THE SARHAD RURAL SUPPORT CORPORATION

A Mid Term Review, October, 1996

Ian Smillie
Bushra Gohar
Brian Rowe
EXECUTIVE SUMMARY

The Sarhad Rural Support Corporation (SRSC) was established in 1989 as a private, non government organisation aimed at alleviating poverty in the North West Frontier Province (NWFP) through the formation and strengthening of self-help village organisations. In 1994, NOVIB entered into an agreement to support the work of SRSC in the districts of Kohat and Charsadda for a period of three years and four months (to December 31, 1997) with support totalling Dfl 5.7 million.

This Mid Term Review (MTR) covered three broad areas: SRSC’s intervention strategy in the field, gender and management.

THE SRSC STRATEGY

SRSC’s strategy for rural development aims to address the needs of villagers through a three-pronged strategy: ‘Organisation of village communities into Community and Women’s Organisations (COs and WOs), building human resources through skill development, and capital formation through a savings and credit programme.’ Rather than undertake all activities itself, SRSC aims to build sustainable linkages - particularly for training and for farm inputs - between villages, government agencies and other Pakistani institutions.

SRSC admits that its early lack of a poverty focus and its preliminary dedication to the ARKSP model pushed it into an over-emphasis on physical infrastructure investments. In fact there is strong evidence that the initial rush to create organisations around PIs was counterproductive. Where PIs are concerned, several important new adaptations have been introduced. They are no longer the entry point in the strategy. Other activities such as training or credit may come first, and the PI may not begin for as long as 18 months. Many COs and WOs do not need, and will not receive PIs. PIs are no longer exclusively investments in land and infrastructure. There is a move to offering some in the form of credit, and others are related to social and health-based infrastructure. Drinking water supply schemes are the biggest single investment. SRSC has introduced a new and potentially important concept on a pilot basis, the ‘returnable PI’ - an interest-free loan for PI-type investments.

These adaptations represent a significant departure from, and an improvement on the original intervention concept. They are a sign of SRSC’s growing maturity and its ability to adapt to the lessons it is learning.

Food security is reasonably well incorporated into the planning and conceptual framework of SRSC. More to the point, it has become a much more central part of the organisation’s programming thrust in recent years. Its successes are evident from
reports on increased production, and from the enthusiastic testimony given to the MTR Team by farmers.

There are various reasons for this success: the need of the beneficiary group, the opportunities available in a resource- and knowledge-stunted area. SRSC has capitalized on these needs and opportunities through its mixed approach to training, the creation of linkages and the provision of credit for agricultural inputs. One thing that sets SRSC off against many other South Asian NGOs is the core of specialized agriculture and livestock talent that it has assembled at district and headquarters, giving it the professional sectoral talent that is so often lacking elsewhere.

The MTR was asked to examine the sustainability of SRSC’s credit programme following a March 1996 Assessment. SRSC is moving in the right direction. Loan recoveries are excellent, management of the programme is sound, the strategy is adapting to new demands and opportunities, and dysfunctionalities between the IFAD-supported and NOVIB programme areas are being remedied. Solutions to problems created by inappropriate project design in the ADB-funded Kohat areas have been proposed by SRSC but unless there is progress in its negotiations with commercial banks, SRSC will be obliged to extend credit from its own credit pool, putting greater pressure on the NOVIB pool in NOVIB-funded areas.

SRSC’s plan to put greater emphasis on the development of village activists makes sense, but a word of caution is perhaps in order: other South Asian Organisations have found that premature and overly optimistic withdrawal tactics can damage all the work that has gone before. A strategy is one thing, creating real independence, in villages where the concept has been unknown for generations, is another.

Like AKRSP, BRAC, Sarvodaya and other large South Asian NGOs, SRSC has talked about the creation of an apex body or regional groupings, but so far little has come of it. Given the enthusiasm of some villagers for such an idea, perhaps an experimental advisory body made up of CO representatives in a particular geographic area could be given a trial run.

Useful impact assessments are notoriously elusive in rural development efforts, usually because there is little trustworthy baseline data. SRSC’s PMER unit undertakes its own impact assessments of various activities, and in 1995 it commissioned a detailed baseline study that could form a partial base for future impact assessments. If questions about the quality of this study are resolved, it may not be necessary to go ahead with the additional baseline surveys currently under consideration. SRSC has recently developed a format for assessing the institutional maturity of COs and WOs and the External Monitor (EM) has developed an additional list of monitoring indicators. Two points perhaps need to be made regarding these two systems: first, they should be complementary and easy to use by the SRSC staff involved; and secondly, they should
be used. AKRSP developed a complex set of institutional maturity indicators, used them once and abandoned them. This will be a matter for follow-up by the EM.

