



The 'Sustainable Development of the Fishing Industry' PPP in Ghana

A case study by Tom Harrison on behalf of the Partnering with Governments Programme.

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Background and context

Project context

Fishing is a significant economic activity in Ghana. The fisheries sector supports an estimated two million people, representing 10 per cent of the country's population of about 23 million and contributes 4.5 per cent of Ghana's GDP. There is a ready market for all types and sizes of fish in Ghana. However due to heavy fishing in offshore waters, and illegal inshore fishing by larger trawlers, fish stocks both offshore and inshore are decreasing and the inshore fishing is severely threatened.

This depletion of fish stocks, combined with under investment in technology, processing facilities and a cold-chain, has resulted in Ghana becoming a net importer of fish. The livelihoods of communities that depend on fishing have suffered, and there is potentially a reduction in the supply of affordable sources of protein to low income groups, and loss of export income from the higher value end of the market.

Ghana governments have tried to support the sector through various means such as subsidy of fuel for outboard motors, controlling the larger trawlers by the issue of licenses, through legislation that requires Ghanaian majority ownership of fishing enterprises landing their catch in the country, and by attempts to stimulate investment in fisheries related infrastructure. These measures have, however, been open to corruption and abuse, and are not easy to enforce. The result of all of these difficulties has been frequent tensions between the fisheries sector and the government of the day.

The fishing industry

The marine fishing industry in Ghana has three sectors: inshore fishing by small-scale, artisanal fishing using traditional wooden dugout canoes; the semi-industrial small-sized inshore trawlers, and the deep sea industrial fleet made up of large trawlers. There are around 500,000 fishermen in Ghana. The Ghana Canoes Fishermen Council (GCFC) represents the small canoe segment and the Ghana Inshore Fisheries Association (GIFA) represents fishermen that use larger wooden vessels. There are around 10,000 canoes with 60% of market share and 200 wooden inshore boats with 2% share of landings (JITAP 2002)

The small-scale, traditional subsector represents 71% of the total catch and employs large numbers of men in fishing and women in post-harvest activities such as processing and marketing of fish. This sector is not well organised, lacks capacity to interact with governments, does not have financial resources or knowledge with which to compete with foreign fleets.

Tuna is one of the most important commercial and export species. Since the 1990s a thriving market has evolved in the EU and USA for high quality fresh fish such as line-fished tuna and similar species. Ghana has comparative advantages such as easy access to fishing grounds during a long fishing season frequent and relative low-cost air transport to the EU, and the availability of processing facilities.

Tuna deep-sea fishing could become a potential alternative for small fishermen provided they have access to line-fishing techniques and boats that allow them to participate in the development of a sustainable commercial supply chain for fresh tuna exports.

Environmental issues

The negative impacts of the fishing industry include the direct consequences on the marine environment of over-fishing and harmful fishing techniques. The use of the traditional wooden canoes made of tall forest trees has also contributed to the degradation of the tropical forests in Ghana. In order to protect the remaining stock of large tropical hardwood trees the government has put a ban on the use of these trees.

The negative environmental impacts of the fishing industry could be reduced by the use of more selective fishing techniques to avoid catching immature fish and / or species of lower economic value that are then discarded, and by affordable, sustainable alternatives for the traditional hard wooden canoes. However neither of these options is available in Ghana.

Partnership roots

In the early 2000's, Mr L. a Dutch investor and consultant with contacts in the Philippines small-scale tuna fisheries industry and with Dutch fish importers, visited Ghana and met with Mr K, a Ghanaian entrepreneur with successful ventures in the shipping and fisheries sectors. Mr K had developed ideas for developing commercial solutions to the lack of a sustainable value-chain for deep sea tuna fishing. Based on Mr L's experience from the Philippines they developed a proposal for the establishment of a company that would locally build glass-fibre fishing boats suitable for off-shore line fishing by small fisherman. The proposal was submitted to the Dutch PSOM programme for grant financing, but was rejected on commercial grounds (for example a lack of direct experience of many of the essential components within the proposal, and the unproven nature of the technology in Ghana).

