

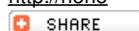
Prosperity Credit Guarantee Fund

Zambia

Lasford Chiyobe...



Website:

<http://none>

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Project Summary

Elevator Pitch

Concise Summary: Help us pitch this solution! Provide an explanation within 3-4 short sentences.

Operation of a small-medium scale Fresh natural Spring Water Bottling plant under Public-Private Partnership, will generate income for creation of a Prosperity Credit Guarantee Fund which will catalyze SME finance supply to at least 2,500 entrepreneurs over three years and accelerate their integration in lucrative value chains to reduce poverty.

About Project

Solution: What is the proposed solution? Please be specific!

Creating opportunity for economic empowerment of remotely located enterprising communities using their on natural resources as collateral mechanism for business credit financing is simply unique and unconventional. The community will enter into a Public Private Partnership to raise investment capital to operate a water bottling business; the profit returns will go towards creating a Prosperity Credit Guarantee Fund. The Fund will catalyze supply of Micro and SME financing by local banks and financing institutions to entrepreneurs whose collective collateral will be the Prosperity Credit Guarantee Fund.

Impact: How does it Work

Example: Walk us through a specific example(s) of how this solution makes a difference; include its primary activities.

Operation of the Water Bottling facility under Public Partnership Partnership will provide opportunity for improving social services delivery in the host communities. children and youth need quality education and livelihood supporting skills training infrastructure. some income proceeds from the Water bottling business will support such service delivery to benefit 2500 schooling pupils and 600 youths. Establishment of rural enterprises as sources of income for families will reduce engagement in risky livelihoods coping mechanisms like unprotected sex for money exposing culprits to HIV infections. This innovation will enable communities realise tangible benefits of engaging natural resources conservation which will trigger sustainable participation in conservation efforts.

About You

Organization:

Fiwila Development Trust

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About Your Organization**Organization Name**

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Organization Type

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The information you provide here will be used to fill in any parts of your profile that have been left blank, such as interests, organization information, and website. No contact information will be made public. Please uncheck here if you do not want this to happen..

Your solution**Country your work focuses on**

, CE

If multiple countries, please list them here. If your solution targets an entire region, please select it below

not applicable

Region(s) your solution focuses on:**Range of turnover in your target firms, in USD**

\$1-5 Million.

Average turnover in USD of your target firm

\$1,800,000

Number of employees in your target firms

More than 150.

Average number of employees of your target firm

500

Specify the size, average and range of expected loans or investments in each target firm

Start-up investment in the Spring water Bottling firm will be approximately \$400,000; loans to be guaranteed for local individual loan beneficiaries will range from \$700 to \$3,000; small enterprise loans will range from \$2,000 to \$10,000

What stage is your solution in?

Operating for less than a year

Innovation**How does your proposed innovation leverage public intervention in catalyzing private SME finance?**

This innovation will eliminate exclusion of rural entrepreneurs without collateral from accessing loans provided by private sources

What barriers does your proposed solution address?

Asymmetry of information, Informality, Lack of collateral, Lack of financial capacity, Lack of SME access to skills / knowledge / markets, Unavailability of financial products tailored to SME needs, Lack of institutional capacity of financial intermediaries, High transaction costs for financial intermediaries to serve SMEs, Lack of financing to women entrepreneurs.

If you checked any of these barriers, describe how your solution addresses them

a) Asymmetry of information

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Financial markets usually are not accessed by the majority of the rural and urban enterprising poor due to lack of information about procedures, loan terms and conditions, competition, general functional literacy among the potential clients,

b) Informality

Too much formal process and procedures scares away the most enterprising users of financial markets.

c) Lack of collateral

This probably has been the biggest barrier. Financial institutions have remained traditional in approach to lending. Traditional forms of collateral such as title deeds to land, building ownership, etc demanded hinder enterprise development and poverty elimination among the poor in the developing countries. This innovation will demonstrate how to overcome this obstacle where the so called risky clients can use their communal natural resources ownership as a vehicle for accessing finance, and would like to show case how these arrangements can be used as mechanism for inclusiveness in facilitating supply of finance to MSME.

d) Lack of financial capacity

Many enterprising poor lack financial capacity to invest in some businesses of their choice and reasonable scale to generate income and assure prosperity. The size of SME usually determine its attractiveness for financing by Banks. This solution will give opportunity to a wide range of entrepreneurs to test their viable business ideas and participate in improving their well-being.

e) Lack of SME access to skills / knowledge / markets

Marginalized communities and SME usually fail to perform, compete and upgrade to meet expectations of their clients. The major factors are limited skills/knowledge and very limited exposure to sustainable markets. This innovation will stimulate value chain finance supply markets that simultaneously accelerate access to embedded business skills/knowledge/technologies and practice held by lead firms.

