Food and Agriculture
Organization of the
United Nations

Guidelines for micro-finance and credit services in support of small-scale fisheries in Asia

A handbook for finance and fisheries stakeholders

In support of the implementation of the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication

Guidelines for micro-finance and credit services in support of small-scale fisheries in Asia

A handbook for finance and fisheries stakeholders

In support of the implementation of the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
Rome, 2019

Grace, L., van Anrooy, R. 2019. *Guidelines for micro-finance and credit services in support of small-scale fisheries in Asia - A handbook for finance and fisheries stakeholders. In support of the implementation of the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication*. Rome, FAO. Licence: CC BY-NC-SA 3.0 IGO.

ISBN 978-92-5-131567-5

Preparation of this document

These Guidelines for micro-finance and credit services in support of small-scale fisheries in Asia, have been developed as a complement of the 2014 Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication (SSF Guidelines). They were developed to provide implementation guidance for increasing access to financial services, particularly micro-finance and credit, by small-scale fisheries. They also intend to support the implementation of the 1995 FAO Code of Conduct for Responsible Fisheries in terms of promotion and development of measures to facilitate access to insurance coverage in fisheries.

These Guidelines are voluntary, global in scope and focus on the credit and microfinance needs of small-scale fisheries in developing countries, particularly in Asia.

The preparation of this document was done through a combination of third-party literature review and experience of the first author in smallholder and value chain finance in the agriculture sector. This was supplemented by phone calls and simple surveys via email to practitioners and other interested parties in the small-scale fisheries finance environment.

A first draft of these Guidelines was reviewed by a group of selected experts and a second draft was reviewed at the Expert Workshop on Guidelines on Microfinance, Credit and Insurance for Small-scale Fisheries in Asia, held in Bangkok, Thailand, 7–9 May, 2019. The final draft of the Guidelines was presented for endorsement to the Asia-Pacific Rural and Agricultural Credit Association (APRACA) General Assembly, Small-scale Fisheries Task Force, and Friends of the SSF Guidelines in 2019, and provided for information to the 34th Session of the FAO Committee on Fisheries in 2020. The preparation of these Guidelines was supported by a contribution from the Government of Norway to the FAO Umbrella Programme for the Promotion and Application of the SSF Guidelines.

These Guidelines for micro-finance and credit services in support of small-scale fisheries in Asia are an important next step in the long-standing cooperation between APRACA and FAO in promoting inclusive finance for small-scale fishing communities in Asia and the Pacific.

Abstract

These Guidelines for increasing access of small-scale fisheries to credit and microfinance services in Asia have been developed to support the implementation of the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication (SSF Guidelines).

The purpose of these guidelines is fourfold, i.e. to:

- Increase awareness about the financial service needs of small-scale fishers (SSF) for more sustainable and inclusive access to finance;
- Guide policy and decision makers in the Asia-Pacific region and elsewhere, to help introduce and incentivize financial services to small-scale fishers, with the ultimate objective to encourage investment in the industry and by doing so influence and strengthen sustainability, ecological and economic viability of these fisheries;
- Build capacity among financial service providers, fisherfolk organizations, NGOs, and concerned government agencies, to design and implement financial service products and programmes that suit the needs of small-scale fishing communities and enhance social protection; and
- Promote financial services that incentivize and reward a responsible and sustainable conduct of fishing, fish processing and marketing operations.

The document commences by laying out the background and context, purpose and target audience of these Guidelines. It describes why microfinance and credit are important for small scale fisheries and why many small-scale fishers are not currently financed, which includes a discussion of risks. The Guidelines suggest entry and leverage points for actors interested in supporting the access of financial services for SSFs and compares agriculture (smallholders) and SSF business characteristics.

The Guidelines identify a range of actors involved in finance of SSF, which include supply side, demand side, multifunction and enabling environment actors. It elaborates on the likely roles and activities of each category of actor, as well as their incentives and constraints in the provision or receipt of finance.

