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SUSTAINABLE FISHERIES MANAGEMENT PROJECT (SFMP)

Improved Stove Financing Scheme

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THE
UNIVERSITY
OF RHODE ISLAND
GRADUATE SCHOOL
OF OCEANOGRAPHY



SNV SMART
DEVELOPMENT
WORKS

This publication is available electronically on the Coastal Resources Center's website at http://www.crc.uri.edu/projects_page/ghanasfmp/

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ACRONYMS

CCM	Centre for Coastal Management
CEWEFIA	Central and Western Region Fishmongers Improvement Association
CRC	Coastal Resource Center
CSLP	Coastal Sustainable Landscape Project
DAA	Development Action Association
DFAS	Department of Fisheries and Aquatic Science
DMFS	Department of Marine Fisheries Sciences
DQF	Daasgift Quality Foundation
FtF	Feed the Future
GIFA	Ghana Inshore Fishermen's Association
GIS	Geographic Information System
GNCFC	Ghana National Canoe Fishermen's Council
HM	Hen Mpoano
ICFG	Integrated Coastal and Fisheries Governance
MESTI	Ministry of Environment Science and Technology
MOFAD	Ministry of Fisheries and Aquaculture Development
NDPC	National Development Planning Commission
NGOs	Non-Governmental Organizations
SFMP	Sustainable Fisheries Management Project
SMEs	Small and Medium Enterprises
SNV	Netherlands Development Organization
SSG	SSG Advisors
STWG	Scientific and Technical Working Group
UCC	University of Cape Coast
URI	University of Rhode Island
USAID	United States Agency for International Development
WARFP	West Africa Regional Fisheries Development Program

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INTRODUCTION

The Netherlands Development Organisation (SNV) is an implementing partner of the Sustainable Fisheries Management Project (SFMP) which is being funded by the United States Agency for International Development (USAID) and implemented by the Coastal Resource Center (CRC) of the University of Rhode Islands (URI) through a consortium of local partners.

SNV is a Netherlands based International Development Organisation. It works in three sectors, Agriculture, Renewable Energy and Water Sanitation and Hygiene.

The Sustainable Fisheries Management Project (SFMP) is a 5-year fisheries food security project funded by the United States Agency for International Development (USAID), under the Mission's Feed the Future (FtF) Programme. The project seeks to rebuild targeted marine fisheries stocks (small pelagics - such as herrings, mackerel, anchovies and *sardinella* - which are important to local food security and supports livelihoods) through the adoption of sustainable fishing practices.

The SFMP is a follow-on to a previous fisheries program –Integrated Coastal and Fisheries Governance Initiative which was implemented in coastal Western Region. This new project – SFMP- is, national in scope and contributes to the Government of Ghana's Fisheries and Agricultural Sector development objectives and the USAID FtF Development Objectives to reduce poverty and hunger.

The project seeks to benefit 10,000 fishers within the project period. As part of interventions, SNV is leading a scale up plan for promoting improved fish smoking stoves in the coastal regions of Ghana, especially the Central and Western Regions. The pivot of the stove promotion program is the financial vehicle, thus the need to establish relationships with financial Institutions. SNV is carrying out this intervention in partnership with two other implementing partners of the Project; CEWEFIA, located at Elmina and Development Action Association (DAA).

SCOPE OF PARTNERSHIP

This intervention involves the installation of improved stoves to interested fish processors (smokers) at a cost subsidy of 30% for the first 50 early adopters after which all adopters acquire the stove at its original price. The main stakeholders that will be involved in this partnership is SNV and the project partners who will carry out awareness creation campaigns, on one side, the financial institution, the stove company and the beneficiary. The roles are explained in Table 2 below.

The concept is to run a revolving fund; into which SNV, the financial institution and the beneficiary makes contributions. The financial institution's contribution is considered as a loan for fish processor. The financial institutions remain the custodian and manager of the funds on behalf of all the parties. An agreed percentage of the fund (about 70%) of the cost of the stove will be paid to the stove company before the installation the stoves. When the stove company completes the installation of the stoves and the beneficiaries use it for a month without issues, then the final balance of the stove cost will be paid to the company. The payment to the stove company is considered a loan to the beneficiaries which will be paid back within the terms of the financial institution.

After the first 50 beneficiaries (who receive 30% incentive), all other beneficiaries will pay full cost for the stove.

