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**Public Private Partnership projects of the GTZ in  
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## **1. Introduction**

I am very pleased to have the opportunity to talk to you today about public–private partnerships (PPPs) in Ethiopia. I'm sure you've already had a chance to find out about the work of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) as an international service enterprise for development cooperation, so you no doubt know that the GTZ has been working in developing and reform states for about 30 years now, mainly on behalf of the German Government, but also for other public- and private-sector clients in Germany and abroad.

## **2. New challenges – new approaches**

An important aspect has been added to the GTZ's work during the past six years. I'm talking about cooperation with the private sector within the framework of the PPP programme. This cooperation marks a major change of focus. The topic is relatively new and it offers considerable potential and opportunities, but it certainly also means that everyone involved needs to gather and evaluate further experience in this field.

Let me give you some brief, general background information about the reasons that have led to increased cooperation between official development cooperation and the private sector.

PPPs are based on the fact that politicians, entrepreneurs and society as a whole are faced with huge challenges in fighting poverty, hunger and a growing number of natural disasters and violent conflicts. These challenges will become clear if we recall two poignant examples:

- Half of the 6 billion or so inhabitants of this world have less than 2 US dollars a day to live on, with some 1.2 billion surviving on less than 1 US dollar per day. For these people, that means hunger and a vicious circle of poor education, health and nutrition.
- More than a billion people have no – or no secure – access to drinking water, and global water resources are becoming increasingly scarce. The annual need for investment in the water supply and sanitation sector is estimated at about 150 billion US dollars.

These examples alone clearly show that governments, businesses and societies throughout the world are faced with new tasks. No one can solve these problems on his or her own. Official development cooperation aims to bring economic growth into line with social progress and hence achieve the goal of sustainable development in a living process.

This is something that is also becoming more and more important for the private sector. Many companies are increasingly beginning to realise that sustainable development is in their interests too. To ensure that business activities are not solely geared towards short-term profit, many companies are placing a growing emphasis on integrating environmental and social standards into their work and offering upgrading measures for their employees. In doing so, the companies are making a major contribution to economic development in developing countries. They transfer new technologies, train experts, increase the quality of products and create new jobs.

This growing commitment on the part of the private sector also becomes clear if we look at the huge increase in the level of direct investment made by multinational corporations in developing and more advanced countries: In the course of the 1990s, direct investments rose from 20 billion to 190 billion US dollars. I'm sure it's not news to you that public funds are becoming increasingly scarce, and official development financing has stagnated at 50 billion US dollars a year. The outstanding development goals that have been agreed on by the international community, such as the eradication of poverty and hunger, cannot be achieved without direct investments by the private sector. It is often these investments that create the conditions for jobs and hence for income, for education and for better opportunities for many people, making a tangible contribution towards poverty reduction.

**This means that the private sector is increasingly becoming an important driving force behind development.**

Some goals of the private sector are, therefore, the same as those of official development cooperation.

### **3. What are development partnerships?**

It is in this context that the German Federal Ministry for Economic Cooperation and Development established the programme of public-private partnerships (PPPs) in 1999 and entrusted a number of organisations – among them GTZ – with the implementation of PPP-Projects. As per definition public-private partnerships are common projects that private companies and development organisations plan, finance and implement together.

The objective is to find measures that lead to a "win-win" situation for both sides, the public and the private sector.

#### **4. What does a PPP project look like in practice?**

##### **Public Private Partnerships in Ethiopia**

In Ethiopia seven PPP-Projects have been implemented or are in Implementation. Five are in the construction sector and two of them in the agricultural sector. I would like to describe some of them as an example:

##### **4.1. PPPs in the Construction Sector**

One conclusion of a study prepared by the GTZ in 1999 is that the major problems facing the Ethiopia's construction sector are the low level of workmanship skills and lacking organizational capabilities and technological knowledge of contractors. To mention a few examples:

- Low quality in the building construction sector due to lack of adequately trained personnel on higher level (engineers/ architects). Higher education studies do not incorporate practical experience.
- 99% of the semi- and skilled labourers have not received any training in construction before being employed on construction sites
- Very few joint ventures take place with international construction firms and hardly any technology transfer can occur
- The codes and standards used in building construction are not complete, and those on hand are not always implemented. There is no clear reference system as to which code and which standards are to be applied

To tackle these problems, the following PPPs were implemented in the construction sector:

- Cooperation with GFM (Gerhart Fuchs Misdörffer) Consulting Engineers – Munich  
GFM trained the Ethiopian Engineers in structural design checking. Different workshops have been held in Addis Ababa. The overall aim of this project was to improve the quality control in the construction sector. In the course of the project around 50 persons from private architectural and engineering offices have been qualified. The partnership with (GFM) has led to improved quality control and safety of buildings on the one hand, and led to an increased private sector involvement in the field of structural design checking and implementation on the other (it is being outsourced now under the guidance of the Ministry of Infrastructure).

