

Development partnerships with the private sector

Annual Report 2009



Table of contents

Foreword	3
Guest article	4
Development partnerships with the private sector	5
Development partnerships in figures	7
Annex I: Abbreviations	14
Annex II: Contact addresses	15
Imprint	16

Foreword

Dear Readers,

At the German Federal Ministry for Economic Cooperation and Development (BMZ) we provide stimulus for sustainable economic development in our partner countries. This new approach in development policy sees the private sector as an important partner, on account of the fact that successful development policy is not possible without the cooperation of the private sector. In the process, we seek to forge a closer relationship between foreign trade and development cooperation, and to create a sustainable enabling environment for the private sector in our partner countries.

Development partnerships with the private sector ensure the optimal combination of entrepreneurial know-how and development policy experience and expertise. Everyone stands to gain – companies create jobs, secure incomes, pass on technical know-how and introduce forward-looking technologies. For our partner countries, this is the prerequisite for successful development.

The numbers speak for themselves: In 2009, agreements on nearly 300 development partnerships were entered into. Given the difficult economic situation in 2009, this is clear evidence of the appeal of the partnership programme for the private sector. The different projects also illustrate the variety of opportunities that exist for utilising corporate involvement in development cooperation.

We will continue to work on leveraging the strengths of the private sector for the benefit of the citizens in our partner countries. For this purpose, we have increased the budget for development partnerships in 2010 from EUR 48 million to EUR 60 million. The additional funding will ensure further synergies between the private sector and development cooperation.

We also intend to increase the involvement of German SMEs in development policy – specifically in development partnerships. To make this possible, a contact office for the private sector has been established as a separate division at the BMZ. This division will advise companies on all questions associated with partnerships between development policy and the private sector. We are also seeking to increase the number of strategic alliances, where several companies work together on a specific issue in different countries. Our goal with this is to increase both the broad impact and the sustainability of the projects.

The topic of focus in this year's annual report is low carbon economy. The report outlines how companies can help break the link between CO₂ emissions and economic growth. For global sustainable development, a country's carbon emissions must stop serving as an indicator of prosperity. Development partnerships with the private sector are doing pioneering work in this area and encouraging others to follow suit.

I highly suggest that you read the guest article by EnviTec Biogas – a German SME – which reports on its experiences with a development partnership for electrification using biomass in rural regions of India.

I hope you enjoy reading the report.



Hans-Jürgen Beerfeltz

State Secretary,
German Federal Ministry for Economic Cooperation
and Development (BMZ)

Guest article

EnviTec Biogas AG was formed in 2002, and currently has about 385 employees. Since July 2007, EnviTec has been listed on the Frankfurt Stock Exchange's Prime Standard. The company covers the entire value chain in the production of biogas – its core business includes planning, turnkey construction and the commissioning of biogas installations. EnviTec Biogas also provides biological and technical services, and offers comprehensive plant and operating management.

Biogas is a natural degradation product, which results from the fermentation of organic material. Energy production from biogas is particularly eco-friendly as it does not cause any additional emissions of the greenhouse gas CO₂ and it reduces the quantity of organic waste. Biogas can be stored, so that electricity production can be flexibly adjusted to match consumption. As a result, energy from biomass is not only eco-friendly but also usable for both base load and peak load applications. It is the only renewable energy source suitable for generating heat, electricity, gas and fuels.

Many countries around the world offer attractive conditions for biogas production. Establishing an early presence in the market is a key goal in EnviTec's growth strategy. In developing new markets, the company relies on partners from the region and so combines its many years of experience in plant construction and operation with knowledge of the special features of the regional markets.

Half of all rural households in India have no electricity or have it for only a few hours a day. Existing electricity supplies are mostly generated from fossil fuels which are very expensive. New and eco-friendly technologies, such as generating heat and electricity from biogas could change this. And this is why EnviTec Biogas AG decided to build decentralised biogas plants in the Punjab region of India in a development partnership

with GTZ. In addition to GTZ, the company was also assisted by the Indian planning and operating company Malavalli Power Plant Private Limited (MPPPL) in implementing the project. MPPPL handled planning and plant operation while EnviTec Biogas supplied hardware and know-how. GTZ made the necessary contacts with authorities, organised knowledge management and ensured the sustainability of the project.

