff, and Office and Management Overheads²⁶.

4.3. Support to Small Businesses

In this dimension, AKRSP, in the short-term, intends to continue to develop and provide basic services to support small businesses and enterprises to help meet the immediate need of economic diversification and job generation. In this regard, AKRSP will continue to provide marketing-related services, such as market research, demand analysis, and disseminating market information.

Services would also be provided on technical issues, total quality management, skills enhancement, sales strategies, and advertising campaigns. The successful marketing of dried fruits and other horticulture products by the Enterprise Development Program of AKRSP in the current phase of operations provides a model for exploiting new down country and overseas markets.

An important development in the area of financial service provision is the creation of the first AKDN Micro-Credit Bank. AKRSP's micro-finance program is merged into this bank, which was inaugurated recently. The bank will be providing loans up to RS 50,000. The bank will provide both loaning and saving services to clients in the region.

AKRSP's current initiatives in developing the private sector are also geared towards facilitating provision of access to finance in the region. Linking small businesses to financial institutions such as the SME Bank is a step forward in this direction. Efforts are also being made to introduce new financial service providers in the region.

4.3.1. Influencing Policy and Promoting Partnerships

AKRSP considers it imperative to work with the government, the private sector, and other partners, to help create and maintain a conducive and supportive policy and institutional framework under which the small business and enterprise sector could be developed and promoted²⁷. To implement this dimension, AKRSP intends to, first, identify the major constraints to business development in the region and debate

26. Apna Karobar Scheme Concept Paper, AKRSP, August 2001".

27. Ibid.

the possible solutions with Government and other stakeholders through workshops, seminars, and debate. Second, AKRSP would promote and encourage small businesses to group into business forums and associations to have their common interests, policy positions, and problems to be effectively heard. Third, AKRSP is currently taking initiative to work with other partners to support the creation of a network of business and non-business 'business development service providers' at the national level. This would provide for more active and organized policy dialoguing with government agencies such as the Small and Medium Enterprise Development Authority, the Export Promotion Bureau, and the donors. AKRSP's initiatives are also in the pipeline to attract foreign investment in the region.

4.4. Poverty and Gender Issues

If there are any significant initiatives taken to alleviate poverty and gender imbalances in the region, AKRSP has been and is the leader. AKRSP is currently working on a three-pronged strategy for poverty alleviation:

- m **Promoting broad based economic growth in the region:** It is evident from established empirical evidence that 'reduction in poverty is closely related to the rates of overall economic growth and that in the absence of growth, significant poverty reduction is not possible'²⁸. Consequently, AKRSP is continuing its focus on promoting regional economic growth.
- m **Targeted programs in marginal areas and for the very poor:** AKRSP is in the process of identifying and targeting the poorest households in villages through specific poverty alleviation programs. Building the capacity of and empowering local community institutions to design and in turn implement such programs for the poorest households on a long-term basis are implementing this strategy.
- m **Promoting an enabling environment:** AKRSP is actively involved in influencing and promoting pro-poor public policies and programs and developing partnerships with public and private institutions to research on poverty-related monitoring and impact issues. This includes working with the government of Pakistan in the development and implementation of its devolution and poverty alleviation programs. A prime example of this is the recently launched **Khushhal Pakistan** program.

Similarly, in regards to addressing the gender imbalances, AKRSP's current initiatives are geared towards a continued emphasis on developing and strengthening women's organizations. The WO forum has provided a critically important platform for the collective development of women. The current and future AKRSP strategy in this regard entails²⁹:

- m Achieving maximum coverage through new WOs.
- m Enabling WOs to provide better quality services through capacity building and training.
- m Expanding work on innovative development activities for women through WOs.

28. Ibid.

29. Ibid.

- m Providing WOs with linking and bridging support
- m Providing more literacy centres for women
- m Promoting broader participation of women in development
- m Mainstreaming gender concerns in operational programs
- m Instituting and consolidating special programs for women
- m Promoting an enabling development environment for women

4.5. On-farm Asset and Opportunity Creation

In dealing with this issue, like the previous ones, AKRSP has been a leader. The major thrust of AKRSP's strategy in this regard is to identify and develop areas of collaborative work with Government departments and other non-government agencies. Thus, AKRSP's agricultural programs will continue to place emphasis on building and maintaining linkages with national and international agricultural research and extension centres. The following current initiatives are being taken by AKRSP in dealing with this issue:

- m **Irrigation and land development:** AKRSP's successful history of partnership with communities on irrigation and land development projects has influenced the Government in the Northern Areas to allocate resources directly to AKRSP for additional water channel projects in the current phase. More recently, the Government has been funding land development and other small infrastructure projects for communities under the Khushhal Pakistan Program, working through the recently established Village Councils.
- m **Wheat and maize improvement:** Promoting food and fodder security is a major goal of AKRSP's sustainable livelihoods strategy. A participatory variety improvement program for wheat and maize already initiated will continue to increase productivity per unit of land. Further, the village-based groups of farmers are being organized for scaling up mass production and dissemination of selected varieties.
- m **Animal husbandry:** AKRSP is currently working on effecting sustainable animal feed and breed improvements through a small but focused number of activities. Additional areas of land are also being brought under cultivation to remedy shortage of forage. Further, programs are in place on improving cattle breeds through both local and crossbreeding activities. Finally, more pro-active links are being developed with the Government livestock departments in the region for capacity building and joint ventures.
- m **Commercial agriculture:** Focused agriculture-related intervention with potential to generate increased cash incomes are being identified and implemented at present. Building on the successful experience of marketing dried fruit products (DFP), training, quality production, and marketing horticulture products, AKRSP, is currently working on the production of commercial-level vegetable seed production and marketing (North South Seed (NSS) is an AKRSP funded project in this endeavour).

4.6. Policy Work

No other organization stands out more than IUCN and AKRSP when it comes to influencing policy for the sustainable development of Northern Areas. IUCN's policy work is evident from its support in the development and implementation of

National Conservation Strategy (NCS), Sarhad Provincial Conservation Strategy (SPCS), Balochistan Conservation Strategy (BCS) and now the Northern Areas Strategy for Sustainable Development (NASSD). AKRSP's policy work has and is having a significant influence on development thinking and practice regionally, nationally, and internationally. The present Government's **Devolution Plan** is modelled after and is in recognition of AKRSP's successful concept of grassroots participation in local development, demonstrated through years of fruitful partnerships between communities and AKRSP in Northern Areas and Chitral. The present Government of Pakistan has decided about the establishment of Village Councils in all villages in the Northern Areas. These Village Councils are empowered to plan, implement, and supervise local development projects funded by the Government through the **Khushhal Pakistan Program**. Another significant achievement of AKRSP's policy work has been in the area of natural resource management. The present Government of General Parvez Musharraf has granted legal recognition to the local communities in the region to protect their own natural resources in the sectors of forestry and fisheries.

AKRSP's current initiatives in dealing with the issues and trends in the region are also geared towards building **partnerships for development**. AKRSP is currently working as a catalyst in encouraging the Government, civil society, local communities, and the private sector to foster a shared vision of development, built on mutual trust and aimed at long-term sustainability of the region. For example, AKRSP is in partnership with the Government in its current devolution process, social development, infrastructure development, and natural resource management in the region. AKRSP is in partnership with IUCN, WWF, and a number of national and international research institutions. These partnerships are actively involved in effecting environmental conservation issues (such as enhancing environmental

Table 7: SWOT Analysis on Private Sector

STRENGTHS	WEAKNESSES
m Unique Cultural Heritage	m Political Instability, Lack of Basic Infrastructure, and Lack of Finance
m Unique Geographical, Topographical, and Climatic Conditions	m Sectarian Conflicts
m Agriculture and Forest Resource base	m Smuggling, Corruption
m Water Resource Base	m Low Literacy and Skill Rate
m Mineral Resource Base	m Outdated Laws and Inconsistent Policies
m Cheap Labour	m Lack of Business Culture
m Institutional Support	m Lack of Co-ordination
m Physical Infrastructure	m Lack of Environmental Awareness
OPPORTUNITIES	THREATS/CHALLENGES
m Tourism	m Political Instability
m Gemstones and Mining	m Economic Sanctions
m Proximity with China	m Sectarian Conflicts
m Dry Port	m Smuggling, Corruption
m Import and Export	m Poverty, Pollution, Disease
m Potato Seed Growing	m Rapid Urbanization
m Technology	m Lack of Environmental Awareness
m Organized Communities	m Lack of Government Legislation

awareness of communities and facilitating their access to conservation-related capacity-building activities) and collaborating joint research on natural resource issues. Further, these partnerships of AKRSP have created an enabling policy environment for the sustainable development of the Northern Areas.

Yet, another significant current developmental initiative for the region, by AKRSP, has been the proposed establishment of **Policy Unit**. The Policy unit would research, documents, and disseminate high quality applied research on development policy issues. The Policy Unit would also promote investments on major infrastructure development projects, larger size businesses, tourism sector, and social sector.

A SWOT analysis exercise on all the businesses identified in this background paper, to assess the current situation of the private sector, is represented below. The SWOT analysis is based on the data collected from private sector profiles and workshops.