The role of the Netherlands Government

In 2002 the Dutch minister for development cooperation believed that a good way to discover whether partnerships could deliver on their promise was to 'learn by doing'. Through a Call for Ideas issued in late 2003, the Minister invited private sector companies to submit ideas for PPP's that would contribute to poverty reduction and sustainable development in developing countries. At the time these arrangements were loosely defined as:

'voluntary cooperation agreements between public and private actors working together towards a common goal or a specific task, sharing responsibilities, competencies, financial means and benefits, and allocating risks to the partner best positioned to influence these.'

The Dutch Ministry for International Development (DGIS) supported at least 50 PPP's, partly resulting from the 2003 Call for Ideas , partly from other initiatives.

The partnership

Partnership formation

In response to the 2003 Call for Ideas, Mr L and Mr K assembled a wider group of Ghanaian, Dutch and Filipino partners and submitted a proposal for the establishment of a pilot tuna fishing operation to demonstrate the feasibility of the proposed development of a sustainable fresh tuna export chain as well as a boatyard to supply the required fibre-glass boats. With support from Royal Tropical Institute, Amsterdam (KIT), and building on the previous experiences with PSOM, this first PPP proposal was aimed at developing a sustainable value chain with a positive impact on fishing communities. DGIS rejected this initial PPP proposal but considered it to have potential to address the MDG's (particularly poverty alleviation and biodiversity conservation) and encouraged the partners to reformulate the proposal.

A research mission was carried out by KIT in Ghana in October 2004 and early the next year a revised proposal for a PPP was submitted in which the involvement of the small-scale fishermen was strengthened by the proposed active participation of two fishermen's associations, the Ghana Inshore Fisheries Association (GIFA) and Ghana National Canoe Fishermen Council (GNCFC). The Gratis Foundation, a NGO set up by the Government of Ghana to promote small-scale industrialisation, agreed to be partner in the shipbuilding operations. The Ministry of Fisheries of the Government of Ghana supported the PPP as a non-investing partner.

Partnership purpose

The partners signed an MOU in June 2006. The MOU stated that:

'the overall objective [of the PPP] is to contribute to MDG #1 on poverty alleviation among the fishing community and MDG #7 on environmental sustainability. The strategic purpose of the PPP is to establish a commercial supply chain for fresh tuna loins that enhances the livelihood of poor artisanal fishing communities, meets internationally recognized sustainability criteria (social and environmental), informs Ghana's fisheries policy, adds value to the Ghanaian economy and delivers reasonable profits that are equitably distributed throughout the supply chain.'

The Sustainable Fisheries PPP was conceived as a project with several inter-connecting components:

- development of a pilot sustainable value-chain of deep-sea line fishing, pre-processing and marketing of tuna and tuna-like species for the international market. This component focused on the establishment of a commercial company: Phineghan Fishing Ventures Ltd.
- development of the value-chain of design, construction and marketing of fibre glass fishing boats through the establishment of a commercial JV company: Fine Boat Marine Ltd.
- provision of services to the value chain operators including arrangement of credit/financing services to the Fisheries Associations to allow them to participate in the fishing value chain;

- training and skills development for the various value chain operators (fishing techniques, boat-building and maintenance, management and administration);
- policy development for sustainable fisheries.

Partner roles

The following were signatories to the MOU:

Government: Minister for Fisheries of the Republic of Ghana; Minister for Development Cooperation of the Netherlands (DGIS).

Private sector: two Ghanaian marine and fisheries companies (owned by Mr K); the two Fisheries Associations; a Dutch fisheries consulting company (vehicle for Mr L); three fish trading companies from the Netherlands; a fishing company from the Philippines and a boat-maker from the Philippines.

Civil society: GRATIS (Ghanaian parastatal) and KIT (Dutch NGO).

A feature of the partnership was that different partners took active interest in different elements of the partnership's activities. Mr K and the Dutch fishing companies, for example, were investors in both ventures. By contrast, the Filipino boat makers and GRATIS only had interest in the boat making company. Mr L was prepared to invest in the boat making company but negotiated an equity share in the fishing company by way of compensation for unpaid work setting up and managing the project.