f) Unavailability of financial products tailored to SME needs

Conventional sources of micro- finance and SME finance treat all borrower community as homogenous. This is absolutely wrong. This innovation will demonstrate alternatives to ensure each entrepreneur is given opportunity to implement their viable business plans

g) Lack of institutional capacity of financial intermediaries

Most financial intermediaries are located in towns, yet majority of seekers of financial services are located remote rural areas where some infrastructure may be non-existent. However, with increasing access to mobile phone, internet and SMS technology based communication, there is no more excuse of exclusion of the rural populations. This solution will stimulate financial institutions to adopt improved technologies such e-banking services and e-commerce to serve the disadvantaged locations

h) High transaction costs for financial intermediaries to serve SMEs

Cost of doing business is usually major excuse for failed SME financing of rural based businesses. This Innovation will facilitate investment and strive to stimulate adoption and application e-technologies like mobile banking services, bulk market information delivery and to provide real-time access to financial and commercial services by those usually excluded due to their geographical positioning.

i) Lack of financing to women entrepreneurs

Women entrepreneurs are the most disadvantaged in terms of accessing financial products and services. This innovation will address women's unique business finance needs and support their innovative ideas, with special deserving attention

Impact

Provide empirical evidence of your proposed solution's success/impact at present. If your project is in the idea phase, please provide evidence that speaks to its potential impact

The solution has very high success rate given the amount of support already exhibited by local leadership and community members by cooperating in ensuring actions are taken to conserve forest catchments providing source of Spring water.

The government of Zambia, Ministry of Tourism, Environment and natural resources has provided the policy environment that encourages Public Private partnerships in the economic exploitation of local natural resources

The UNDP/Global Environmental Facility- Small grants program has already committed initial US\$25,000 to help Fiwila development Trust raise conservation awareness and find a local business solution to conservation of the water source catchments; in addition facilitate provision of alternative sources of income to avoid biodiversity degradation.

Spring water sample tests so far conducted by University of Zambia Environmental Engineering laboratories recommend that the spring water is above average WHO standards and can be bottled.

Demand for bottled drinking water is very high, more so for certified natural spring water. All this points to the success of operation of Water Bottling Business which can create the establishment of the Prosperity Credit Guarantee Fund. The fund will unlock SME finance.

How many firms do you expect to reach?

The Natural Spring Water Bottling Facility

The Natural honey processing and marketing firm which will support at least 1000 bee-keeping enterprises

The 1000 micro-enterprises to be engaged in production and supply of fresh vegetables, Pond fish and free-range poultry products to consumers through contract marketing arrangements with retail chain shops

What is the volume of private SME finance you aim to catalyze?

A minimum of US\$1,800, 000 per year

Year 1:

US\$400,000 start-up investment for establishment of water facility

US\$1,400,000 Honey value chain finance

Year 2:

US\$ 1,800,000 for rural SME development benefiting at least 1000 micro-firms

Year 3:

US\$1,800,000 for rural SME business expansion.

What time frame will be required to reach these targets?

Three years

Does your solution seek to have an impact on public policy?

Yes

What would prevent your solution from being a success?

- Upcoming election year may delay the implementation of the solution

- Response period to the innovation by financial intermediaries may take longer than expected.

List all the funding sources that are required for the sustainability of this solution

1. US\$ 50,000 : Project Concept preparation, awareness-raising and proposals development - UNDP/GEF-Small Grants Program
2. US\$ 400,000 : Water Bottling Facility equipment procurement and installation - The G-20-SME Finance Challenge
3. US\$ 350,000: Equity capital for the establishment of the Prosperity Credit Guarantee Funds - The G-20-SME Finance Challenge

Demonstrate how your proposed solution has the capacity to graduate from dependence on public finance. What is the time frame?

Operation of the Water Bottling facility over two years will create solid foundation for the Prosperity Credit Guarantee Fund to have enough portfolio to guarantee sustainable SME finance supply by private financial intermediaries. The US\$1,400,000 turnover expected from the Bottled water facility per year may give only 25% of net income towards the Prosperity Credit Guarantee Fund in the first operational year and rise by another 25% in the following year. The increase in Prosperity Fund capitalisation will depend on the performance of the Water bottling Facility. Higher capitalisation of the Prosperity Fund entails increased access of SME finance supply to the Fund's beneficiaries.

Increased business performance of SME Finance beneficiaries will entail they will no longer have need to be supported when accessing loans.

This implies graduation capacity will be measured and monitored at two levels

Level one: Entrepreneurs capacity to payback loans and save money to finance their business plans

Level two: Capital increase in the Prosperity Credit Guarantee Fund dependence reduced

Demonstrate how your proposed solution will survive a potential loss of its largest private funding source

The heart-muscle for this solution is viable operation of the Water Bottling Facility. This will provide the buffer required in case a private funding source collapses.

Please tell us what kind of partnerships, if any, could be critical to the greater success and sustainability of your innovation

This is pure Public-Private Partnership. The community/public will offer and give away its rights to the fresh spring water resources for commercial bottling; the private actors will provide financial capital for operational investment.

Are there non-financial issues that could threaten the sustainability of your proposed solution?

None. All three local Chiefs in Manga-Mufulwe Hills Spring Water catchments are agreeable to the solution

Please tell us if your proposed solution aims to scale up through a high growth sector, expand immediately to multiple sectors, and/or scale up geographically

This solution has potential for replication in other locations and sectors as long as there are natural resources of economic importance with defined ownership and boundaries. Possible scale-ups are in creating opportunities for SME investment in tourism, where Conservancies exist, Game management Areas; and protected forest management areas can stimulate SME investments in Honey processing and Bee-keeping.