

The Role of Post Crisis Donors' Funded Projects in Sustainable Rehabilitation of Khyber Pakhtunkhwa Marble Processing Sector

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Abstract

With the ever increasing donor funded programs throughout the world, the issue of effectiveness is also gaining attention. Various studies have been conducted by different writers but most of them only cover the social, political, or economic impacts alone. This specific paper attempts to study the impact of post crises donor funded projects on sustainable rehabilitation of Small and Medium Enterprises. The Khyber Pakhtunkhwa (KP)/Federally Administered Tribal Areas (FATA) region of Pakistan was adversely affected by terrorism and floods. Direct damage to the businesses resulted in unemployment and increased socioeconomic problems in the region. After the launch of military operation in the year 2009 and the floods of 2010 the Post Crisis Need Assessment (PCNA) Study was initiated and then Mutli Donor Trust Fund- Economic Revitalization of KP and FATA (MDTF-ERKF project launched in KP and FATA. This paper focused upon the project's performance with respect to the selected variables on the marble processing sector. The results indicate positive impacts of donor funded rehabilitation grants on production, employment generation, and investment in machinery of the marble processing sector. The analysis of data collected from 37 marble processing an average production of the sample showed an increase of 11,440 square feet of Tiles/Slabs. Similarly, the direct employment was observed to have increased by average number of 04 people. Most important to note is that the average investment in machinery increased by 3 Million Pak Rupees. However the practices regarding the solid and liquid waste management observed no change. There is a need of further study on impacts of grants on the profitability of the processing units, relation between the amount of grant and the investment mobilization by the beneficiaries in assets and working capital, and the reasons for absence of environmental responsibility component.

Keywords: Donor Funded Projects, Sustainable Rehabilitation, Employment, Production, Investment, Waste Utilization

1. Introduction

Barrett (2008) notes the aid to have become a professionalized industry in the UN Agencies, multilateral development banks, and NGOs over the prevailing half century. The studies on impact and effectiveness of aid are increasing. Regarding the impact of donors' aid projects, the findings of researchers differ. Considerable number of research papers is written on the subject with reference to such projects in different countries. Ohlsson (2005) terms the Foreign aid aimed at international development to be of great importance for the developing nations. Erixon, (2005) "Aid and Development" concludes that aid has not promoted economic growth, and didn't improve policies in the developing countries.

Studies reveal that external factor tends to be more successful where the country's internal political and social factors are engaged for a positive and supporting role. Idwan (2007) in his study of external assistance to Palestinian of Gaza concludes the German aid contributes to alleviating the problems faced by West Bank and Gaza Strip, particularly with regard to water and sanitation, unemployment, but the research also indicates the aid to be biased and in favor of Israel. In his study of Palestine and El Salvador with reference to the foreign assistance during war-to-peace transition Jamal (2006) emphasizes upon the need of considering socio-political aspects. Abeer Ahmad (2009) concludes that the USAID funding has contributed to the basic Human development requirements for Palestinian community but it did not fully meet Palestinian desires and expectations.

Whether it is the reforms in public sector, society or economic conditions, the words "growth and development" remain common terms. In this regard, the researchers have discussed about the effectiveness of projects with reference to these terminologies. Pauline Mercieca (2010) states that good institutional and policy framework enhances aid effectiveness and this remains a paramount requisite for improving the prospects that aid is transformed into economic growth. Ngang (2008) observes the foreign aid in Cameroon leading to economic growth but bad governance and corruption render it unable to translate in to economic development. He however elaborates that the impact may be significant depending on the country understudy, type of aid, the

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objectives of the donor country, the implementation policy of the recipient country, the methodology used, and the period of study.

