

One Product One Village (AHAN):  
***A Business Plan For  
Empowering Village Enterprise Networks (EVEN)***

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*Prepared for USAID  
Under the Competitiveness Support Fund (CSF)  
October 2007*



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## ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AHAN	<i>Aik Hunar, Aik Nagar</i> (“one village, one product”), a SMEDA program
CEO	Chief Executive Officer
COO	Chief Operating Officer
CSF	Competitiveness Support Fund
CSR	Corporate social responsibility
ECDI	Entrepreneurship Career Development Institute
EVEN	Empowering Village Enterprise Networks
GDP	Gross Domestic Product
IRR	Internal rate of return
LDP	Local Development Promotion
M&E	Monitoring and Evaluation
ME	Micro enterprise
MoU	Memorandum of Understanding
MSE	Micro and small enterprise
N.W.F.P.	North West Frontier Province
NRSP	National Rural Support Programme
OTOP	One Tambon [local government unit in Thailand] One Product
OVOP	One Village One Product
PIDC	Pakistan Industrial Development Corporation
PR	Public relations
QA	Quality Assurance
RO	Regional office
Rs	Pakistani Rupee
SA	Strategic action
SRC	Supplier regional company
SSIC	Sindh Small Industries Corporation
TA	Technical Assistance
USAID	United States Agency for International Development
V2M	Village to Market
WTO	World Trade Organization

## **BACKGROUND, OBJECTIVES AND CONTEXT OF THIS REPORT**

Inspired by efforts in Thailand to develop rural non-farm enterprise through the “one village one product” program, the Government of Pakistan Small and Medium Enterprise Development Agency (SMEDA) began implementing the “Aik Hunar, Aik Nagar” (AHAN) program in Pakistan. AHAN is creating “asset maps” of rural skills and products, and networking local communities with sources of finance, markets and design expertise.

Recognizing the need for a market-led, demand-driven and economically sustainable approach, the Ministry of Industries and SMEDA have created a separate corporate entity and requested technical assistance from USAID for the preparation of a business plan and a strategy for selecting the appropriate Board of Directors and staff. At the request of the Competitiveness Support Fund, J.E. Austin Associates mobilized a business plan expert, Alberto Abbadia, who traveled to Pakistan and spent three weeks working with SMEDA, AHAN and other stakeholders. Mr. Abbadia came to Pakistan for three weeks, interviewed key stakeholders, elaborated a draft business plan and presented the plan prior to departure. Feedback on the presentation of the business plan led J.E. Austin Associates to significantly redraft the approach. Kevin Murphy, the President of J.E. Austin Associates, gathered additional feedback in October and with Mr. Abbadia created a revised business plan. Mr. Murphy traveled to Pakistan in November and presented the revised business plan to the Ministry, representatives of SMEDA and USAID, resulting in this final document.

The terms of reference were to formulate an appropriate business model, identify appropriate skill sets for board and staff, and propose a recruiting strategy for management. The brief was to present a business plan that would be sustainable, scalable, justifiable from a cost-benefit point of view and capable of being monitored and evaluated. The business plan that follows responds to these objectives and parameters.

### **TWO MAJOR ISSUES TO CLARIFY UP FRONT**

There are several issues that had to be dealt with during the development of this business plan and that need to be presented in sharp relief at the outset to explain the approach taken in the following pages.

#### **AHAN**

Stakeholders will need to differentiate between two very different approaches to rural enterprise. “One Village, One Product” programs are Government-sponsored village assistance programs, funded by Government budgets, administered by civil servants, often containing significant subsidies and having important political agendas. The OTOP program in Thailand was successful in generating political loyalties to the government in power at the time but was not notably successful at generating powerful market linkages that created sustainable incomes.

AHAN type programs often involve subsidies or transfer payments intended to target the rural poor and focused on providing public goods such as skills training. These are legitimate functions of government. Furthermore, the AHAN approach can be useful in restructuring the debate between village and government from consumption (e.g. “what do you need from us?”) to production (e.g. “what is this village good at producing”), which is an important and in some cases historic change of mindset. However, this approach often lacks entrepreneurial drive, a market orientation and an insistence on economic sustainability. Contacts with national or international markets tend to be incomplete or under-developed. While the Government of Pakistan may wish to continue with subsidized programs of rural economic development, the terms of reference for this current assignment were to develop a business plan for a commercially sustainable, scalable and market-oriented social enterprise. These two approaches are different. To differentiate these two approaches, the authors have chosen to create a different name – EVEN. But whether the name AHAN or EVEN is used is perhaps irrelevant. The point is to provide stakeholders with clear choices and a clear framework.

### ***EVEN***

EVEN is conceived as a “social enterprise”—an entrepreneurially-driven, market-oriented, economically viable organization with its own governance, appropriate staff, incentives and economic sustainability. The authors have suggested that this approach be termed “Enabling Village Enterprise Networks” or “EVEN.” AHAN may choose to adopt the business plan and ignore the name. Alternatively, EVEN may be the market and business wing of an overall AHAN effort that continues to provide some public goods or resource transfers focused on skills development. Finally, AHAN could decide to continue its current focus but encourage others to adopt the business plan presented here so as to complement its own objectives to foster rural prosperity.<sup>1</sup> However, if a new name is not seen as appropriate, the reader may use “AHAN” in place of “EVEN” wherever the latter appears.

Village to Market (V2M) organizations, like that proposed below, may be commercially sustainable but often have problems expanding to large scale. One major assumption of this business plan is that there are existing Pakistani village producers with rural products and skills that mainly lack networks to markets, finance and training to be able to generate additional income. Successes by other and relatively small scale NGOs in skimming the cream of viable village products are assumed to be only tapping the surface of the potential for high-value products from highly skilled communities. For example, Ten Thousand Villages, a retail outlet in the USA, buys two major product lines almost exclusively from the area around Karachi. It assumes similar potential in other regions, although some of those interviewed for this business plan were not so sure. It was not possible during a three-week visit to Pakistan to test the

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<sup>1</sup> There is also some sense that the “One Product One Village” brand may be losing some luster. One senior Government of Pakistan official indicated that the King of Thailand had indicated in discussions with them that OTOP had not been very successful.



critical assumptions presented above. However, AHAN has been putting together an in-depth asset map of rural skills that seem to indicate the potential feasibility of the approach provided below. However, if such skills and products do not exist and require extensive skills development, the achievement of financial viability by year three could be called into question even under the leaner and entrepreneurial model of EVEN.

## **PART 1: MISSION STATEMENT, OBJECTIVES AND OVERALL STRATEGY**

### **MISSION STATEMENT**

The mission of Enabling Village Enterprise Networks (EVEN) is to build human dignity and reduce poverty in rural areas of Pakistan by supporting the development of sustainable, non-farm, rural small and micro enterprise that creates opportunities for the rural poor.

The social enterprise will **even** the playing field for those isolated, underserved or home-bound. It will extend the benefits of Pakistan's recent economic growth **even** to the rural poor. It will provide an **even**-handed approach to men and women and extend the benefits of the market place **even** into the heart of the village.

### **OBJECTIVES**

To realize its mission, EVEN has set the following manageable and measurable goals to which it can be held accountable.

1. To increase incomes among rural producers, especially women, artisans and the rural poor.
2. To build the real and financial assets over which poor rural producers have control and decision-making authority.
3. To increase the overall number of rural enterprises.
4. To increase the number of practical linkages between small rural enterprises and national and international markets and create a positive brand image for the cultural, creative and artistic products of rural Pakistan.

### **VALUES**

Viability: EVEN will achieve these objectives in ways that are commercially, technically, economically, financially, socially and organizationally viable because they are driven by larger market forces.

Efficiency: EVEN will achieve these its results in ways that are cost-effective as measured by social cost-benefit analysis tools on an ongoing basis while not shying away from taking risks that can have a significant payoff if successful.

Sustainability: EVEN will seek to form commercial and financial linkages such that village production can continue without dependence on outside assistance and support.

Accountability: EVEN will achieve these goals while reporting transparently on investments, criteria, results, successes and failures so that accountability can be maintained on an ongoing basis.

Respect—EVEN representatives will maintain an attitude that deeply honors and respects the artisans, entrepreneurs and employees of rural enterprises and their families by listening and serving rather than dictating or imposing.

Fairness—EVEN will pursue its goal of facilitating commercial and productive activity while looking after the fairness of transactions to all parties.

Faith in People—EVEN representatives have faith in the capacity of rural producers to be agents of their own development and believe that they have the talents necessary to improve their livelihoods and incomes. Lack of progress to date has come not for want of effort or talent but through isolation, dearth of information, lack of contacts, and scarcity of services.

Entrepreneurial Creativity—EVEN stakeholders and staff are social entrepreneurs and problem solvers who see new opportunities for creating value, test them rigorously, and believe in the ability to solve problems through networking.

Inclusivity—EVEN respects the role of the private sector and of public agencies, seeking to complement rather than displace the role of others, and seeks to involve all members of the community, especially those who have not traditionally had voice or control over productive assets.

Scalability—EVEN stakeholders focus may focus on small-scale endeavors but constantly seek to see how solutions may be scalable so as to be of maximum impact.

These values will be developed and refined in dialogue with stakeholders from the villages who will have critical insights into the values required to make this effort a success.

## **PROJECT APPROACH**

### **EVEN AS A SOCIAL ENTERPRISE**

EVEN will avoid being a “charity” that remains small scale and dependent on handouts and subsidies. EVEN will also avoid being a public agency or welfare organization where “beneficiaries” are dependent on the help of those working for the agency. EVEN will also avoid becoming a commercial company interested more in its own profits than in its social purpose. EVEN will be a social enterprise—an enterprise with a social purpose. As an enterprise, it will be characterized by entrepreneurial behavior, incentives that motivate and results that are positive from a cost-benefit point of view. But EVEN will also have a social purpose that inspires. It will use powerful commercial forces and private sector models to involve those who are at the “base of the pyramid.” EVEN will attract those seeking to make a difference while being entrepreneurs. The approach combines idealism, social purpose, business skill and entrepreneurship. Young people will be attracted to all of these dimensions.

### **EVEN WILL START WITH THE MARKET**

EVEN begins with skills mapping done to date by AHAN. EVEN has some market data available from various regions. The point will be to begin with market demand first and then match this with villages that have the appropriate production, skills and motivation to supply this need.

### **EVEN WILL EMPLOY A GENDER-INTELLIGENT STRATEGY**

To address the needs of the poor, it is essential to boost family income. Women represent 50 percent of the population and more than 50 percent of the rural poor. However, many are home-bound and legally restricted in terms of owning assets and commercial operations. Traditional roles dictate the acceptable range of activity in many communities. However, many if not most households welcome the contribution of women to the household economy in ways that do not violate religious and cultural norms. Therefore, EVEN will employ gender-intelligent strategies to develop special ways to reach women and enable them to engage in entrepreneurial and productive activities. For example, women promoters and distributors will be employed to engage with women, assess production capabilities, facilitate training and collect product. In some cases, a village distribution center might be a depot for collecting goods and distributing inputs. Using women distributors has worked for some Pakistani-based NGOs. Involving women to the greatest possible extent is an intelligent strategy because many women have the time, skill and motivation that can be devoted to these activities. Many products can be produced in the home while sharing time with the family. In other cases, women entrepreneurs have discussed creating women-only production facilities, for jewelry making for example, outside of Peshawar. It has also been proven that lines of credit and micro-finance that focus on women

have lower default rates. EVEN will implement gender-intelligent strategies and focus on an **even** split between men and women entrepreneurs.

### ***The Entrepreneurial Mindset of EVEN and Agents of Change***

EVEN will foster an entrepreneurial mindset and act as a catalyst for business ideas in local villages. EVEN promoters, who will be on the front lines of engaging with village communities, will take a broad view of village enterprise creation and encourage villagers to think about and undertake a broad variety of potential economic activities above and beyond those that can be directly serviced through EVEN.<sup>2</sup> EVEN promoters will be trained in techniques of opportunity identification and discussion facilitation. As part of their training, they will visit villages where such enterprises are already working.

### ***Generating Multiple Streams of Income—Ways to Create Value for Village Products***

EVEN promoters will be trained in identifying ways to add value to village artisan and non-agricultural products. These include:

- Finding new markets for existing products
- Improving product quality
- Making slight changes in design or color to meet consumer preferences
- Adding information content to the product
- Adding service features to the product
- Creating value through better packaging
- Branding the product and creating logos
- Providing a regional mark of origin
- Changing the product based on seasonal demand
- Identifying and promoting unique attributes of the product
- Developing information systems with distribution networks to alert producers to opportunities for serving distributors
- Enhancing production efficiencies
- Achieving distribution efficiencies
- Adding further processing
- Creating entirely new products

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<sup>2</sup> See Annex 4.

EVEN promoters and distributors will be trained to identify these opportunities, actively explore them and aggressively exploit the opportunities where they exist for the benefit of the communities and the sustainability of EVEN.

## PROJECT DEVELOPMENT SCHEME

EVEN will sequentially pursue the following milestones:

1. Identify and select cooperating villages on the basis of these key criteria:
  - a. Rural asset map: Manufactured products, labor force (by gender) employed in specific industries, and marketable volumes of specific products from villages (skills mapping done to date by AHAN).
  - b. Market viability based on demand studies for existing and potentially new products.
  - c. Desire and commitment of local villages based on their ability to convene, responsiveness to initial promotion efforts, existence of a champion and ability to take initial steps to organize.
  - d. Feasibility of distribution as measured by the ability to be served by common transportation routes and provide adequate volumes to geographically reachable points of sales or distribution.
2. Encourage and enable village production response by identifying market opportunities and helping to assess the commercial, production, economic, financial, social and organizational viability of these opportunities with village producers.
3. Address productivity gaps, quality gaps and skills gaps through technology and practical skills training.
4. Address financing gaps by promoting linkages with financial institutions and encouraging the development of appropriate financial products.
5. Advocate on behalf of village enterprises when constraints in the policy and business environment threaten to limit the success of otherwise commercially viable operations.

6. Improve the business environment in which rural artisans operate by addressing and communicating infrastructure, transportation, communication, training or other needs to the appropriate authorities.
7. Develop an internationally-recognized Pakistani branding for local products that translates into improved incomes for local producers and an excellent image at home and abroad.
8. Contribute to improved design and innovation and linkages between village production and sources of expertise that can differentiate local products.
9. Assist rural enterprises, cooperative organizations and community organizations by providing relevant business and organizational advice (legal, accounting, marketing, packaging or other).
10. Build sustainable commercial linkages between village producers and local and international markets.

