

# African Research Review

---

*An International Multi-Disciplinary Journal, Ethiopia*

*Vol. 3 (2), January, 2009*

ISSN 1994-9057 (Print)

ISSN 2070-0083 (Online)

---

## **A Feasibility Study of Public Private Partnership in Sustainable Ethiopia's Coffee Quality Improvement Programme (pp 1-19)**

***Kalaiarasi Hariharan*** - MBA, Mphil, Lecturer, Department of Management, Faculty of Business and Economics, Post Box 1936, Bahir Dar University, Ethiopia. Phone: **00251 918708606** [rithyashree@yahoo.co.in](mailto:rithyashree@yahoo.co.in)

***Surendra Kotecha*** - Agriculturist, Consultant EU, ICO & World Bank, Coffee Quality & Marketing Strategies, Commodity Finance & Risk Management 47 Randolph Avenue, Little Venice, London W9 1BQ +44 20 7286 8060 Tel +44 20 7289 2768 Fax +44 77 6270 3894 Cell. Email: SKSurendra@aol.com, CoffeaSK@hotmail.com also in Ethiopia POBox 819 Code 1250 Addis Ababa, Cell +251 91 1864743

***Sukumar Nachiappan*** -M.Tech, Lecturer, Department of Textile Engineering, Faculty of Engineering, Post Box 1936, Bahir Dar University, Ethiopia Phone: 00215 58226213 (Email: [sugumaraan@yahoo.com](mailto:sugumaraan@yahoo.com))

### **Abstract**

*The rainforests of the south western Ethiopian highlands are recognised as the birthplace of Coffea arabica. Ethiopia is the only country in the world where Coffea Arabica (L.) can be found in the wild. The forests that once dominated the highlands are considerably diminished during the last decades. This poses a massive threat to the survival of the genetic resources of Coffea Arabica, 99.8% of the genetic diversity of which is in Ethiopia. As a result, the diversity at origin of some 2,000 or more coffee varieties –*

*unique in the world – is in danger of being irretrievably lost. The monastery islands and environ of Lake Tana had coffee from the South west forests planted 400 years ago by King Fassil of Gonder. This has created a natural ex-situ gene bank in an area otherwise covered with forest. Civilian population pressure since 1974 has reduced the forest for firewood and timber incomes and coffee has been neglected especially during the low price periods. In order to address these issues with sustainable livelihoods, the feasibility of a PPP programme is being studied, incorporating the governments with NGOs and private partners. This paper comprehensively analyses the approaches to study the feasibility and status of Public Private Partnerships (PPPs) in Amhara region specially Zegey peninsula and Lake Tana Island coffee quality improvement. To collect the required information interviews were conducted with concerned stakeholders and a simple questionnaire also prepared and distributed to coffee producing farmers in Amharic language.*

**Key words:** Quality Coffee Berries, Pre & Post Harvesting method, Amhara region- Zegey Peninsula, Feasibility of PPP assistance

**Acronyms:**

1. GTZ: German Development Agency – Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ) GmbH
2. PPP: Public private partnership
3. Bofed: Bureau of finance and economic development
4. BoA: Bureau of Agriculture & Rural Development – Amhara Region
5. ARDA: Amhara Regional Development Association – acronym in Amharic language is ALMA
6. BoT: Bureau of Trade
7. BoCB: Bureau of Capacity Building

**Introduction:**

Ethiopia has a total landmass of 1.1 million square kilometres and a population of 75million (in 2001/02) making it the third most populous country in Africa after Nigeria and Egypt. The country has considerable arable land and untapped natural agricultural resources including water. The mineral resource potential is also rich, although much of it is yet to be exploited. The Ethiopian economy remains heavily dependent on the earnings of fragmented smallholder agricultural activities. The sector

contributes about 50% of the total GDP. It accounts for 90% of export and 85% of total employment.(Trade policy 2002) The country's export is highly dependent on a single crop – coffee, consistently generating between 40 and 60% of the total foreign exchange earnings, depending on the world prices(MSED strategy). The main manufacturing products are textile products, leather and leather products, foodstuffs, tobacco, cement, beverages, metallic and non-metallic products. The exporting sector is primarily concerned on the processing of agricultural commodities. The principle-manufacturing centre is Addis Ababa. ([Dr. Werotew Bezabih](#))

The country has faced immense problems in food security, unemployment, poverty and dependency on external economies. Majority of the products are imported from various countries. Chief suppliers of the imports are: US, German, Saudi Arabia, France, Italy, Thailand, and China. (Various internet sites with Ethiopian country profiles) With high oil prices at the beginning of 2008, 87% of the export revenue goes towards payment of fuel and energy import (Ethiopian Newspaper Fortune) and now it must be nearer 130%. The IMF predicted in May 2008 that Ethiopia will run out of foreign exchange reserves in July 2008.