5. STAKEHOLDERS

Several major players and/or stakeholders are concerned with the issue of 'sustainable development of Northern Areas'. These stakeholders have, are, and can play a very significant role in the sustainable development of the region. Below is a list of the most probable stakeholders associated with the sustainable development of Northern Areas:

5.1. The Government

The first and foremost stakeholder is the Government. The present Government of General Parvez Musharraf continues taking initiatives to implement 'Rule of Law', political and economical stability, programs meeting the needs of the region, provision of social services, building infrastructure, and creation of an enabling environment in the region. In fiscal 1999/2000 total government outlays in the Northern Areas were Rs. 2,546 million, of which Rs. 910 million was for development.³⁰ The Government of Pakistan, perhaps for the first time, has the resources and leadership to implement policy. This has been made possible due to the sudden change in the geo-political situation of South Asia. Pakistan is on the forefront in the international coalition against terrorism receiving foreign aid and investment.

5.2. The Northern Areas Chambers of Commerce and Industries (NACC&I)

Established in 1995, NACC&I is dedicated to develop and promote the private sector in Northern Areas and stands out as an essential stakeholder. As of year 2002 it has 499 registered members from the local community, including an elected President, Senior Vice President, Vice President, and twenty-one Office Bearers. Since its inception, NACC&I has been actively involved in leveraging and giving voice to the concerns of the NA business community in particular and advocating public and private sector policy reformation at large.

The NACC&I has been vocal in recommending the following solutions/suggestions for economic development and improvement of the public and private sector of NA:

- m To exempt Northern Areas projects, up to the cost of two billion rupees, from the approval of CDWP and ECNEC for a period of 10 years in order to cut the red tape. In consideration of the short and seasonal constructions in NA the developmental funds should be released lump sum instead of four instalments.
- m To allow the government of NA to guarantee repayment of loans for future projects in the region.

30. March 12, 2002, Operations Evaluation Department of the World Bank, Document of the World Bank, "The Next Ascent: An Evaluation of the Aga Khan Rural Support Program, Pakistan; page No. 5.

- m To allow the Federal Ministry of Finance Islamabad to issue "repayment guarantees" for development projects in NA on priority basis.
- m To link the NA with the National Grid and extend the jurisdiction of WAPDA to NA.
- m In view of the construction of KKH and the emergence of the Central Asian Republics, Northern Areas has acquired the status of a potential "International Gateway" to China and Central Asian Republics. Further, besides being an international tourist attraction, NA boasts some of the largest and richest mineral deposits in the world. Moreover, the water resources of NA alone have the potential to generate 40,000 MW of electricity. In this backdrop, Northern Areas should be declared as a "Special Economic Zone", making the region a duty and tax-free area. The exemption of customs duties and taxes should be applicable to Northern Areas alone. Such measures will turn Northern Areas into an "International Trade Market" and curtail the present trend in smuggling.
- m Establishment of a Dry Port at Jutial, Gilgit.
- m Establishment of an International Airport at Gilgit.
- m Establishment of "Tajikistan Road" linking Northern Areas with Tajikistan which is only 270 km away from Gilgit
- m Establishment of a Northern Areas Development Authority, district-based Industrial and Export Processing Zones, and a Tourism Institute.

5.3. The AKRSP

An organization dedicated to sustainable rural development and improvement in the quality of life in Northern Areas, AKRSP provides a wide range of services and stands out as a major stakeholder in the subject area. "AKRSP has an overwhelming presence in rural parts of the Northern Areas but it can never become a viable alternative to government with its far broader responsibilities. However, in rural development, AKRSP has effectively substituted for government (Government outlays in the Northern Areas on agriculture, animal husbandry, forests, fisheries, local bodies, and rural development totalled approximately Rs. 202 million in fiscal 1999/2000, while AKRSP's total expenditure was about Rs. 199 million. However, the proportion spent on operations as opposed to overhead was about 50 percent in AKRSP and less than 5 percent in government)".³¹

The extent of AKRSP's involvement in the development of Northern Areas can be judged from the following statistic excerpt from the World Bank document, "The Next Ascent: An Evaluation of the Aga Khan Rural Support Program, Pakistan, March 12, 2002":

The below figures are in PKR & for periods between 1982 to 2000

Total Capital Expenditure: 191,298,000

Trainings: 191,371,000

Research and Surveys: 367,683,000

Infrastructure Projects: 633,567,000

Credit Program (net): 149,760,000

The above investments rightfully make AKRSP as a major stakeholder in the private sector of Northern Areas.

31. Ibid.

Since its inception in 1982, AKRSP has initiated 2,250 crucial infrastructure projects at a total cost of RS 1.2 billion. During the current five-year phase ending in 2002, AKRSP has been investing about RS 200 million per year on developmental projects on average³². The major components of the program are social organisation, women's development, natural resource management, development of physical infrastructure, human resource development, enterprise promotion, and savings services. The program reaches some 900,000 people in about 1,100 villages and, over the past five years, has had an annual budget of about US\$6 million³³.