## **SIX STRATEGIC ACTIONS TO ACHIEVE MEASURABLE RESULTS**

EVEN has developed a set of strategic actions for achieving the objectives presented above. These are not meant to be exhaustive but representative of the strategies it will implement.

### **SA 1: ENGAGE WITH THE COMMUNITY TO IDENTIFY OPPORTUNITIES AND ASSESS THEIR COMMERCIAL, PRODUCTION, LOGISTICAL, ECONOMIC, FINANCIAL, SOCIAL AND ORGANIZATIONAL SUSTAINABILITY**

1. Engage with local communities in a respectful and catalytic way to identify opportunities based on existing skills and assets.
2. Identify specific opportunities proposed by the community and apply accelerated due diligence to test the commercial, technical, economic and financial feasibility and sustainability of these opportunities.
3. Study the feasibility of specific product categories, sectors and sub-sectors affecting multiple communities.

### **SA 2: FOSTER MARKET LINKAGES AND COMMUNICATE MARKET INSIGHTS TO COMMUNITIES**

1. Identify national and international buyers of artisan and rural products.

2. Foster direct linkages between buyers and rural communities or serve as that linkage in return for fair commissions.
3. Capture market signals and communicate these to local producers so that they can translate these into improved incomes by being responsive to these signals related to design, delivery, timing, product characteristics, packaging or other features.
4. Arrange visits by producers to markets or by buyers to villages or product showrooms to encourage additional demand and commerce.
5. Sponsor festivals, trade shows and expositions and participate in other local and international trade shows and expositions.
6. Develop e-commerce capability (Internet capability with shipping and handling) to enhance sales of Pakistani rural enterprise products world-wide.
7. Identify specific opportunities for creating value for villages by adding information value to local products.<sup>3</sup>
8. Secure national and international contracts for rural enterprises that provide fair prices to producers and to help negotiate contracts, terms and prices.

### **SA 3: IMPROVE PRODUCTIVITY, EFFICIENCY AND QUALITY STANDARDS**

1. Improve efficiency and productivity so as to improve local incomes or enhance the feasibility and sustainability of production activities.
2. Identify and transmit modern techniques, technology and machinery for the development of high value-added activities or the enhancement of productivity.
3. Promote better utilization of local skills and materials in conjunction with modern techniques.
4. Support and facilitate procurement of machinery and other equipment for up-gradation and capacity building of Micro and Small Enterprises (MSEs).

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<sup>3</sup> Knowledge of the producer community or a picture of the village often creates value in the mind of the consumer and a willingness to pay a higher price, feeling that the sale will help real people described authentically. Yet the cost is often only that of a small piece of printed paper included with the product.



5. Identify transportation and storage efficiencies.
6. Find improvements in raw materials and supply chains that serve the rural artisans or identify alternative inputs or materials that improve profitability.
7. Promote linkages among rural enterprise groups and the relevant centers of engineering and design to foster innovation and process re-engineering.
9. Enable MSEs to adopt and conform to national and international quality and CSR-related standards.

#### **SA 4: FACILITATE APPROPRIATE FINANCING**

1. Facilitate initial grants (where possible) by networking and facilitating contacts with grant-making projects and programs.
2. Facilitate linkages among financing agents and viable rural enterprises.
3. Facilitate financing by encouraging the development of appropriate long-term financial products.

#### **SA 5: PROMOTE AN ENABLING ENVIRONMENT FOR THRIVING RURAL ENTERPRISE<sup>4</sup>**

1. Facilitate and motivate MSEs to create linkages among themselves and with associations, markets, universities, institutes and research organizations.
2. Design and develop new products with rural communities.
3. Attract domestic and international investment in rural enterprise, especially to the missing links in the value chain; or in some cases fill in the missing link directly.
4. Facilitate constructive policy dialogue as a champion of the rural small enterprise sector by proposing changes in laws, rules and regulations and to identify and urge removal of administrative barriers to rural small enterprise.

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<sup>4</sup> See Annex 4.

## **SA 6: ENSURE ORGANIZATIONAL SUSTAINABILITY**

1. Obtain any provisional rules, orders, statute or other legislative provisions or enactments to enable EVEN to implement its objectives; in particular, establish a non-profit organization under Section 52 of the Incorporation Law of Pakistan and identify appropriate governance, Board of Directors members, CEO and staff.
2. Establish a monitoring and evaluation system that sets measurable goals and benchmarks, baselines, control groups and means of evaluating tangible achievements and milestones of progress.
3. Ascertain that there is a commercially viable role for the entrepreneurially-oriented distributor who can find village-to-market (V2B) opportunities that increase rural incomes substantially while also allowing for reasonable margins that fully cover costs of village promotion, product distribution and expansion.
4. Develop alternative sources of funding such as generating grants, providing services, undertaking studies, implementing consulting studies and charging reasonable commissions for other services<sup>5</sup> in order to cover initial start-up costs and to more rapidly finance expansion.

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<sup>5</sup> See Annex 5.

## **PART 2: WHY EVEN IS SO IMPORTANT**

### **EVEN TARGETS THE RURAL POOR**

Despite impressive economic growth and poverty reduction in recent years, rural poverty remains one of Pakistan's most important challenges. About two-thirds of Pakistan's 154 million people live in rural areas. The share of agriculture in GDP has dropped from 53 percent to 23 percent of GDP since 1950. The agricultural sector remains the major source of employment in rural areas, yet some 60 percent Pakistan's rural poor are landless. Landless laborers make up 15 percent of the rural poor. Some 39 percent of rural people live below poverty line and poverty rates worsened during the economic decline of the 1990s, before the current Government was able to reverse the situation. Unemployment in rural Pakistan may be significantly higher among women than among men. With the continuous drop of the share of agriculture in GDP, it has become imperative that non agriculture/farm based avenues for economic opportunities be explored.<sup>6</sup>

### **EVEN RESTRUCTURES THE VILLAGE AND COMMUNITY DEBATE**

Instead of asking communities "what do you need" as if they were passive consumers of services, EVEN restructures the local community debate by asking the right questions. These questions include, "What does this village do well?" "How can the community create value with products and services?" "What skills do people have that can be translated into products that have value?" These questions get the community focused not on what others can do for them but on what they can do for themselves. They focus on sustainable activity.

### **EVEN IS BASED ON SUCCESSFUL MODELS IN ASIA**

Other countries in Asia have had success in implementing the "One Product-One Village" approach. Thailand's "One Tambon-One Product" Program (OTOP) stimulated a number of rural enterprise ventures while creating urban-rural linkages and greater identification and connection between rural dwellers and their governments. The EVEN Program envisions applying and building on the best practices of programs like OTOP, OVOP of Japan and other similar programs. The project also aims at learning key lessons and best practices from similar programs in Pakistan and elsewhere.

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<sup>6</sup> PC-1, Aik Hunar Aik Nagar (EVEN), Rural Enterprise Modernization Project. Small and Medium Enterprise Development Authority. March, 2006.

## **EVEN USES THE POWER OF MARKET FORCES**

It should be noted that EVEN does *not* say that a village can produce only one product. Furthermore it does not direct a village to produce any particular product. Rather, it allows existing economic activity and economic actors in the village to reveal what kinds of things seem to be having success in the market place. By examining the value chain linkages, EVEN uses the power of market forces to generate prosperity into rural areas while creating positive linkages with the local and global economy. Globalization is a two-edged sword that can either threaten traditional livelihoods or enable a community to master its destiny and improve the lives of its children. EVEN focuses on the latter.

## **EVEN FOCUSES ON COMMERCIALY SUSTAINABLE ACTIVITIES**

Many Government or NGO programs are based on providing services and on meeting basic human needs. As important as such programs are, they often do not create sustainability. Villages that are able to generate economic activity can become sustainable actors in the economy. EVEN plays a catalytic role but focuses on sustainable projects that are ongoing in their own right without the need for subsidies.

## **EVEN IS TIMELY**

Why hasn't EVEN been implemented before? Why is EVEN a solution for rural poverty today? First, the pace of globalization has accelerated. The demise of the centrally planned economies brought the socialist economies into the global market economy. The entry of China and the liberalization (however incomplete) of the Indian economy have together accelerated the pace of globalization, creating a greater need for competitiveness among all Pakistani producers, including those in the rural economy. The WTO international trade agreements have also caused massive change in Pakistan's key industries such as clothing and apparel and other labor intensive products, where China has gained considerable market share. Rural artisans and non-agriculture producers are often the most isolated and least able to read market signals and adapt. They are decentralized and lack knowledge of markets. And yet, global economic growth has been at its highest levels in history in recent years, creating many opportunities that go unheeded. By serving as a bridge, EVEN appears at a moment in time when rural communities can take advantage of favorable access to markets, better access to technology and growing demand. However, nothing in their past has prepared villagers for such rapid and breathtaking economic change. There is a need for an agent that can actively and entrepreneurially find commercial opportunities and help local communities respond to them.

## **EVEN BUILDS SOCIAL TRUST AND COHESION**

By creating sustainable livelihoods, EVEN will build social cohesion and an optimistic view of the future. These positive livelihoods represent clear alternatives to violence and extremism. EVEN also shows that the Government cares enough to listen to local villagers and to help respond effectively in partnership with them. Initial successes can build momentum where communities can gain confidence in the local and international economy and see the tangible benefits for themselves and their children. By engaging this activity in a spirit of respect and partnership, EVEN can build social cohesion and social trust.

## **EVEN TARGETS SPECIFICALLY DISADVANTAGED GROUPS**

The focus of EVEN is on rural non-farm enterprise, which has been shown to be a major part of the solution to rural poverty. Among the rural poor, women often tend to be the most disadvantaged in terms of educational levels and opportunities. Being able to produce things of value, even in the context of their own home or in a group of other women, can enhance self-esteem and increase the resources that can be devoted to their own well being and that of their children. EVEN also focuses on the landless poor, as they tend by definition to need sources of income and livelihood other than their own farms. Whereas farmers are occupied a good part of the year with their farm production, the landless must be day laborers or find rural enterprises.

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## **PART 3: MARKET LINKAGE MODELS FOR VILLAGE ENTERPRISE REVIEWED AND CONSIDERED**

The study team analyzed a number of existing models for village enterprise that will be described and discussed in turn:

1. Sindh Small Industries Corporation (SSIC)
2. Entrepreneurship Career Development Institute
3. Kaarvan
4. Shops of different top designers (Deepak Perwani, Koel/Noorjehan Bilgrami, Khaamta/Ghazala Saifi, and Rizwan Beyg)
5. Fabindia

### **1. SINDH SMALL INDUSTRIES CORPORATION (SSIC)**

This is an example of what EVEN would become if it tries to directly commercialize the portfolio of products of the beneficiary communities through self-created retail outlets. SSIC shops (subsidized by the Government) mostly look like bazaars selling a potpourri of products with limited commercial potential. It is challenging to coherently bundle different portfolios of traditional products that exhibit totally different qualities, styles and functions under one roof.

### **2. ENTREPRENEURSHIP CAREER DEVELOPMENT INSTITUTE (ECDI)**

This organization has similar objectives and targets groups similar to EVEN. It is a privately owned, non-profit, self-sustaining organization. Its president, Perveen A. Shaikh, was interviewed for this study and confirmed that many communities are willing to pay for items like training courses for skill updating, and such payments cover ECDI operating costs.

### **3. KAARVAN**

Kaarvan is an interesting and appealing model for several reasons. It is a non-profit organization that is transitioning from a donation model to a self-sustainable model. Its product lines (candles, apparel and handbags) have various levels of success as niche-oriented products, with candles in particular finding a good market. Kaarvan's revenues only come from shop sales rather than from producers, generating downstream revenues at the retail level. However, this is not an appropriate model for EVEN. Kaarvan's annual budget is only US\$150,000 and Kaarvan's model has not yet proven to be scalable. Kaarvan is a niche player which focuses on a narrow product line sold through its outlets. However, its innovative strategies for targeting women artisans are notable.

#### **4. SHOPS OF DIFFERENT LOCAL TOP DESIGNERS (DEEPAK PERWANI, KOEL/NOORJEHAN BILGRAMI, KHAAMTA/GHAZALA SAIFI, RIZWAN BEYG)**

Top-tier designers' shops are one step ahead of Kaarvan's concept in terms of efficiency and profitability. Their model is more purely commercial. These designers are highly specialized in highly-segmented, niche products. Yet, these designers in Pakistan use their branding to reach mass markets in the same way that top designers do in fashion centers in the West. EVEN could create alliances with designers that result in high-value products responding to high-end demand. By encouraging villages to alter their designs, colors and raw materials, villagers could potentially benefit from higher incomes. The challenge of this approach is to make village-level enterprise a target of investment and fair, long-term trade relations.

#### **5. FABINDIA**

Fabindia is one of the largest retailers of handicrafts on the subcontinent. Located in India, it has a large network of shops, e-sales and exports. The Fabindia model is to create assured demand for village producers. The Fabindia decentralized product sourcing model provides assured market linkages. Fabindia has created "Supplier Regional Companies" (SRCs), which, in turn, aggregate suppliers and production. The suppliers have an equity stake in the SRCs, which are wealth creation mechanisms that align the interests of village producers. Dividends are paid to artisans based on the margins created by the products. The SRCs are also responsible for quality control, inventory management and direct distribution to Fabindia stores.

Fabindia's retail presence provides strong market signals to SRCs. These units provide regional suppliers' cooperatives with market linkages, access to working capital, information on market trends and product design upgrades. This is proving to be a sustainable and scalable model in India. EVEN will look for potential alliances with Pakistani retailers using these and other business models.

## **PART 4: KEY SKILL SETS AND COMPANY STRUCTURE AND ORGANIZATION**

Strategy drives structure and form follows function. Therefore, before discussing the organizational structure, it is essential to understand the key skill sets required to implement the strategy presented above. Once these are defined, the structure, staff and profiles of each become clear.

### **KEY SKILL SETS FOR SUCCESS**

The key skills for success in this endeavor include entrepreneurial skill, marketing, community engagement, operations (including logistics), finance, monitoring and evaluation and fundraising (for growth). Public relations will be an important support to these other functions.

Of critical importance to success is entrepreneurial skill. This includes visualizing market possibilities, making shrewd judgments on product-market decisions, communicating a vision, leading a team, and exercising oversight. Entrepreneurial skill also involves taking calculated risks while minimizing the downsides of these risks through careful attention to contingencies.

Another key skill will be that of national and international market networking to identify attractive markets, products and distributors and to negotiate appropriate contracts.