### **Public Private Partnership (PPP): Definition and Rationale**

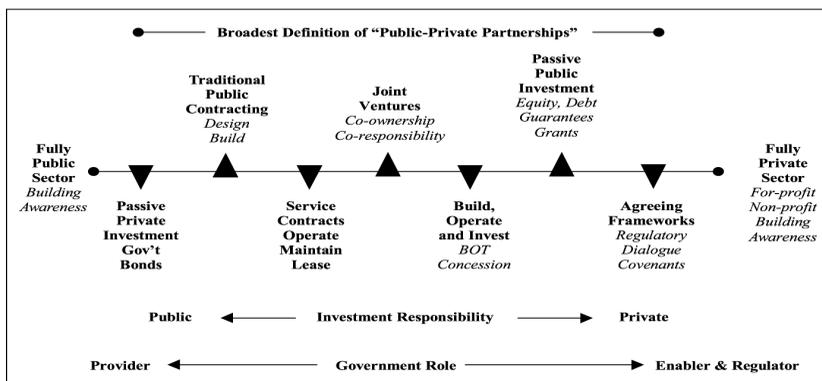
In recent years, adoption of free market economies in developing countries has revised the thinking of the respective roles of the state and the private sector. The new balance of interdependencies in the free market economy necessitates reforms in partnership structures and collaboration amongst organizations and institutions. Pongsiri (2002) writes of a blurring of activities and responsibilities and the public sector moving towards a diffuse force field in which public and private interests have to be reconciled. The new dynamics have catalysed a new way of working with the private sector.

Therefore, PPPs have evolved as a preferred institutional arrangement. A PPP is a partially institutionalized form of cooperation of public and private actors, which on the basis of their own objectives, work together towards a joint target (Nijkamp et al 2002). While PPPs were originally treated as a derivative of the privatization movement, there is a growing consensus today that PPPs do not simply mean the introduction of market mechanisms or the privatization of public services. PPPs rather imply a sort of harmonious collaboration to pursue common goals, while leveraging joint resources and

capitalizing on the respective competences, synergies and strengths of the public and private partners (Widdus, 2001; Pongsiri, 2002; Nijkamp et al., 2002).

Unfortunately, the term PPP has been abused and become mired in a muddle of conceptual ambiguities. The PPP concept is indeed commonly used to describe a wide spectrum of possible relationships between public and private actors for the cooperative provision of services. Admitting that there is no single PPP model and that a diversity of arrangements may be distinguished, varying with regard to legal status, governance, management, policy-setting prerogatives, contributions and operational roles, it should be emphasized that actual partnering involves collaboration in the pursuit of a common objective. A relationship qualifies as a partnership if it involves the joint definition of specific goals, and a clear assignment of responsibilities and areas of competence between the partners in the pursuit of a common endeavour - such as development with a business minded approach and building capacities for sustainability. Many people supposed that PPPs in third world development did not seem to meet this criterion. Donor agencies often promoted privatization and government subsidies to private entrepreneurs in the name of building PPPs. However, privatization and subsidies should not be confused with PPPs (Mitchell-Weaver and Manning, 1991).

Some conceive PPPs as representing a middle path between state capitalism and privatization (Leitch and Motion, 2003). In addition, general disillusionment with privatization has led to explicit attempts to engage with the private sector in a different way. Privatization indeed did not result in massive reductions in national debts, nor did the private sector demonstrate the universal superiority in running businesses that provided the philosophical underpinnings of the privatization process (Broadbent and Laughlin, 2003; Leitch and Motion, 2003). PPPs were therefore seen as a way of involving the private sector in projects of national importance, while avoiding the problems associated with the extensive privatizations that occurred in the 1980s in some countries (not in Ethiopia).