The areas in which AKRSP has specifically staked its investments over the years are:

- m Social Mobilization for Collective Grassroots Development
- m Infrastructure and Engineering Services
- m Natural Resource Management (in the areas of agriculture, livestock, and forestry)
- m Human Resource Development
- m Enterprise Support and Development
- m Micro-finance Services
- m Organizational Services through formation of small grassroots groups for collective management
- m Capital Generation of capital through disciplined collective savings
- m Training by enhancing skills to expand the institutional and human capacity building
- m Networking and partnerships with the government and NGOs
- m Advocacy and policy work in dealing with a wide range of issues and trends in the region

Further, since its inception in 1982, few would argue with the conclusion that significant achievements in the following developmental projects of AKRSP have:

- m Reduced the isolation of the village communities of NA from the rest of Pakistan
- m Increased production of agricultural products and enhanced the food security of the local people
- m Improved the livelihoods of the rural residents
- m Secured gains in health services and educational opportunities at the local level
- m Stimulated the growth and development of regional centres and markets offering an increase in the variety of goods and services
- m Increased the economic choices for local residents
- m Improved employment opportunities for the younger generation

These are remarkable achievements for a region that was considered to be one of the poorest and most isolated in Pakistan 17 years ago³⁴.

5.4. The Private Sector

The private sector of the region incorporates the following sub-sectors and the related stakeholders:

32. A report on "Poverty Reduction through Promoting Sustainable Livelihoods", AKRSP, 2001.

33. March 12, 2002, Operations Evaluation Department of the World Bank, Document of the World Bank, "The Next Ascent: An Evaluation of the Aga Khan Rural Support Program, Pakistan.

34. Ibid.

- m Transport: Northern Areas Police Department; NATCO; PTDC; Mashabrum; Northern Areas Transporters Association, Drivers Association, and Workshops Association
- m Agriculture: Department of Agriculture; NA Potato Seed Contractors' Association; NA Seed Certification Unit; AKRSP; Departments of Veterinary and Forest; Community organizations and the Public
- m Tourism: Ministry of Tourism; P&D Department; AKCS; PTDC; Department of Archaeology; Hoteliers Association; Tour and Trekking Operators; Alpine Club of Pakistan; NACC&I; PMDC; Communities
- m Forestry: The Forest Department; AKRSP; IUCN; WWF; IFAD; Forest Contractors Association; Northern Areas Contractors Association; PWD; and the Communities
- m Mining: The Mining Lessees; Industries Department; PMDC; AKRSP; IUCN; WWF; NACC&I; Communities
- m General Trade: P&D Department; Quarantine Department; Trade Associations; Cooperative Societies; Trading Companies; NACC&I; Import and Export Promotion Association; District Councils; Municipal Committees; Union Councils; Entrepreneurs; Multinationals; Communities
- m Livestock, Fisheries, and Poultry: Butchers Association; Poultry Sellers Association; Animal Husbandry Department; Fisheries Department; AKRSP; WWF; IUCN; Municipal Committees; District, Village, and Union Councils; Communities
- m Infrastructure: PWD; NA Contractors Association; Construction Material Providers; District Councils; Municipal Committees; BACIP; LB&RDD; IFAD; AKRSP; AKCS; P&D Department
- m Oil and Gas: Ministry of Petroleum and Gas; Gas and Petrol Pumps Association; Transport Association; Drivers Association
- m Cottage Industry: P&D Department; LB&RDD; VOs; Cooperative Societies; AKRSP; KADO; BACIP; WWF

5.5. The Traditional Stakeholders

Include the Investors; Private and Public Companies; Cooperative Societies; Financial Institutions; Regulators; and Policy Makers

5.6. The Emerging Stakeholders

Include the employees; Customers; Consumers; Professional Institutions; Trade Associations; Political and Religious Leaders; Interest Groups; VOs; WOs; and the Communities

5.7. Other NGOs

AKHS has been working in NAC since 1960s in the area of primary health care; AKES has been working in NAC since 1946 in the area of establishing primary education (operates 177 mainly girl-schools). AKES is presently working with the government on the Northern Areas Education Project; AKCS: Has been working in the area of construction since 1992; AKPBS: Has been working in the region since 1970s and has two projects: WASEP and BACIP; FPAP; IUCN; WWF; and IFAD have been working in the area of conservation.

6. THE WAY AHEAD

This section endeavours to critically analyse the available options, and recommend on the preferred options that need to be pursued by the stakeholder in dealing with the existent issues and trends for the sustainable development of Northern Areas.