Financial planning will also be critical as even successful and growing firms can run out of money. Careful calculations regarding margins and economic feasibility will have to be developed and reviewed and it is better to measure twice and cut once than to risk the fortunes of village producers.

Community engagement is also important and this will require a blend of strong communication skills, a creative mind that can identify unseen possibilities and a sense of realism.

Operations management, including logistics, will also be critical for an organization that will be seeking to develop and move millions of dollars of merchandise annually and ensure its safe and timely arrival.

### **LEGAL ORGANIZATION AS A NON-PROFIT**

EVEN is conceived as a Social Enterprise—that is, a sustainable enterprise with a social purpose. How it is organized for tax purposes should be a question of what mode allows it to



best achieve its purpose. Given the social nature of the enterprise, the desire to maximize revenues for villagers and invest surplus in growth, the most appropriate organization would be that of a non-profit organization under Section 52 of the Incorporation Law of Pakistan.

### **BOARD OF DIRECTORS: COMPOSITION AND ROLE**

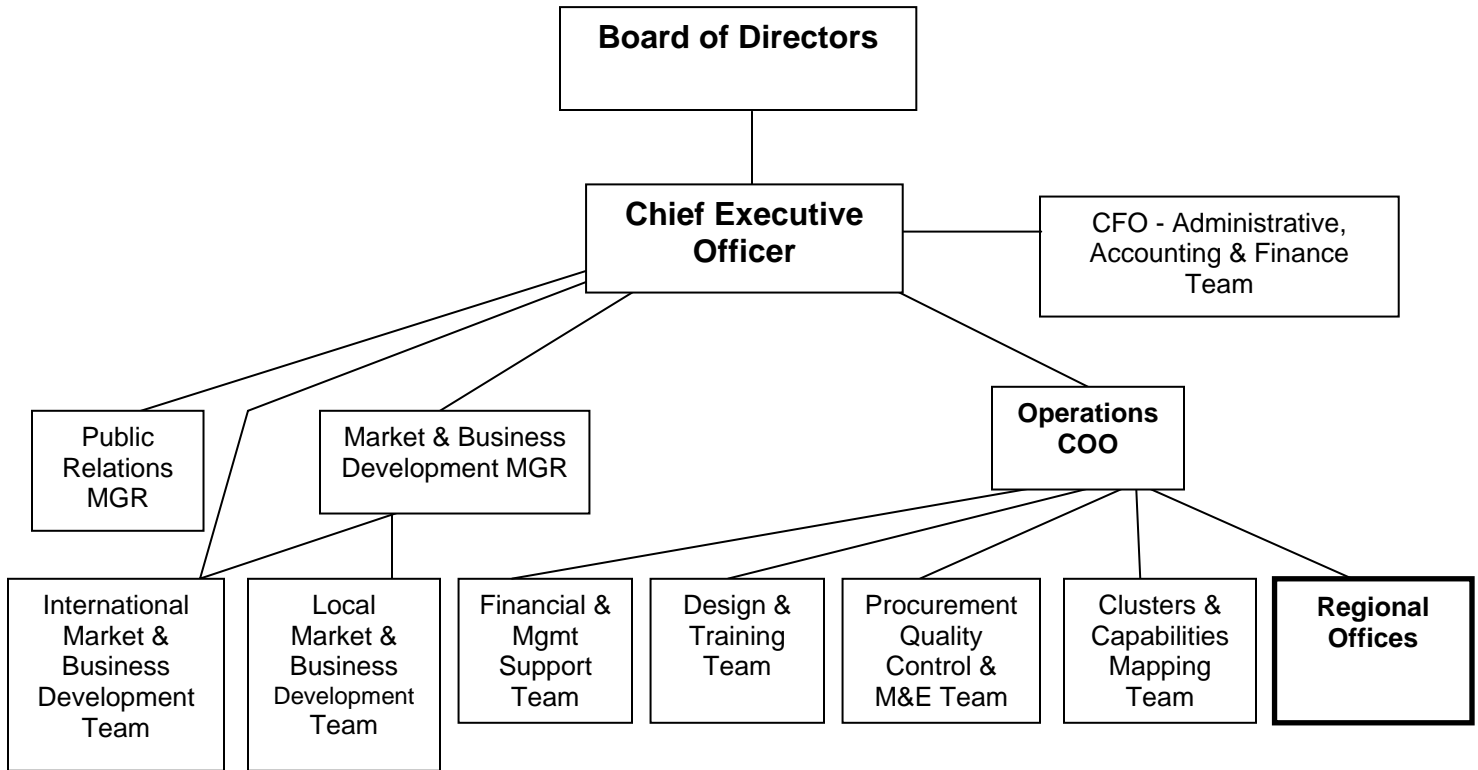
Given its social purpose and importance, it is expected that the Board of Directors will be voluntary in nature and made up of successful people and leaders who together have the requisite combination of skills to lead and guide the organization. Members of the Board should be leaders with significant background and networks covering the areas mentioned below.

- At least one or two should have an excellent knowledge of the national and international handicraft markets.
- There should be an expert from the financial sector who thoroughly understands the interface between the commercial financial sector and rural and micro finance. This person may be important in facilitating relationships with key sources of finance.
- At least one member should be prominent member of the legal community who can help ensure appropriate legal structures and offer guidance for an organization where many contracts are likely to be developed with village communities and national and international buyers.
- An expert in human resources management will also be key, given the need to identify staff and create the appropriate organizational structure and policies conducive to success.
- Several Board members should be experts in entrepreneurship, especially women's entrepreneurship and handicrafts, preferably with a successful track record themselves in entrepreneurial endeavors.
- The Board may also have participation from one or more major financing agents or donor organizations if these will be involved in the initial or ongoing financing.
- A representative from academia, while not strictly necessary, could also promote linkages with centers of excellence related to design and training.

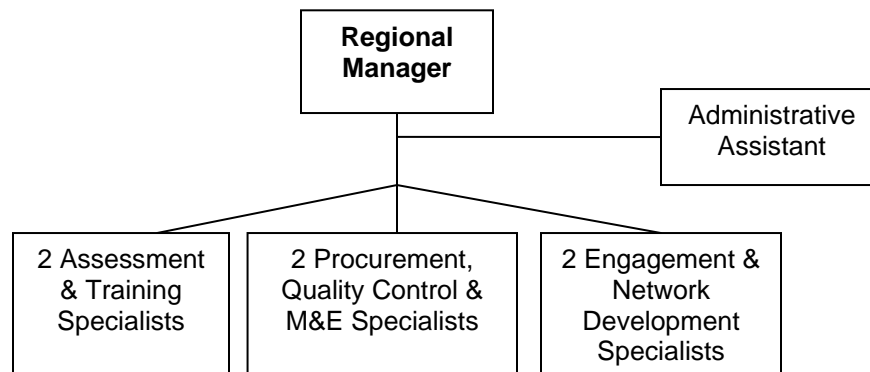
The Board's main role should be that of making strategic-level decisions, focusing on the larger issues, and advising, providing direction and exercising oversight over the CEO. The day-to-day management should be left to the CEO and the executive team.

The Board should define quantitative and qualitative targets for the executive team, and link incentives to management performance, making any necessary adjustments in accordance with changing circumstances. (See Part 8 for more details).

**ORGANIZATION CHART**



***Regional Offices:***



## **INTERNATIONAL ADVISORY BOARD**

J.E. Austin Associates proposes the creation of an international board of advisors, without governance authority, but made up of representatives of major artisan importing companies and NGOs that could meet virtually and could function as a blue ribbon advisory committee on international market linkages, choice of product, quality and design. Such a panel could provide useful networks and contacts.

## **KEY STAFF PROFILES**

### ***Chief Executive Officer***

The Chief Executive Officer should have proven entrepreneurial capacities. At the beginning, the CEO should be delegated significant authority from the Board of Directors in order to get the company up and running as fast and as efficiently as possible. The CEO should be able to inspire stakeholders, lead the team, understand markets, represent the organization in public forums and supervise the financial and operational functions. The CEO should be a dynamic, goal-oriented person who is good with people, highly motivated and fully identified with the mission. The CEO will:

- Oversee all operations
- Set targets and measure results
- Build strong relationships with local manufacturers
- Build strong relationships with local and international buyers
- Develop links with government agencies, financial institutions, private trade organizations and non-profit organizations

The first task of the CEO will be to hire the appropriate staff and implement the framework in which the company will operate. The qualifications of the CEO should include:

- At least 10 years experience in development or non-profit projects
- Extensive general or project management experience
- Substantial knowledge of business development best practices
- Experience starting or managing trade or import/ export business
- Strong entrepreneurial spirit

This CEO should be hired by a recruiting agency. Based on salaries for young dynamic executives in Pakistan, this business plan has budgeted US\$ 60,000. The recruiting process may cost up to US\$ 5,000. If it is determined that an international CEO must be recruited at prevailing international wage levels, the true cost of the CEO could double or triple this amount.

### **Chief Operations Officer**

The COO will also act as Deputy CEO and will:

- Oversee all local operations, contracts, logistics and staff management
- Set targets and measure results for the operations team
- Build strong relationships with local micro-companies and artisans
- Build strong relationships with local partners such as NGOs or local governments
- Manage administrative staff, who may include:
  - 2 Office Managers (1 Accountant)
  - Office Assistant
  - 2 drivers
  - IT/Technical Expert
  - Executive Assistant to the CEO
  - Guards and others

The COO will have the following teams under his/her command:

1. The 4 Regional Teams or Offices, with 1 Regional Manager, 6 Specialists and 1 Assistant each. These Regional Offices will be responsible for:
  - a. Helping, from the field, to map skills and capabilities of rural areas.
  - b. Developing relations with these communities and with local organizations already working with them (NGOs, local governments, microfinance institutions)
  - c. Planning development of those communities and their harmonic integration into the EVEN program
  - d. Marketing and acting as local “promotional-points” for EVEN
  - e. Arranging all the logistics for the development of training courses, quality control test, M&E and sample collection
  - f. Controlling labor standards for micro-enterprise employees
  - g. Serving as Representatives for those rural communities
2. The *Clusters & Capabilities Mapping Team* will be 1 or 2 people that will act as a statistical collection and analysis agency, mapping capabilities of regions and clusters. The Team’s role will be to:
  - a. Collect the information from the Regional Teams and other secondary researchers
  - b. Process and analyze it

- c. map chosen sectors in all the country
  - d. Give the results to the CEO, regional teams and the marketing & business development team.
3. *Design & Training Team.* This team will initially consist of just one manager per two sectors. Their role will be to find the experts, collaborators and trainers who can upgrade the skills of artisans/workers to acceptable standards. Eventually, this work should be done in such a way that trainees gradually become trainers, which will result in an exponential spread of resources and knowledge.
  4. *Financial & Management Support Team.* With only one manager at the beginning, the mission of this team is to become an in-house consulting and service provider unit, which should exponentially grow and probably become a major source of income for EVEN in the future. This team would also support fundraising.
  5. *Procurement, Quality Control & M&E Team.* Initiated with one manager per two sectors, and probably starting out as the same team designated for Design & Training, this team will eventually grow and become more important in the company.

As EVEN reaches its planned scale, it will eventually have a total of 70 employees, with 30 working in the headquarters and 40 working in the 4 regional offices. Regional staffing is likely to expand over time.

The qualifications of the COO should include:

- At least 5 years experience working in relevant positions in the private sector of Pakistan
- At least 5 years experience in development or non-profit projects
- Significant management experience
- Extremely knowledgeable about the Government and non-profit environment in Pakistan

The annual cost for the COO position, including benefits and taxes, is anticipated to be around US\$ 40,000–50,000. The recruiting process may cost up to US\$ 3,000.

### ***Chief Financial Officer***

The CFO should understand both external finance mobilization as well as internal financial management. The CFO's key responsibility will be financial reporting to those providing funding such as the Government, donors and lending organizations. The CFO will achieve financial cost-effectiveness and ensure adequate cash flow for operations. The CFO will also prepare for the annual external audit, performed by a recognized auditing firm. The CFO will also have the

function of controller and will manage accountants and bookkeepers. All the accounting and financial staff will be under the supervision of the COO.

### ***Public and Community Relations Manager***

The responsibility of the Public and Community Relations Manager will be:

1. Managing media relations
2. Arranging conferences, meetings and other large events
3. Conducting networking and PR activities related to governments, large corporations (local and international) and NGOs
4. Providing support in fund raising

The PCR manager should have the support of one PR Assistant, a function which can either be internal or outsourced.

### ***Market and Business Development Manager***

The Market & Business Development Manager will have the Market & Business Development Team under his/her command. The main mission of this Manager and his/her teams will be to conduct market research; identify large-scale would-be buyers in the chosen product sectors; and implement e-business and forecasting sales.

Other staff on the team will include Client Managers for major accounts and Product Managers for priority product-market sectors, whose responsibilities will include growing the product line and dealing with market, logistics and distribution issues as they emerge between village and client. Other Business Development Specialists will report to the Client Managers and Product Managers. The organization will evolve as successful marketing strategies develop, and the approach will be scalable.

