

PPPreport

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MAGAZINE FOR DEVELOPMENT PARTNERSHIPS WITH THE PRIVATE SECTOR



Latin America – Open for New Ideas



commissioned by

Federal Ministry
for Economic Cooperation
and Development

WHAT IS PPP?

By public private partnerships, we mean development partnerships with the private sector. The partnerships consist of projects which are jointly financed by enterprises and development agencies.

In this capacity, GTZ, DEG and SEQUA work on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ).

WHAT CAN PPP DO FOR THE PRIVATE SECTOR?

- We contribute finance and personnel to projects that benefit partner country development.
- We guide and support you in project planning and implementation.
- We put at your service our contacts to governments, business associations and enterprises.
- We offer our country- and sector-specific expertise and our understanding of the legal framework.

If you are planning projects in developing countries, talk to us first.



DEAR READERS,

Germany was the second-largest development cooperation donor last year. With a total of EUR 8.9 billion, it transferred almost 6 per cent more public funds to developing and more advanced countries than in the previous year. Further efforts are nevertheless needed to eliminate worldwide poverty. Three main concerns of development cooperation are to provide everyone with access to affordable food, to halt climate change and to make environmentally friendly economic growth possible for all.

Our development partnerships with the private sector make an important contribution to this. When government and civil society pull together in a joint PPP enterprise, they can help add value to the future (GTZ's spotlight of the year for 2008). This is why the German Federal Ministry for Economic Cooperation and Development (BMZ) has supported well over 1,000 partnerships with enterprises around the world over the last nine years.

In this PPPreport, we take a special look at South America. The main items on the agenda at the 5th EU-Latin America Summit in Peru in May 2008 are social equity, sustainability and climate change. In this issue, we have taken the summit as a cue to present successful projects in Brazil, Peru and Honduras.

Have an interesting read!

Jörg Hartmann

Executive Director of the GTZ Centre for Cooperation with the Private Sector



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From textile filament to suit

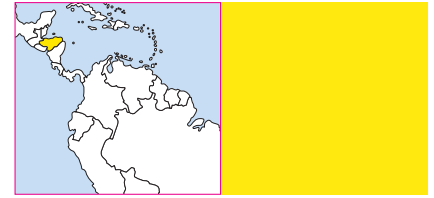
Modern training courses for the Honduran clothing industry



Special training courses impart technical know-how to personnel on the efficient and responsible management of chemical processes.

DID YOU KNOW...

...that Honduras is one of the poorest countries in Latin America? About a third of the population is without work, and about half lives below the poverty line. Honduras is a priority partner country of German Development Cooperation, which primarily supports measures in the field of education, environmental protection, resource conservation and economic development.



Honduras lives largely from agriculture and from processing agricultural products and is heavily dependent on coffee and banana exports. The textile industry is also gaining ground, however. Many international textile companies are already engaged in Honduras, and growth rates and investment are on the rise in the industry, partly on account of the free trade accord with the USA that entered into force in 2006. The demand for textiles is estimated to increase by 70 per cent in Central America by 2010. The trend is shifting away from contract processing alone, where foreign clients have their own goods processed in return for payment, towards all-inclusive production, comprising every step from the fibre to the finished clothes. At present, the greatest constraint on growth is the lack of well-trained experts and managers in textile

production. As part of a PPP project between Clariant AG, one of the largest manufacturers of speciality chemicals, and DEG, training courses in textile processing and garment technology will now be introduced at the new training college, Instituto Politecnico Centro-americano (IPC), at the heart of the textile industry in San Pedro Sula. The training centre will be fitted out with classrooms, modern laboratory equipment, a training dye-works and a purification plant. During the three-year project term ending in December 2009, around 650 trainees will undergo a one-year full-time training course, and 350 more will be instructed in intensive one- to-four-month courses. During the project, Clariant will also train Honduran subject teachers and instructors, who will continue to teach at the IPC after the measure has been phased out.