**Recommendations**

1. A rigorous poverty focus should remain central to village and beneficiary selection. Criteria for CO and WO selection should not be relaxed.

2. The pilot ‘returnable PI’ concept should be expanded and evaluated over the coming 12 months with a view to scaling up if it is successful.

3. Significant movement has been made in the past four years on making SRSC’s service charges more reflective of the cost of money, and this must continue as planned in 1997.

4. In due course, SRSC should prepare a balance sheet and a profit and loss account for its 1996 credit programme, as per the Soriano-Abels Assessment. This will demonstrate how close the programme is to operational self-sustainability.

5. Given the need for economies of scale, the increased demand for loans, and SRSC’s significantly improved repayment record, NOVIB should give favourable consideration to SRSC’s request for an increase in its allocation for credit. A recalculation of demand in 1997 should be drawn up by SRSC as soon as possible, taking into account the potential need to divert some of its own portion of the credit pool to ADB-funded areas in 1997.

6. Given the volume of livestock lending, especially for women in Charsadda, consideration should be given to making experimental livestock insurance scheme uniform and compulsory.

7. The gradual devolution of responsibility from SO to village activist should be carefully monitored, and the strategy should be adapted to suit needs and real experience.

8. SRSC should give consideration to the idea of forming an experimental cluster-level advisory committee of CO representatives to act as a general discussion group and advisory body to SRSC. Depending on its performance, it could form the nucleus of an eventual apex body.

**GENDER**

The women’s programme has come a long way - from its initial welfare orientation, to a much more holistic approach. However, because of SRSC’s internal tribulations, the organisation has not invested enough time or resources to clarify its long term objectives for the programme, nor to develop clear indicators for impact assessment.
Women’s activities have tended to become ends in themselves rather than a means to improving women’s position in society.

The shift from a ‘WID’ approach to a ‘GAD’ approach poses two distinct challenges for SRSC: firstly, to change the general perception of women as homogenous groups into a focus which reflects great social variability. The second challenge is to acknowledge that changing women’s situation entails changes for men. This means that the relationship between men and women needs to be carefully assessed, conflicts resolved and negotiated. It also means that because of the weaker position of women in society, a continued emphasis on women and GAD will be justified.

The SRSC’s women’s programme seeks to bring women into the mainstream of village development by improving their social and economic condition and status. SRSC’s programme principles - social organisation, capital formation, skill development and linkages - apply equally to men’s and women’s programmes. SRSC, however, places greater emphasis on an awareness of women’s issues through its new, pro-active gender policy. Since the new approach will place responsibility for change on both men and women, across sectors and at all levels of the organisation, women’s issues now stand less risk of being marginalised, and change is more likely to be more sustainable.

Although SRSC is on track with its current approach of integrating women’s issues, deeper conceptualisation and a review of expected outcomes is required. This will not happen overnight and it is important that sufficient time be allowed for it. Before introducing the new approach to a community, an understanding and a good level of acceptance within the organisation will be essential. Once this has been accomplished it should be better reflected in the design, plan and implementation of activities at the grassroots level.

There is an urgent need to review the hiring, development and retention of female staff. Finally, training in gender awareness and orientation is needed at all levels within SRSC, beginning with the Board of Directors and management, in order to ensure better understanding and acceptance of gender concepts.

**Recommendations**

9  *Simple and clear* directions for gender integration need to be developed for working in the field, in order to enable staff to understand both their potential and their limitations in reaching the set objectives.

10 The decision to place the Gender Monitoring Officers under the PMER section needs further review with the Gender Consultant, and the implications should be clearly highlighted.
The job description of the Gender Monitoring Officers needs critical review, and indicators for gender planning and monitoring should be developed with the Gender Consultant and relevant staff members.

Restrictions - stated or unstated - on the types of PI available to women should be reviewed with a view to a possible expansion of categories.

It is important that SRSC adopt a process-oriented approach towards the introduction of new micro enterprises for women, with an emphasis on follow-up and support. Product profiles and an assessment of raw materials should be carried out in each region. Training for new products should be needs-based, and organized only in accordance with their viability in the area. Trainees should be selected against stringent criteria.