## **HEADQUARTER AND REGIONAL OFFICE INTERACTION ON KEY ACTIVITIES**

The following is a brief overview of who is responsible for completing key activities and the interaction between the headquarters and regional offices:

1. Products and skills mapping at the rural/regional level
  - a. Initial promotion and contact: Regional Managers + Regional Engagement & Network Development Specialists
  - b. In-field data collection: Regional Managers + Assessment & Training Specialists
  - c. Macro-level Value Chain Analysis: Clusters & Capabilities Mapping Team + Market & Business Development Teams

- d. Selection of pioneering clusters: Regional Managers + Clusters & Capabilities Mapping Team + Market & Business Development Teams
2. Cluster engagement
  - a. Regional Manager + Regional Engagement & Network Development Specialists
  - b. Headquarters: Supervision and monitoring of results; ombudsman
3. Product and Skill upgrading
  - a. In-field: Regional Managers + Assessment & Training Specialists
  - b. HQ Support: Design & Training Team
  - c. External partner (i.e., designers): Provided by PR Team
4. Exploration and creation of commercial linkages/ e-Business
  - a. Market & Business Development Teams
5. Wholesaler function
  - a. Link with producers: Regional Managers + Procurement, Quality Control & M&E Specialists
  - b. Link with buyers: Market & Business Development Teams
6. Quality Control
  - a. Regional: Regional Managers + Procurement, Quality Control & M&E Specialists
  - b. HQ: Procurement Quality Control & M&E Team
7. Networking and Relationship Management
  - a. CEO and Public Relations Manager
  - b. Regional Offices: Community relations, local micro-finance offices, local training institutes
8. Fundraising
  - a. Headquarters: CEO, Public Relations Manager, Financial Team
  - b. Regional Offices: Support for site visits by donors, press and others
9. M&E
  - a. Regional Offices: procurement, quality control, local monitoring and reporting
  - b. Headquarters: Assembly of monitoring and evaluation data, surveys of control groups, benchmarking, periodic reporting

## LABOR COST OVERVIEW (IN PAKISTANI RUPEES AND USD)<sup>7</sup>

Position Title	Projected Monthly Salary (Rs)	No. of positions at HQ	No. of positions at Regional Offices	Monthly Budget (Rs)	Annual Budget (Rs)
CEO	300,000	1	-	300,000	3,600,000
COO	200,000	1	-	200,000	2,400,000
Manager	85,000	3	4	595,000	7,140,000
Assistant Manager	55,000	5	4	495,000	5,940,000
Management Associate	35,000	15	2	1,225,000	14,700,000
Secretary	18,000	2	4	108,000	1,296,000
Driver	8,000	3	8	88,000	1,056,000
<b>Total</b>		<b>30</b>	<b>40</b>	<b>3,011,000</b>	<b>36,132,000</b>

Position Title	Projected Monthly Salary (USD)	No. of positions at HQ	No. of positions at Regional Offices	Monthly Budget (USD)	Annual Budget (USD)
CEO	\$ 4,938	1	-	\$ 4,938	\$ 59,259
COO	\$ 3,292	1	-	\$ 3,292	\$ 39,506
Manager	\$ 1,399	3	4	\$ 9,794	\$ 117,531
Assistant Manager	\$ 905	5	4	\$ 8,148	\$ 97,778
Management Associate	\$ 576	15	20	\$ 20,165	\$ 241,975
Secretary	\$ 296	2	4	\$ 1,778	\$ 21,333
Driver	\$ 132	3	8	\$ 1,449	\$ 17,383
<b>Total</b>		<b>30</b>	<b>40</b>	<b>3,011,000</b>	<b>\$ 594,765</b>

<sup>7</sup> One USD = 60.75 Pakistani Rupees (Rs).



## PART 5: TIMELINE AND IMPLEMENTATION

### CYCLE ONE



- |  |  |   |  |
|--|--|---|--|
| <p><b>Months 1 &amp; 2</b></p> <ul style="list-style-type: none"> <li>(1) Creation of EVEN</li> <li>(2) Steering Committee and Board of Directors</li> <li>(3) Premises renting</li> <li>(4) HQ and Regional Offices staffing</li> </ul> | <p><b>Months 3 &amp; 4</b></p> <ul style="list-style-type: none"> <li>(1) Based on AHAN's work, finalizing mapping of communities' profile, products and skills</li> <li>(2) Selection of 40-50 (total) pioneering villages in the 4 regions of the country</li> </ul> | <p><b>Months 4- 6</b></p> <ul style="list-style-type: none"> <li>(1) Engagement with 40-50 communities</li> </ul> | <p><b>After 6</b></p> <p><u>Internally:</u></p> <ul style="list-style-type: none"> <li>(1) Product and skill upgrading</li> </ul> <p><u>Externally</u></p> <ul style="list-style-type: none"> <li>(2) Creation of commercial linkages</li> <li>(3) Wholesaler function (sustainability)</li> </ul> |
|--|--|---|--|

### CYCLE TWO (REPLICATION)



- |  |  |   |
|--|--|---|
| <p><b>Month 13</b></p> <ul style="list-style-type: none"> <li>(1) Selection of next round of 40-50 (total) villages in the 4 regions of the country</li> </ul> | <p><b>Months 14 &amp; 15</b></p> <ul style="list-style-type: none"> <li>(1) Engagement with those 40-50 communities</li> </ul> | <p><b>From Month 16 to Month 24</b></p> <p><u>Internally</u></p> <ul style="list-style-type: none"> <li>(1) Product and skill upgrading</li> </ul> <p><u>Externally</u></p> <ul style="list-style-type: none"> <li>(2) Creation of commercial linkages</li> <li>(3) Wholesaler function (sustainability)</li> </ul> |
|--|--|---|

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## **1. CREATION AND STRUCTURING OF THE COMPANY AND INTERNATIONAL AND NATIONAL MARKET STUDIES (MONTHS 1-2)**

The process will take place as described in the previous sections and will include, in this order:

- 1) Creation of Steering Committee
- 2) Process to select members of Board of Directors
- 3) Finding adequate premises to act as headquarters for the organization
- 4) Hiring of CEO
- 5) Hiring of remaining headquarters personnel
- 6) Finding adequate premises for four regional offices
- 7) Hiring of Regional Managers
- 8) Hiring of remaining regional office personnel

Concurrently, so as not to delay progress, an external study from a qualified organization will be commissioned to quantify at least one international market, such as the USA, for artisan products and the Pakistani market for the same. The study will quantify the market, segment it, identify attractive sub-markets based on growth and potential profitability and fit with Pakistani asset mapping. The study will recommend specific product-market linkages. It will also identify all major importers of artisan products in the USA, their contacts and level of interest in importing from Pakistan. This information will help the team to hit the ground running. A subsequent study for the UK and EU should also be undertaken.

## **2. COMPLETE MAPPING AND SELECTION OF PIONEERING VILLAGES AND NEXT ROUNDS WITH THEM (MONTHS 3-4)**

The objective will be to identify 40-50 pioneering villages that produce non-agriculture products. After completing a cycle of one year, another 40-50 communities will be chosen using the same criteria and they will undertake the same cycle.

While all rural enterprise producers could benefit from EVEN's activity, EVEN will need to prioritize its assistance. The EVEN Board of Directors and senior management will be responsible for developing further criteria for assistance. Sound technical criteria will be important so as to avoid making assistance decisions solely on political criteria, personal influence or pressure from outside sources. While such criteria will be determined by EVEN, below are preliminary suggestions of valid criteria for making assistance decisions.

EVEN should focus its initial efforts on communities that have a well developed cluster of artisans and producers whose products seem to be having some success already that can be augmented and highly leveraged by EVEN assistance. EVEN will need to show early success to justify its existence and to encourage other communities to interact with it. Therefore, it should initially choose those clusters where assistance can lead to relatively quick expansion, value-added and success in penetrating new and high-value markets. Another initial criterion for village or regional selection may be the potential impact on marginalized groups. The logistical ability to serve the community from EVEN headquarters will also be taken into consideration, and this may mean serving a number of communities in a specific area that can be readily reached by EVEN personnel.

### ***Criteria for Village Selection***

Recommended criteria for village selection include the following:

Community response. After explaining the EVEN program and engaging in a sensitive way with community leaders, EVEN personnel will need to decide whether the community itself has the desire to engage and the willingness to engage in self-help activities. The level of motivation is a key factor in working with the community. The existence of a few pioneering producers may be enough to qualify if they are willing to participate in supplying samples or adapting to market signals.

Economic potential of the intervention in terms of sales, value-added, exports and net income to producers. This should be quantified by EVEN specialists working with the communities. If these cannot be determined with exactitude, probability adjusted estimated monetary values (EMVs) should be assigned to the outcomes.

Net impact on incomes of the poor, and the number of people near the poverty line whose lives will be positively affected. This criterion is somewhat different from “economic potential” as there may be projects with large economic potential that benefit few people or those who are less poor. Therefore, the number of potential beneficiaries and their current level of income should be quantified. The EVEN team should not be too intrusive in asking questions of beneficiary families but should rely on existing Government data or in some cases village surveys.

Commercial viability. This requires the EVEN team to verify the existence of markets and the ability to get the product to market at reasonable cost while allowing for appropriate margins for producers. In some cases, EVEN will formalize this by producing or brokering actual contracts or purchase agreements that reduce the producers’ risk.

Economic feasibility. EVEN specialists will assist the community in developing a profit and loss estimate for their activity, making conservative estimates and allowing for risk. In some cases, the creative use of insurance can reduce the risk to producers.

Social and organizational feasibility. The production needs to be sustainable within the context of the existing cultural practices of the community and should not create undue tensions. There needs to be consensus and community support around the major thrust of economic activity to be supported. If secure storage and transportation are needed to avoid theft or loss but are not available, this should be taken into consideration. If a cooperative effort is required to organize transportation and distribution but cooperation is not in evidence, this also must be factored into the decisions.

Financial feasibility of the effort. If a business opportunity is economically viable but requires financing beyond that which is available or creates undue financial risk to the community, this also needs to be taken into consideration unless there are ways to mitigate risk.

Geographic manageability and service by existing transportation grids. EVEN may initially focus on certain radial grids in which existing buses or lorries can service a series of villages, thereby minimizing initial distribution and logistics costs and maximizing initial cost-benefit ratios. The ability of EVEN promoters and distributors to service a set of villages efficiently will be taken into account in the initial selection criteria.

Commitment and existence of champions. The stated willingness of the local community to respond, adapt and work with EVEN can be formalized in a Memo of Understanding or other appropriate less formal agreement and can also be gauged by numbers of people showing up at meetings and the ability to take a few initial steps (including appointing a representative) leading to a formal inclusion in the EVEN program. The existence of a local leader or champion who has influence with the wider community can in some cases be key to success.

Feasibility of Working with the Under-Represented. The social purpose includes helping the underprivileged and so special attention will be given to the “gender-intelligent strategy” of the organization. In many villages, men and women do not work together and women may be home-bound. The ability to reach large numbers of women producers will be one criterion for village selection. EVEN will try to focus efforts on “woman-manufactured” products.

Once the regions and communities have been identified for a program of engagement over a particular calendar period, a further set of criteria need to be developed for assisting specific communities and projects.

Also, other criteria will surely be developed as this business plan is implemented and an iterative process is developed. However, a sound set of technically and socially justifiable

criteria and a process for approving the allocation of time and assistance will prevent EVEN from directing assistance as winds shifts or as political or personal influence dictates. There should be a formal review process for selecting regions, communities, products and projects and these should be presented quarterly and ranked comparatively. This will also facilitate subsequent monitoring and evaluation of impact.

In order to provide some preliminary guidance of what should be the communities and products that would be part of that pioneering targeting, we:

- 1) Analyzed AHAN's work in all the regions
- 2) Conducted two different surveys (Annex 2 and Annex 3) among those experts of AHAN who are more familiar with the non-agricultural activities of all the regions in Pakistan.
- 3) Conducted macro-level analysis of the most competitive industries in Pakistan.<sup>8</sup>

The conclusion after the results of such surveys is that EVEN should focus its efforts on communities involved in two industrial sectors that (1) already have a relevant role in the economy of the country,<sup>9</sup> and (2) already involve large number of rural communities all across the country. These 2 proposed sectors would be:

1. **Textiles**, which includes the following sub-sectors:
  - a. Apparel
  - b. Personal Accessories
  - c. Home Textile Accessories
2. **Home Accessories**, which includes the following sub-sectors:
  - a. Home Textile Accessories (also in textile sector)
  - b. Carpets
  - c. Woodcraft
  - d. Ceramics

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<sup>8</sup> See Annex 6 on Country Economic Background.

<sup>9</sup> See Annex 6 on Country Economic Background.

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### **3. ENGAGEMENT, SKILLS AND PRODUCT UPGRADING AND CREATION OF COMMERCIAL LINKAGES (MONTHS 4-6)**

After month four, the process of engagement, skills and product upgrading, commercial linkages and wholesaling will commence according to the following schedule:

- Engagement process: Months 5 and 6
- Skills and Product Upgrading: After Month 6
- Creation of commercial linkages: After Month 6
- Role as wholesaler (sustainability): After Month 6

Given the budget levels currently contemplated, EVEN will play a technical assistance and catalytic role rather than that of a major financier or awarder of grants. Engagement with the communities, if done properly, will lead to new or greater economic activities emerging from those living in these areas. Engagement with local and international markets will create income opportunities for existing or new products. Interaction with financial and micro-finance organizations will facilitate financing and working capital for those assisted. Preparation of “accelerated due diligence” in the form of commercial, economic, financial, environmental, social and organizational feasibility analyses will help ensure that the activities undertaken meet with success. Facilitation with research, engineering and design institutes will help ensure adequate technology and technique to boost productivity and improve products. A focus on marketing, branding, packaging and information will add value to products. Organization of product expositions and development of distribution channels will further improve income flows back to the producers.

#### ***Summary of Key Capabilities***

The Harvard business historian Alfred Chandler was fond of saying that “structure follows strategy,” just as architects believe that form follows function. The EVEN strategy, presented above, leads directly to the recommendations for an appropriate organizational structure. To implement the strategy, key capabilities are required and these must be organized accordingly. These must be defined first so as to engineer or “re-engineer” the appropriate structure.

The first key capacity is that of being able to visualize practical linkages between rural enterprise and local and international markets and to bring about these linkages. This requires an entrepreneurial mindset, MBA-type training and practical experience in forging business linkages. Key sub-skills include the ability to gather data, explore product-market possibilities, communicate with markets and serve as a trusted and credible go-between. Pakistanis who

have studied and traveled abroad, who have extensive practical business experience and who have good communication skills will be appropriate.

A second key capacity is the ability to engage with and inspire local communities. Those best suited for the role are people from rural areas who have attained a university education and have strong communication and facilitation skills. Such people need to demonstrate great respect for others and the ability to listen, facilitate communication, resolve differences and foster consensus.

Further key capacities include:

- The ability to put together financing packages and undertake what J.E. Austin Associates calls “accelerated due diligence.” This includes testing the commercial, economic, financial, social, environmental and organizational sustainability of the rural enterprise and putting the information together into a value proposition that can gain financial backing from one or another source.
- The ability to network between the community and those working on the overall business environment and constraints, as well as with other projects, vocational training centers and centers of design.
- The ability to develop and manage e-commerce capability or to serve as an intermediary to broker e-commerce arrangements between rural enterprise and those who have established the relevant e-commerce enterprises.
- The ability to monitor, evaluate and report on an ongoing basis and in a transparent manner that inspires the confidence of participants, donors, government officials and other partners.
- The ability to implement a financial and accounting control plan that tracks expenditures and undertakes the relevant cost-benefit analysis at the village project level and for the organization as a whole.
- The ability to engage with Pakistani women, who are often home-bound and who have limited access to the outside world.
- The ability to raise funds for future expansion of the organization.

Success in this first product cycle will depend on these capabilities.