The research papers focusing upon donor funded projects for SMEs mostly discuss about the sustainability of projects but the contribution of projects in sustainability of SMEs is seldom discussed. Today the contribution of SMEs in any country's economy is acknowledged to be vital in terms of contribution to GDP, employment generation, and exports. In Pakistan, SMEs constitute 99% of the total businesses (Shahab 2006). Despite such an important role they face many problems, of which, access to finance is the major one. The intense militancy and natural calamities have added to the misery of Pakistani SMEs. This specific paper aims to explore the role of donor funded projects implemented for rehabilitation of flood and insurgency hit SMEs in KP/FATA. After launch of the Military operation against insurgency in the 2009, and the floods of 2010 the businesses of this region incurred huge losses. A PCNA study was initiated immediately after the Military operation. It was conducted by the government and the development partners in the year 2010, and recognized economic deprivation to be a key driver of the crisis. This PCNA hence defined the employment and livelihood generation as one of the strategic objectives. It suggested creating short term jobs through labor-intensive reconstruction public works, and in the longer-term, providing grants to firms for encouraging entrepreneurship and growth. The MDTF, ERKF component with a total funding of USD 14 Million, aimed at revitalization of businesses within KP/FATA.

This study is about finding the answer to main research question "The Role of Post Crisis Donors' Interventions in Sustainable Rehabilitation of KP's Marble Processing Sector". In order to find out appropriate answer to this main question, it was essential to address several supporting questions, like:

- What is the total number of applicants and beneficiaries from overall sectors?
- What should be the size and nature of sample?
- What is the total number of applicants and beneficiaries from the selected sample?
- What was the business condition of the beneficiary firm before and after facilitation by this component in terms of?
 - Productivity Improvement
 - Employment Generation
 - Investment Mobilization
 - Waste Management Practices

2. Methodology

The study is a based on quantitative method with data collection through individual meetings with the beneficiaries and PU officials. The review of literature was done to ascertain the best course of action. On the basis of this refining, the ERKF (Economic Revitalization of Khyber Pakhtunkhwa and FATA) was chosen for the report. The breakup of sector wise grant disbursements shared by PU, indicated the Marble Sector to be the highest amongst the processing sectors in terms of number of beneficiaries. Further the sector has the broader value chain within KP/FATA, including the backward supply from Mines of KP/FATA, and forward supply within the same region to the trading and construction industry. In addition to this, the average employment generation is also higher in the marble sector, that is, about 15 persons per mine and processing unit. Any impact on this important sector of marble processing means direct impact on the higher backward and forward impacts as compared to other processing units. Keeping in view these facts the Marble Processing sector was selected for study. The districts of KP (Buner, Charsada, Mardan, Swat, and Nowshetra) most affected by floods and (or) militancy were selected for survey of the marble processing units. Questions were drafted for the structured interview. In order to study the sustainability of the rehabilitation grants, the interviews covered the aspects of Employment, Production, Investment in Machinery, and Waste Utilization practices before and after grant receipt. Both types of primary and secondary data were used for data collection. 50 beneficiary processing units were visited out of which 37 responded to the interview.

3. Analysis

Applicants for grants were noted from 35 different sectors whereas number of applicants from marble sector are 8.5% of the total applications. Regarding the participation of KP/FATA marble processing sector, about 45% of the total 1,700 marble processing units applied for the grants. The percentage of approved cases and grant amount for the marble sector is 13% and 19% respectively.

S. No.	Description	All Sectors		Marble Sector	
		Total	Approved	Total	Approved
1	Number of Applications from KP/FATA	9,050	1,693	765	224
2	Amount of Grant in Pak Rs. Million	1,394		265	

The SPSS was run on the data to find out the mean and standard deviation.

3.1 Pre and Post Grant Production Scenario of the Sample

The analysis of the data collected reveals that the total production (slabs and tiles) of 37 sample beneficiaries increased after the rehabilitation. The net increase of these organizations is 0.42 Million Square Feet, that is, 55%. The total production of these units increased from 0.76 Million Square Feet to 1.18 Million Square Feet. The average increase in terms of Square Feet and Percentage is 11,432, and 57 respectively.