Together with its partners, EnviTec Biogas has developed an innovative energy supply concept. Through the construction of large biogas plants with capacities ranging between one and five megawatts, the company has established an ecofriendly electricity supply for around 180,000 households. At the same time, waste heat was supplied to local farmers to cool agricultural products. This eased the financial burden, as it eliminated the cost of expensive cooling installations. It also reduced the seasonal dependence of farmers on middlemen. In addition, the use of agricultural and forestry waste created new sources of income and helped to establish sustainable waste disposal practices. New is also the large-scale information strategy: In addition to the construction of reliable biomass supply chains, EnviTec Biogas has raised awareness among both the Indian authorities and the population for this new energy concept – and it has educated them about its benefits as well.

Development partnerships with the private sector

Through its strategy for development partnerships with the private sector, the BMZ aims to strengthen collaboration between official development cooperation and private sector activities. The major goals are to mobilise additional inputs from the private sector, to harness private sector management know-how for more efficient service delivery and to promote private sector investment as a driver of development in partner countries. Development partnerships with the private sector do not only benefit development aid policy but are also in the interest of businesses. These businesses find competent cooperation partners in the implementing organisations of German development cooperation (GTZ, KfW, DEG, sequa, CIM, InWEnt, DED), which have regionally-specific knowledge, experience and contacts. With their help, foreign markets can be entered more easily, time and money can be saved and business risks can be reduced.

A whole host of instruments exist to help build partnerships between both the implementing organisations of the German development cooperation and the government institutions of the partner countries and private businesses.

Development partnerships within the framework of bilateral government agreements with developing countries

When bilateral development projects and programmes are being planned, it is standard practice to determine to what extent development challenges can be turned into business opportunities through cooperation with the private sector. Increasingly, private businesses are contributing their own resources to financial and technical cooperation projects, for instance to expand the economic and social infrastructure, to privatise formerly state-owned manufacturing or service enterprises, to introduce model solutions in the field of (industrial) environmental

protection, or to certify local products and production procedures. In the financial sector, private investors are, for example, becoming involved in financing microfinance funds and establishing financial institutions under private law. The BMZ only supports private-sector activities which make a genuine contribution to development in the partner country and which the private business would not undertake without this support.

develoPPP.de

In 1999, the BMZ set up a special fund for development partnerships with the private sector (PPP Facility). This fund is used to promote development partnerships with the private sector, which because of their limited duration and financial scope could not otherwise be supported. The measures have been selected since 2009 through idea competitions held several times a year. Companies are invited to submit project proposals that match the annually changing topics, which contribute towards overcoming the challenges in developing and emerging countries (develoPPP.topic). At the same time, separate innovation competitions are held as well, which are not limited to certain topics and make it possible to identify new private sector initiatives and to implement these in partnership projects (develoPPP.innovation).

In addition to these measures, strategic alliances with companies and industry associations can also be established. These are mostly supra-regional, often cover entire sectors and bring together various actors from industry and commerce as well as NGOs and other national and international organisations. As a result, they have a greater impact than individual measures.

develoPPP.de is open to European businesses which already do business (or are preparing to do business)

with companies in partner countries. These business activities include investments, joint ventures and other trading arrangements that contribute to development in the partner country. PPP Facility projects are implemented jointly by the companies and the implementing organisations GTZ, DEG and sequa.

DEG promotes the private sector in developing countries

Alongside the PPP Facility, DEG makes available long-term financing and advisory services for investment to private German and international companies and businesses in partner countries where these services are not available in the local market. It also offers equity capital, mezzanine finance, loans and guarantees, and advises on the form investments should take. The terms are market-oriented and tailored to country- and project-specific risks. The requirements are that the projects make a sustainable contribution to development, that they are profitable and that they are both environmentally and socially sound. DEG is involved in the fields of agriculture, manufacturing industry, infrastructure and the service and financial sectors of partner countries.

Placing experts

As part of its *Integrated Experts* programme, CIM - as the personnel placement service of German development cooperation - establishes contact with employers in developing countries. The experts are integrated into local structures through a local employment contract and salary (which is supplemented by CIM), enabling them to initiate and support changes from within.

The German Development Service (DED) also appoints experts to projects which are implemented jointly with the private sector.

Training measures and advanced training

As part of its projects for companies, InWEnt carries out training measures in developing and emerging countries. The range of services on offer extends from courses to prepare experts for assignments abroad to practical training for specialists and managers on an international level. It also establishes business contacts to help companies recruit internationally qualified staff. In providing these services, InWEnt can draw on its global network.