Source: Gidman *et al.* (1995)

In the context of developing countries, the recent proliferation of PPPs has been attributed to several explicitly stated reasons, including: the desire to improve the performance of the public sector by employing innovative and efficient operation and maintenance methods; reducing and stabilizing costs of providing services; improving environmental protection by ensuring compliance with environmental requirements; reinforcing competition; and reducing government budgetary constraints by accessing private capital for infrastructure investments (Miller, 2000; Savas, 2000).

Public agencies and private organizations can indeed seek mutual advantages in developing a PPP, particularly when the latter is characterized by trust, openness, fairness and mutual respect. For the public agency, the main rewards from partnering with the private sector are improvement of program performance, cost-efficiencies, better service provisions and appropriate allocation of risks and responsibilities (Pongsiri, 2002). The good faith approach indeed takes as proven that private participation results in a combination of lower cost and less risk in the chances of success for the public sector (Miller, 2000; Leitch and Motion, 2003). The private sector on the other hand expects to have a better investment potential, to make a reasonable profit, and to have more opportunities to expand its business interests on a more sustainable basis. A good return on investment is

definitely an essential consideration from the private partner perspective (Scharle, 2002).

### **Ethiopia and Coffea Arabica:**

Coffee is the most important agricultural commodity in Africa in general and in Eastern and Central African countries such as Ethiopia. Coffee in Ethiopia is of vital importance in the domestic economy and represents a significant proportion, about 50% of the foreign exchange earnings. A strong culture of domestic consumption of coffee has prevailed in Ethiopia for centuries before the rest of the world. Coffee provides livelihoods for about 1.2 million people in Ethiopia.

The rainforests of the south-western Ethiopian highlands are the birthplace of *Coffea arabica* and the only region in the world where it can be found in the wild. These forests that once dominated the highlands are 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 diversity. In the south-western mountainous and surrounding areas of Ethiopia, coffee is more or less extensively utilized as forest coffee and semi-forest coffee or cultivated as garden coffee. More than 90% is organic, although not all certified. Only 4% of Ethiopian coffee is produced in plantations.

Ethiopia supplies 3% of world exports of *coffea arabica*, which accounts for about 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 switched to growing khat (chat or qat) for its leaf which is chewed as an inebriant drug; others fell the trees for fuel and timber, trees that otherwise give shade to the coffee plants. 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 or more coffee varieties – unique in the world – is in danger of being irretrievably lost.

Ethiopia is the world's only origin of Arabica, the only coffee species that can be processed to produce the aromatic flavorful cups that act as a fuel for the mind. Most of us know its importance since Arabica constitutes about 60

percent of the world's commercially traded coffee. Not so long ago this was more than 70 percent. More importantly, Ethiopia possesses 99.8 percent of the genetic diversity. This is even more significant because Arabica is 95 percent self pollinating and inbreeding as opposed to Robusta which is cross pollinating. Thus to achieve results in future breeding programmes, the coffee world needs the existing diversity in Ethiopia. (Kotecha Dec 2007)

### **What is Quality and Why Quality Coffee?**

Quality is subjective and generally described as coffee that has desirable clean raw and roasted appearance as well as attractive aroma, fragrance and good cup-taste. The principle objective of producing coffee is to maintain the inherent desirable quality of the beans that leads to good beverage taste and customer satisfaction so that eventually it is a consistent and desirable product that fetches higher prices for better incomes for farmers. Appropriate post harvest processing is vital and integral to achieving these results. Quality is of paramount importance to any product in general and to the coffee industry in particular. Quality is highly associated with consumer's satisfaction, and is an important aspect in today's competitive market. Quality is quite subjective from person to person and also from nation to nation, with taste preferences which are nowadays changing with the advent of speciality coffee production and marketing. Consistent production of high quality differentiated Arabica Coffee according to market demand increases competitiveness and helps in establishing sustainable relationships in the market leading to increased and more stable consumer demand as well as returns to producers.

### **Factors Influencing Coffee quality:**

The quality of coffee is primarily determined by interactions of agro-ecological factors, genetic make up, management practices applied to the coffee trees and most of all, to realize the potential quality in the beans, the post-harvest processing and handling practices. Ethiopia is endowed with conducive agro-ecological conditions for coffee production and coffee types (*Coffea Arabica*) that are favored for their excellent tastes, most of the quality problems are largely attributed to the pre-and post harvest practices employed, which appropriately administered can also produce the positive inherent traits. This underscores the critical need for gearing efforts towards improving, harvesting and processing practices.