- Cooperation with Nixdorf-Consult (Consultants for integrated construction design) - Stuttgart

The aim of cooperation was to train Ethiopian architects and engineers in town planning instruments. Workshops have been held on the importance of town planning instruments and on the improvement of responsibility-sharing among authorities and organisations involved in town planning. This partnership has led to a joint venture: a joint tender submitted for a large contract was successful. Implementation will commence soon.

- Cooperation with the Chamber of Architects and Engineers of Baden-Württemberg  
Cooperation started in 2001. The aim was to strengthen the institutional capacity of the Association of Architects and the Association of Civil Engineers. Members of the Ethiopian Association and the respective Ministry visited the Chambers in Baden-Württemberg to see how the Chamber of Architects and the Chamber of Consulting Civil Engineers in Germany are organized. Members of the Chambers of Architects and of Consulting Civil Engineers from Baden-Württemberg visited Ethiopia. During these visits the strengths and weakness of the Ethiopian Associations were analysed and a strategy to improve the organizational structure of the Ethiopian Associations was developed. This cooperation not only brought about joint ventures between Engineering and Architecture Offices, but has also led to the revision of rules and regulations in the construction sector increasing the involvement of private organizations for example in the screening of architects and engineers on behalf of governmental organs (delegation). A greater number of competitive tenders for architectural designs and neighbourhood designs are another consequence of the fruitful partnerships established.

- Cooperation with BZB (Bildungszentren des Baugewerbes) - Krefeld

Through the cooperation with the German Vocational Training institute, financed mainly by the German private Construction Sector (BZB/Krefeld), 10 Instructors and around 100 semi-skilled and skilled construction labourers are receiving upgrading training in priority areas of the construction sector. Beside this, members of the Ethiopian Association of Contractors visited the German Vocational Training institute in Krefeld to learn about the networking between the private and the public sector in regard to vocational training in construction. Last year, as a result of this partnership, a group of German Contractors from North-Rhine Westphalia visited Ethiopia to identify investment possibilities, meet potential partners and agree on joint venture options.

All in all, the PPP implemented in Ethiopia tackled the problems in the construction sector from different angles, to improve the overall situation and promote investment in the form of joint ventures between German and Ethiopian companies.

Both partners – the GTZ and the private companies – benefited from the PPP-Project:

The private companies benefited from the network of GTZ projects in Ethiopia. GTZ's "Low Cost Housing Project" in Ethiopia has qualified Ethiopian and expatriate staff who know the construction sector very well. They provided logistic support and established business contacts to the local private sector and its organizations. A joint-venture has taken place.

GTZ has also benefited from the partnership: technology transfer has taken place; the institutional capacity of the Ethiopian Construction sector has been strengthened and competitiveness increased. The PPP in the construction sector and the Low-cost-housing Project have laid the basis for the Engineering Capacity Building Program to be executed in Ethiopia as priority cooperation program between Ethiopia and Germany.

For both partners the project was cost-efficient – this is a win-win situation!

#### 4.2. PPPs in the Agricultural sector

- Sustainable coffee production and marketing

The rainforests of the Southwestern Ethiopian highlands are credited with being the birthplace of *Coffea arabica*. It is the only region in the world where *Coffea arabica* can be found in the wild. These forests that once dominated the highlands have been extremely diminished during the last decades. Population pressure and demand for agricultural land coupled with the lack of land-use planning are the main reasons for further disintegration of the remaining forest patches. Nevertheless, these forests still harbour a huge genetic pool of *Coffea arabica*. In the surrounding and other mountainous areas of Ethiopia, coffee is more or less extensively (mostly organically) utilized as forest coffee and semi-forest coffee or cultivated as garden coffee. Only 4% of Ethiopian coffee is produced in plantations.