Given the gravity of the public health situation and the demand on the SRSC’s health assistants it is necessary to review the section’s capacity to handle technical health issues. The use of consultants for technical backup may be inadequate. The situation should be monitored over the next six months, and remedial action taken if necessary. Regular training to field assistants must be provided.

In view of SRSC’s central objective of bringing women’s issues into the mainstream of development, there is a need to raise the level of female professional staff from the current 26%, aiming for equal representation in the next few years. Similarly, there should be greater female representation on the SRSC board; the long-term goal should be parity.¹

For management and field level, it is difficult to find women with appropriate backgrounds. SRSC should invest in developing potential mid-level female staff for these positions, and in order to keep trained staff, a bond should be posted (for both men and women) who have gone through major training programmes, both locally or overseas.

A recommendation on all staff salaries is made elsewhere. Salaries of female staff, however, especially those at field level, need to be carefully reviewed and adjusted in accordance with market rates, inflation and with the different working conditions and responsibilities that may prevail.

**MANAGEMENT**

During its first five years, SRSC management has faced incredible challenges. There have been three CEOs and many changes in the senior management group and field personnel. Uncertainty caused by the withdrawal of USAID assistance in 1993, combined

¹ At the MTR debriefing, a Board Member asked if NOVIB had gender parity among staff and on its Board of Directors. The MTR Team said it would ask NOVIB to convey this information to SRSC.
with a lack of continuity in leadership, have been serious obstacles to smooth programme implementation. The cumulative effect has been to deflect the organisation from some of its primary goals and objectives, particularly in the period between late 1994 and early 1996. Since then there has been a steadying of the organisation, a realignment of some of its functions, the initiation of a strategic planning process to re-clarify long-term and short-term basic operating principles, and the recruitment of new key personnel.

The appointment of the new CEO has been instrumental in providing both firm leadership and a stronger management capacity within SRSC, and has contributed to moving the organisation forward over the past 10 months. The rebuilding of organisational credibility and confidence nevertheless remains a delicate and incomplete exercise. The challenge over the coming months will be to maintain the momentum that has been established.

Despite some limitations, SRSC’s management structure appears to work well enough at this time. Its big advantage is that it allows senior management direct exposure to field and community activities. In the MTR Team’s judgement, however, it has reached its capacity. If SRSC expands in any significant way, change will be required.

The Management Group has suffered from staffing discontinuity. Its evolution has been hindered by uncertainty and changes in both leadership and leadership style, and by the dominant role played by the Board of Directors during the 1994-1995 period. Today, it is still in a development stage, grappling with identity, spirit and role under the leadership of a new CEO. As a group, it requires assistance in capacity building.

The TORs for this review expressed concern about the possible undue involvement of SRSC’s Board of Directors in the day-to-day running of the organisation. The MTR Team discussed this issue at length with all concerned. It had full access to all Board, Executive Committee and Annual General Meeting Minutes, and it discussed several thorny personnel and programming matters with the Board members and staff (past and present) involved. In its early days, SRSC may have been pushed too hard on the need to follow a fairly narrow prescription of targets and process. And given the problems of recent years, the Board has certainly become involved in more staffing issues than might otherwise have been the case. In the view of the MTR Team, however, the Board has generally acted in a careful, professional, and thoughtful manner.

Since the 1992 Strategic Planning Assessment, the size of SRSC’s staff has grown from 75 to 179. In 1992, the overall percentage of women on staff constituted about 15%; today the percentage is roughly the same. A critical issue is the apparent rate of high staff turnover. In the period between 1994 and September 1996, 51 people left SRSC. An annual staff turnover rate of 10% to 15% (as is actually the case) is not unduly high. A greater problem is the high number of senior managers who have left in the past 30 months.
In many cases staff have left for economic and monetary reasons. SRSC now pays among the lowest salaries when compared to both government and NGOs, making highly trained staff vulnerable to other organisations with better remuneration. The fact that the majority of departures are from the social organiser (SO) rank is particularly troublesome. A further staffing issue relates to **staff development**. Given the size of the organisation, the turnover factor and the relative instability of the organisation over the past three years, a more comprehensive approach to staff development needs to be undertaken.

A special management issue exists in Charsadda, a problem area since the very inception of SRSC. In the view of the MTR Team, the problem is not a management performance problem; it is a staff-management problem. Posting another RPO to Charsadda without other remedial action will only serve to cement the problem.