Since the context, rationale, and subject matter of this background paper deals with the concepts of 'sustainable development' and 'conservation', a comprehensive definition of sustainability deserves notice and clarification before the options to achieve sustainable development in the region are discussed. A definition tends to depend on the context in which it is discussed, and considering this, for the purpose of this paper, sustainability, may be defined in an environmental context as:

"A concern for the environmental impact of conducting an activity and ensuring that the activity does not deplete and degrade the natural resources and nature, if not increase them, while in the process of creating resources".

6.1. Infrastructure Development

Infrastructure, being the backbone of any economic activity, lacks in Northern Areas and therefore, perhaps the biggest issue and constraint in the sustainable development of the region. Large investment from the Government is required in the development of major infrastructure projects in the areas of: Power generation; Communications; Water supply systems; Sewerage systems; Telecommunications; Planning residential and commercial zones; Tourism expansion facilities and information; Streamlining the P&D Department; Improving the Law and Order situation; Fighting Corruption and ensuring Accountability.

It all boils down to resources, and more specifically finances, in dealing with the issue of infrastructure development in Northern Areas. Therefore, the preferred option should be prioritising spending in infrastructure development projects. The government and NGOs both need to invest in this area on priority basis.

The NGOs such as AKRSP, AKHS, AKES, AKDN, and AKPBS (WASEP) have been playing a pivotal role in the development of small infrastructure projects such as water irrigation channels, micro hydropower stations and schools in the region. However, this infrastructure development activity of the NGOs has been limited to a few of the many NGOs working in the area.

The preferred option for the NGOs is to invest more in the development of infrastructure along with their respective organizational agendas and objectives in the region. For in the absence of infrastructure, the NGO's efforts in attaining their respective objectives would go futile. For example, IUCN has conservation as its objective. How can IUCN implement conservation of forests in the absence of electricity which forces people to burn wood for fuel and heating purposes?

The available and preferred option for the other stakeholders (specifically, the Local Communities, Village Councils, Village Organizations, District and Union Councils, Municipal Committees, and Private Citizens) is to lobby and effect the Government's, the NGO's, and the Donors policy to invest in the development of major, physical as well as social, infrastructure projects for the region.

"Major investments in big infrastructure, communication, and power projects are needed for any major upsurge of economic activity in the region and for more effectively integrating Northern Areas to the rest of the country. It appears fairly certain that only the government has the mandate, responsibility, and the ability to generate resources to undertake investments at the level needed"³⁵.

6.2. Enterprise Development

Starting with the government, a comprehensive strategy by the Government is required to address and eliminate the constraints in the development of enterprise in the region. To create an enabling environment for enterprise development and promote it, the Government, first and foremost, needs to provide: Financial Services; Investment in Improving Management Skills, Training of Craftsmen, and Business Development Services; Investment in Strengthening Market Information, Communications, and Institutional Linkages; Invest in Major Infrastructure Projects.

6.2.1. Specific Options

The following qualitatively and quantitatively specific objectives need to be achieved to develop the private sector and enable it to play a significant role in the sustainable development of the region:

6.2.1.1. Strengthen coordination between the public and private sectors

A strong coordination between the public and private sectors will ensure the formulation of best policies and their implementation in the subject area. The need is to build on the NASSD' fruitful efforts to develop a constituency between the various stakeholders. Such efforts will further minimize the existent gap between the public and private sectors. The fruitfulness of such efforts have, and will continue to be, realized in form of enhanced linkages and interface between the various stakeholders. Such connectivity between the stakeholders, in turn, will benefit all the stakeholders in terms of the best and more representative policy framework, legislation, planning, accountability, and checks-and-balances. In order to achieve this objective the Government, NGOs, Private sector, and stakeholders need to:

- m Develop and facilitate formulation of interest groups to effectively advocate and enhance coordination between the public and private sectors.
- m Develop mechanisms for the establishment of Regional Networks between the two sectors and other stakeholders to share responsibilities and information, and to ensure the optimal utilization of available resources.
- m Develop mechanisms to ensure information sharing between the various stakeholders.