The South PPP Programme

The personnel cooperation service DED has developed the South PPP Programme, which targets local SMEs in countries in the South. DED does not appoint experts to a cooperation project, but participates in development partnerships by providing financing from the DED item of the German national budget. In individual instances, DED provides advisory services through its own and local experts.

Development partnerships with the private sector in Africa

Since collaboration in the form of development partnerships is still new for most African companies and governments, GTZ is promoting these activities through a programme called Development partnerships with the private sector in Africa on behalf of the BMZ. Core elements of the programme, which was redesigned in 2009, are advisory services to partner governments on cooperation with the private sector, support to CSR forums and the promotion of concrete measures with local businesses. The strategy is being implemented in five African countries (target countries).

Development partnerships in figures¹

Funding volumes of all development partnerships with the private sector 1999-2009
(Total contract values expressed in millions of euros)

New commitment (year)	PPP Facility		Technical Cooperation (TC)		Financial Cooperation (FC) and DEG core business		Total
	public	private	public	private	public	private	
1999	12.2	19.2	3.3	4.7	78.7	12.8	130.9
2000	20.8	35.0	6.9	6.2	288.2	373.3	730.4
2001	15.8	30.8	1.2	1.3	385.6	1,163.7	1,598.4
2002	18.0	28.3	5.3	4.5	470.3	1,021.2	1,547.6
2003	14.3	26.5	13.2	18.6	325.1	1,841.6	2,234.3
2004	14.2	24.5	9.0	22.0	599.3	922.7	1,591.7
2005	19.8	32.9	12.5	16.3	667.3	957.9	1,706.7
2006	16.1	25.6	11.6	19.0	763.8	1,643.4	2,479.5
2007	22.3	30.3	14.5	16.8	912.5	2,863.7	3,860.1
2008	14.1	20.9	7.6	13.8	870.1	1,651.1	2,577.6
2009	22.5	27.6	8.6	10.9	825.8	2,045.3	2,940.7
Total	190.1	301.6	93.7	129.1	6,186.7	14,496.7	21,397.9

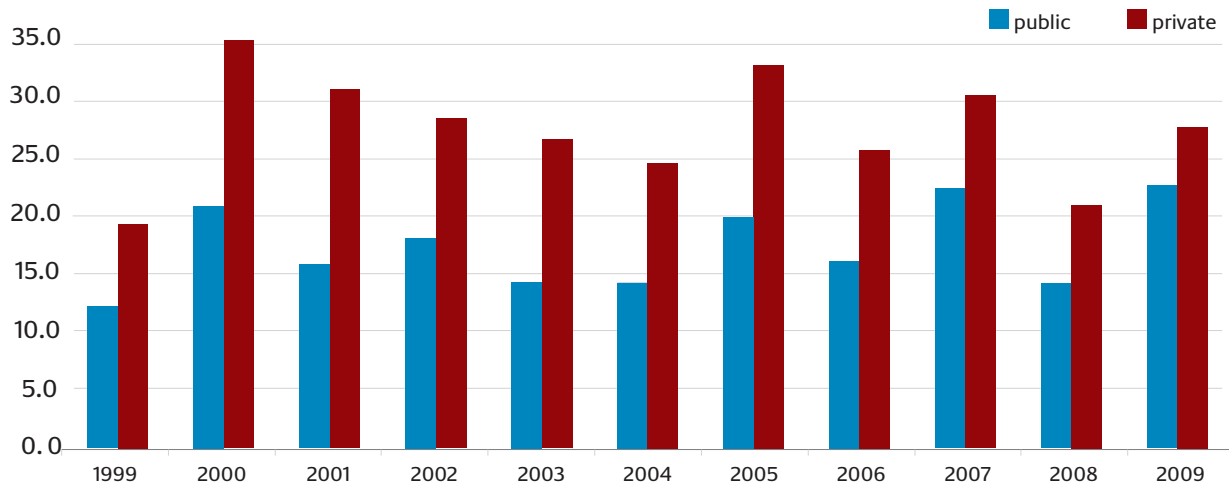
3,375 development partnerships with the private sector with a total funding volume of more than EUR 1.4 billion have been initiated since 1999.