DGIS were prepared to match the private shareholders 1:1 to finance the project but were not interested in taking an equity stake in either company. They also offered to cover the costs of building the capacity of the Fisheries Associations, to provide funds for the loan facilities, and also, part way through the project, to pay for a consultant to help broker the partnership, with a particular emphasis on ensuring that the fishermen had a voice in partnership governance. DGIS also offered at one point to contract an accountancy firm to help set up systems for the partnership, but this was not taken forward.

The Fisheries Associations were not originally expected to be shareholders in either of the new companies, but following pressure from the Ministry of Fisheries it was agreed that they should be offered half of the shareholding in the fishing venture that was allocated to one of Mr K's companies. However the Associations were not in a position to pay for these shareholdings, and one whilst efforts were made throughout the partnership to arrange loans for the Associations, even to the extent of a letter of support from the Ministry of Fisheries, this remained an unresolved issue until the end.

One of the Filipino companies exited at an early stage, citing the need to focus on other activities. GRATIS wanted to exit the partnership for some time, but with the appointment of new senior management they then decided to stay in, and take a more active role.

Partnership governance

The public funds from the Dutch government were contributed by a Grant Agreement with Mr L's company and paid into a bank account in the Netherlands. Funds from private partners were paid into accounts either in the Netherlands or in Ghana, and these accounts were controlled by Mr L and Mr K respectively.

The MoU mandated The Ministry of Fisheries, DGIS, Mr L and Mr K (through their companies), GRATIS and the Fisheries Associations (alternating) to '...act as a steering Committee representing all partners'. The Steering Committee was set up and met a number of times, but there was a lack of clarity around the division of responsibilities and accountabilities between the Committee and Mr L, who controlled the bulk of the project funds. The Steering Committee also lacked the capacity to fulfill its mandate to monitor the project and report quarterly to the Ministry of Fisheries, and there was also an overlap between this monitoring and reporting, and what is required by the Dutch Government.

Challenges

There were a number of major challenges which prevented the partnership from progressing much beyond the inception phase in terms of its outputs, despite over 2 years of effort and not insignificant expenditures. These challenges fall into technical, managerial and partnering challenges. Some of these are only described briefly, as they fall beyond the immediate requirements of this case example.

Technical challenges

There is no doubt that the PPP was technically extremely ambitious. To be successful, each of the following interdependent components was required :

- a completely new fishing system needed to be piloted, adapted to local conditions, starting from a zero base in terms of the indigenous skills available;
- the project depended on significant volumes of fish to be caught even in the early years in order to generate funds for investment in infrastructure by private fishermen;
- to go to scale, this new fishing methodology would require uptake by many fishermen, who would require training, and then to be absorbed into formal enterprises with access to credit to buy boats and equipment;
- the PPP had to pioneer a new boat building technology in Ghana, setting up a manufacturing operation from scratch and training all staff involved. This was mitigated by the strength of the Filipino partner, but there were still many challenges for them to operate in a completely different context, far from their normal supply chains;

- This boat-building element of the project also required a new market to be developed in Ghana for this type of boat, among a market with a low ability to pay, thus making it dependent on developing new sources of credit.

In the end, the PPP was unable to make much progress in any of these areas, partly because of their innate difficulty but also because of the other serious challenges that emerged. Not least of these was a significant error that was made with the first order of fibre glass boats from the Philippines. The Filipino partner received funds and made some of the vessels, with the objective of shipping them quickly to Ghana to start testing the fishing methodology and training fishermen, and thereby avoiding having to wait for local construction to commence. However the larger vessels could not fit in a standard container, and so the shipping cost was found to be prohibitive. While a number of suggestions emerged as to how to address this difficulty, with other concerns also crowding in, this problem was not overcome and the boats were never shipped.

Financial and managerial challenges

Under this heading there were a number of very significant challenges that were the direct cause of the PPP not succeeding.