**Need for Coffee Quality Improvement:**

In recent years, there has been an increase in global coffee production and oversupply in the international coffee market, resulting in mounting international competition and decline in prices. The only viable option to remain competitive in the world market, as well as to attract new customers, is through production of coffee of differentiated or superior qualities according to consumer preferences and demand.

In this regard, Ethiopia has favourable conditions for the production of quality coffee and different coffee types that are liked for their unique flavour and taste. However many growing regions in Ethiopia have not benefited from this huge potential as they should have, mainly because of the traditional pre & post harvesting system and processing practices employed by the farmers. Instead of the usual direct sun drying of mixed ripe and unripe coffee fruit, it was considered that mechanical pulping and washing of ripe fruit with subsequent careful drying on well equipped raised beds would improve the quality and the farm incomes in Lake Tana, Amhara Region, as achieved in other parts of the Southern Nations or the SNNP Region.

**PPP Participators:**

PUBLIC SECTOR	PRIVATE SECTOR	PRIVATE LOCAL PARTNER
GERMAN DEVELOPMENT AGENCY (GTZ) By German Government	ABESSINIA COFFEE-GERMANY  END USER INDUSTRY BUYERS AND DISTRIBUTORS TO THE SPECIALITY MARKETS	KALEB PLC LTD Licensed coffee Exporter –Addis Ababa-Ethiopia
GOVERNMENT OF AMHARA REGION WITH THE MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT		
ALMA or ADA – AMHARA DEVELOPMENT AGENCY		
ZEGEY MUNICIPALITY & CO_OPERATIVE		

The German Federal Ministry for Economic Cooperation and Development established the programme of public-private partnerships (PPPs) in 1999 and entrusted a number of organizations – among them GTZ – with the implementation of Projects including PPP amongst others.

GTZ is a development agency which comes under the control of the German Government to assist developing and Poor Countries PPP Project. The objective is to find measures that lead to a "win-win" situation for both sides, the public and the private sector.

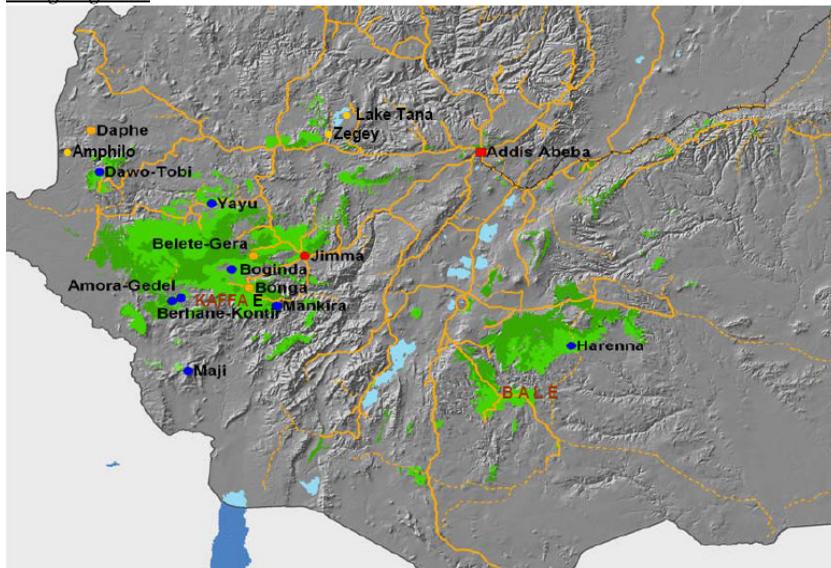
KALEB PLC-Addis Ababa is one of the leading licensed coffee exporters of Ethiopia. Kaleb's primary activity is export of sesame seed grown in the northern drier parts of Ethiopia as well as combine harvesting of grains in the Bale Region in the south east of Ethiopia. They have struck up a relationship with the German business partner Markus Koerner, a private businessman who also deals with coffee through his company Abessinia Coffee in Germany for a major trading partner in speciality coffees.