Ethiopia supplies 3% of world exports of *coffea arabica*, which accounts for 60% of its export revenue. Approximately 1.2 million coffee farmers and their families earn their living directly from this, about 15 million people indirectly. Due to the persistent low world market price for green coffee, many smallholders switch to growing drugs (chat); others fell the trees that give shade to the coffee plants to obtain fuel wood. This poses a massive threat to the survival of

the genetic resources of *Coffea arabica*. As a result, the diversity of originally some 2,000 coffee varieties – unique in the world – is in danger of being irretrievably lost.

In order to approach the above mentioned problems, a joint strategic project has been built in the framework of the PPP. By the end of 2003 two private companies (Amber Corporation AG and Kraft Foods) and members of the civil society (GEO Schützt den Regenwald e.V., Deutsche Stiftung Weltbevölkerung, Center for Development Research – ZEF, Bonn, Amber Foundation and Rotarian) had signed a joint PPP-Project with the GTZ that combines:

- The improvement of the coffee production, processing and marketing system,
- Research activities on biodiversity in the rainforests and the wild coffee populations, its valuation and socially acceptable use, and
- Improvement of the social infrastructure

The main purpose of the PPP project is to develop and introduce a scheme for sustainable coffee production and marketing at international quality standards using the natural resources of Ethiopia. This will improve the living conditions of the coffee farmers, by generating higher earnings and social measures, and make a contribution to conserving the genetic diversity of Ethiopian coffee.

The project will focus mainly on the Bonga and Oromai regions. A close working relationship has been established with the “Oromia Coffee Farmers Cooperative Union (OCFCU)” and the newly formed “Kaffa Forest Coffee Farmers Producers Cooperative Union (KFCFPCU)”.

In order to improve coffee production and quality, an agreement has been signed with the Oromia and Kaffa Coffee Unions for training on Good agricultural and management practices. Two cup-tasting laboratories will be established within the cooperative structure. The necessary agreements have been signed with the Kaffa and Oromia Farmers Union. Selected staff in the cooperatives will also be trained for the cup-tasting laboratories.

Assistance is also being provided to the new-formed management of Kaffa Farmers Union. The office of the Union has been equipped, with financial assistance from the PPP. A formal book keeping system has been established and a business plan for 2005 has been prepared with the help of the local PPP coordinator. A Guarantee Fund is also available to the Kaffa Union for the purchase of coffee harvest.

Beside the improvement of the coffee production, activities in social and ecological sectors are underway. In cooperation with DSW, reproductive health services, including family planning information and material and HIV education, have been supplied in both project

regions. Reproductive health officers have been recruited and trained. Youth clubs have been formed for education in reproductive health, family planning and HIV prevention. The training of 40 peer educators has already started.

A participatory Forest Management Programme was also signed for the Kaffa Zone. One field officer and 3 field assistants have been recruited and trained in participatory forest management processes. A number of information gathering activities are now ongoing, for example: on forest boundaries, forest extent, customary uses, traditional uses, village and resource mapping, identification of user and interest group, collection of views from different communities. This information gathering and evaluation will help to establish a plan for the sustainable use of the wild coffee.

Through this cooperation, it will be possible to coordinate, plan and carry out income-generating measures in the coffee producing sector, integral rural development and research. Marketing wild coffee provides an innovative finance scheme for the sustainable use of mountain rainforests.

- Processing of sun-dried tomato

To improve the agricultural production and introduce processing technology, the GTZ is cooperating with a small German trading company (Manz Marken).

The production of sun-dried tomatoes for export market will be carried out in fields of private farmers organized in Service Cooperatives and in fields of private investors. The objective is to produce marketable quantities with the standard quality of sun-dried tomatoes which corresponds with international norms.

The advantage of producing sun-dried tomatoes is to stabilize the local vegetable market and avoid price fluctuations, reduce the risk of income loss for small scale farmers because of low market prices. Because the product is not highly perishable it can be sea freighted and market distance is not a limiting factor.

In the long term, the company is interested to include different kinds of vegetables and other crop commodities.

## **5. Conclusion**

Experience gained over the past six years has clearly shown that cooperation between GTZ and enterprises in developing countries opens up entirely new possibilities for development solutions. In the long term, GTZ aims to make public-private partnerships a permanent part of its work. As a result, all technical cooperation projects now in the planning stage are currently being assessed to ascertain their potential for PPP-components. PPPs will certainly not be able to replace the classical forms of development cooperation, but they do present an opportunity for better, faster and more cost-efficient development cooperation in certain sectors.

I hope this presentation has given you a “birds eye of view” of the Public Private Partnership programme through examples of actual success stories in Ethiopia.

Thank you for your attention