#### **4. RESTART CYCLE (AFTER MONTH 12)**

Once activities in the 40-50 pioneering communities are successful launched, the model can be replicated again. Nevertheless, EVEN will still keep working with the previously engaged communities.



## **PART 6: SCALABILITY AND SUSTAINABILITY**

The revenue-positive model and commercial and market focus will create the potential for scalability as well as helping to ensure sustainability.

### **SCALABILITY**

EVEN is designed to be scalable. Beginning with a cluster of villages that are logistically manageable, EVEN will focus on key buyers and a select number of attractive products, thereby maximizing revenues in a cost-efficient way. It will then branch out in modular form, expanding its regional units as its financial resources and market possibilities dictate.

There will be three forces fueling scalability. The first will be positive cash flow which begins in year three per the financial model below. The second is additional investment in a proven model. The organization will have a consulting and fundraising unit that will pay for itself while attracting other sources of finance, both grants and loans. This additional investment will finance further expansion after the basic business has been proven in the second year of operation. Finally, initial success with a cash-flow positive model will then encourage and attract imitators. There will be a temptation to see these as competitors and to some extent they may be. However, it is part of EVEN's larger social purpose to increase revenues in rural areas even if this through unintended consequences.

The point of this exercise is not to generate an additional several million dollars in village income in selected regions. Rather, it is to create a model that has the potential for large scale in impact. It will avoid an approach in which high levels of subsidies create a "pilot" project that does not lead to large-scale dissemination.

### **SUSTAINABILITY FOR VILLAGE STAKEHOLDERS**

One must differentiate between sustainability for the villagers who will come to depend on this additional income and sustainability of the organization serving as the intermediary wholesaler. The two are closely linked but not necessarily identical. One can conceive of scenarios under which V2M linkages are sustainable but the organization is not—it could be displaced by direct retail-village networks or by competing organizations. One can also conceive of the organization being unable to create sustainable linkages in rural areas and shifting its efforts to the urban or peri-urban producers. However, this business plan lays out the blueprints for an enterprise that is commercially, economically, financially, socially and organizationally sustainable. Market prices and village-to-market connections will ensure that rural incomes increase and continue.

## **SUSTAINABILITY OF EVEN AS A GOING CONCERN**

EVEN will have one principle source of income (commissions) supplemented by a much smaller research/consulting/fundraising unit. The research and consulting arm will provide information, surveys and studies related to the artisan industry. This unit, which can be as small as two or three people, can double as the grant-writing and fundraising unit when not working under contract and can also contribute to the monitoring and evaluation team. The unit will be expected to generate about 30 percent of total EVEN revenues.

The economic sustainability of EVEN is based on the assumption it will be able to achieve an annualized level of sales of US\$ 10 million by the end of Year 2, with commissions of 30 percent or US\$ 3 million. Real margins may differ but these assumptions are reasonably conservative so as to maximize income for local producers.

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## PART 7: BUDGET

### THE COMMERCIAL MODEL AND CRITICAL ASSUMPTIONS

The commercial model for EVEN is based on the critical assumption that margins can be made by EVEN on the basis of new commercial opportunities for village production in ways that increase incomes for local producers above their existing alternatives.

There are a number of specific assumptions:

1. Economic growth in Pakistan, globalization, the reduction of tariffs, improvements in transport infrastructure and improvements in the business environment have created new opportunities for village products that have not yet been exploited because they are new and because of the relative isolation of these areas.
2. The entrepreneurial talent and commitment exists to find and disseminate many such opportunities based on knowledge of markets, networks and careful observation of village-level potential.
3. Enough such opportunities can be found at an appropriate scale so as to be able to generate commissions and fees sufficient to cover the costs of such efforts and to finance additional expansion to new areas.
4. Village-to-Market linkages can be found that are commercially, economically, financially, socially and organizationally sustainable.
5. The Program will be able to engage at least 40 villages with already-existing, average revenues for the targeted products of US\$ 125,000 per year.
6. The Program will be able to double that revenue in two years to an average of US\$ 250,000.
7. Acting in a role as wholesaler, EVEN will obtain 30 percent of that. Therefore, by the end of year 2, total revenue in wholesale fees will be  $US\$ 125,000 * 30 \text{ villages} * 30\% / 12 \text{ months}$ , equal to US\$ 125,000 per month or US\$ 2,500,000 per year.
8. 70 percent of EVEN's income will be from wholesale fees. The remaining will be generated from the mix of following services for which fees will be charged:
  - a. Education and Training
  - b. Market Research
  - c. Marketing

- d. Distribution
  - e. Quality Control & Standardization
  - f. M&E
  - g. Management Consulting
9. Revenues will grow linearly from Month 6 to Month 24 for any village under EVEN support.
  10. Every year, a new group of 40-50 villages will be targeted by EVEN. They will follow the same revenue pattern.
  11. EVEN's staff cost are based on AHAN's staff cost.
  12. Of the US\$ 3 million investment, US\$ 2 million will be invested during the first year and US\$ 1 million in the second.



## TWO-YEAR FINANCIAL PROJECTIONS, COSTS AND CAPITAL BUDGETING

### INCOME STATEMENTS



J.E. Austin Associates, Inc.

	2008				2009						
	1	2	3	4	5	6	7	8			
REVENUES	Q1	Q2	Q3	Q4	YEAR 1	Q1	Q2	Q3	Q4	YEAR 2	2-YEAR TOTAL
<b>Donation Budget</b>	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,000,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,000,000	\$ 3,000,000
<b>Revenues</b>											
1. Education and Training			\$ 2,679	\$ 5,357	\$ 8,036	\$ 8,036	\$ 10,714	\$ 16,071	\$ 21,429	\$ 56,250	\$ 64,286
2. Market Research			\$ 2,679	\$ 5,357	\$ 8,036	\$ 8,036	\$ 10,714	\$ 16,071	\$ 21,429	\$ 56,250	\$ 64,286
3. Marketing			\$ 2,679	\$ 5,357	\$ 8,036	\$ 8,036	\$ 10,714	\$ 16,071	\$ 21,429	\$ 56,250	\$ 64,286
4. Sales & wholesale Fees			\$ 62,500	\$ 125,000	\$ 187,500	\$ 187,500	\$ 250,000	\$ 375,000	\$ 500,000	\$ 1,312,500	\$ 1,500,000
5. Distribution			\$ 2,679	\$ 5,357	\$ 8,036	\$ 8,036	\$ 10,714	\$ 16,071	\$ 21,429	\$ 56,250	\$ 64,286
6. Quality Control & Standardization			\$ 2,679	\$ 5,357	\$ 8,036	\$ 8,036	\$ 10,714	\$ 16,071	\$ 21,429	\$ 56,250	\$ 64,286
7. M&E			\$ 2,679	\$ 5,357	\$ 8,036	\$ 8,036	\$ 10,714	\$ 16,071	\$ 21,429	\$ 56,250	\$ 64,286
8. Management Consulting			\$ 2,679	\$ 5,357	\$ 8,036	\$ 8,036	\$ 10,714	\$ 16,071	\$ 21,429	\$ 56,250	\$ 64,286
<b>TOTAL</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 581,250</b>	<b>\$ 662,500</b>	<b>\$ 2,243,750</b>	<b>\$ 493,750</b>	<b>\$ 575,000</b>	<b>\$ 737,500</b>	<b>\$ 900,000</b>	<b>\$ 2,706,250</b>	<b>\$ 4,950,000</b>
<b>COST</b>											
Human Resources											
CEO	\$ 14,815	\$ 14,815	\$ 14,815	\$ 14,815	\$ 59,259	\$ 14,815	\$ 14,815	\$ 14,815	\$ 14,815	\$ 59,259	\$ 118,519
COO	\$ 9,877	\$ 9,877	\$ 9,877	\$ 9,877	\$ 39,506	\$ 9,877	\$ 9,877	\$ 9,877	\$ 9,877	\$ 39,506	\$ 79,012
Managers	\$ 29,383	\$ 29,383	\$ 29,383	\$ 29,383	\$ 117,531	\$ 44,074	\$ 44,074	\$ 44,074	\$ 44,074	\$ 176,296	\$ 293,827
Assistant Managers	\$ 24,444	\$ 24,444	\$ 24,444	\$ 24,444	\$ 97,778	\$ 36,667	\$ 36,667	\$ 36,667	\$ 36,667	\$ 146,667	\$ 244,444
Management Associates	\$ 60,494	\$ 60,494	\$ 60,494	\$ 60,494	\$ 241,975	\$ 90,741	\$ 90,741	\$ 90,741	\$ 90,741	\$ 362,963	\$ 604,938
Secretaries	\$ 5,333	\$ 5,333	\$ 5,333	\$ 5,333	\$ 21,333	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 32,000	\$ 53,333
Drivers	\$ 4,346	\$ 4,346	\$ 4,346	\$ 4,346	\$ 17,383	\$ 6,519	\$ 6,519	\$ 6,519	\$ 6,519	\$ 26,074	\$ 43,457
<b>TOTAL</b>	<b>\$ 148,691</b>	<b>\$ 148,691</b>	<b>\$ 148,691</b>	<b>\$ 148,691</b>	<b>\$ 594,765</b>	<b>\$ 210,691</b>	<b>\$ 210,691</b>	<b>\$ 210,691</b>	<b>\$ 210,691</b>	<b>\$ 842,765</b>	<b>\$ 1,437,531</b>
Recruiting	\$ 8,000	\$ -	\$ -	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,000
Operational Costs	\$ 25,000	\$ 50,000	\$ 75,000	\$ 100,000	\$ 250,000	\$ 125,000	\$ 150,000	\$ 175,000	\$ 200,000	\$ 650,000	\$ 900,000
Market Research	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	\$ 150,000	\$ 50,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 350,000	\$ 500,000
Traveling Expenditure, M&IE	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 80,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 160,000	\$ 240,000
Promotion	\$ -	\$ 30,000	\$ 30,000	\$ 30,000	\$ 90,000	\$ 30,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 210,000	\$ 300,000
Outsourcing, Consulting & Legal	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 240,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 480,000	\$ 720,000
Offices & overhead	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 40,000	\$ 60,000
Investments & Amortizations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingencies/ Miscellaneous	\$ 26,669	\$ 36,369	\$ 38,869	\$ 41,369	\$ 143,277	\$ 50,000	\$ 82,738	\$ 82,738	\$ 82,738	\$ 298,215	\$ 441,491
<b>TOTAL</b>	<b>\$ 293,360</b>	<b>\$ 400,060</b>	<b>\$ 427,560</b>	<b>\$ 455,060</b>	<b>\$ 1,576,042</b>	<b>\$ 635,691</b>	<b>\$ 773,430</b>	<b>\$ 798,430</b>	<b>\$ 823,430</b>	<b>\$ 3,030,980</b>	<b>\$ 4,607,022</b>
<b>SURPLUS</b>											
	\$ 206,640	\$ 99,940	\$ 153,690	\$ 207,440	\$ 667,708	\$ (141,941)	\$ (198,430)	\$ (60,930)	\$ 76,570	\$ (324,730)	\$ 342,978
Accumulated	\$ 206,640	\$ 306,579	\$ 460,269	\$ 667,708	\$ 667,708	\$ 525,767	\$ 327,337	\$ 266,407	\$ 342,978	\$ 342,978	\$ 342,978

## FIVE-YEAR FINANCIAL PROJECTIONS, COSTS AND CAPITAL BUDGETING

INCOME STATEMENTS						
	2008	2009	2010	2011	2012	
REVENUES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Donation Budget	\$ 2,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	\$ -	\$ -	
1. Education and Training	\$ 8,036	\$ 56,250	\$ 126,563	\$ 200,391	\$ 300,410	4.3%
2. Market Research	\$ 8,036	\$ 56,250	\$ 126,563	\$ 200,391	\$ 300,410	4.3%
3. Marketing	\$ 8,036	\$ 56,250	\$ 126,563	\$ 200,391	\$ 300,410	4.3%
4. Sales & "Order" Fees	\$ 187,500	\$ 1,312,500	\$ 2,953,125	\$ 4,675,781	\$ 7,009,570	70.0%
5. Distribution	\$ 8,036	\$ 56,250	\$ 126,563	\$ 200,391	\$ 300,410	4.3%
6. Quality Control & Standardization	\$ 8,036	\$ 56,250	\$ 126,563	\$ 200,391	\$ 300,410	4.3%
7. M&E	\$ 8,036	\$ 56,250	\$ 126,563	\$ 200,391	\$ 300,410	4.3%
Consulting	\$ 8,036	\$ 56,250	\$ 126,563	\$ 200,391	\$ 300,410	4.3%
<b>TOTAL</b>	<b>\$ 2,243,750</b>	<b>\$ 2,706,250</b>	<b>\$ 3,839,063</b>	<b>\$ 6,078,516</b>	<b>\$ 9,112,441</b>	<b>100.0%</b>
COST	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Human Resources						
CEO	\$ 59,259	\$ 59,259	\$ 62,222	\$ 65,333	\$ 68,600	
COO	\$ 39,506	\$ 39,506	\$ 41,481	\$ 43,556	\$ 45,733	
Managers	\$ 117,531	\$ 176,296	\$ 308,519	\$ 447,352	\$ 593,127	
Assistant Managers	\$ 97,778	\$ 146,667	\$ 256,667	\$ 372,167	\$ 493,442	
Management Associates	\$ 241,975	\$ 362,963	\$ 635,185	\$ 921,019	\$ 1,221,144	
Secretaries	\$ 21,333	\$ 32,000	\$ 56,000	\$ 81,200	\$ 107,660	
Drivers	\$ 17,383	\$ 26,074	\$ 45,630	\$ 66,163	\$ 87,723	
<b>TOTAL</b>	<b>\$ 594,765</b>	<b>\$ 842,765</b>	<b>\$ 1,405,704</b>	<b>\$ 1,996,789</b>	<b>\$ 2,617,428</b>	
Recruiting	\$ 8,000	\$ -	\$ -	\$ -	\$ -	
Operational Costs	\$ 250,000	\$ 650,000	\$ 708,750	\$ 906,019	\$ 1,092,438	
Traveling Expenditure, M&IE	\$ 80,000	\$ 160,000	\$ 189,000	\$ 254,205	\$ 315,824	
Promotion	\$ 90,000	\$ 210,000	\$ 236,250	\$ 308,306	\$ 376,399	
Consulting and Legal	\$ 240,000	\$ 480,000	\$ 567,000	\$ 762,615	\$ 947,471	
Offices & Overhead	\$ 20,000	\$ 40,000	\$ 47,250	\$ 63,551	\$ 78,956	
Investments & Amortizations	\$ -	\$ -	\$ -	\$ 500,000	\$ 2,000,000	
Contingencies/ Miscellaneous	\$ 143,277	\$ 298,215	\$ 347,674	\$ 463,949	\$ 573,828	
<b>TOTAL</b>	<b>\$ 1,576,042</b>	<b>\$ 3,030,980</b>	<b>\$ 3,895,378</b>	<b>\$ 5,769,278</b>	<b>\$ 8,629,676</b>	
SURPLUS (REINVESTMENT)	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
	\$ 667,708	\$ (324,730)	\$ (56,316)	\$ 309,238	\$ 482,765	
Accumulated	\$ 667,708	\$ 342,978	\$ 286,662	\$ 252,922	\$ 792,003	

### ***Notes on the 5-Year Financial Projections***

1. The breakeven point will occur by the end of Year 3 of operations, but no additional donations will be needed after Year 2.
2. By Year 4, US\$ 0.5 million will be available for reinvestment in project-related features.
3. By Year 5, US\$ 2 million will be available for reinvestment in project-related features.
4. All these numbers are still rough estimates, but they reasonably take in account reduction of costs due to:
  - a. Economies of scale
  - b. Progress along the learning curve<sup>10</sup>
5. Inflation is calculated in dollars at a 5 percent annual rate.
6. Adding the surplus of US\$ 0.8 million, a total of US\$ 2.5 million will be available for investment and the total return of the US\$ 3 million investment in EVEN would be US\$ 3.3M in 5 years.
7. The Internal Rate of Return (IRR) is 16 percent—quite attractive even by commercial investment standards.