### **Amhara Region and Zegey Penninsula:**

Ethiopia is a country with total surface of 1.104 million sq.km. Ethiopia has been divided into more than 11 different regions. Among that, Amhara region has the total surface of 179152 square kilometers. It is located in the north central and north western part of Ethiopia and the region is inhabited by a total population of 17.8 million, 89% of the population residing in rural areas where as 11% urban residing and 53.5% of the population are with the age of economically active labour forces ranging from 15-64years old. The region has wide-range of topography of which 63% lies between 1500 and 3000 meters above the sea level. The remaining 35% of the surface area lies between 500 to 1500 meters, rest of 2% located in extreme altitude of 3500 level. This region comprises 10 major-agro ecological zones and 18 sub agro ecological zones. (Source: BoFED, 2004).

Zegey is the peninsula located in Lake Tana region around Bahirdar city of Ethiopia. It consists of more than 11 Monasteries including islands and has potential to develop in many respects, including with coffee. It is also encouraging biosphere reserve potential with smokeless tourism development and the attractive historic monasteries within the largest lake of Ethiopia. The population of Zegey peninsula is poor and they joined the monasteries in 1974 during the Derg regime.

*Detailed Map of Ethiopian forest areas in green and forest areas with coffee in light green*



Source: *Universities of Bonn & Addis Ababa, Coffee Conservation Research Project in Ethiopia 2005*

**Coffee Status at Amhara Region:**

Though the Amhara region has all the potential to export quality coffee, still now the coffee industry is at an infant stage. The coffee export level of Amhara region is nil to date but recent tastings of production show immense potential. (Mr.Sinthayu- field survey Report-BOA- 2000)

**Discussion about Coffee Quality Improvement Programme:**

In response to this concern a project entitled “MONK’S DELIGHT/ TANA ISLAND COFFEE” was developed to assist small scale coffee producers under the PPP Umbrella.

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 2007 the German government through GTZ and Abessinia Coffee in Germany who proposed this project to GTZ and Kaleb PLC, Addis Ababa, a Licensed Coffee

Exporter who had signed a joint PPP-Project with the Amhara Region and Amhara Development Association that combines:

- The improvement of the coffee production, processing
- Assistance to Monasteries
- Tourism Development
- Income Generation

**Objective of this ppp:**

“Promote the social and economic well-being of the population of Lake Tana islands (monks, priests, communities) through the development of sustainable coffee export trade and related economic, social and cultural activities”

**Approach:**

The Kaleb PLC, Addis Ababa, licensed coffee exporter, which has been promoted by Abessinia Coffee, Germany with the facilitation of GTZ, has initiated this PPP project. Prior to engagement, when first approached with the idea to study the feasibility of a centralized pulping station for washed coffee only; the international consultant suggested a trial with hand pulpers at different sites. In addition, he suggested to conduct trials to produce differently processed coffees, pulped natural (sometimes derogatorily called semi-washed) and also special sun dried coffees as well as the fully washed that the end buyers required.

This was because his experience has shown that in Ethiopia and perhaps elsewhere, the other processes (natural special dried and pulped natural) produce a more special and intense taste profile than the fully washed, of the typical profile, which has mild fruity acidity with medium body and floral aromas and flavours. Compared to the fully washed, the other processes are also more environmentally friendly because they use 5% or less of the water required for fully washed. It should be mentioned here that the fully washed takes about 6-8 days to dry to the required 10.5% to 11.5% moisture level for the green bean, the pulped natural takes about 12-14 days and the sun dried cherry can take as long as 18 days, depending on the sunshine and humidity. The international consultant is also the co-author of this paper.

The production and export of monk’s delight/Tana Islands coffee as a branded specialty coffee will be the backbone of the host of other initiatives of social and cultural benefit. Markus Korneer’s Abessinia company-

Germany raised and invested 50% of capital (250,000 Ethiopian Birr) and the KALEB PLC finance the other 50% (2,50,000 Ethiopian Birr) for the required investments, directly or through intermediation. GTZ has provided required local, national and International consultancy services to the project. Kaleb Plc will support the project in Zega peninsula by various required activities. Kaleb and consultants are meeting the farmers and doing the required field works.