**Recommendations**

18 In order to clarify the role of the Management Group/PPM, SRSC should consider holding a two or three-day workshop retreat, with a recognized consultant in organisational development, to address the following:

- the Management Group’s role and mandate, including its decision-making authorities;
- its shared responsibilities for such things as programme monitoring and performance;
- its role and responsibilities for the integration of gender concepts and strategies, both at staff level and programme level;
- its role and responsibilities for organisational planning;
- its shared responsibility for organisational development;
- its shared responsibility for budgeting and, in particular, budget monitoring.

19 It is recommended that as a matter of urgency, 1) SRSC management set in process a mechanism to review staff salaries and benefits in all grade scales, 2) that it initiate unilateral discussions with each of its donors, including government, about the problem of salaries and benefits, and 3) that donors, individually or collectively, be encouraged to work with SRSC management to solve this critical problem through the revision of contracts and agreements as necessary.

20 It is recommended that a professional personnel manager be appointed to manage recruitment, hiring, basic training and performance evaluation within SRSC.

21 It is recommended that a long-term staff development policy and plan be worked out by the Management Group in consultation with the regional PPMs; that the plan be costed accurately and funds allocated to it from the training budget; that,
if necessary, this budget be further decentralized to the Regional Offices and to Section Chiefs once the overall policy and plan is approved.

It is further recommended that the Chief, HRD be responsible for the overall coordination of the plan and that he report directly to the Management Group on its implementation. In order to develop and monitor the plan we suggest that TORs for an external consultant be drawn by a committee of the Management Group chaired by the Chief, HRD.

In addition to the reinstatement of the current Charsadda RPO or the recruitment and appointment of a new one, the MTR Team strongly recommends that a new team of senior programme staff should be assembled for Charsadda. This can be accomplished by instituting as well, a policy of regular regional staff rotation. Hopefully this will solve the immediate problem in Charsadda, but in the longer term it could encourage greater cross-fertilization between regions, and will help to build a career path for field staff.

FINANCE

Since the 1992 Evaluation Report there has been considerable progress in the improvement of financial management and control. SRSC has a professional Finance and Administration section. Its reports are produced largely on time and in detail for its major donors. SRSC Headquarters' financial operations are fully computerized.

One of the most difficult problems facing SRSC has been the ratio between development and non-development costs. There are different ways to present these figures but the Finance and Administration section has reflected these ratios consistently and accurately. During the first six months of 1996, the ratio has improved to 70:30 and it is projected to change further to 75:25. This is an indicator of improvement in the organisation's overall management. (Of course the ratio could change dramatically with the initiation of only a few Pls. Care should be taken to avoid rapid disbursement only to show a reduced rate of overhead. Building sustainable rural development is a labour-intensive process, and overheads should be appropriate, rather than simply low.)

During the first 15 months of the SRSC-NOVIB Agreement, SRSC experienced a massive under-expenditure. The major reasons were under-expenditures in Pls, and low disbursement in the credit and human resource development programmes. Despite continued but reduced under-expenditure in 1996, the MTR Team does not advocate that either SRSC or NOVIB increase pressure to disburse. A concerted analysis needs to be undertaken and the reasons for under-expenditure isolated. It may be necessary to recast budgets against more reasonable targets, and to improve budgeting and budget monitoring, especially at field level.
Recommendations

24 It is recommended that as soon as possible, SRSC develop a Financial Procedures and Policy Handbook.

25 It is recommended that PI Approval Committees be established at the Regional Programme Office to ensure greater budgetary control.

26 It is recommended that the Management Group undertake a detailed assessment of the chronic pattern of under-expenditure and isolate the reasons. If necessary, SRSC recast its budgets accordingly. It is also recommended that neither the SRSC or NOVIB increase pressure to spend, pending this Management Group Analysis.

27 SRSC should not be penalized for under-spending. NOVIB should allow unspent funds to be rolled over into future spending periods. Failure to do this will only increase the pressure to spend quickly.

PLANNING

In December of 1995, an organisation-wide Strategic Planning Workshop was held to clarify the strategic objectives of SRSC, its methodologies of work, its programming relationships with government and its approach to women's issues. The results led to the publication of the 'SRSC Rural Support Corporation Strategy' published in September, 1996. The challenge for SRSC now is to link its strategic planning exercise to what remains an underdeveloped operational planning system.