“A project that serves as a model”

Giovanni Cheldi, head of the Clariant office in Honduras, ensures that Honduran textile workers learn how to handle speciality chemicals properly.

Mr Cheldi, Clariant develops and sells speciality chemicals for the textile industry. How important are the Latin American countries for your company?

Latin America is one of our biggest growth markets. Over the past ten years, the textile markets in Central America have seen exponential growth. This is where you can find some of the biggest knitwear and sock factories in the world, above all in Honduras. Clariant has also made extensive investments in this region in recent years.

Clariant has teamed up with DEG to invest in training and upgrading for textile workers and managers in San Pedro Sula, Honduras. How does the company benefit from this commitment?

To keep pace with the high rate of growth, the textile industry needs personnel with different educational backgrounds. Up to now, there has been no special training for textile workers, much to the detriment of production efficiency. This measure enables textile workers to cope with

the latest chemical developments in the textile industry. This also makes for more efficient energy and water consumption and does much to reduce the harmful emissions caused by outdated chemicals.

What training measures are most urgently needed in Honduras? Where do the largest obstacles lie?

The biggest deficits are on the technical side. We use our laboratories to support both the students at the IPC and those from other technical training establishments. The worst problems are still caused by violence, crime and corruption, problems that are common to the countries of Central America as a whole.

What experience with the training measures have you had so far?

The first students already completed their training and gained a diploma in December 2007. Other specially designed textile chemistry and colorimetry courses for industrial workers in the technical departments have now started.

What advantage can Clariant reap from cooperation with a public partner like DEG?

Clariant benefits from DEG's expertise and experience in the sustainable establishment of project approaches. Our alliance with DEG means that the local population, industry and government take us more seriously, and our project can exert more influence.

Could the project in Honduras serve as a prototype for similar projects in other countries?

Definitely. It would be very easy to transfer it to other industrial sectors and regions. Clariant supports all industries with speciality chemicals. Since many branches of industry locate to developing countries practically overnight, all the stakeholders benefit from experience with technical training in schools and institutions of higher education.

Healing power from the Andes

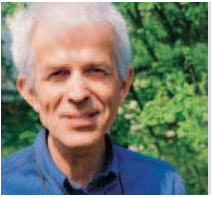
A PPP species protection project – strength through flexibility



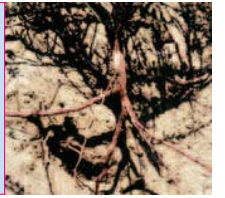
The medicinal plant *ratanhia* grows on dry and rocky sites like the ones in the Andean highlands of Peru.

DID YOU KNOW...

... that Peru is one of the richest nations in the world when it comes to biodiversity? A total of 21,462 flora and fauna species have been discovered so far. Almost 6,000 of these are endemic; in other words, they can only be found in Peru. Species protection projects not only help preserve diversity; they also create jobs, promote sustainable rural development and help conserve resources such as woodland and water.



Andreas Ellenberger



Ratanhia is a traditional medicinal plant of the Andean peoples. With astringent and anti-inflammatory properties, its roots are primarily used for oral and dental care. Peru itself uses around 35 tonnes a year and exports about the same amount again. The natural stock around the capital Lima has been almost wiped out as a result, and it is seriously endangered in the wider surroundings. When Weleda and GTZ launched the PPP project six years ago, people already knew about the medicinal benefit of the plant, but little was known about its distribution, growth conditions or even the size of demand. A great deal has happened since the project appeared in the PPP report for the first time in 2003. We now know that this plant cannot be cultivated because it is a semi-parasite and therefore needs certain host plants; it is also very slow to grow, so it would need too much care. However, it turned out that the natural stock could be

sustained by relatively simple means. The project approach was thus modified accordingly.