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<sup>10</sup> Please review the EXCEL document “Financial Projections EVEN” for more details on these financial projections.

## **PART 8: MONITORING AND EVALUATION**

EVEN will use best practices for monitoring and evaluation, which will be critical to the credibility needed to expand the operation and which will also facilitate EVEN as a learning organization, capable of adapting to new information and insight as it emerges.

### **BASELINE STUDIES AND CONTROL GROUPS**

EVEN will conduct baseline studies in the communities where it operates so as to ascertain the current level of production and sales of specific goods prior to intervention. EVEN will also establish control groups of non-assisted villages (those which did not make the initial cut, for example) so that impact can be measured both over time and relative to non-assisted villages.

### **COST-BENEFIT ANALYSIS**

Rigorous use of cost-benefit analysis will be undertaken from day one. If targets are not being achieved, the team will analyze the reasons and seek to adjust tactics. If assumptions regarding markets, volumes, productivity, village response or other factors prove incorrect, new tactics will be employed. There will be a quarterly strategy workshop to assess results and make mid-course corrections.

### **REGULAR REPORTING AND RESPONSIBILITIES**

Regular quantitative M&E evaluation will take place every 3 months. Complete Reports, including quantitative measuring and qualitative analyses, will be prepared at the end of every year and be presented to the EVEN Board of Directors. At the end of Year 2, a final M&E Report will be prepared by the HQ M&E Team and presented to the Board of EVEN.

M&E tasks will be conducted in the field by the Regional Manager and Procurement and Quality Control specialists, supervised by the regional M&E officer. Fieldwork will be supervised by the headquarters-based head of M&E.

### **QUANTIFIABLE AND MEASURABLE TARGETS**

The M&E will set measurable targets relative to initial benchmarks. The quantifiable parameters used for the M&E process are presented in the table below:



<i>Group measured</i>	<b>Benchmark 1</b>	<b>Benchmark 2</b>	<b>Benchmark 3</b>
<b>40-50 targeted villages</b>	Increase in sales in the targeted micro-enterprises (MEs)	Increase in income of women working with or connected to MEs	Increase in sales price of similar products before and after training and skill upgrading
<b>10 benchmarked villages with no intervention by EVEN</b>	Increase in sales in local micro-enterprises (MEs)	Increase in income of women working with or connected to such MEs	Increase in sales price of local products
<b>Target in 2 years</b>	<b>Targeted villages achieve 50% greater sales than benchmarks, to a minimum of US\$ 200k per village</b>	<b>Targeted villages achieve 50% higher average salary than benchmarks, to a minimum of US\$ 150/per person</b>	<b>Targeted villages achieve 25% greater product value than benchmarks (in US\$)</b>
	<b>Benchmark 4</b>	<b>Benchmark 5</b>	<b>Benchmark 6</b>
<b>40-50 targeted villages before intervention</b>	Volume of sales sold to new wholesale buyers	Volume of investment attracted from purchasers or business partners	Volume of investment attracted for infrastructure and logistics
<b>10 benchmarked villages with no intervention by EVEN</b>	Volume of sales sold to new wholesale buyers	Volume of investment attracted from purchasers or business partners	Volume of investment attracted for infrastructure and logistics
<b>Target in 2 years</b>	<b>Targeted villages achieve 100% more sales through new wholesalers, to a minimum of \$100k per village</b>	<b>Targeted villages achieve a 200% more investment attraction, to a minimum of \$100k per village</b>	<b>Targeted villages achieve a 100% more investment attraction for infrastructure and logistics, to a minimum of \$200k per village</b>
	<b>Benchmark 7</b>	<b>Benchmark 8</b>	
<b>40-50 Targeted Villages</b>	Number of new MEs in the targeted products	Number of new employees (women), employed by existing or new MEs	
<b>10 Benchmarked Villages with no intervention by EVEN</b>	Number of new MEs in the local products	Number of new employees (women), employed by local MEs	
<b>Target in 2 years</b>	<b>Targeted villages achieve 50% more</b>	<b>Targeted villages achieve 50% more</b>	

Every benchmark will be compared against the total cost of the project for the 2-year period (US\$ 3,000,000) on an annual basis and re-adjusted after year 2, depending on the portion of the cost of the program that is covered by donations. Once the project is self-sustainable, the ongoing impact will be compared to the final total investment that the project took from donations.

## **PART 9: NEXT STEPS**

The Government of Pakistan, committed to a social enterprise approach for AHAN, has taken the important step of creating a separate legal entity for AHAN. The description of AHAN and its organization appear in Annex 1. The transition from the current AHAN to a new entrepreneurial organization will require a number of immediate steps.

### **1. CONVENE MEETING OF PIDC BOARD**

The PIDC Board Meeting should be called as soon as possible in the context of the current caretaker government and election process. Assuming that PIDC can still function and make decisions, it would then approve the funds for the new AHAN (regardless of whether the name is changed to EVEN or remains as AHAN).

### **2. ALLOCATE FUNDING**

The second step is to transfer the funding for this new corporate entity so that it can begin operations. Without the execution of the funds transfer, it will be unlikely to attract appropriate Board members and qualified CEO applicants.

### **3. AFFIRM NEW MANDATE**

The new mandate, as laid out above or as may be modified by the Ministry, SMEDA, AHAN or PIDC, should then be affirmed.

### **4. RECRUIT NEW BOARD OF DIRECTORS, CEO AND AHAN MANAGEMENT**

The importance of the Board of Directors for the new AHAN (or EVEN) cannot be overstated. Without the right governance and leadership, the organization will simply not live up to its potential. The functions and composition of the Board of Directors were described in Part 4. This section will recommend steps to identify and select a suitable Board and CEO. Weakness at the Board or CEO level will torpedo the effectiveness of this organization from the outset, whereas a strong Board and CEO will help ensure its success.

The Board of Directors should be proposed and short-listed by a Nomination Committee which can be made up of an ad-hoc group including the Ministry, SMEDA, successful artisan enterprise leaders, business leaders and financial sector leaders. Those participating in this ad-hoc committee should have gender and regional balance.

The ad-hoc Nomination Committee should identify candidates in keeping with the proposed composition and criteria laid out in this document. The committee should identify respected and dynamic individuals knowledgeable on international artisan markets, national artisan markets, finance (especially rural and micro-finance), legal matters, women's entrepreneurship and human resources. Candidates should be selected on the basis of their impeccable reputations, vision, identification with the mission and proven track record.

The nominating committee should select people who have a proven track record of success. Each individual should possess one or more of the attributes below:

1. Experienced in local self-sustainable, private-sector, non-profit organizations.
2. Affiliated with financial institutions (like microfinance institutions) that could back rural micro-enterprises and artisans.
3. Official representative of the Government, able to play an influencing role in the economic or industrial policy of the country.
4. Attorney familiar with non-profit legislation, trade provisions and contract law.
5. Business expert who could provide networking and links to both domestic and export markets, perhaps as a member of business associations.
6. Businesswomen and entrepreneurs who understand how to reach women entrepreneurs in rural areas.

This committee should be assisted by an expert consultant hired for this purpose and who is knowledgeable about the potential candidates. A short list of candidates for the Board of Directors should then be proposed by the Nomination Committee and the Expert/Consultant. This Expert will work short-term (one month) in this assignment and he/she should meet the following criteria:

1. Have long experience as a member of boards (business and non-profit).
2. Be an expert in business planning and project development.
3. Be knowledgeable of the Pakistani business and non-profit environment.

Once formed, the Board should hold its first meeting and commission an executive search firm to recruit candidates for the CEO position. The position should be posted in the national and international press. An overview of the job description and qualifications for the CEO have already been presented in Part 4 of this document.

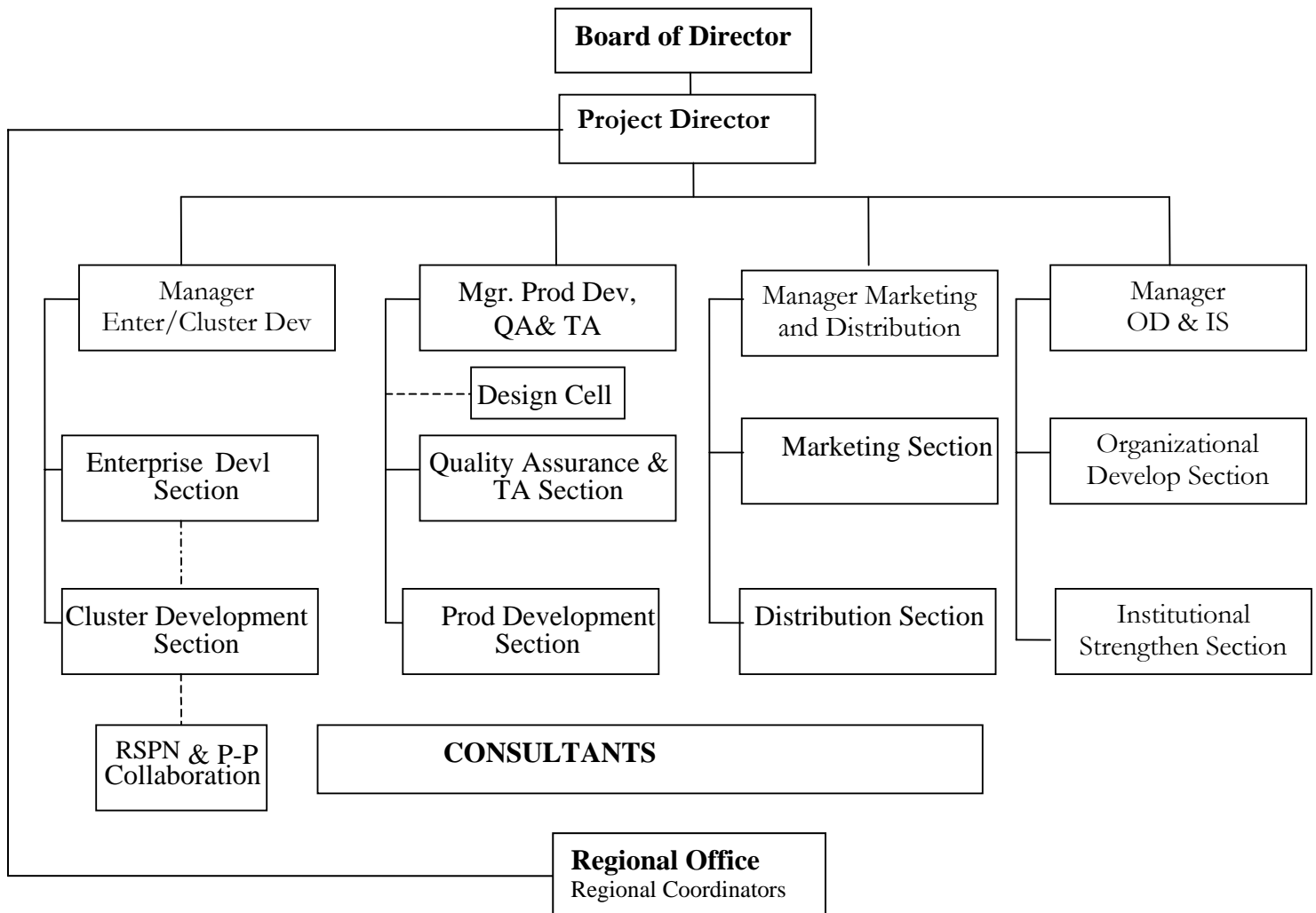
## **CONCLUSION**

At the request of the Ministry of Industries, SMEDA, CSF and USAID, J.E. Austin Associates has presented a business plan for enabling village enterprise networks and generating rural incomes. The plan is realistic and potentially scalable. It starts at a modest scale, achieves positive cash flow within 24 months and has the potential to make a major contribution linking villages to markets for non-farm production. Furthermore, if successful, it will have a major impact on rural women, including home-bound women, in rural areas. As of the last household census, approximately one quarter of Pakistan's population was still below the poverty line (despite impressive gains in bringing this down from one-third of the population in five years). This program would shine laser-like attention on the rural poor who comprise the vast proportion of those below the poverty line. It would do so by permanently linking these people up to national and international markets based on their own skill and effort. It would also represent a creative approach by the Government of Pakistan to encourage rural productivity and enterprise while creating a positive brand image for the country in world markets.

## ANNEX 1: OVERVIEW OF AHAN AS IT EXISTS TODAY

Currently, AHAN is working on 44 projects in rural areas, it is planning to engage another 56, and it has a total of 64 employees working in its headquarters (in Lahore) and 4 regional offices.

The current structure of the organizations is as follows:



The Headquarter Office acts as the overall strategy and planning cell for the Program and supports the regional offices in all the technical areas. The Regional Offices act as the “implementers in the field” for each of those 44 rural projects.