Recommendations

28 SRSC should develop and institute a standard annual planning process:
- annual Regional Plans and Budgets should be produced each April following a format to be developed by the SRSC headquarters staff with input from regional staff;
- this Regional Plan should require the approval of the regional staff before it is submitted to headquarters;
- as part of this planning exercise, the budgeting process should be decentralized. Regional budgets should be drafted at the regional level as part of the annual planning exercise and incorporated into the Annual Regional Plan and Budget.

29 The regional staff and the Regional Programme Officer should take responsibility for monitoring the Annual Regional Plan and Budget. Where financial skills are lacking, the Finance and Administration Section should arrange Financial Training Programmes for Non-Financial Managers. At RPO level, more substantial training
may be required. RPO staff job descriptions should be reviewed and adjusted against budget responsibilities.

30 The position of regional accountant should be reviewed and qualifications upgraded if necessary, in order to ensure that budget preparation and analysis skills are available in the regional offices. A second financial officer, Cashier, should be considered for each of the regional offices. Separating the cash management role from the accountant role is a fundamental financial management principal. The regional accounts should be computerized and consistent with the financial accounting software system used in headquarters. This should improve financial management efficiency, data entry and data analysis at the regional level.

OTHER ISSUES

A final section of the report deals with issues that transcend the Terms of Reference for the study. Because disinformation and gossip is so rampant in the NGO world, the MTR Team has included some thoughts about SRSC's status as an NGO. Reviewing international standards and definitions, the MTR Team concludes that SRSC certainly qualifies as an NGO.

The organisation does need to put greater effort into self-financing, public relations, and team building, and needs to ensure an appropriate balance in funding between government sources and other donors such as NOVIB. Despite improvements and SRSC's best efforts, it is reasonably clear that IFAD, ADB and perhaps government, see SRSC largely as a contractor, rather than as an organisation with its own mandate and ideas, to be supported in its own right.

At several points in this report, the problems created by different conditions in SRSC's agreements with donors have been noted. These are particularly troublesome around the tradeoffs between PIs and process, credit, and personnel. It would be in the interest of and all donors to resolve some of these issues as soon as possible.

Recommendations are made in the report for a change in NOVIB's approach to monitoring. And finally, if this Review and other considerations help in rebuilding NOVIB's confidence in SRSC, the MTR Team would like to recommend that NOVIB give SRSC a level of medium-term financial assurance that would prevent the panic of the past.

Recommendations

31 The Board of Directors should charge management with the development of a strategy that will inculcate the independence of SRSC more deeply into organisational thinking, and should commission a plan for greater financial
independence in the years ahead. NOVIB should be prepared to support such an initiative.

All future donor contracts should be carefully screened to ensure that they do not detract from the independence of the organisation.

NOVIB and SRSC should jointly attempt to coordinate a meeting in Peshawar, involving GoNWFP, ADB, IFAD, NOVIB and UNDP in order to discuss and perhaps to resolve outstanding issues which detract from a coherent and developmentally sound approach to rural development.

NOVIB should undertake to give SRSC at least nine months notice of any planned reduction in funding that might exceed 75% of current annual levels. This would require NOVIB to make future intentions known at least nine months in advance of any major change (or to provide bridge financing), and would give SRSC time to make alternative arrangements.

EXPANSION

Because of its history with USAID and its long-term relationship with NOVIB, SRSC is understandably apprehensive about its organisational security and about ensuring its on-going commitment to the COs and WOs with which it works. If NOVIB funding is not extended after 1997, and if there are no new non-government funding relations, SRSC could be almost totally dependent on government contracts.

As a result of such uncertainty and potential dependence, the Management Group and the Board of Directors have launched a series of initiatives that are designed to protect the viability of the programme. Exploring new funding relationships with SRSC’s history in mind seems to be prudent, but in doing so, the organisation could also find itself expanding rather dramatically.

While the MTR Team has reservations about major expansion during what is essentially a period of SRSC reorganisation and consolidation, the Team agrees that SRSC has to act in a responsible way to ensure its funding base and its integrity as an NGO. Given its contracts with government and the nature of its current relationship with NOVIB, a policy of preparing new proposals and cultivating new donors in a systematic manner is an organisational imperative at this time.

If the Management Group and the Board of Directors continue to strengthen their respective capacities and roles, then SRSC will be able, on its own, to assess its management and programming capabilities in regards to new initiatives, consolidation, replication and expansion.