

Editorial

"No country can be developed from the outside. Fighting poverty is only possible in line with economic stability. Therefore, we have to invest in sustainable economic development", stated German Development Minister Niebel during his recent visit to GFA. Indeed, this is the philosophy pursued by a private sector development intervention in Afghanistan implemented by GFA on behalf of GIZ. When I first met our Afghan and international staff, I felt that their enthusiasm should be brought to the attention of the readers of our first newsletter in 2011. These consultants promote sustainable economic development under adverse conditions. Contrary to the negative news about Afghanistan for so many years, their positive spirit lights a beacon of hope. Their cooperation with so many diligent Afghan farmers, craftsmen and entrepreneurs clearly shows that the contributions of German development assistance can and do really make a difference. The two articles in this newsletter portray how lost traditional knowledge can be recovered to generate income through the establishment of well functioning value chains – particularly when they foster the stimulation of agro-based growth in poor rural areas.

The newsletter underlines that GFA regards private sector development as one of the most visible interventions in processes addressing conflict resolution and peacemaking. Our experiences relate to numerous projects implemented also in African countries such as Angola or Rwanda where the collaboration in establishing value chains helped bridge divergent interests of former conflict parties. In this sense, we would like to see "More of that!" in upcoming years – possibly next in the Maghreb region and the Middle East.



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Afghanistan – Peace by Development

Afghanistan has been all over the news for years. Particularly in Germany, people ask "Why are we there?" Not only do they question the deployment of armed forces but also development cooperation. GFA experts have contributed to private sector development in Northern Afghanistan since 2005. But is there any socio-economic leverage from the promotion of value chains in this war torn country?

When German Development Minister Dirk Niebel visited GFA headquarters earlier last month (page 4) he addressed the "Why?" question by referring to the challenge of consolidating peace. When the Taliban knock on a man's door to call him to an insurgency mission, Niebel argued, and that man has work to do – chances are that he will say 'No'. This vision of 'peace by development perspective' is also what drives the GFA team: change processes to revitalize the country's socio-economic life that almost came to a halt as a result of continuous warfare since the late 1970s, a weak infrastructure, and extreme poverty. GFA works on behalf of Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ (formerly GTZ) in the context of a large-scale sustainable economic development program (NaWi). The program with an annual budget of about eight million Euros aims at fostering the competitiveness of the Afghan economy

and creating employment opportunities and incomes in the Northern provinces. This region is one of the poorest in the world where many of the small and medium businesses were forced to close down during the thirty years of war and Taliban rule. Consequently, GIZ focuses on five poverty-oriented value chains: carpets, leather, herbs and spices, dried fruit and nuts, and gemstones. Related projects are linked across the five main Northern provinces of Balkh, Baghlan, Kunduz, Takhar and Badakhshan in accordance with the availability of local raw materials and vocational traditions and skills in the sector.

The impact of value chains

GFA Consulting Group has contributed to these efforts through a wide range of projects related to business development services (BDS), gemstones value chain and agribusiness. GFA's experience shows that even small projects can have leverage effects on enterprises. For example, the cooperation with two dairies in Balkh and Kunduz supports a total of 690 farming families in ten collection centers. Production rose from 290,000 liters of milk in 2003 to 800,000 in 2010. *"On average, each farming family earns 18,000 AFN (306 Euros) per year as additional income"*, explains Dr. Homayon, Managing Direc-



Will peace last? Hope in front of the Blue Mosque in Mazar-e Sharif

Afghanistan – Peace by Development (continued from page 1)

tor of the Balkh Dairy. And he adds that the new milk packaging, a tasty yoghurt recipe and the improved hygiene standards introduced by a GFA consultant “gives people in Mazar a feeling of pride.” The project provided technical and business skills among all actors in the dairy value chain: farmers, cooperatives, and service providers.

In a similar way, growing silkworms and selling raw silk can be a significant supplementary income for hundreds of rural families, once they are given access to simple spinning and weaving technology again that many of them gave up 25 years ago. Farmers were skeptical at first but the Afghan carpet industry imports expensive fine-spun silk that can be replaced by much cheaper local material. After 400 farmers had been trained, the annual output of cocoons per producer could be raised from three to seven kilo. At an average price of 450 AFN per kilo this means 3,500 AFN of additional annual income per family. This year, NaWi focusses on silk processing by womens’ associations.