Research has now been conducted into the geographic occurrence of ratanhia in Peru, a conservation scheme has been drafted for collection areas, and gatherers have been trained. Today, only a certain number of plants can be harvested with their roots in a given area; the gatherers sow ratanhia seeds at the harvest site and maintain stock through specific nature rejuvenation measures. The sustainable plant management scheme provides the Peruvian authorities with a tool to comply with its own nature conservation legislation and with the United Nations' nature and biodiversity conservation agreements. The scheme can be transferred and could contribute to protecting endangered species of vegetation worldwide.

“We’ve made considerable progress”

Andreas Ellenberger, in charge of plant procurement and environmental management at Weleda AG, is certain that the new methods that have been developed make species protection easier.

Mr Ellenberger, Weleda had already been obtaining ratanhia from Peru for decades. When did you start thinking about the living conditions of the gatherers and the plant stock?

Social responsibility, species protection and ecological farming are firmly embedded in our anthroposophic corporate policy, but in the past, we too largely relied on trade when purchasing exotic medicinal plants. However, the environment summit in Rio alerted us to these problems as well.

What consequences did Weleda draw? And how did the cooperation with GTZ come about?

We had to find out where the plant grows, how it is collected and who is involved in harvesting and marketing. When I went to Lima in 2002 to make contacts with the Peruvian nature conservation authority, scientists and gatherers, I also held talks with local representatives from GTZ. Quite separately from our own initiative, GTZ had become concerned about this endangered plant as well. As Weleda

sells its own range of ratanhia oral care products, GTZ approached us directly.

What have you achieved since the project began?

We have been allocated a large reserve with an exclusive harvesting licence in the Arequipa region. A subsequent agreement has been reached with an exporter and a group of gatherers to guarantee the regulated harvesting of the natural plants. As a result of our partnership with Botconsult in Berlin, we now know about the biology of the plant, its distribution and how endangered it is. Botconsult has developed an economical method to rapidly assess natural plant stocks and to manage them sustainably. We have been able to establish contacts with Arequipa University, which is introducing students to the topic and is continuing to conduct research into the sustainable use of wild plants. In the final stage, forestry authority staff are now being instructed in supervising the natural plant harvesting and in training gatherers.

What has changed for the gatherers and their families?

They can rely on a secure source of additional income, and their social status has also risen as a result of their cooperation with Arequipa University.

Can the results be transferred to other species protection projects?

The concepts and instruments can be applied to endangered plant species worldwide. The project will therefore be presented in detail at this year's Conference of the Parties to the UN Convention on Biological Diversity (COP 9) in May.

How important has cooperation with GTZ been for the success of the project?

Without the support provided by GTZ, its flexibility and the huge dedication of its staff, the project would never have got off the ground. I am very grateful for this assistance.

Dashboards made of sugarcane

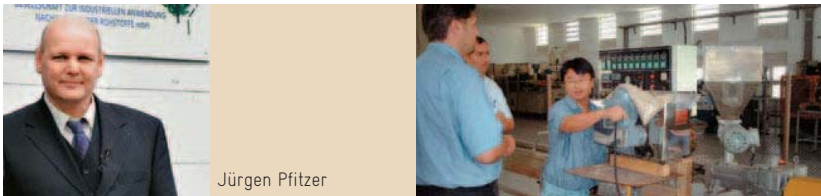
Plant fibres as a new raw material in the plastics industry



In sugar production, large amounts of fibrous residue or bagasse are left over. This is used for power generation, for example, but also as a raw material in paper and cardboard manufacturing.

DID YOU KNOW ...

... that the rift between rich and poor is wider in Brazil than in almost any other country? Almost two thirds of the population live below the poverty line, and more than 44 million people suffer from hunger. The distribution of land and income is extremely inequitable, with some 10 per cent of the population owning about 80 per cent of the land. Twenty large freeholders own as much land as 3.3 million small farmers. The fight against poverty thus remains an important aspect of development cooperation in Brazil.