To start up the partnership, SNV will publish a request of Interest (RFP), to which the financial institution will respond with a letter of Interest to partner with the project. This will be followed up with a contract between SNV and the financial institution. SNV will also facilitate a follow up contract between the financial institution and the stove company.

The partnership will start with an initial 50 stoves allocation, after which the numbers will be renewed depending on prevailing outcomes of the first phase.

The 70% contribution (loan) from the financial institution is the only amount that will attract interest. The 20% savings from the fish processor will accrue interest.

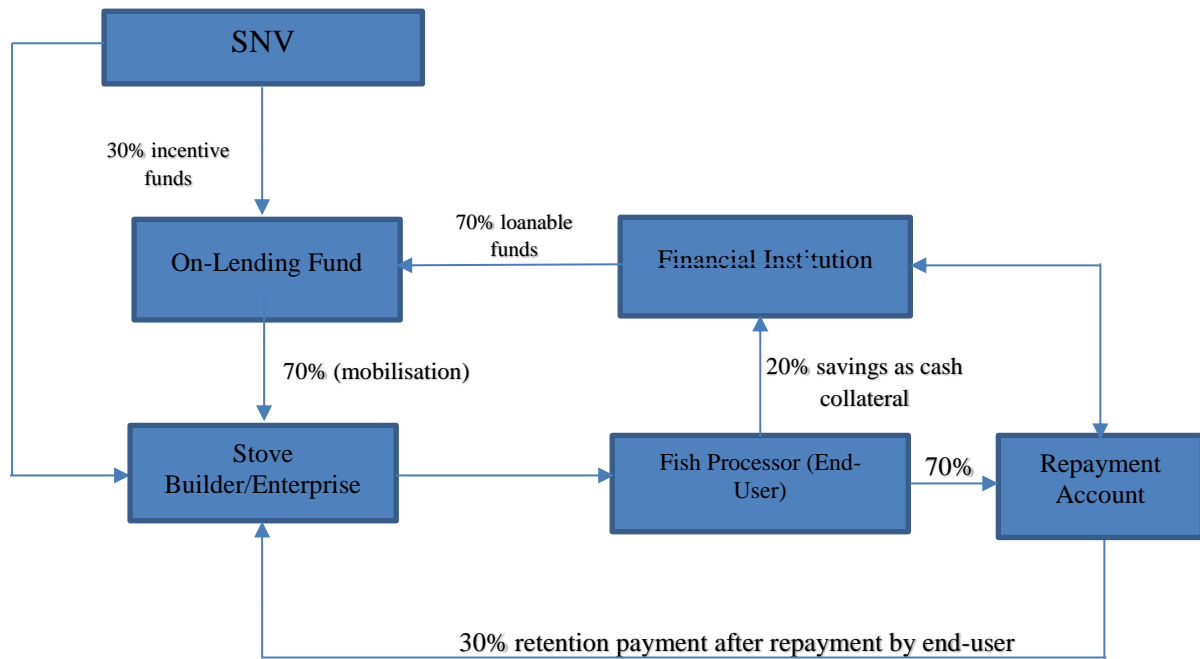


Figure 1 The Partnership Model for the Incentive Period (Dealer Financing)