Firstly, the partners were not all able to meet their financial commitments. Mr K had unexpected financial problems, caused by a fire that destroyed one of his major assets just as the PPP was beginning. Although he did make relatively significant contributions, reflecting his high degree of commitment, these were necessarily smaller, and later, than was required. The Fisheries Associations did not have funds, and were never able to arrange a loan despite some interest from public-sector backed financial institutions. GRATIS also sought, and failed, to identify a financial backer. For this reason, DGIS and the other private partners were not able to add to their initial investments and eventually the decision was made to end the PPP.

However other management challenges were exposed during the period when the PPP was operational. For a project of this scale and ambition the quality and quantity of planning, reporting, control systems and project management was very low.

There were a number of factors that contributed to this, including:

- the company responsible for project management and management of the DGIS grant company comprised Mr L plus one member of support staff. Mr L was at the same time actively engaged in a number of complex projects, and he may not have the time to commit to the sustainable fisheries PPP;
- Mr L also preferred a low-cost approach whereby project partners share out roles among themselves and avoided the expense of external support. This did not prove adequate for a project of this complexity and scale, and there was no mechanism any other partner that would have had the capacity to provide support. Even though this issue was recognised early in the

PPP (during the inception phase) the measures that were identified to address it were never enacted. This could have been because of internal changes within DGIS and a lack of any internal ownership within the PPP itself to take action;

- PPP management were not experienced at working with public sector and donor partners, and underestimated the nature of reporting and relationship development required to meet the demands of DGIS as stewards of public funds. Whilst KIT are highly experienced in these matters, because the grant was channeled through Mr L's company, KIT were not involved in management and reporting for the PPP.

Partnering challenges

There were some very significant partnering challenges.

At the simplest level the PPP had a **lot of very diverse partners**, and as has been described these partners were from different sectors, and had different roles in the implementation of the PPP's activities. These partners were also from two countries with different cultures. They also had a wide variety of capacities and resources, from a Government Ministry to an Associations representing an artisanal group, and from an NGO managing many complex development programmes to a 'one man band' consultant / entrepreneur. Much energy was spent in tasks that in were potentially of great importance to each partner but not adding value in the short term, such as negotiating shareholdings in the respective companies.

It would have **required skilful internal brokering** to keep these very varied partners engaged, and to ensure that their expectations were being met through the life of the partnership. This brokering was not evident, such that DGIS had to employ external brokers at different times to try to help resolve issues.

The **governance structures and internal accountability mechanisms also needed to be stronger** to help manage such diverse partners. The lack of a management capacity also resulted in generally poor communications and low availability of good information flowing between partners. This issue was made worse by conflicts of interest for some of the individuals in the partnership that clouded governance. These conflicts of interested were between project management roles, for which fees were payable to individuals, and partnership governance roles that required actions on behalf of all partners. The way that the Boards of the two companies that were created would interact with the partnership steering group was not fully understood either, although towards the end of the PPP the partners did agree to a rationalization.

The partnership also included a very **challenging political environment**. The enormous strain that the whole fishing industry in Ghana is under results in frequent tensions between fishermen and government. The government of the day was keen to get the fishermen involved in the sustainable

fisheries PPP, and to promote the direct benefits that would flow from the Fisheries Associations holding equity in the enterprise.

If all had gone well this would indeed have been helpful, both in terms of providing a source of income to strengthen the Associations (once they had repaid the loan to buy their shares), but also in binding the Associations in to support and promote what would have been an extremely attractive technology in reducing some of the environmental issues that beset the industry. However the immediate effect of bring the Associations in to the partnership was not only to add another layer of significant complexity, but also to make the government and the Associations bed-fellows in the partnership. This proved to be extremely uncomfortable for at least one of the Associations that did not want to compromise its ability to defend its member's interests by appearing to be 'co-opted' by government in any way.