The Guidelines describe some key good practices in the provision of microfinance and credit to SSFs and delves into some detail on the market, main activities and possible products, the role of product design, policies and procedures, marketing and promotion, risk assessment and credit analysis, delivery channels, loan monitoring and repayment elements and the need for product pricing to contribute to institutional sustainability.

Finally, the Guidelines provide advice to second tier investors, including guidance on the use of smart subsidies, and when concessionary loan funds may be preferable to loan guarantees.

Contents

Preparation of this document iii
Abstract iv
Acknowledgements vii
Abbreviations and acronyms ix

1. Introduction

1.1. Purpose of these guidelines 1
1.2. Target readership and structure of these guidelines 2
1.3. International instruments: SSF Guidelines and the Code of Conduct for Responsible Fisherie 3
1.4. Why is finance for small-scale fisheries so important? 4
1.5. Characteristics of small-scale fisheries relevant to finance 5

2. Problem statement for dearth of finance for fisheries

2.1. Why are microfinance and credit not targeting SSFs in general? 9
2.2. Entry points and leverage points 11

3. Actors involved in SSF finance

3.1. Demand for microfinance services 15
3.2. Supply for microfinance Services 15
3.3. Multi function actors 16
3.4. Enabling environment actors 19

4. Key good practices in delivery of financial products and services to small-scale fisheries

4.1. Understanding the market, its similarities and differences to traditional microfinance and smallholder financing 23
4.2. Activities to be financed 23
4.3. Product design 25
4.4. Policies and procedures 27
4.5. Marketing and promotion 28

4.6. Risk assessment and credit analysis 29
4.7. Delivery channels 29
4.8. Loan monitoring and repayments 30
4.9. Institutional sustainability 31
4.10 Second tier investors and their considerationss 31

References 33

ANNEXES: Steps to consider when entering SSF finance, sample risk checklist, product profiles, and a glossary 35
Annex A: Steps for introducing SSF finance into a credit programme/operations 35
Annex B. Risk checklist 36
Annex C: Product profile worksheet 37
Annex D. Glossary 39

Boxes

Box 1: An example of second tier incentives 13
Box 2: NGOs are becoming for-profit entities to increase sustainability of their services 16
Box 3: An example of a loan product for SSF 22
Box 4: An example of replacing predatory finance structures in SSF 27
Box 5: Village savings and loans associations 29

Figures and tables

Figure 1. Levels of risk impacting SSFs structured by financial institution's ability to manage, monitor or anticipate risks 28

Table 1: Relevant provisions of the CCRF and the SSF Guidelines 3
Table 2: Comparison between agriculture and SSFs business characteristics 12
Table 3: Actors involved in financing SSFs – demand side 17
Table 4: Actors Involved in Financing SSFs – supply side 17
Table 5: Actors Involved in Financing SSFs – multifunction actors 19
Table 6: Type of enabling environment actors and their roles and activities 20
Table 7: SSF activities, related finance requirements and financial products 24
Table 8: SSF unique circumstances/activities and related finance requirements 26

Acknowledgements

The authors would like to acknowledge the contributions of those organizations providing SSF finance who kindly took the time to provide answers to a practitioner survey. These include: Friendship NGO (Bangladesh), Bank for Agriculture and Agricultural Cooperatives (Thailand), National Microfinance Bank (Papua New Guinea), Agriculture Development Bank (Nepal), Alter Trade Foundation and Rare Philippines (The Philippines).

The authors acknowledge the valuable contributions of the participants of the APRACA/FAO Expert workshop on developing guidelines for micro-finance, credit and insurance for small-scale fisheries in Asia, held in Bangkok, Thailand, from7 to 9 May 2019, who reviewed the draft guidelines and offered their comments and suggestions.

Dr Prasun Kumar Das, Secretary General of APRACA, was instrumental in the review and endorsement process of these guidelines by APRACA’s membership. The guidelines development process was further supported by the FAO SSF Task Force, in particular Ms Nicole Franz and Ms Asa Ljusenius. Ms Manuela Marazzi, Ms Marianne Guyonnet and Ms Chorouk Benkabbour took care of the design and publication of these guidelines.