Statistics

	Production Before Grant (Square Feet)	Production After Grant (Square Feet)
N Valid	37	37
Missing	0	0
Mean	20.51	31.95
Std. Deviation	3.564	4.977

3.2 Pre and Post Grant Employment Status of the Sample

The study also finds a positive change in the post grant employment status for the sample studied. The total number of employees noted an increase from 334 persons to 498 persons. This shows a total of 164 additional employees, interpreting in the percentage increase of 49%. Further analysis, finds the average additional employment to be 04 persons with 51% increase per processing unit.

Statistics

	Employment Before Grant (Number)	Employment After Grant (Number)
N Valid	37	37
Missing	0	0
Mean	9.03	13.46
Std. Deviation	3.193	4.375

3.3 Status of the Investment in Machinery after Grant Receipt

In the study it was found that against the grant received, additional investment for machinery procurement was mobilized. The total investment of the sample in Machinery before the receipt of grant was PKR 308 Million and after Grant receipt the investment was noted to increase PKR 420 Million, interpreting into PKR 113 Million investment increase in the machinery alone.

Statistics

	Investment in Machinery Before Grant (Million PKR)	Investment in Machinery After Grant (Million PKR)
N Valid	37	37
Missing	0	0
Mean	8.31	11.36
Std. Deviation	4.026	2.914

3.4 Status of the Machinery Reflecting Enhancement in Product Line or Quantity after Grant Receipt

The answers to this question supported the previous three impact factors. The beneficiary units reported to have increased their capacity in terms of superior product line addition, value added in finishing of the product, efficiency in cutting the product. 76% reported to have invested in the Gangsaw Machines for slabs production having great demand and high price due to the quality and applications of slabs. 13% invested in the bridge cutter for increased production of their existing product "Thick Sheets" due to the to and fro motion of the blade reducing the cutting time. (Please See Appendix D)

3.5 Status of the Improvement in the Waste Utilization Practices

No change in practice or investment regarding the waste utilization and management.

4. Summary and Conclusion

With a total number of around 1,700 Marble Processing units in KP/FATA, the Marble value chain observes

major production and employment within the mining and processing. The value chain was adversely affected by flood and militancy in the region. The ERKF project of MDTF emerged as the single largest project having rehabilitated the sector and others.

The study of 37 marble processing units on the parameters of production, employment, and Investment in machinery showed positive change, whereas the waste utilization practices were observed unchanged for all 37 units in post rehabilitation scenario. The average production of the sample showed an increase of 11,440 square feet of Tiles/Slabs. Similarly, the direct employment was observed to have increased by average number of 04 people. Most important to note is that the average investment in machinery increased by 3 Million Pak Rupees.

The total production of the surveyed 37 marble processing units increased from 759,000 square feet to 1,182,000 square feet denoting a positive change of total 423,000 square feet. With an average rate of Pak Rupees 20 per square feet this increase in square feet interprets into the increased revenue of Pak Rs. 8.46 Million. In terms of direct employment the total number increased from 334 to 498 persons, which means additional direct employment of 164 persons. Likewise, the investment in machinery in the 37 units noted an increase of Pak Rupees 113 Million, that is from Pak Rs. 308 Million (Pre Grant) to Pak Rs. 420 Million (Post Grant). Finally, 13 of the beneficiaries reported to have upgraded to the slabs cutting technology (Gang saw), 12 increased their capacity of the final finishing (Polishing), 4 upgraded to final finishing via Resizing machines, and 26 reported up gradation to machinery which increased their production (Bridge, Cross, Vertical, Sizing, and Section Machines).

In nutshell the, rehabilitation grant of Pak Rs. 37.67 Million given to 37 Marble Processing units by ERKF Project noted a positive impact of total 423,000 square feet, 164 persons, and Pak Rupees 113 Million on the production, direct employment, and investment in machinery respectively. However, the status of waste management remained unchanged.

During the study, it was realized that there is a need to conduct research upon the relation between the amount of grant and the investment mobilization by the beneficiaries in assets and working capital. In order to ascertain the effectiveness of the ERKF project it also essential to study other factors contributing towards the rehabilitation of the marble processing units. Similarly a comparative study of different ERKF's beneficiary sectors need to be done on the variables of employment and profitability.

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