The sustainable fisheries PPP perhaps also **fell between two stools** in terms of being either (1) a private sector owned and led commercial project with a social purpose, or (2) a public sector facilitated inclusive market initiative in collaboration with private sector actors in the value-chain. Because the private sector entrepreneurs turned to DGIS for funding, first KIT, then the Ministry of Fisheries became involved, and finally the Fisheries Associations. New components were added to the original project, such as 'training and skills development for the various value chain operators', and 'policy development for sustainable fisheries'. These were all logical in terms of the use of public funds, but the sum of these changes was a project that had an unfeasibly wide scope, and where the power available from an 'engine' of commercial interests was dissipated. The public sector has a strong influence on the PP both as a signatory to the MOU and as the regulator, but was never fully engaged in terms of having to make a full and unequivocal commitment to the project. For example, at one point the Government was reported to be in discussion with organizations that were promoting what appeared to be a competing technology (fibre glass cladding of wooden fishing boats¹).

¹ In 2007 the Ministry of Fisheries (MoF) engaged in contacts with India regarding the development of an Indian funded programme under which existing wooden canoes would be cladded with fibreglass to make them more durable. Initially it would concern a pilot under which a number of boats from various regions of Ghana would be treated. The initiative received some media attention and raised the interest among the fishing communities.

Partnering lessons learned from the ‘Sustainable Development of the Fishing Industry’ PPP

General lessons

A simple reading of this case is that the financial difficulties experienced by the non-governmental partners, combined with some inherent fragilities and a lack of capacity within management, caused the project to fail before many of the other features of the PPP could be properly tested. However there also appear to be some lessons about cross-sector partnership that can be learned from this case about the role of donors in stimulating and supporting PPPs, as there were a number of partnering issues that seemed to contribute to the eventual failure of the PPP to achieve its objectives.

Cross-sector partnership, as a mechanism to achieve development objectives, cannot necessarily make a fundamentally challenging technical project any easier. The underlying project at the heart of the Sustainable Development of the Fishing Industry PPP in Ghana had not attracted support from PSOM because of a number of technical issues, and question marks over the ability of the entrepreneurs to address these challenges. These concerns were not addressed by making this a PPP with a more explicit public good element and public partners.

In fact, adding an overt public-private partnering element to the original concept added a further layer of complexity that risked diluting the commercial ‘engine’ powering the initial proposal. The partners were not experienced at working in such partnership, or meeting the needs of public partners.

The wider question is whether a donor can successfully impose a partnering approach onto partners, where the partnership is not driven by some internal rationale that makes such a model attractive. This driver is often that other approaches have not worked. In this case, the private sector partners may have felt that their commercial proposal was really what was required to achieve their objectives (which were both private and public), and that the public-private partnership was ‘additional to’ rather than ‘inherent within’ their project.

Lessons for Partnering with Governments

There are lessons about how public partners contribute to such PPPs. In the case of the Government of the Netherlands, for example, was it right that the financial contribution was channeled through one partner, and that there was no formal accountability by this partner to the other partners, nor of the ‘partnership’ as a whole to the donor for the use of these funds? This arrangement may have led to some of the managerial and partnership challenges noted above.

In this case the Government of Ghana was a signatory to the MOU and was active, at Ministerial level, in influencing the direction of the PPP and in actively ensuring that constituencies of importance to it were drawn closer. The Ministry of Fisheries also expected to receive progress reports from the project team

and had a seat on the Steering Group. This shows that the Government was hopeful about the success of the PPP, and positive about the partnering mechanism.

The Government of Ghana was not contributing resources to the partnership, and was, in this definition, not a 'partner', but they did put political capital into the PPP. They were also active in trying to remove some of the road-blocks to success, such as by writing letters of support to financial institutions, and also in their regulatory role, granted permissions to import the fibre glass boats from the Philippines.

However there are extremely complex and politicized issues that underlie the challenges that this PPP was trying to address. By engaging the government as a partner, an opportunity may have been missed to move to a commercial model that could have remained 'outside' of the tangled systemic issues, but could still have contributed to the solution to at least some of these issues had it been successful. Perhaps in this case the role of government should have remained a more distant one, as the industry regulator, and as a behind the scenes enabler of the project. Asking the government to be a 'partner' in such a complex project was not, in hindsight, as positive a move as would have been hoped.