35. Sustainability and AKRSP: Plans for the Future', a report by the Task Force on Sustainability, AKRSP, November 1999.

- m Suggest and assist in the establishment of a task force for revising the current management systems.
- m Raise awareness about the issues and trends and enhance capacity building in the Public and Private sectors

6.2.1.2. Enhance efficiency for effective implementation and monitoring of business strategy

Effective implementation and monitoring practices are essential for the success of any strategy. The Government and other stakeholders need to enhance their efficiency in ensuring implementation, monitoring, and evaluation of the business strategy. In order to achieve this objective the Public and Private sectors need to:

- m Develop mechanisms to design, implement, and monitor the business policies and plans.
- m Develop an effective documentation and reporting system between the various stakeholders. This could be realised through the implementation of Management Information Systems (MIS), Database Management Systems (DMS), and use of Information Technology (IT) or more specifically computers in all of our public and private sector organisational, business, and non-business activities.
- m Institute internal and external monitoring and auditing systems

6.2.1.3. Facilitate and develop mechanisms for fund generation

The Government and other stakeholders need to attract investment in the region. Working together collectively is essential for collective benefit. In order to achieve the objective all the stakeholders need to pool in their resources and establish an 'Investment Fund', which in turn will serve as an incentive and inducement for outside investment. As the saying goes, "Money attracts Money".

6.2.1.4. Remove constraints to business growth by increasing access to finance

Provision of appropriate financial products in form of conducive interest rates, terms for collateral, transaction costs, and schedule of repayment of loans would be the first step towards this objective. Improvement in the process, procedure, and accessibility of financial products by the lending institutions, specifically, to female entrepreneurs is required.

6.2.1.5. Implementation of marketing, production, and promotion methodologies

Enhanced marketing of the region and its unique products is required in the national and international markets. Integration of Northern Areas products into national and international markets is required. The marketing methodology entails: Demand Analysis; Market Research; and Information Dissemination. The production methodology entails: Technical Training; TQM; Skills Enhancements; and Linkages Development. The promotion methodology entails: Advertising; Radio; Papers; and Sales Strategies.

6.2.1.6. Provision of technical skills and business training for both start up businesses and the troubled ones

This includes educating the entrepreneurs about the indicators responsible for a successful and failed business and provision of counselling and consulting services

for entrepreneurs. The government, NGOs, and other stakeholders can play a vital role in the achievement of this objective.

6.2.1.7. Develop capacity and facilitate an enabling environment in the region to generate growth in existing businesses and stimulate creation of new enterprises

An increase in the institutional and human capacity of men and women will make them take responsibility for their personal economic development in a sustainable and equitable manner. To increase the capacity of community and privately controlled assets is to support people to develop income-earning activities. Moreover, to generate growth in the existing businesses and stimulate the creation of new enterprises is to improve public, donor, and corporate policies that promote people centered enterprise development.

6.2.1.8. Develop networking and partnerships

The various stakeholders need to develop networking and partnerships with, and enhance the capacity and performance of, NACC&I, Financial Service Providers, Enterprise Development support Agencies, and Donors.

6.2.1.9. Develop graduate-owned enterprises (G.E.) to diversify the economy

Following the lead of AKRSP, the stakeholders involved in the region need to initiate more graduate-owned enterprise schemes like AKRSP's model called 'Apna Karobar Scheme' described in a text box on page 31 above. The impact of such GE Schemes is: Development of Enterprise Culture; Wage and Employment Opportunities; self-employment; Productive Employment; Diversification of Economy; Profitable Manufacturing and Management Skills; and Value Addition.

In summary the preferred options to develop enterprise in Northern Areas require:

- m To build institutional and human capacity to promote sustainable business
- m To support small businesses through providing business development services
- m To improve the policy and institutional framework to create an enabling environment for business development
- m Improvement of legal and regulatory frame work for enterprise
- m Improvement in access to finance, financial institutions and instruments
- m Strengthening of Management skills and business development services
- m Improvement in Market Communications and institutional linkages
- m Improvement in business infrastructure such as communications, electricity etc.
- m To evaluate the impact of training, specifically provided extensively by AKRSP, other NGOs, and public and private sector agencies in order to prioritise future training activities for income generation needs.
- m To stay the course with agricultural marketing for marketing of agricultural products remains as a major constraint.
- m To develop a decision framework and keep it updated in order to identify those sectors, sub-sectors, and product categories that are most competitive and can add value to the economy of NA.
- m Tourism should be a priority area because the region's natural wonders and biodiversity suggest a substantial potential for "eco-tourism".
- m To look outward at migration in terms of marketing skills outside the NA until the region develops industry to accommodate the local skills.

6.3. Poverty and Gender Imbalances

Based on the research and proposals of AKRSP³⁶, the following options are available to alleviate poverty and remove gender imbalances in the Northern Areas:

6.3.1. Promote broad-based economic growth

Reduction in poverty is closely related to rates of overall economic growth and significant reduction in poverty is not possible in the absence of overall growth. Therefore, the focus should be on promoting across-the-board regional economic growth by enhancing coordination and the expansion of mandates of those areas, like Astore and Ghizar, with less coverage and development. The stakeholders involved need to undertake activities to build community assets and facilitate developmental activities of other actors in the public and private sectors. The broad-based economic growth should mainstream the more disadvantaged groups in the development process by ensuring their participation and access to benefits.