PPP Facility:	DEG, GTZ, KfW Entwicklungsbank ² , sequa
TC:	InWEnt, DED, CIM, GTZ normal business
FC:	KfW normal business, DEG core business

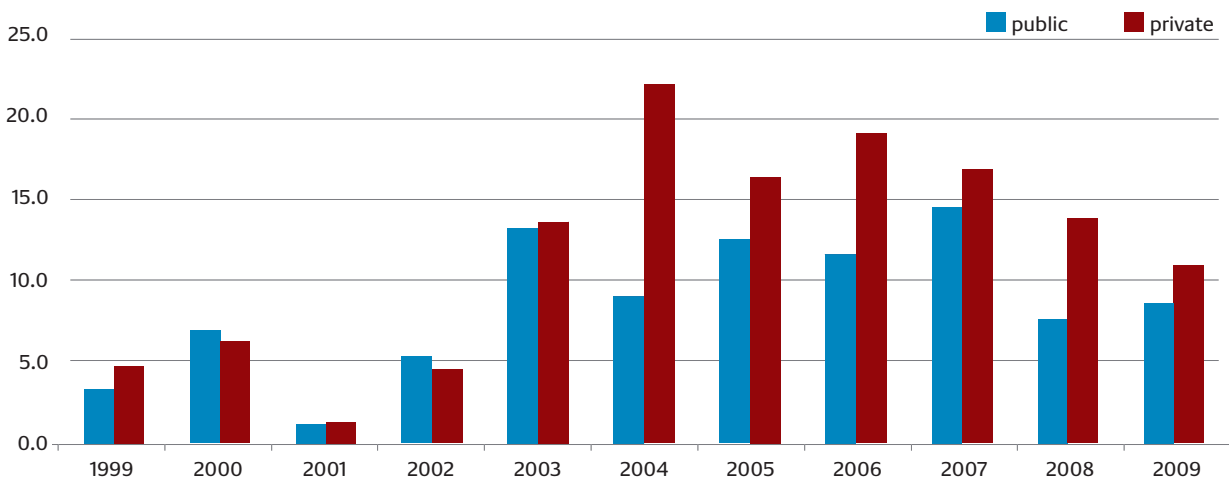
¹ Due to changes in the monitoring and information systems in a number of implementing organisations, the figures shown here are not fully compatible with the data of earlier years.

² Until 2008

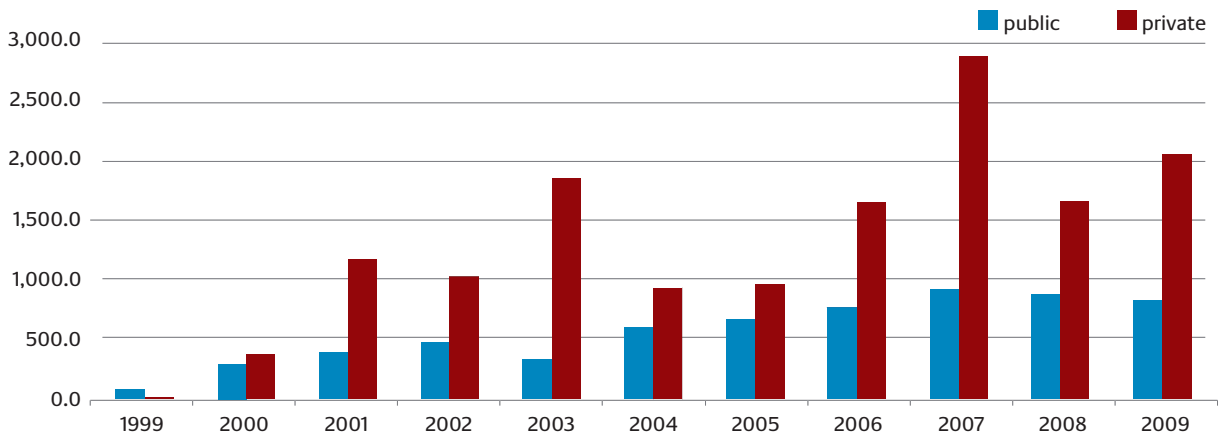
Funding volumes for the PPP Facility 1999-2009 (in millions of euro)



Funding volumes for all kinds of Technical Cooperation 1999-2009 (in millions of euro)



Funding volumes for Financial Cooperation and DEG core business 1999-2009 (in millions of euro)