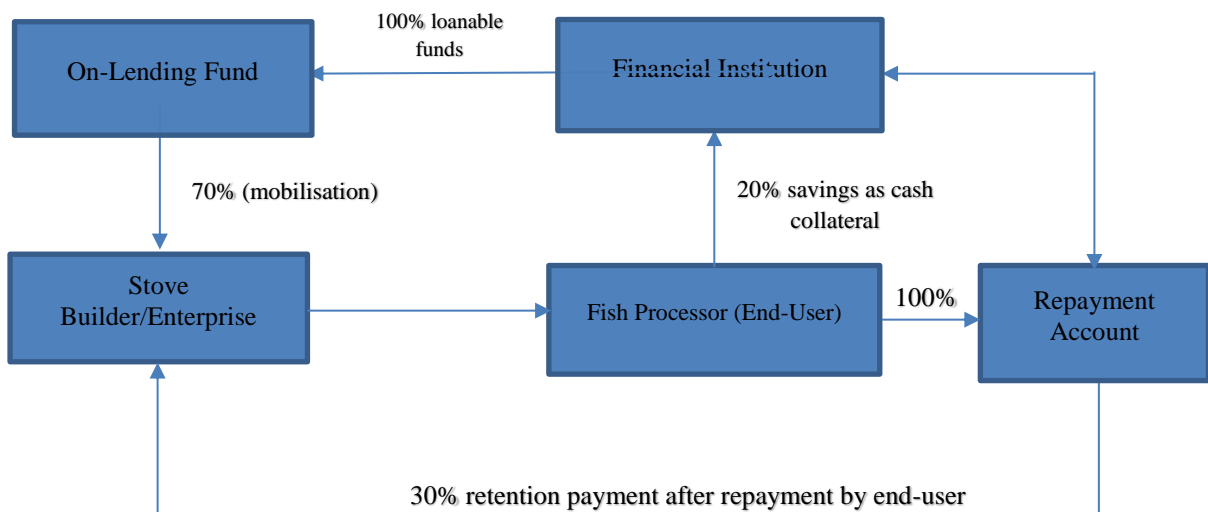


Figure 2 Actual Partnership Model

The 100% contribution (loan) from the financial institution will attract interest while the 20% savings from the fish processor will accrue interest.

Table 1 Financing Product Dynamics

	Factor	Notes
1	Characteristics Type of ownership Age of business	<ul style="list-style-type: none"> • Must be into Fish smoking • At least 2 years of industry experience • Business owner (Not processing on behalf of someone) • History with financial Institution (Added Advantage) • Not less than 18 years of age
2	Ability	<ul style="list-style-type: none"> • Fair understanding and expertise in Fish Processing activities. • Consistent average weekly/monthly sales • Existing Client of Financial Institution (Added Advantage) • Availability of technical expertise in the field of fish smoking • Consistent profit generating ability
4	Purpose Existence of need	<ul style="list-style-type: none"> • Agro processing activities resulting in positive health and environmental impact specifically targeting improvements in the livelihood of fish processors • For Rural and Peri Urban Fish Processors to own and use improved cook stoves
5	Product Cost (Stoves)	Max: GHC 2,330 Min: GHC 620
6	30% of stove cost; SNV's contribution per stove	Max: GHC 700 Min: GHC 186
7	70% contribution by Financial Institution per stove	Max: GHC 1,631 Min: GHC 434
8	20% Savings by fish processor per stove as cash collateral	Max: GHC 466 Min: GHC 124
9	Interest Rate	
10	Operational Fees (if applicable)	
11	Loan Tenure	Max: 6 months
13	Repayment frequency	Weekly / Bi-weekly With Grace Period
14	Weekly / Bi-weekly repayment	
15	Other conditions	

Table 2 Roles and Responsibilities of Stakeholders involved in this Partnership

SNV's Responsibilities	Financial Institution Responsibilities
<ul style="list-style-type: none"> -Contributes 30% of the total fund value to the On-lending Fund - Provide early adopters incentive of 30% for the first 50 beneficiaries. -Provide technical assistance to Financial Institution on financial product development -Facilitate the certification of the improved cookstoves -Ensure stove companies build stove to specification and standards and training financial institutions to carry out this activity -Carries out awareness creation with partners and provide demand for the improved stoves -Provide capacity building to End-Users (Fish Processors) on small business management. 	<ul style="list-style-type: none"> -Fund Manager and Custodian to the on-lending fund -Manages the loan repayment accounts -Contributes 70% of the total funds to the on-lending funds -Sign direct contract with the Stove Builder/Enterprise -Opens an account for the Stove Builder/Enterprise -Advance 70% of the total cost of the improved stove to the Stove Builder/Enterprise -Retain 30% of the cost of the improved cookstove on behalf of the stove builder/Enterprise. -Sign loan agreement with the end-users -Collect repayment of loan granted to end-users
Stove Builder/Enterprise	Fish Processor (End-User)
<ul style="list-style-type: none"> -Open and maintain accounts with the Financial Institution. -Build stove to standard specifications -Train end-users on stove maintenance, heating, use and safety -Ensure quality materials are used in building stoves 	<ul style="list-style-type: none"> -Open and maintain accounts with the Financial Institution -Deposit 20% of the total loan amount as cash collateral (upfront payment). -Make weekly/daily/monthly loan repayment as agreed with the financial institution -Build and maintain sound relationship with the Financial Institution.