6.3.2. Target programs in more marginal areas and for the very poor

Poverty prevails because the rich get richer and the poor poorer. Poverty can never be eradicated if the poor remain poor. Consideration of the differential impact on the poorer segments of society, therefore, should be the criterion for all developmental activities in the region. Poorest households in villages need to be identified and targeted through specific poverty alleviation programs. The most efficient strategy to undertake this activity would be to empower and build capacity of local community institutions and to design and implement such programs through them.

6.3.3. Promote a pro-poor enabling environment

Promotion of pro-poor public policies and programs along with engagement in partnerships and alliance building with the public and private institutions to initiate dialogue, discussion, and research on poverty-related monitoring and impact issues is required. This would require the involved stakeholders (specifically, the private sector for-profit and non-profit financial and social service providers) to work with the Government of Pakistan in the development and implementation of its devolution and poverty alleviation programs such as the Khushhal Pakistan Program.

6.3.4. Promote broader participation of women in development

This could be achieved by improving the capacity of WOs through providing management and leadership training to female activists and managers. It is proposed that linking WOs with local NGOs, cluster-level organizations, and other local development institutions would ensure broader participation of women in development.

36. "Poverty Reduction through promoting Sustainable Development (2003 – 2007)", a report by AKRSP, 2001

6.3.5. Special development programs for women

Specific income generating and employment opportunities geared towards economic independence and empowerment of women need to be introduced. Real breakthroughs in improving the status of women in society, through strategic investments in the social sector, need to be initiated.

6.3.6. Creating a better gender-balanced workforce

Implementation of gender policies for female staff recruitment in the public and private sector is required. The policies should lay down detailed guidelines safeguarding the interests of male and female staff at all levels. An affirmative action recruitment and retention policy for women is required to progressively increase the proportion of female professional staff in the private and public sector organizations.

6.3.7. Promotion of an enabling development environment for women

Increased networking with local, national, and international partners to share experiences in gender development is needed. Further, policy recommendations to the Government on key issues affecting women, arranging workshops and seminars on related thematic concerns, and generally working with all stakeholders in the region to enhance awareness and greater sensitivity on women's development issues.

6.4. On-farm Asset and Opportunity Creation (NRM)

AKRSP's recent studies and research³⁷ suggests that by introducing higher-yielding wheat seed alone, production of wheat can be boosted by at least 30% within five years. Gains from livestock production and horticulture also demonstrate unmet potential. It is in this background that raising agricultural production and productivity across a broader number of farmers merits further efforts to reduce poverty and enhance growth in the region.

In terms of creating financial resources, the preferred option is to increase the percentage of community contributions towards total costs of infrastructure projects, which are generally in the form of free or subsidized labour for construction and meeting the costs of local materials. Communities need to be encouraged to institutionalise and improve project maintenance systems for infrastructure projects for long-term sustainability and impact of these projects.

The World Bank Report on AKRSP, March 12, 2002, proposes the following future directions for NRM:

- m The NGOs in collaboration with the government should initiate Research Policy and Commodity Research Coordination Committees and Research Liaison Groups in each village, with farmer, researcher, and NGO membership. Initiate a phased introduction of participatory variety testing, bringing farmers more into the experimental process.

37. Ibid.

- m Revisit the farm systems recommendations and pilot a modified system. In addition, increase attention to three areas of farming systems integration: integrated soil management, integrated crop management, and integrated water management.
- m Extend the work in single-crop areas, especially in Astore. Develop it as a special poverty-focused program using a low external inputs approach with a focus on improved varieties and seed multiplication and supply.
- m In partnerships with other stakeholders, carry out an analysis of the environmental costs and benefits of upstream activities in the river basins, measuring impact at the point of exit from the NAC. This may be done in stages, but the objective would be to contribute to an overall assessment of the net upstream environmental services provided by the people of NAC.
- m Give high priority to building the capacity of suppliers for provisions of quality inputs and technical advice. Increasingly, suppliers should become an element in a more pluralistic extension service, gradually moving beyond their present limited roles toward becoming more substantial and stable enterprises.

Other options in this regard include:

6.4.1. Irrigation and land development

Bringing new areas of land under cultivation and developing cultivable land within the command of the constructed irrigation schemes, will increase agricultural production and productivity, create assets, and reduce poverty. AKRSP proposes that about two-thirds of the total infrastructure budget be used for irrigation, forestry plantations, and land development.

6.4.2. Wheat and maize improvements

It is proposed that the participatory variety improvement program for wheat and maize, initiated by AKRSP, be implemented to increase productivity per unit of land production and produce varieties with improved quality and earlier maturity. It is also recommended that a close link and involvement with national and international agricultural research organizations and Government agriculture departments be maintained for sharing of information and experience.