Jürgen Pfitzer



At 20 million tonnes a year, Brazil is the biggest sugar exporter worldwide. However, sugarcane harvesting and processing also leaves gigantic amounts of crushed sugarcane stalks as a waste product, known as bagasse. Some of it is simply burned, causing considerable environmental pollution. Some time ago, the German firm TECNARO GmbH, a spin-off of the Fraunhofer Institute for Chemical Technology, turned its attention to the mountains of bagasse in Brazil. The enterprise produces thermoplastic materials from natural fibres to be reprocessed into toys or electronic appliances. The idea of “liquid wood” has already been acclaimed in many press articles, and in 2008 it was awarded the Innovation Prize for medium-sized enterprises by the Volks- and Raiffeisenbanken of Baden Württemberg. From a seed idea,

the PPP project Extended Use of Bagasse Production Waste in North Brazil was born with the support of SEQUA. As part of the project, initial approaches were developed for the environmentally clean processing of plant fibres. Together with SENAI-CIMATEC, Brazil’s technical training organisation, it investigated the properties of the material, examined possible applications and put a pilot plant into operation. TECNARO has trained six CIMATEC specialists to continue with product development on their own and disseminate the technology after project completion. Concurrent with the research and training measures, TECNARO managed to strengthen the network of subcontractors, acquire additional prospective clients and establish more contacts in Brazil.

“We will continue to use local production in Brazil”

Jürgen Pfitzer, managing partner of TECNARO GmbH, intends to collaborate with SEQUA again in Latin America after completion of the PPP project.

Mr Pfitzer, in layman's terms, TECNARO GmbH makes plastic from plants. How does that work?

TECNARO GmbH develops, produces and sells the sustainable thermoplastic material ARBOFORM® (from the Latin arbor for tree). ARBOFORM® is made solely of renewable resources. The source material for this is lignin, the second most common polymer in nature after cellulose. If you mix lignin with natural fibres (e.g. flax or hemp), you get a fibre composite that can be processed when heated and moulded on conventional plastic processing machines just like a synthetic thermoplast.

How did you find out about the sugarcane residues in Brazil?

The project for using bagasse fibres was developed together with our former colleagues from the Fraunhofer Institute Dr Maik Ziegler and Dr Lars Ziegler. They spoke to SEQUA representatives at a PPP information event in Brazil. As they were very familiar with the activities and competencies of TECNARO and knew that we wanted to expand our Brazil business,

they thought we would make an ideal partner for implementing their project idea.

Who did you approach in Brazil?

During the project term, Dr Lars Ziegler was assigned as an integrated expert (CIM) to SENAI-CIMATEC in Salvador da Bahia to support capacity building in services for applied science and international cooperation, and this worked to our benefit. Our PPP project thus became one of the pilot projects, and SENAI-CIMATEC proved to be a very competent partner

How important was SEQUA for making contact? Would the project have been feasible for you without a public partner?

SEQUA helped us a great deal with the project design, especially when it came to development policy results and the training concepts. On account of the technical and economic uncertainties and the risks they entailed, we would not have ventured to undertake the project in this form without the public-sector contribution.

What have you achieved so far?

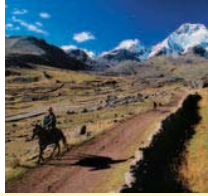
In cooperation with our Brazilian partner, we have developed a new material using bagasse fibres. This has been tested by a well-known commercial vehicle manufacturer and judged to be suitable, as it meets all the criteria. Moreover, we have been able to become better known and increase our materials sales from Germany.

Will TECNARO remain involved in Brazil in the future too? Do you already have any other prospective clients for your technology in Latin America?

We will definitely remain involved. Alberto Rejtman, our sales partner in São Paulo, has identified a number of firms with an interest in the new and marketed materials. Some insist on local manufacture in Brazil. As soon as we reach the critical mass required, we can continue to invest.