Development partnerships 2009

	Number	Financial partnerships				Total in millions of euro (EUR)
		Public sector contributions		Partner contributions		
		in millions of euro (EUR)	in %	in millions of euro (EUR)	in %	
PPP Facility, total	103	22.5	44.9%	27.6	55.1%	50.1
From DEG	57	10.0	41.7%	14.0	58.3%	24.0
From GTZ	33	10.2	49.0%	10.6	51.0%	20.8
From sequa	13	2.3	43.4%	3.0	56.6%	5.3
TC, total	115	8.6	44.1%	10.9	55.9%	19.5
From CIM	14	1.1	55.0%	0.9	45.0%	2.0
From DED	45	0.5	41.7%	0.7	58.3%	1.2
From GTZ	55	6.8	42.8%	9.1	57.2%	15.9
From InWEnt	1	0.2	50.0%	0.2	50.0%	0.4
FC, total	80	825.8	28.8%	2,045.3	71.2%	2,871.1
From KfW	23	137.5	15.1%	773.5	84.9%	911.0
From DEG core business**	57	688.3	35.1%	1,271.8	64.9%	1,960.1
Total 2009	298	856.9	29.1%	2,083.8	70.9%	2,940.7

Development partnerships 1999-2009

	Number	Financial partnerships				Total in millions of euro (EUR)
		Public sector contributions		Partner contributions		
		in millions of euro (EUR)	in %	in millions of euro (EUR)	in %	
PPP Facility*	1,213	190.1	38.7%	301.6	61.3%	491.7
TC, total	1,326	93.7	42.1%	129.1	57.9%	222.8
FC, total	836	6,186.7	29.9%	14,496.7	70.1%	20,683.4
Total 1999 - 2009	3,375	6,470.5	30.2%	14,927.4	69.8%	21,397.9

Notes:

* Shown here are only the contributions that were contractually agreed upon between the private sector partners and the implementing organisations. Additional third-party contributions that were agreed upon (e.g. local joint venture partners) would make the total volume for PPP projects significantly higher.

** DEG financial contributions provided by project companies in addition to contributions already committed (supplementary projects) are not taken into account here. Because of the special features of DEG self-financed business, the actual total for projects financed by DEG is greater than the total for public sector and partner contributions, because e.g. investment or operating funding loans by commercial banks are not regarded as partnership contributions, although they make possible the total investment.

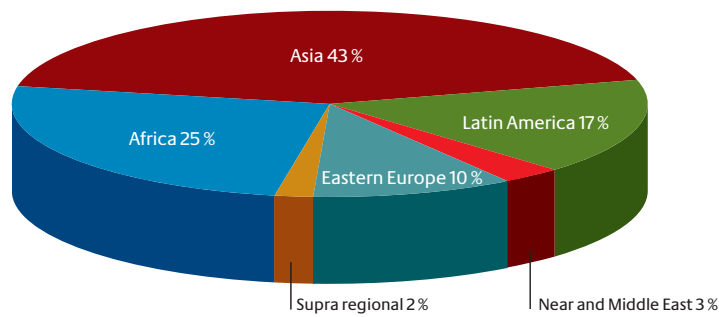
Regional breakdown of PPP measures 1999-2009 (by number of projects)

	Africa	Asia	Latin America	Near and Middle East	Eastern Europe	Supra regional	Total
PPP Facility	305	521	201	39	123	241	1,213
TC (all kinds)	406	429	284	14	187	6	1,326
FC and DEG core business	189	269	171	37	150	20	836
Total	900	1,219	656	90	460	50	3,375

Most development partnerships are carried out in Asia, as in the past. A welcome feature apparent in the last few years is the increase in projects in Africa to over 26.6%.

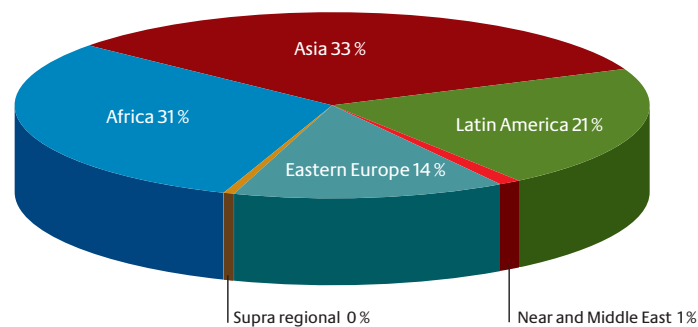
Regional breakdown of PPP Facility measures 1999-2009