The project will be operated in a 5-10-20 year time horizon, depending on the needs. Commitments and obligations of all partners have been laid down in contracts between KALEB PLC and the other individual monasteries. The selected monasteries existing in Zegey peninsula are also assisting this project. Ethiopian government's Bureau of Agriculture (BOF) – Bahirdar branch has also assisted this PPP by providing technical support along with this Amhara Regional development Association (ARDA).

### **Roles and Responsibilities of project players:**

In support of the commercial project to export speciality coffee Kaleb PLC and Abessinia coffee is funding required Budget totally 5,00,000 Ethiopian Birrs for the current year. Initially 2,50,000 Ethiopian Birrs has been supported for the initiatives in Tourism Development, Preservation of Cultural heritage, and other income generation and community development through providing linkages, advice and consultation. The above said activities will be taken care of Bureau of Amhara regional Development Association (ARDA). Kaleb PLC has monitor the required fund allocation.

The other portion of capital 250,000 Ethiopian Birrs has been invested for purchasing machineries such as hand pulpers, roaster, moisture meter and other required materials for project related activities. These activities are monitored by international and national consultants who are appointed by GTZ along with Kaleb PLC. All the expenses related to Consultants will be supported by the GTZ.

Apart from 50% investment, Abessinia coffee in Germany will support Kaleb Plc to sell the coffee in European and US Market as specialty. After successful implementation of the first phase Abissiniya Corporation will endeavour to bring additional support.

The Ethiopian Government's Bureau of Agriculture –Bahirdar Branch will support this project by providing necessary training to the farmers and technical support. The local Zegey peninsula Municipality Bureau is also involved for assistance activities. The individual monasteries in Zegey peninsula are contracted with Kaleb PLC to sell coffee cherries and harvesting procedures.

### **Benefits of PPP:**

The main advantages are shown as reducing risks to achieve practical and sustainable results for development targets at the same time as reconciling public and private sector interests and risks. PPPs can, under the right conditions, provide an effective mechanism for capitalizing and optimizing the differences and strengths of each sector in the pursuit of common objectives. The principles can be applied to various other development ideas.

Overall, the roles and responsibilities are allocated according to knowledge and skills. Risks are also shared in the same manner to reduce them overall. The public sector would not have conducted the feasibility in the same manner since they do not know the detailed implications of quality, methods and its improvement. Therefore none of the public sector partner/s would have been able to raise or justify the crop financing required for payment with a high price for fruit cherries to the farmers. This risk was alleviated by the know how and expertise of the private sector that does not consider it such a risk. At the same time, the private sector would not have thought of or considered the country wide possible development of a micro-pulping prototype technology for benefit on a much wider scale than the pilot study that they targeted. In addition, the private sector would not have been able to justify the hire of the training technicians who made the project successful. By this PPP project the local community, farmers of Zegey Island & Zegey Island Monasteries will benefit in the following ways:

#### **I) High Income and Less risk of Farmers:**

- In general, this PPP will provide a higher income for the farmers and less risk. Monks and coffee farmers are received a premium price, which is 7.5 EB per kg of red cherry, whereas the normal price 3.5 to 4.5EB per kg. In other parts of Ethiopia's coffee growing regions, improved processing and drying methods for fully

ripe fruit have almost doubled the incomes to the farmers and the country's export revenue.

- Farmers are not doing any post harvesting activities like drying, sorting, storing etc., they are picking the healthy cherries and they will sell it to the project. The risks related to the above activities are reduced due to project.
- The quality risks are almost eliminated by selective picking ripe fruit, proper drying with little or no chance of off flavours, such as earthy or fermented, that are prevalent in the traditional sun dried processing of mixed ripe and unripe fruit cherries.
- The marketing risk will also be reduced with the quality being tailored to the buyers' requirements, which will pay a premium price for specially identified and branded coffee product.

## **II). Improved Coffee Production and Processing**

- The required training provided to farmers and Zegey Monastery Monks:

Training of farmers, extension workers, Monastery monks and other Stakeholders on the production and importance of Arabica coffee is an integral part of the project. Specific elements of training includes picking fully ripened and healthy cherries, Procedures of Drying coffee parchments, Use and maintenance of equipments & etc.,. The training was given by the coffee expert Mr. Surendra Kotecha and other BOA officials.