6.4.3. Animal husbandry

According to AKRSP more than forty percent of household farm incomes in the region are derived through livestock and livestock products. The proposed strategy in this regard, therefore, is to effect sustainable animal feed and breed improvements. It is estimated that in excess of 30% animal feed losses are incurred despite persistent shortages of forage in the region. This calls for improved feed use efficiency in the region.

6.4.4. Commercial agriculture

Quality production and marketing of dried fruit products and other horticulture product is required. The Dry Fruit Project (DFP), established and successfully operated by AKRSP, has demand for its dry fruit products in the United Kingdom market that DFP at present cannot meet. The need is to establish such projects, especially, when approximately 40% of the fruits are wasted in the region.

6.4.5. Community-based conservation work

The involved stakeholders need to support local community institutions to protect and conserve their natural resources and environment. Enhancing environmental awareness of communities and facilitating their access to conservation-related capacity-building activities and resources is not only the need of the day but essential for the survival and sustainable development of Northern Areas.

6.5. Policy Work

- m During all policy formation for the region the local people and stakeholders should be involved and consulted. The government, private sector, and all other stakeholders must be consulted and involved through workshops, seminars, and debates before formulating policy-work affecting the region.
- m Promotion and encouragement of all the stakeholders to form business forums and associations to integrate common interests, policy positions, and problems to be effectively heard needs prioritised consideration.

6.6. Recommendations on the Sustainable Development of Northern Areas in Tandem with the National Conservation Strategy

It is recommended that the Northern Areas conservation Strategy should have three overriding objectives: conservation of natural resources, sustainable development, and improved efficiency in the use and management of resources. Achieving these goals would depend on three operating principals:

- m Greater public and private partnership in the development and management of NA;
- m Uniting environment and economics in decision making;
- m Focusing on sustainable improvements in the quality of life of the people of NA.

The following core areas should receive priority implementation and investment:

- m **Maintenance of soils in croplands:** Through gypsum application on sodic-soils; Increased organic manure application; Saline agriculture; Green-manuring by leguminous crops; Direct and indirect return of crop residues to soil; and Soil conservation works in rain-fed croplands.
- m **Increase in irrigation efficiency:** Through irrigation system-rehabilitation/Water management and lining of distributaries; On-farm water management; Improved water harvesting in torrent-irrigated areas.
- m **Support in forestry and plantations:** Through intensive management of critical forest areas; Afforestation on marginal private land by land owners; Community forestry; Linear plantation; Urban plantations; Courtyard/social forestry.
- m **Restoration of rangelands and improvement of livestock:** Through community based range management; Selective sand dune stabilization; Disseminating HYV fodder and improving livestock quality
- m **Protection of water-bodies and sustaining fisheries:** Through improved handling of river catch; Fish farming; Integrating fish farming into agro-pastoral systems.

- m **Conserving biodiversity:** Through integrated pest management; Development and implementation of management plans for priority national parks and protected areas; Development of new national parks; Medical botanic and germplasm preservation programs; Community management of game reserves; Program for endangered species; Captive breeding in private sector.
- m **Increasing energy efficiency:** Through energy conservation by reducing transmission and distribution losses; Energy-efficient cooking and heating program.
- m **Developing and deploying renewable:** Through development and deployment of biogas units; Development and deployment of solar water heaters and solar cookers, windmill pumps; energy from wood fuel plantations; Development of micro and mini-hydel plants; Applied research and development of wind energy farms.
- m **Preventing and abating pollution:** Through collection and treatment of wastes in urban and rural areas; vehicle tune-up and related programs; Setting up compressed natural gas stations.
- m **Managing urban wastes:** Through collection and disposal programs of garbage; Energy-farm-waste plants; Oxidation of ditches and other biological treatments.
- m **Supporting institutions for common resources:** Through rural and urban community organizations.
- m **Integrating population and environment programs:** Through acceleration of conventional population welfare programs, health systems and NGOs; Involvement of resource sector extension agents in disseminating family planning goals; Intensive population programs.
- m **Preserving the cultural heritage:** Through area conservation of small historic towns; Conservation of historical monuments and buildings; conservation of archaeological sites, monuments and forts; Identification and documentation of traditional resource-conserving cultural practices.

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IUCN–The World Conservation Union

IUCN is a world leader in developing knowledge and understanding for effective conservation action.

A unique worldwide partnership, IUCN brings together states, government agencies and NGO members, and some 10,000 scientists and experts from 181 countries in a global web of networks to provide a neutral forum for dialogue & action on environment & sustainable development issues.

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