

# ROLE OF PUBLIC-PRIVATE PARTNERSHIP IN WOOD PROCESSING INDUSTRY

The Case of Amhara Forest Enterprise  
(AFE)

# Background Information of AFE

- ❖ **Amhara Forest Enterprise (AFE) was established in 2009 in Regulation No. 70/2009 (amended in Regulation No. 166/2018) by Amhara National Regional State Government Council with the following 4 objectives:**
  - 1. Accelerating the economic and social development of the region by extensively developing and producing forest and forest products as well as by increasing the value of same ;**
  - 2. Generating employment opportunities & increasing income & living conditions of the poor;**
  - 3. Narrowing the ever growing gap between supply & demand in wood & wood products; and**
  - 4. Boosting the country's foreign exchange capacity by producing value added forest and forest products for export and as import substitutes.**

# Background ..... Continued

- ❖ **Currently AFE has five Forest Branches and operates a Tree Seed Centre in Bahir Dar, the regional capital.**
- ❖ **The enterprise has about 1,300 employees (about 430 permanent and 850 contracted staff, mainly forest guards. In 2017 AFE conducted a forest inventory of its plantation forests.**
- ❖ **According to the inventory report AFE manages about 29,000 ha of commercial forest.**
- ❖ **The total volume of wood ready for harvest is about 2 million m<sup>3</sup> of hard wood from 17,000 ha of matured forest.**
- ❖ **The standing stock volume is made up of 76% Eucalyptus species and 24% Cupresus lustanica and other species (Grevillea robusta, Aacia decurrence and Pinus patula).**

# Role of PPP in Wood Industry

- **Before six years, AFE engaged in establishing veneer and plywood factory with Chinese investors at Debre Birhan.**
- **In this wood processing PLC, the share of AFE is 51% and the rest 49% share goes to the three Chinese investors.**
- **The initial capital of the factory was 80 million Ethiopian Birr.**
- **The establishment of the factory is a good opportunity to AFE in selling the enough aged stand forest, it was planted during Derg Regime and scored more than 30 years, to the factory. AFE sold more than 47.7 million ETB to the factory in 4 years.**

# Role of PPP ... Continued

- **Debre Birhan wood processing PLC sold 630,716 pieces of plywood in the past four years and earned 360.7 million ETB.**
- **The total earned net profit of the factory in these four years is 103.3 million ETB.**
- **From this we can understand that, the factory has played its role in substituting the imported plywood from abroad and saved around 12.7 million USD that will be used to import plywood.**
- **The earned profit in these four years covers the initial capital and the shareholders are collecting profit from the factory.**
- **At the beginning of production, there were six Chinese experts. We were working aggressively for knowledge transfer from Chinese experts to local (Ethiopian) experts.**
- **Currently all the Chinese experts were replaced by the domestic ones.**
- **The biggest profit for AFE as public enterprise is the created employment by this factory; currently the factory has 341 temporary and permanent employees.**

# Role of PPP ... Continued

- ❖ **However, we have observed that there is 45% wastage on average from the harvested forest for production of plywood.**
- ❖ **Accordingly, the shareholders of Dbere Birhan Wood Processing PLC decided feasibility study to be conducted to use the waste wood product for production of charcoal.**
- ❖ **Following the feasibility study, we shareholders allocated budget for the establishment of charcoal factory.**
- ❖ **The proposed charcoal manufacturing project, at full capacity operation will entail a total cost of 18.7 million Ethiopian Birr. Of this total investment cost:**
  - **5.625 million Birr (30%) is for construction and civil works.**
  - **8 million Birr ( 42.80%) is for machinery and equipment**
  - **0.25 million Birr ( 1.3%) is for pre-operation capital expenses**
  - **2.76 million (15%) is for permanent working capital**
  - **2 million (10.6%) is for purchase of truck and vehicle**
  - **0.070 million (0.37%) is for purchase of office furniture**

# Role of PPP ... Continued

- **As public enterprise, AFE conducted discussion and told evidently (openly) the profitability of Debre Birhan Wood Processing PLC to local investors and initiated them to invest in forest industry.**
- **Furthermore, AFE had arranged field visit to domestic investors to see the existing commercial forest potential at Menz area of North Shewa Administrative Zone.**
- **AS a result of the conducted discussion and field visit, two wood processing share companies are underway with domestic investors at Kemer Dengay and Nefas Mewucha in initial capital of 100 million ETB for each.**
- **The share of AFE is reduced from 51% to 35% and 30% respectively.**
- **In addition to this, one investor has decided to establish his own wood processing factory at Menz area. He has begun the process by requesting investment land and assessing the source of machinery to purchase within a short period of time.**
- **I hope these three factories will begin production of plywood by next year, end of 2020.**

# Role of PPP ... Continued

- **Even if AFE is at infant stage in the establishment of forest industry, a good lesson from our experience is that, walking the talk and being exemplary (servant leader) encourages the involvement of the private sector.**
- **The same is true for the utilization of Prosopis, it is possible to change the challenge of Prosopis to opportunity by using it for different purpose such as production of charcoal and feed for livestock through genuine participation of the private sector.**
- **If Prosopis is used for production of charcoal and feed for livestock, it can reduce the burden on natural forest that is being deforested for these activities.**
- **Finally, communication is important to share ideas or vision and have followers;**
- **However, it does not substitute the role of being exemplary leader to have many followers and practical implementers.**
- **So, we have to be committed and be servant leader to change the challenge of Prosopis into opportunity.**



**THANK YOU VERY MUCH FOR YOUR ATTENTION!**