Abbreviations and acronyms

APRACA
Asia-Pacific Rural and Agricultural Credit Association

BAAC
Bank for Agriculture and Agricultural Cooperatives (Thailand)

CCRF
Code of Conduct for Responsible Fisheries

FAO
Food and Agriculture Organization of the United Nations

GDP
Gross Domestic Product

GVA
Gross Value Added

HACCP
Hazard analysis and critical control points

IUU
Illegal, unreported and unregulated (fishing)

LOC
Line of credit

MFI
Micro-finance institution

NGO
Non-governmental organization

SDGs
Sustained Development Goals

SEAFDEC
Southeast Asian Fisheries Development Centre

SHGs
Self help groups

SSF
Small-scale fisheries

SSFs
Small-scale fishers

VSLAs
Village savings and loan associations

1. Introduction

1.1 Purpose and target audience

The purpose of these guidelines is fourfold, i.e. to:

1. Increase awareness about the financial service needs of small-scale fishers (SSF) for more sustainable and inclusive access to finance;
2. Guide policy and decision makers in the Asia-Pacific region and elsewhere, to help introduce and incentivize financial services to small-scale fishers, with the ultimate objective to encourage investment in the industry and by doing so influence and strengthen sustainability and ecological and economic viability of these fisheries;
3. Build capacity among financial service providers, fisherfolk organizations, NGOs, and concerned government agencies, to design and implement financial service products and programmes that suit the needs of small-scale fishing communities and enhance social protection; and
4. Promote financial services that incentivize and reward a responsible and sustainable conduct of fishing, fish processing and marketing operations.

The guidelines also emphasize the need for full stakeholder participation in all stages of the process, including financial service needs identification, formulation of financial products and programmes, development of a framework for funders and investors to work with financial service providers on the social well-being and protection of small-scale fishing communities and the vitality and sustainability of the small-scale fisheries sector.

These guidelines build on previous related guidelines prepared by the FAO including:

a) Management Guidelines for Revolving Loan funds and Credit Programmes for Fishing Communities (FAO, 1989);

b) Guidelines on Microfinance in Fisheries and Aquaculture and Credit (FAO, 2003); and

c) Guidelines on Microfinance needs in Inland Capture Fisheries Development and Conservation in Asia (FAO, 2007).

These documents continue to serve as useful references for the current guidelines that specifically address financial service provision for small-scale fishers (SFFs). These previous guidelines highlighted the need to conserve and manage fisheries and identified opportunities for fisheries development, conservation and financing. Each document identified target groups and their credit and microfinance needs, loan sizes and loan purposes, interest rates and repayment periods, documentation and collateral requirements, as well as the need for savings and insurance services. Finally, the previous guidelines acknowledged the roles of various stakeholders (i.e. governments, NGOs, self-help groups (SHGs), fisherfolk organizations, financial institutions and donors) in providing financial services and in managing and conserving inland fishery resources.

This new Guideline document intends to build on these still valid frameworks with the objective to modernize and update the recommendations in view of the rapid developments in both the fisheries sector context and the rural credit and microfinance industries.

These developments include, amongst others:

- An increased focus on livelihoods approaches in rural development (including fisheries), which take into account the needs of household units and does not regard fisheries as the sole income and employment provider in coastal communities.
- A trend to integrate fisheries into marine eco-system governance programs, which necessitates investments from the private sector, including credit.
- A tendency to apply value chain approaches in fisheries and related investments in sustainable fisheries production and trade, which often include consumer demand driven eco-labeling and certification programs.
- The introduction of global Blue Growth and Blue Economy Initiatives, which seek to maximize economic and social benefits, while minimizing environmental degradation across sectors related to fisheries and aquaculture.
- Shifts towards climate smart development in the rural sector (including fisheries) and the implications for investments required.
- New developments in product design and the technologies for delivery and management of rural credit and microfinance, including adapting value chain finance and technology advances.
- Changes in ownership structures and sources of finance by financial institutions involved, including a shift from donor funding to deposit raising, impact investors and other market based funding sources.