The Headquarter Office is comprised of the following departments<sup>11</sup>:

### **AHAN PRODUCT DEVELOPMENT & QUALITY ASSURANCE DEPARTMENT**

The product development and quality assurance department was created to provide necessary support to craftsmen and artisans currently working on age-old designs and products. It provides support to craftsmen in areas of product design, raw material sourcing, product diversification, and quality and consistency assurance.

Some of the sectors where the Product Development Department has undertaken major initiatives are:

1. Textiles, in collaboration with NRSP (Bahawalpur)
2. Rugs (Multan) in collaboration with Senior Expert Services, Germany
3. Lacquer work (Silanwali) in collaboration with local associations
4. Hand embroidery, including *rilli* (a traditional style from Sukkur), *khes* (from AMB), and *swati* (Bint e Malakand)
5. Silverware and home textiles, for which a range of designs based on Cholistan motifs and rilli have been developed

The Product Development Department has limited in-house design capacity. A successful model of hiring designers on short-term assignment basis has been applied to develop products in different regions; examples include rilli, silverware and hand embroideries in Bahawalpur, lacquer work in Silanwali, paper mache in Muzaffarabad, and ceramics in Talagang.

Another initiative undertaken by the Product Development Department is to create linkages and develop functional relationships with educational institutes of Pakistan. MoUs have been signed with educational institutes, including Beaconhouse National University, Pakistan School of Fashion Design, National College of Arts, and Indus Valley School of Art & Architecture.

Also, product profiling and cataloguing of existing craftsmen and their products is vital for the survival of these crafts. The Product Development Department has been working on creating a

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<sup>11</sup> AHAN Project Details and Successful Stories. AHAN. 2007

database of crafts and craftsmen working in different parts of Pakistan. Product profiling exercises have been conducted at Women Expo (March 2007 in Lahore), the Provincial Fair (Balochistan) and Lok Virsa (Islamabad).

## **AHAN MARKETING DEPARTMENT**

The Marketing Department was set up to provide marketing support both to AHAN as a corporate entity and to AHAN's target clients, i.e. crafts workers and micro and small enterprises (MSEs) in the country.

MSEs in Pakistan have always faced some marketing constraints due to lack of supporting services or to the relatively higher cost of such services. The Marketing Department is responsible for providing comprehensive marketing support programs, which would improve MSE's competitiveness through better market planning.

Some of the achievements of the department are:

### **1. Marketing Input in Strategy Formulation**

During the current stage, the Marketing department proactively assists the pilot teams, while ensuring that the strategy is properly conceptualized and is ready for implementation from a marketing standpoint.

### **2. "Marketing AHAN"**

"Marketing AHAN" publishes the purpose of the Program and helps to create a conducive environment for its development. This is done through: AHAN's website ([www.ahan.org.pk](http://www.ahan.org.pk)), printed material, chambers of commerce & industry, and by creating linkages with microfinance organizations (e.g. Tameer bank, Pak-Oman).

### **3. Marketing of Pilot Projects**

AHAN has participated in Women EXPO 2007, Hassle Free Business Environment and its products were also displayed at the OIC Economic Forum.

### **4. Craft Bazaars**

Craft Bazaars are being established in Lahore, Karachi & Islamabad with the help of local governments. These bazaars will provide space to crafts persons at minimal rates to display and sell their products for specified time periods.

### **5. Retail Survey**

A retail survey of handicrafts has been initiated to analyze the demand for handicrafts in the national market.

## AHAN PROJECTS DEPARTMENT

The Projects Department was set up for the overall selection, management, monitoring and evaluation, and impact assessment of pilot projects undertaken by the four regional offices and the initiatives taken by other Departments.

This team collaborates with all Departments and Regional Offices to create internal synergies that maximize efficiency. Standard templates and forms are made available for all Departments, matching with their objectives and making the system as time efficient and user-friendly as possible. This team is also responsible for identifying primary areas and methods for database formation and impact assessment of all initiatives taken by AHAN. Some of the key activities include:

1. Assessment, monitoring and evaluation of pilot projects
2. Baseline surveys
3. Impact assessment surveys
4. Product mapping
5. Costing / Pricing of projects

## AHAN PUNJAB REGIONAL OFFICE

Following is the list of initiatives under taken by Punjab:

Product Name	District	Partner Organization	Direct Beneficiaries
Silver Jewelry	Bahawalpur	BNU, Ruby Jewelers, BCCI	10
Hand Embroidery Project	Bahawalpur	Rizwan Beyg	42
Mathera Pilot Project–Cholistan	Bahawalpur	CDC	15
Roehi Handloom fabric	Bahawalpur	NRSP	600
Multan Handloom Cluster	Multan	Association	90
Lacquer work Pilot	Sargodha	SPO	80



Product Name	District	Partner Organization	Direct Beneficiaries
Janu Wala Pilot Project	Bahawalpur	BRDP	20
Sandan Pilot Project	Bahawalpur	BRDP	20
Kaarvan Stitching Centre	Lahore	Kaarvan Crafts Foundation	55
Talagang Mud Pottery	Chakwal	NRSP	
Behley Pilot Project	Bahawalpur	BRDP	20
Hasilpur Pilot Project	Bahawalpur	BRDP	20

## AHAN SINDH REGIONAL OFFICE

Following is the list of initiatives under taken by Sindh:

Product Name	District	Partner Organization	Direct Beneficiaries
Embroidery, Textile and Accessories	Dadu	Amir Adnan	8
Embroidery, Ralli	Shikarpur	Deepak Pervani	6
Ralli	Karachi	Indus Valley School of Art and Architecture	275
Silverware & Jewelry	Hyderabad	Taneez & jewelry associations	112
Khes	Khairpur	Deepak Pervani, District Govt Khairpur & LEAD Pakistan	46
Farasi Carpets	Badin	DEVCON	30
Embroidery Fabric	All Pakistan	Amir Adnan	208
Thari hand woven carpets	Umerkot	TRDP	400
Lacquer Work	Matyari	SHEDA, CEAD	60

Product Name	District	Partner Organization	Direct Beneficiaries
Blue Pottery	Hala	SPO,CEAD,MSCF	45
Embroidery	NawabShah	NSDC, CEAD	75
Family Resource Centre	Malir	DOTZ technologies	232
Ceramics Products	Matyari	SSIC, CEAD	180

### AHAN BALOCHISTAN REGIONAL OFFICE

Following is the list of initiatives under taken by Balochistan:

Sr. no.	Product Name	District	Partner Organization	Direct Beneficiaries
1	Participatory Small Scale Enterprise Development	Kharan	Islamic Relief	132
2	To support market oriented self-help group (Killim)	Quetta	Catholic Relief Services-Pakistan	50
3	Stone Cutting and Polishing	Chamman	Save The Children	500
4	Hazargi Cross Stitch	Quetta	SBKWU & Behbud Association	80
5	Churma / Khamak Embroidery	Quetta	Catholic Relief Services-Pakistan	60
6	Niarie-Ta-Hunar	Mastung	BRSP	121
Galabtoon Dozi	Galabtoon & Zanjiri Stitch	American Refugee Committee	200	Galabtoon Dozi
Poost Chaka Kundi kar	Leather Embroidery	BSID	200	Poost Chaka Kundi kar

Sr. no.	Product Name	District	Partner Organization	Direct Beneficiaries
Dano kar	Bead Work	Institute of Development Studies and Practice		Dano kar
Balochi Chakkan	Leather Embroidery	Bright Star Development Organization	100	Balochi Chakkan
Women Empowerment through Marble Mosaic	Marble Mosaic	PASDEC, GPIG and TF	250	Women Empowerment through Marble Mosaic
Zartoo kar	Zartoo Stitch	APWA	80	Zartoo kar
Killim	Killim	Institute of Development Studies and Practice	80	Killim

### AHAN N.W.F.P. REGIONAL OFFICE

Following is the list of initiatives under taken by NWFP:

Sr. no.	Product Name	District	Partner Organization
1	Weaving, Khaddar	Charsadda	Weavers Association
2	Embroidery	Dir	Development Empowerment Women Association (DEWA)
3	Swati Embroidery	Malakand	Bint-e-Malakand
4	Shawls, Clothing	Swat	Islampur Weavers Association
5	Justi Embroidery	Haripur	Alfalah Foundation
6	Beaded Jewelry, Dress Accessories & Home Décor Items	Abbottabad	Mashal (skill development center)
7	Mosaic	Peshawar	SIDB & PASDEC

<b>Sr. no.</b>	<b>Product Name</b>	<b>District</b>	<b>Partner Organization</b>
8	Nowshera Embroidery	Nowshera	SIDB & APWA
9	Furniture Business Centre	Peshawar	Furniture Manufacture & Dealer Association Peshawar
10	Crotia & Cross Stitch	Haripur	Pind Hashim Khan Network
11	Business Centre for Women	Malakand	Bint-e-Malakand

## ANNEX 2: EXAMPLE OF SURVEY TO IDENTIFY SEGMENTS OR SUB-SEGMENTS WITH POTENTIAL

Grading Scale: From 0 to 5. 0=very poor; 5=very good

	Size of segment (rural population already working in this segment)	Market potential for these products (potential in millions of clients nat/int'l)	Potential added value of artisan work in rural areas	Ability or potential of this segment and all its clusters to work together	Level of maturity of this segment and its clusters (how ready they are to compete in this market)	Leadership and wiliness to collaborate among participants in this segment or sub-industry, especially, at the cluster level

*Example: Survey filled by Hadi Waheed, Assistant Manager in AHAN*

	Size of segment (rural population already working in this segment)	Market potential for these products (potential in millions of clients nat/int'l)	Potential added value of artisan work in rural areas	Ability or potential of this segment and all its clusters to work together	Level of maturity of this segment and its clusters (how ready they are to compete in this market)	Leadership and willness to collaborate among participants in this segment or sub-industry, especially, at the cluster level
Wooden Crafts	4	3	2	5	5	3
Silver Jewelry	3	4	3	5	4	2
Hand-knotted Carpets	5	4	2	3	5	1
Home Textile & Complements	5	5	4	4	3	4
Cotton Fiber	4	3	2	4	4	1

## ANNEX 3: QUESTIONNAIRE FOR AHAN’S REGIONAL MANAGERS AND HQ MANAGERS

1. Which are the sectors or industries that you consider to have more potential and which are able to be more competitive in the local or international market?
2. AHAN is currently working with 44 clusters and intends to work with another 56. In terms of efficiency and in order to create critical mass and focus on a few champions, what strategy would you propose in order to consolidate them?

Some of the options would be:

- a) Focusing on a few sectors with many communities behind them
  - b) Finding elaborated products that would need the different type of expertise, work and sub-products
  - c) Training different communities to produce a few champion products
  - d) Finding distribution channels or clients that would buy all the different products in a bunch (for instance, ethnic shops)
3. If AHAN bets on the macro-scale development of some champion products, which would be the main areas where the producing villages may need assistance?

Area	Scale: From 1 (no need) – to 5 (very needed)
Market Research	
Marketing	
Sales	
Distribution	
Training	
Quality Control & Standardization	
M&E	
Management Support (finance, accounting, pricing...)	
Others:	

4. If AHAN bets on the macro-scale development of some champion products, which would be the main areas where AHAN should help those communities?

Area	Scale: From 1 (none) – to 5 (fully provide that service)
Market Research	
Marketing	
Sales	
Distribution	
Training	
Quality Control & Standardization	
M&E	
Management Support (finance, accounting, pricing...)	
Others:	

5. If AHAN bets on the macro-scale development of some champion products, which would be the main areas that, by providing those services, could generate incomes for AHAN?

Area	Scale: From 1 (no income) – to 5 (relevant income)
Market Research	
Marketing	
Sales	
Distribution	
Training	
Quality Control & Standardization	
M&E	
Management Support (finance, accounting, pricing...)	
Others:	



6. How could AHAN generate incomes by providing these services?

<b>Area</b>	<b>How</b>
Market Research	
Marketing	
Sales	
Distribution	
Training	
Quality Control & Standardization	
M&E	
Management Support (finance, accounting, pricing...)	
Others:	

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## ANNEX 4: POTENTIAL SOURCES OF VILLAGE ENTERPRISE CREATION<sup>12</sup>

While the main focus of EVEN will be on non-agricultural products, such as artisan and clothing products made at the village level, it is important to think about village enterprise creation in a larger context and to the extent possible encourage village producers and entrepreneurs to identify various sources of village enterprise creation apart from those products which can be easily commercialized through EVEN. EVEN promoters can refer village entrepreneurs to the appropriate network of microfinance and other organizations that can assist them, thereby potentially multiplying the value of EVEN to the local economy. It is not intended that EVEN will pursue all of the opportunities mentioned below, but EVEN promoters will be trained to identify potential opportunities and to raise these opportunities with the local communities. The Local Development Promotion (LDP) team will do this.

1. **Existing Micro-Enterprise**—To make an early impact, the LDP team will focus on identifying and helping existing micro-enterprises based on existing skill sets where facilitation of small grants, microfinance or new market connections can viably increase the incomes of those involved in the short term.
2. **Industries with Observable Predominance**—Specific industries that have an obvious presence in the region (jewelry, embroidery, wood handicrafts, clay products, leather products, mineral products, etc.) will be region-specific and opportunities to develop these industries will be pursued based on market demand value chain linkages.
3. **Regional Demand Opportunities**—EVEN will interact with regional urban hubs and the retailers, chambers of commerce and industry associations in those hubs to identify potential demand that can be met from village-based production. EVEN will look at size of relevant markets, growth rates and simplicity of production as well as price-cost opportunities for village incomes and communicate these opportunities to villages to create new V2B linkages.
4. **Local Construction and Infrastructure Building and Maintenance**—EVEN will actively look for opportunities for local enterprises to provide materials and services for development and maintenance of local construction dams, roads, energy systems, water systems, sanitation, communications and housing construction projects if relevant.

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<sup>12</sup> In a separately published work, unrelated to the current assignment, J.E. Austin Associates identified 10 strategies of village enterprise creation that are relevant to this current effort.