In other pilot projects, carpenters built beehives used by 200 farmers to manufacture tasty Afghan honey. Within a year, the production of honey grew from 10 to 38 tons which means an additional family income of 9,500 AFN (160 Euros) to buy much needed rice, flour and cooking oil. A model bakery in Kabul shifted from wood to gas operated ovens in 2008. As this is a healthier and more economic way



Photo: GIZ / Lorenzo Tugnoli

Milk production at the Balkh Dairy in Mazar-e Sharif

of production, competitors immediately saw the advantages. Nowadays, it is very common for Kabuli bakeries to work with gas ovens. Small factories turn out a variety of melon and apple juices. Business associations actively support their members. Local business service providers are learning how to advise SMEs and help them develop successful business plans. Major achievements have been in the gemstones value chain as jewelers started to sell their first products abroad (page 3).

Sustaining success

GFA supports BDS for Afghan enterprises. International knowhow is adapted to the

local context and consulting services are made available for local entrepreneurs. GFA strengthens institutions like chambers, business associations and other suppliers of business development services and capacity building.

In addition to organizational support, GFA creates competence for competition by means of its own product, C³ Training, and improves BDS quantity and quality. If a pilot project along a value chain shows good potential, the GIZ NaWi program extends its cooperation to a wider range of enterprises and associations, and helps promote related products at trade fairs at home and abroad. All activities are regularly assessed and analyzed by the project’s monitoring and evaluation system. Qualitative and quantitative data collected through baseline studies are regularly compared with the results achieved through the project. A tracer study by neutral Afghan researchers in December 2010 concluded that almost all respondents (95%) found the training provided by GFA useful for primarily two reasons – an increase in quality (64%) and improved service delivery (70%).

By keeping in constant touch with target groups, GFA aims at addressing Afghans’ felt and real needs. Assisting them in making ends meet hopefully will keep their country afloat.

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Photo: GIZ / Lorenzo Tugnoli

Rediscovering a century-old tradition: silkworm breeding

From Gemstones to Jewelry

Lapis lazuli and other gemstones have been mined in Afghanistan for more than 6,000 years. The quality of Afghan gemstones is considered one of the best in the world. But most of the large amounts of gemstones leave the country illegally to be processed abroad, so the Afghan economy loses jobs, value-added and taxes.

In order to counterbalance this trend, the GFA project in Northern Afghanistan aims at developing the capacity of local craftsmen to cut and polish local gemstones into marketable products. The creation of a conducive environment for high quality gemstone products should provide the producers with better chances in export markets. To this effect, GFA established a training center in Kunduz equipped with modern jewelry and gem cutting tools and hired an Afghan trainer with more than 15 years of experience in Kabul and Peshawar. He developed training courses in consultation with a British jewelry trainer. Theoretical and practical training for gemstone processing is offered in six-month courses, mostly about cutting, faceting and polishing. Trainees pay in cash or kind to support the sustainability of the center.

The center is open for gem cutters to take part in the trainings, and use the machines to make the products ordered from them. This enables them to provide jewelry of good quality. *"Now I am making new products by using the faceting and polishing machines there"*, says Hamedullah Sherzai in Kunduz, a beneficiary of the GFA project. He used to earn 12,000 AFN (203 Euros) per month before the training in

2005 and steadily increased that income to 15,000 AFN (255 Euros) in late 2009 and 20,000 AFN (340 Euros) in early 2011, an increase of almost 70 per cent. *"I earned 4,000 Afghanis a month before the training"*, adds another trainee and member of the jewelers' guild in Kunduz, Mr. Ghulam Murtaza Sediqi who tripled his income to 12,000 (204 Euros) within a year until early 2011 and started to train apprentices in his workshop. Additional design courses that stimulate craftsmen into producing both modern and traditional designs have become very popular. Coupling design with product costing has proven particularly valuable. Looking back at the impacts the training had on his life Mr. Sherzai says: *"Before, I supported my two brothers only. Now I can pay the fees for English, computer and math courses for my three sisters and two brothers."* When asked about his plans for the future, Mr. Murtaza stated in 2009: *"I am thinking about finding a market in foreign countries."* In May 2010, he and two other participants of training in Kunduz received an order of 6,000 US Dollars for the export of their jewelry to the USA. This led to additional demand for training so that currently three groups of 24 participants are being trained. As a result of the success achieved in Kunduz, GFA is currently involved in establishing five additional gemstone training centers in the Balkh, Kunduz, Takhar and Badakhshan provinces.