- Project will provide Agricultural extension and quality seed lings to private farmers:  
The successful growth and development of coffee trees and their subsequent productivity is highly dependent on the initial establishment of the seedlings. So the quality seedlings are distributed to the farmers with the assistance of BOA. Subsequently this project will provide assistance on the agricultural extension activities like Planting, Pruning, Irrigation, Nutrition and Soil maintenance & weed control.
- Proper Management & rejuvenation in Zegey coffee forest

- Project provides appropriate equipment with subsidy and crop finance
- Project establishes proper drying space, storage facilities & processing
- Project establish branding, export license etc., with the help of BoT,BoCB.

### **III). Assistance to Monasteries:**

The Monasteries have immense tourism potential which are not properly exploited.

The project targets each partner Monastery. The monastery implements a lasting and visible improvement of its infrastructure such as water, electricity supply, landing points, Museum facilities along with the collaboration between monasteries and KALEB PLC who has invested 1,00,000 Ethiopian Birrs for the above mentioned activities.

### **IV). Tourism Development:**

The Project targets the tourism development of Zegey Peninsula by providing technical design and work supervision for footpath upgrading programme of Zega Monasteries.

The project will also conceptualise, design, and edit a brochure on the monastery islands. The PPP is supporting the Amhara regional government in tourism development.

### **V). Income Generation to Zegey Community**

- Project has launched a vegetable gardening programme with 200 Zegey farmers, which provide additional income of 1000 Ethiopian Birr per Farmer.
- Shop and refreshment reception centre will be established close to the main Zegey landing point. It will provide employment to 20 persons.
- A leather micro enterprise will be launched to sell goods worth of 5000 Birrs, providing part time employment to many people.
- A honey marketing and production study will be implemented.

The Kaleb Plc through a local representative who has assigned to monitor and organize all the activities technically & financially supports all the above said activities.

**Benefit for Private Partners:**

Europe is home to a rich variety of coffee consuming tastes and one great European coffee country, Germany, encapsulates this with a robust longstanding tradition of both filter and espresso-based coffee beverages. Ethiopia is not only the birthplace of Arabica but also home to 99.8% of its vast genetic diversity, which will attract the European and other country coffee markets. Through this PPP investment the private partners will receive a very good quality coffee, which will allow them to pay an attractive price in the markets of Europe, Japan, and USA.

**Sustainable Development for coffee quality Improvement:**

Sustainability is the ability to meet the needs of the present without compromising the circumstances of the future generations to meet their own needs. In the current scenario Tana/Zegey farmers have to focus on long-term environment sustainability since they will gain their livelihoods from this. It is also a major factor, which influences the quality of the coffee.

The Government, Private organizations, PPP programs, NGO who are focusing on coffee quality must try to educate the farmers and coffee producers about the importance of the environment and how it affects coffee production and quality. Environmental sustainability involves: protecting water resources, protecting soil resources, conserving biological diversity, environmental management and monitoring energy conservation. The coffee producers/farmers must be educated about keeping records of agro-chemicals used on the farm (in this case none are used); integrated pesticide management systems, testing the soil samples for the essential nutrients, integrated coffee storage system.

The existing Zegey coffee producers have not as yet been aware of the coffee quality improvement processes being introduced and how it affects them and various other circumstances. To bring sustainable development it needs much investment, training, research, potential strategies which may bring real coffee quality for higher incomes and for improvement of other circumstances as well as community living standards.

Most of the Ethiopian coffee forests are eroded because of many reasons, the main ones being population pressure, less awareness about conservation and sustainable measures. Through sustainable development after this pilot project, the remaining coffee forests can be conserved and the quality of life will be improved. It also offers more choices for the land users for other activities with finance generated by coffee export and revenue generated. Ethiopia has immense potential in coffee, which needs to be explored and assisted by various channels such as PPP, research and development, donors, private Investors.

### **Conclusion based on Interviews & Observations:**

Many developing country experiences support the usefulness of PPPs in development, as well as the necessity for active involvement of local government in partnerships with the private sector, in order to successfully deliver such projects. This feasibility study for a PPP project has so far proven to be highly competent when it comes to improving the coffee quality, and has provided that they combine this competence with the long-term vision, the adoption of a structured PPP by the local authorities should lead to substantially positive results. Active involvement of private capital in coffee improvement schemes with the assistance of public sector has already led to some positive results. The effective application of PPPs in coffee quality improvement in Zegey and elsewhere will also promote the goal of sustainability implying social, economic and environmental benefits through effective governance.