5. **Donor and Government Service Industry Demand**—Village enterprise opportunities may also be able to respond to opportunities in the health services, education services and human development industries. The donor community and Government are industries in and of themselves and should be viewed as such. These industries create economic opportunities to supply schools, clinics, pharmaceuticals, training needs, transportation, data reporting and security. EVEN will be open not only to “goods” but also “services” that can be provided by local and underutilized talent and will take the broad view of village enterprise. The EVEN team will help to foment enterprises that can serve the needs of this industry and link communities up with projects financed by ADB, GoP, USAID and other donors. If donors suddenly pull out or the Government stops delivering services, these opportunities might well disappear and not be sustainable. However, we cannot proceed on the basis of an assumption of a donor pullout and in any case those left behind would have technical and entrepreneurial skills and experience applicable elsewhere. These businesses also provide community and village economic incentives for maintaining linkages with the Government and the donor community that supports human development. Villagers need to be seen as not only the beneficiaries of human development services but also as the agents and providers of such services as they too have capacities.
6. **Added Value and Forward Integration to Existing Production Base**—In some cases, a simple workshop can add value to existing products and add a step in the forward integration of the value chain which might include additional processing, packaging, labeling or other features.
7. **Human Services**—Opportunities may exist for enterprises that help deliver human services such as health, education, midwives or other activities that could sustain a micro-enterprise through the demand of the local community itself, regardless of whether or not these are currently part of the donor community or Government services value chain.
8. **Business Services**—Enterprises can also be created or expanded that help support business activity such as secure cargo transport, secure passenger transport, energy plant maintenance, construction and repairs and many other areas. EVEN promoters may not get actively involved in this area but should be attentive to possibilities when working with communities.
9. **Home-Bound Women Artisans**—Home-bound women are producing products in parts of Pakistan that are sold through women distributors. This segment will be approached using the “gender-intelligent” strategy discussed elsewhere in this document. Even a US\$ 25 increase in monthly income can make a big difference to a family while also enhancing the status of the woman as a contributing bread-winner within the existing social, cultural and religious norms and values. An income of US\$ 200 per month for

female distributors servicing these women is an economic incentive that will make such distribution networks sustainable.

10. **Other**—EVEN team expects to find other categories of enterprise creation. For example, local women and other entrepreneurs may have opportunities for selling cell phone service and cards.

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## ANNEX 5:

# GENERATING MULTIPLE STREAMS OF INCOME

## FOR PAKISTAN'S VULNERABLE VILLAGES<sup>13</sup>

1. **New Markets for Existing Products**—The quickest way to generate additional farm, village or regional income is to find new and better markets for existing products. Market opportunities may exist that are untapped by the local producers because of their lack of knowledge of such market opportunities.
2. **Making Modest Changes in Design**—Improving quality can be achieved by improving the quality of inputs, better production processes and attention to harvesting techniques. Silk handicraft producers in Laos had been selling their traditional colors and designs for over a hundred years. By altering the designs and colors according to input from designers and buyers, they were able to export silk wall hangings through their Laos-based distributor to highly demanding buyers in Manhattan for excellent prices.
3. **Improving Product Quality**—Feedback from EVEN and their network of buyers can help local producers improve product quality in ways that result in additional income or that create sales possibilities that did not exist before.
4. **New Products**—Entirely new products may be identified that can be produced from the same raw materials and from the same skill sets.
5. **Adding Informational Value to the Product**—Adding a small piece of information about the product and its producers can boost the price of the product. Imagine a small flier included in the products from Balochistan that indicates the producers are seeking to find peaceful alternative livelihoods and includes pictures of the villagers. Such a small piece of written material about the producing community can add value to handicrafts and other items—especially when consumers have an affinity to the region or want to contribute in their own small way to fair trade, poverty alleviation, elimination of drugs or peace and stability. Every product coming from villages should have a label or paper insert saying “by buying this product you are helping villagers to earn their way

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<sup>13</sup> This section is drawn from an article by Kevin Murphy, President, J.E. Austin Associates, Inc., not part of this current effort. It is briefly summarized here because of its relevance to the current effort.

out of poverty and create a better life for their children.” Information has value for the consumer and creates value for the producer in the form of additional income.

6. **Mark of Origin, Mark of Quality and Branding**—Indicating the province and even county of production can generate purchase decisions by those who recognize the region as having particularly good production capability. In other cases, a mark of origin may motivate purchases by those who live away from the region but have emotional ties to it. By “branding” a village or regional production, one can add value.
7. **Sorting, Classifying and Packaging**—Local producers can often create significant value by classifying, sorting or packaging their products. This normally begins with a discussion involving industry processors and buyers resulting in contracts involving higher value for this effort.
8. **Improving Income Through Improved Efficiency**—Helping producers improve their efficiency, acquire better machinery or find ways to lower costs of production and transportation can result in higher margins to local producers. Better processes can improve labor efficiency and in some cases may improve safety. Improvements in efficiency are as numerous as the production systems in these regions.
9. **Information Systems**—Village producers can improve incomes through price discovery and market information using simple cell phones. Access to the Internet in villages is still quite limited. But cell phone usage is growing quickly in Pakistan and is now about 35 percent. Information systems also speed the transmission of knowledge and best practices and can help EVEN promoters schedule meetings and interact on an ongoing basis with village producers.
10. **Unique Attributes**—Every locality has some unique attributes and products from different regions have different characteristics. Through sampling and testing, one can determine if local products have such attributes. This can then be turned to commercial advantage.
11. **Enhancing Distribution Efficiencies**—EVEN will actively seek economies in distribution by combining products from different villages, taking advantage of existing bus and lorry transportation routes and organizing, where appropriate, village deposit centers.
12. **Risk Reduction**—Creative use of insurance schemes can protect village production. Rural poverty is often exacerbated because of extraordinary setbacks

related to natural disasters, contract failures and transportation failures. EVEN will explore risk mitigation techniques.

13. **Adding Service Components to Products**—Local producers can add value to their products by adding service components. By coordinating with buyers, one can change the timing of production or the mix of products to conform to seasonal buying needs of the purchaser.
14. **Labeling and Branding**—Local producers can create additional income by simply labeling and branding their product. By adding labels, producers can enhance consumer confidence and motivate purchases. In the ceramic-producing village of Batrang, some 45 minutes outside of Hanoi, villagers were advised to begin putting their village name and company on their product. Designers can also help create an effective regional “logo.”
15. **Processing**—A local town center should be on the lookout for possibilities to do light manufacturing and agricultural processing. However, it is important that processing decisions be led by the needs of the market, not based on subsidized finance for investments. One can envision community workshops either in homes or in dedicated facilities, including facilities owned, run and staffed only by women.

## ANNEX 6: COUNTRY ECONOMIC BACKGROUND

Pakistan has a population of 154 million people of whom around 68 percent still live in rural areas. Therefore, economic growth depends on the overall economic activity in these areas. The share of agriculture in GDP has dropped to 23 percent in 2004 from 53 percent in 1950. Despite this decline, the agricultural sector remains the major source of employment in the rural areas. About 60 percent Pakistan's rural poor are landless; most of these (45 percent of the total rural poor) are non-agricultural households, with landless agricultural laborers making up 15 percent of the rural poor. The incidence of rural poverty is overwhelmingly high; 39 percent of rural people live below the poverty line. In addition, the unemployment rate in Pakistan has increased rapidly since the mid-1990s. In rural areas this rate has increased by 35 percent from 1996–97 to 2003–04 (i.e. from 4.98 to 7.69 percent). Due to the undocumented contribution of women in farm and non-farm economic and reproductive activities in the rural areas, it appears that unemployment in rural Pakistan may be significantly higher among women than it is among men. With the continuous drop of the share of agriculture in GDP, it has become imperative that non agriculture/farm based avenues for economic opportunities be explored.<sup>14</sup>

### MACRO-LEVEL NOTES: KEY STATISTICS ON THE MOST COMPETITIVE PAKISTANI INDUSTRIES AND MOST COMMERCIAL PRODUCTS

1. Pakistan is the 4th largest cotton producer in the world.<sup>15</sup>
2. The industrial sector contributes nearly 25 percent to the GDP (GDP equaled US\$ 437.5 billion in 2006<sup>16</sup>). The major industry is textile production (the biggest earner of foreign exchange)<sup>17</sup>. *This industry includes the two chosen sectors (textiles and home accessories).*
3. **Established Capacity**—The textile industry of Pakistan has a total established spinning capacity of 1550 million kilograms of yarn, weaving capacity of 4368 million square meters of fabric and finishing capacity of 4000 million square meters. The textile industry has a production capacity of 670 million units of garments, 400 million units of knitwear and 53 million kilograms of towels. The textile industry has a total of

<sup>14</sup> PC-1, Aik Hunar Aik Nagar (AHAN), Rural Enterprise Modernization Project. Small and Medium Enterprise Development Authority. March, 2006.

<sup>15</sup> The Federation of International Trade Associations.

<sup>16</sup> The World Factbook. CIA.

<sup>17</sup> The Federation of International Trade Associations.



- 1221 units engaged in ginning and 442 units engaged in spinning. There are around 124 large units that undertake weaving and 425 small units. There are around 20,600 power looms in operation in the textile industry. The textile industry also houses around 10 large finishing units and 625 small units. Pakistan's textile industry has about 50 large and 2500 small garment manufacturing units. Moreover, it also houses around 600 knitwear-producing units and 400 towel-producing units.<sup>18</sup>
4. **Contribution to Exports**—According to recent figures, the Pakistan textile industry contributes more than 60 percent to the country's total exports, which amounts to around **US\$ 5.2 billion**. The textile industry contributes around 46 percent to the total output produced in the country. In Asia, Pakistan is the 8th largest exporter of textile products.<sup>19</sup>
  5. The top three export partners of Pakistan are: the USA, the UAE, and Afghanistan. The products mainly exported are cotton, textiles, apparel, and cereals.<sup>20</sup>
  6. **Contribution to GDP and Employment**—The contribution of the textile industry to the total GDP is 8.5 percent (**US\$ 37.2 billion**). It provides employment to 38 percent of the work force in the country, which amounts to a figure of 15 million. However, the proportion of skilled labor is quite small compared to that of unskilled labor.<sup>21</sup>
  7. The government of Pakistan created a separate ministry for the textile industry 2004 after the outstanding performance of industry in the area of apparel.<sup>22</sup>
  8. According to world industrial market research, the world demand for textiles is rising annually at around 2.5 percent, due to which there is a greater opportunity for a rise in exports from Pakistan.<sup>23</sup>
  9. Just to the USA, in 2004, Pakistan exported US\$ 2.5 billion in apparel.<sup>24</sup>

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<sup>18</sup> <http://news.tootoo.com/>

<sup>19</sup> <http://news.tootoo.com/>

<sup>20</sup> The Federation of International Trade Associations.

<sup>21</sup> <http://news.tootoo.com/>

<sup>22</sup> Scenario Of Apparel Export Of Pakistan. By Gaurav Doshi.

<sup>23</sup> <http://news.tootoo.com/>

<sup>24</sup> The Federation of International Trade Associations.

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## MICRO-LEVEL CAPABILITIES BY REGIONS<sup>25</sup>

### ***Punjab***

Punjab province is the country's most populous region and home to the Punjabis and various other groups. The Province of Punjab comprises eight Administrative Divisions and 34 districts. The province is divided into different zones such as Central, Eastern, Northern and Southern Punjab. Each zone is abundant in both highly and semi skilled craftsmen. These craftsmen are proficient in making some handmade products. The range of these products include fabric, wood carved decorative pieces, footwear items, carpets, curtains (traditionally known as *chiks*), sporting goods and surgical instruments, etc. The following list describes the range of products according to the zones mentioned above:

1. Central Punjab: (Sargodha, Faisalabad, Jhang, Khushab, Layyah and Gujrat) – Khes, ceramics, furniture, earthenware, carpets and electronic appliances etc.
2. Eastern Punjab: (Lahore, Kasur, Okara, Sahiwal and Sheikhpura) – Wood products, kites, musical instruments, footwear, lacquer work pieces, chiks, etc.
3. Northern Punjab: (Attock, Mianwali, Chakwal, Rawalpindi and Jhelum) – Khussas, traditional chappals, furniture, Taxila stone work.
4. Southern Punjab: (Multan, Bahawalpur, Vehari, Lodhra and Khanewal) – Hand embroidery clothes, silver jewelry, chunnari, carpets, prayer mats, zari work.

### ***Sindh***

Sindh is a region stretching from the coastline of the Arabian Sea to the Great Thar and Kohistan desert, and comprising fertile belts along the River Indus. Karachi, the only port city of Pakistan, serves as a gateway to Pakistan.

Sindh has been and still is very rich in handicrafts. The textiles are very famous, especially block printing and tie-and-dye. It also enjoys a reputation for textiles, pottery, clay, lacquer furniture, leatherwork and carpets. Each color, style, design and motif carries a unique symbolism, portraying the culture of that particular area and built on people's indigenous skills.

There are different kinds of handicrafts produced in Sindh. The main ones are leather goods, table ware, wood crafts, textile and block-printing fabrics, embroideries, glass beads, traditional and contemporary jewelry, pottery, hand-knotted carpets and rugs, and shell and bone products.

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<sup>25</sup> AHAN Project Details and Successful Stories. AHAN. 2007.

### ***Balochistan***

The province of Balochistan is unique in its geo-political significance. It forms 44 percent of Pakistan's landmass and has a 770-km long coast line. It consists of arid basins and various hill ranges, sharply marked off from the Indus plain by the Kirther and Sulaiman ramparts. It exhibits a great variety of physical features, consisting of vast rocky desert with extremes of climate and very low rainfall.

Balochistan is famous for handicrafts. A variety of colorful handicrafts in embroidery and needlework are designed in different areas. The art of handicrafts in Balochistan has survived through the ages without undergoing any scientific and industrial advancement. Handicraft work is common in the rural areas, where women are actively engaged in sewing to earn a livelihood for their families.

The needlework in Balochistan comprises different designs and techniques. It varies from place to place and from tribe to tribe. The handicrafts are famous for their beautiful and sophisticated designs. A variety of needlework design, sold in expensive boutiques and crafts shops, obtains good prices in national and international markets.

### ***N.W.F.P.***

North West Frontier Province is located on both banks of the river Indus and stretches from the Himalayas in the north to deserts in the south, where it is bordered by the Balochistan and Punjab provinces. This region is rich not only in terms of its cultural heritage, but also in terms of arts and artistry. Each district of N.W.F.P. has its own special products being produced by industrious local artisans, both men and women. Phulkari stitch and Justi embroidery from Haripur; Swati embroidery from the districts of Malakand, Swat and Dir; embroidery from Kaka Sahib Nowshera; and cross-stitch from DI Khan are distinctive and recognized artistries of this region.

In addition, the lacquer & *gillit* work of DI Khan, woven products of Islampur (Swat) and Matta Mughal Khel (Shabqadar), Chitrali Patti products and Chitrali rugs and Swati rugs, all hand-made, are famous worldwide due to their beautiful designs and patterns. Leather products, particularly hand-made footwear items of Charsadda, are popular not only within the province, but also all over the country.