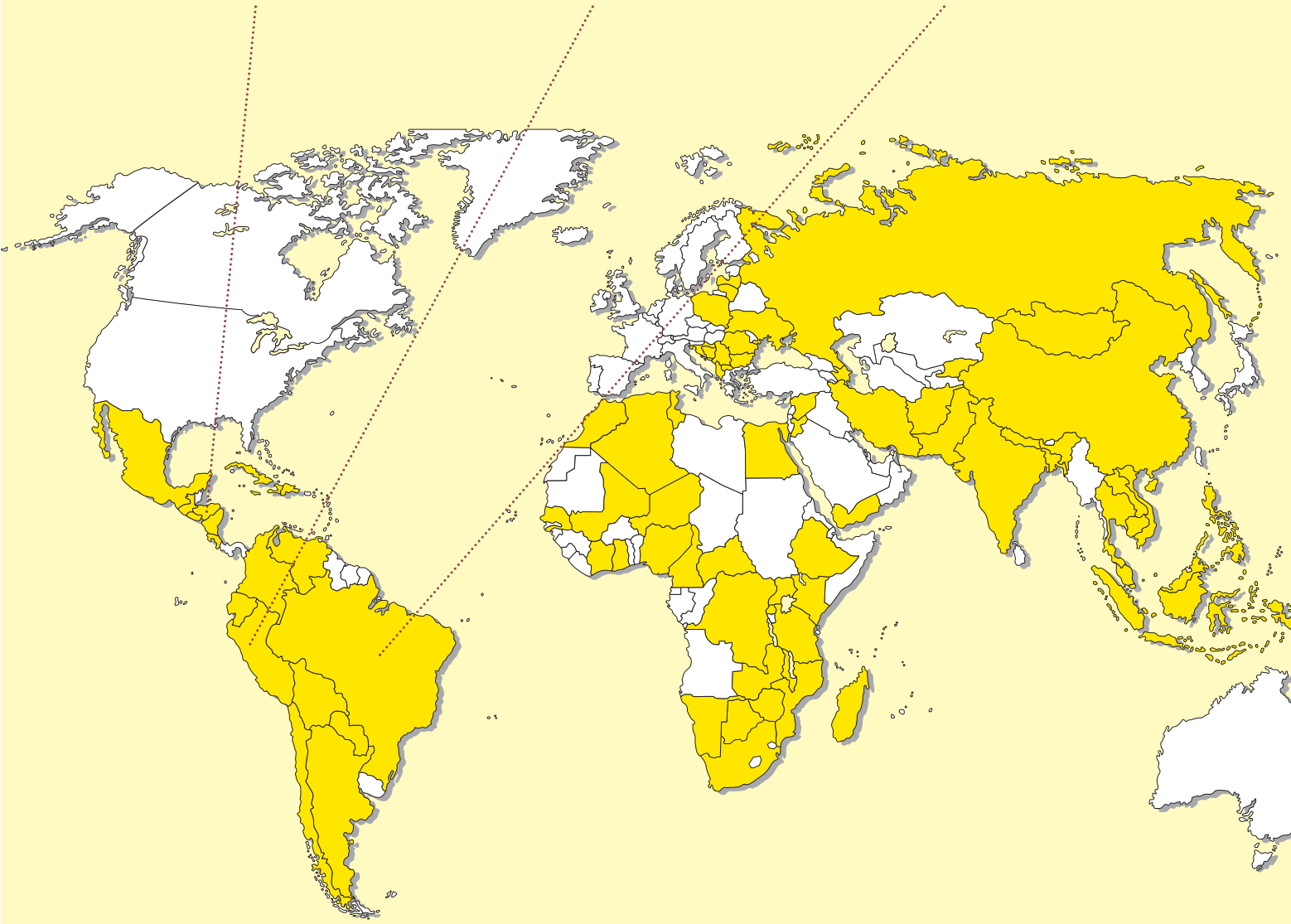
DEG trains personnel in handling speciality chemicals in Honduras.



GTZ helps in species protection in Peru.



SEQUA supports bagasse utilisation in Brazil.



Development agencies and private enterprises cooperate in PPP projects in about 80 countries.

www.gtz.de/ppp

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