(Total number of projects: 1,213)



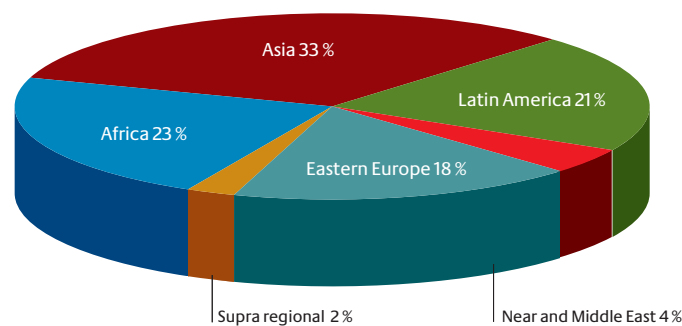
Regional breakdown of TC measures in the broad sense 1999-2009

(Total number of projects: 1,326)



Regional breakdown of measures, FC and DEG core business 1999-2009

(Total number of projects: 836)



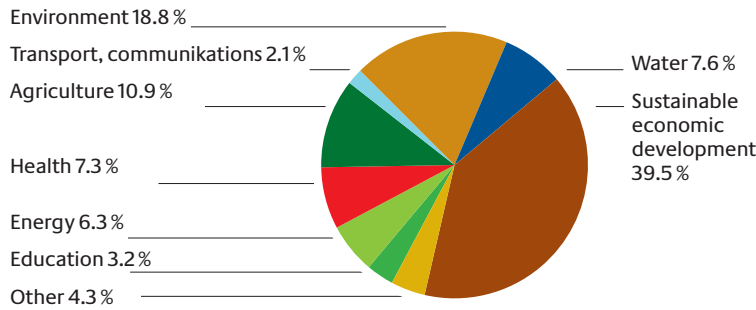
Sectoral breakdown of all PPP measures 1999-2009

Sectors	PPP facility	TC (all kinds)	FC	Total	Share in %
Education	39	106	3	148	4.4%
Energy	77	56	22	155	4.6%
Health	89	59	40	188	5.6%
Agriculture	132	147	7	286	8.5%
Transport, communications	25	30	9	64	1.9%
Environment	228	180	5	413	12.2%
Water	92	38	33	163	4.8%
Sustainable economic development	479	631	5	1,115	33.0%
Other	52	79	11	142	4.2%
Financial system (KfW Entwicklungsbank normal business)	0	0	124	124	3.7%
Investment promotion (DEG core business)	0	0	577	577	17,1%
Total	1,213	1,326	836	3,375	100%

Most PPP measures are still in the field of sustainable economic development. "Other" includes PPP measures for democracy (34) and regional concentration (12). In addition, there are three measure for crisis prevention (9).

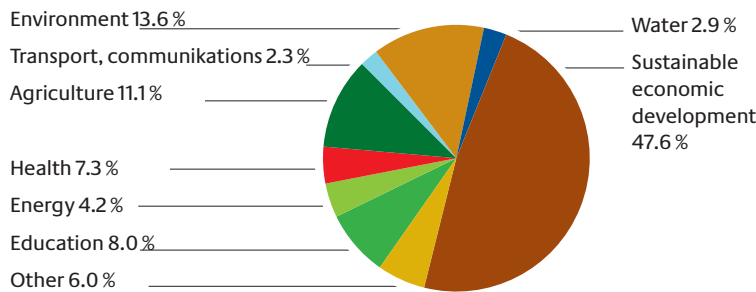
Sectoral breakdown of PPP facility measures 1999-2009

(Total number of projects: 1,213)



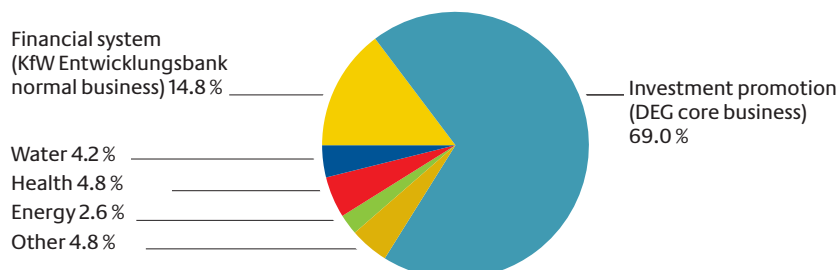
Sectoral breakdown of TC measures of all kinds of TC measures 1999-2009