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Life after HEAT

Afghanistan is a stunningly beautiful and fascinating country in terms of landscapes, culture and social fabric. *"However, this serenity is deceptive"*, reflects Dr. Susanne Geipert of GIZ *"as you are constantly reminded that you live and work in a crisis region."* Silja Ostermann, a GFA consultant, refers to HEAT – Hostile Environment Awareness Training which is about precautions in a professional security system at all times. *"Life is much determined by ensuring the safety of road trips, assessing the projects' conflict sensibility and establishing a trustful relationship with guards and neighbors."* Aside from general security concerns, stress factors such as the worries of family and friends or intercultural and mobility constraints hamper daily routines. But doubts about the "Why?" question are balanced by rewards such as *"a nice team to work with, Afghan warmth and hospitality, a fascinating country, and interesting projects."*

Chris Prior, a senior GFA expert stationed in Kunduz, adds *"Most times we are starting pretty much from scratch, which is difficult. But it makes work very fulfilling because anything achieved is a result of what we do."* As it is the case with the jewelry dealers who now sell their products to Dubai while middlemen used to pay them ridiculously low prices at local markets before.



Training, technology, design and promotion add value to old traditions

German Development Minister Niebel Addresses Private Sector at GFA

Hosted at GFA Headquarters on 6 February, 2011, Federal Minister for Economic Cooperation and Development Dirk Niebel discussed "A New Development Policy – Opportunities for the Private Sector" with 70 entrepreneurs from Hamburg. He highlighted his ministry's allocation of an extra 12 million Euros for public-private partnerships, and his intent to raise the share of awards of development cooperation contracts to private consulting firms from its current 22-27 per cent.

In his welcome address, GFA founder Dr. Johannes Lagemann emphasized the crucial importance of quality management in development cooperation which needs to be safeguarded by fair competition. GFA Managing Director Dr. Christoph Schaefer-Kehnert presented his company as a successful case in point: Within less than 30 years, GFA grew from humble beginnings to an internationally renowned enterprise with an annual turnover of 67 mil-



lion Euros and 900 employees worldwide. Recently, GFA stepped up efforts offering its knowhow potential to clients, 'at home', e.g. forest management and chain of custody certification or microfinance for small and micro enterprises.

Minister Dirk Niebel drew attention to his vision of "development policy with a profit" - partnerships with the private sector that mutually benefit tax payers who finance official development assistance and entrepreneurs engaged in international change processes. Such public-private partnerships (PPPs) mobilize private sector inputs for development policy objectives.

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Value Chains in Rwanda

In December 2010, GFA Consulting Group in cooperation with COMO started implementing the Support to Regional and Sectoral Value Chains project in Rwanda. The latter is part of GIZ's bi-component program Economic and Employment Promotion which supports the national Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives. The project aims at improving business opportunities and the productivity of enterprises in selected value chains such as leather, wood and food processing. The project team will formulate detailed and custom-made activities for specific target groups. A special focus will be on the potential of PPPs. The value chain approach will be complemented by the application of tools related to local economic development, regional development and investment promotion.

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Enterprises in Serbia Bounce Back

Small and medium enterprises (SMEs) suffered most when the recent economic crisis hit Serbia. But they started investing again. The National Agency for Regional Development (NARD) opened the Belgrade Business Base Fair on 2 December, 2010 on this rather optimistic note. GFA leads a consortium that helps foster this trend by implementing the EU-funded Improved SME Competitiveness and Innovation (ICIP) project which was prominently presented at the fair. ICIP aims at developing the SME sector and enhancing enterprises' competitiveness. The project provides high quality business support to SMEs in all regions of Serbia. GFA experts also support and inform SMEs regarding national and EU-funded programs. Ultimately, SMEs should become more competitive and innovative so that they can create more job opportunities and enhance the Serbian economy.

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Eighth GFA Employee Granted Medal for Work in Vietnam

The Central Executive Committee of the Ho Chi Minh Communist Youth Union awarded the For the Cause of Vietnam Youth campaign medal to GFA senior consultant Dr. Christoph Heuschkel in October 2010. He has been an advisor to the Youth House, a center for reproductive health and HIV prevention for youth in Hanoi since 2004. Dr. Heuschkel is the eighth GFA employee granted a medal for his work in Vietnam, the second one for accomplishments in public health.

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GFA vision – to be the partner of choice for clients in our core service areas.

GFA mission – to improve the livelihood of beneficiaries through our professional services.

GFA core values – to offer high performance in service delivery, technical excellence in our main sectors, innovative approaches and products, and credibility with our clients when putting projects into practice.