The international consultant has tasted the various coffees at four different locations in Ethiopia with the national coffee liquoring unit as well as in Europe with various buyers. The results have been excellent. The buyers will decide on the best post harvest process they prefer according to their market demands.

The consultant has also initiated with a local engineer the drawing of a prototype hand or mechanically driven pulper with trays, buckets and receptors for the water and the parchment for fermentation and other processes. This will be improved by an international manufacturer of eco-friendly machinery for use by small-scale individual farmers or small groups of farmers who do not have access to centralized pulping stations.

Although the GTZ, Abessinia and Kaleb all found the experiments expensive, the positive quality results for the private sector partners; and for GTZ the possibility of replication of the machinery in other growing areas of Ethiopia and may be even other countries – these factors will in their opinions justify the costs when carried out on a larger scale at more sites.

The experience of Zegey coffee project in the world's exclusive birthplace of Arabica, should provide potential quality and taste of its coffee to the world markets. The genetic diversity and the growing region climates are the main advantages allowing Ethiopia to explore these possibilities. Strategies, technical and market support implemented by various PPP participators will allow the exploitation of the potential and bring positive results for Amhara region to promote coffee exports. The farmer's pre-harvesting and post-harvesting methods used with training will improve and help this development potential. This PPP programme utilizes the Zegey's coffee potential and this should in the long run become an example that improves the Amhara region's coffee quality in other growing areas to allow entry into the export arena. The existing processing and marketing channels will be enhanced and expanded for fairer benefits to farmers from their produce as well as allowing them to participate directly in their own development as well as the coffee quality. .

Therefore, to achieve this, efforts are being made by the project to bring farmers together as a group or groups and train them collectively to produce better quality coffee and more of it in quantity so as to attract buyers. This will allow producers establish direct and sustainable links with exporters and avoid the problems often associated with a long chain of intermediaries.

**References:**

- Gidman, P., Blore, I., Lorentzen, J. and Schuttenbelt, P. (1995), Public Private Partnerships in Urban Infrastructure Services, *UMP Working Paper Series No. 4, UNDP/Habitat/World Bank*, Nairobi, pp. 1-11.
- Pongsiri, N. (2002), "Regulation and public private partnerships", *The International Journal of Public Sector Management*, Vol. 15 No. 6, pp. 487-95.
- Widdus, R. (2001), "Public private partnerships for health: their main targets, their diversity and their future directions", *Bulletin of the World Health Organization*, Vol. 79 No. 4, pp. 713-20.
- Nijkamp, P., Van der Burch, M. and Vidigni, G. (2002), "A comparative institutional evaluation of public private partnerships in Dutch urban land-use and revitalization projects", *Urban Studies*, Vol. 39 No. 10, pp. 1865-80.
- Mitchell-Weaver, C. and Manning, B. (1991), "Public private partnerships in third world development: a conceptual overview", *Studies in Comparative International Development*, Vol. 26 No. 4, pp. 45-67.
- Leitch, S. and Motion, J. (2003), "Public private partnerships: consultation, cooperation and collusion", *Journal of Public Affairs*, Vol. 3 No. 3, pp. 273-8.
- Miller, J.B. (2000), *Principles of Public and Private Infrastructure Delivery*, Kluwer Academic Publishers, London.
- Scharle, P. (2002), "Public private partnerships as a social game", *Innovation*, Vol. 15 No. 3, pp. 227-52.
- Surendra Kotecha, Arabica's Garden of Eden, *Café Europa*, Voice of the Speciality Coffee Association of Europe No.31, December 2007, pp 2-4
- Trade Policy (Draft document) – May – 2002. Bureau of Trade and Industry BahirDar Branch, Ethiopia.
- Micro and Small Enterprises Development Strategy. (MSED) November (1997), Addis Ababa, Ethiopia.
- Dr. Werotaw.Bezabih, President (Empretec Ethiopia Business society) – 'private sector development in Ethiopia in particular to small business' – Paper presented in second international conference on Ethiopian economy June 3 to 5 /2004. United Nations conference center ,Addis Ababa