(Total number of projects: 1,326)



Sectoral breakdown of FC and DEG core business measures 1999-2009

(Total number of projects: 836)

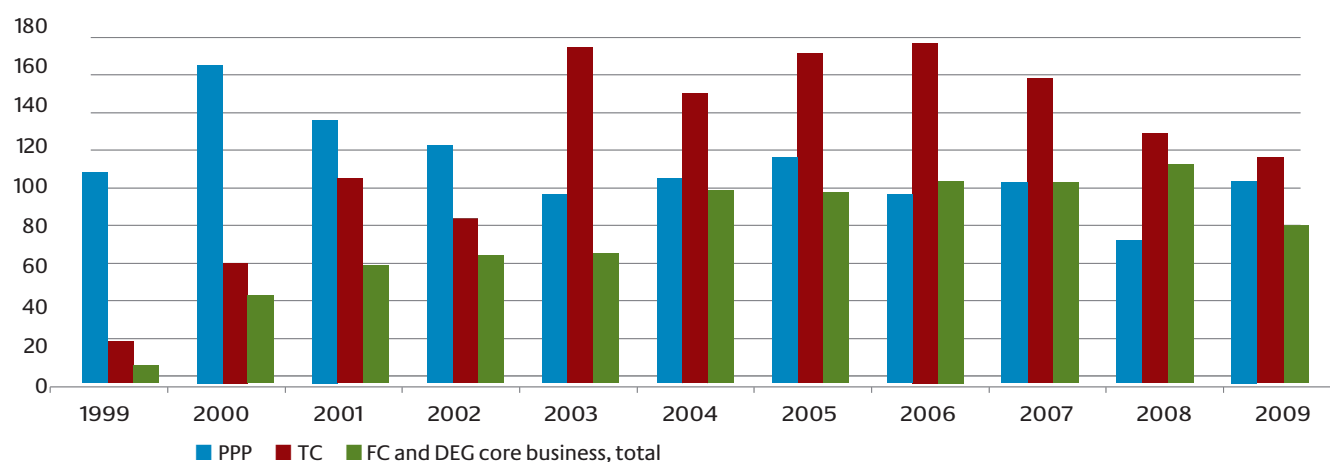


Changes in PPP measures 1999-2009

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
PPP facility, total	107	162	134	121	96	104	115	96	102	73	103	1,213
From DEG	56	69	54	51	48	46	43	52	47	30	57	553
From GTZ	51	93	66	55	34	40	56	32	48	32	33	540
From KfW	0	0	5	4	4	7	4	10	0	0	0	34
From sequa	0	0	9	11	10	11	12	2	7	11	13	86
TC (all kinds), total	21	61	104	84	171	147	168	173	155	127	115	1,326
From CIM	17	45	92	43	69	15	13	23	28	11	14	370
From DED	0	0	0	0	23	38	57	80	52	61	45	356
From GTZ	1	4	3	13	32	54	69	58	71	53	55	413
From InWEnt	3	12	9	28	47	40	29	12	4	2	1	187
FC and DEG core business, total	9	45	60	65	66	98	97	103	102	111	80	836
From KfW	9	15	11	20	19	31	26	31	29	45	23	259
From DEG-Kerngeschäft	0	30	49	45	47	67	71	72	73	66	57	577
Total	137	268	298	270	333	349	380	372	359	311	298	3,375

Changes in PPP measures 1999-2009

(Number of projects)



Annex I: Abbreviations

AG	Aktiengesellschaft (public limited company)
BMZ	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CIM	Centrum für internationale Migration und Entwicklung (Centre for international Migration and Development)
CSR	Corporate social responsibility
CO ₂	Carbon dioxide
DED	Deutscher Entwicklungsdienst (German Development Service)
DEG	Deutsche Entwicklungs- und Investitionsgesellschaft
FC	Financial Cooperation
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (German Technical Cooperation)
InWEnt	Internationale Weiterbildung und Entwicklung (Capacity Building International, Germany)
KfW	Kreditanstalt für Wiederaufbau
MPPPL	Malavalli Power Plant Private Limited
NGO	Non-governmental organisation
PPP	Public private partnership
SME	Small and medium-sized enterprises
TC	Technical Cooperation

Annex II: Contact addresses

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