1.2 Target readership and structure of these guidelines

The main focus of these guidelines pertains to Asia, where 80 percent of all fishers live (FAO, 2018). However, the guidelines should also be useful for other parts of the world, which have similar micro-finance and credit needs, constraints, challenges and opportunities as identified in these guidelines.

It is intended that these specific guidelines would contribute to the process to advise financial service providers on the needs of small-scale fishers, how small scale fishers could be served better and about best-practice approaches applied worldwide. The target audience of these guidelines include managers and staff of development banks, rural credit and micro-finance institutions, NGOs involved in these subjects, ministries of finance, fisherfolk organizations and other stakeholders.

While most references in the guidelines are from the Asia and Pacific region, examples and references from other parts of the world are also included when considered applicable and useful for SSF in the Asia-Pacific region. SSF finance, while poorly documented, shares many similarities to smallholder agriculture finance. Reference is made to best practices and financial systems which serve smallholders as potential elements for modified replication in SSF finance.

The guidelines are divided into four main chapters. Chapter 1 of the guidelines lays out the background and context, purpose and target audience of the guidelines. It describes why micro-finance and credit are important for small-scale fisheries and outlines some characteristics of small-scale fishing communities. Chapter 2 elaborates on why small-scale fisheries is frequently not served by the rural finance programmes and provides potential entry points for intervention. Chapter 3 identifies the actors or stakeholders involved in the provision of financial services to small-scale fisheries and their specific roles. Finally, Chapter 4 provides an overview of good practices in delivery of financial products and services to small-scale fisheries.

1.3. International instruments: SSF Guidelines and the Code of Conduct for Responsible Fisheries

The Global Conference on Small-Scale Fisheries, co-organized and convened by FAO, the Royal Government of Thailand, the Southeast Asian Fisheries Development Centre (SEAFDEC) and The WorldFish Center in Bangkok in 2008 (FAO, 2009) reinforced the claim that small-scale fisheries have yet to fully realize their potential to significantly contribute to sustainable development. On request of the FAO Committee on Fisheries (COFI), the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication (SSF Guidelines)[1] were developed through a participatory process world-wide (FAO, 2015).

The SSF Guidelines make reference to the importance of credit, insurance, finance and investment for the small-scale fisheries sector. In addition to these provisions of the SSF Guidelines, the objectives of the 1995 Code of Conduct for Responsible Fisheries (CCRF) (FAO, 1995, FAO, 2005) also refer to the important role of financial institutions in the provision of credit, investment and insurance services to the fisheries sector.

Table 1: Relevant provisions of the CCRF and the SSF Guidelines.

SSF Guidelines	CCRF
States should support the development of and access to other services that are appropriate for small-scale fishing communities with regard to, for example, savings, credit and insurance schemes, with special emphasis on ensuring the access of women to such services (article 6.4).	"facilitate and promote technical, financial and other cooperation in conservation of fisheries resources and fisheries management and development" (objective of CCRF)
States should foster, provide and enable investments in appropriate infrastructures, organizational structures and capacity development to support the small-scale fisheries post-harvest subsector in producing good quality and safe fish and fishery products, for both export and domestic markets, in a responsible and sustainable manner (article 7.3).	States, relevant intergovernmental and non-governmental organizations and financial institutions should work for the adoption of measures to address the needs of developing countries, especially in the areas of financial and technical assistance, technology transfer, training and scientific cooperation and in enhancing their ability to develop their own fisheries as well as to participate in high seas fisheries, including access to such fisheries (article 5.2).

These guidelines for increasing access of small-scale fishers to micro-finance and credit services also aim to contribute to the achievement of the United Nations Sustained Development Goals (SDGs)

1 Available at: www.fao.org/3/i4356en/I4356EN.pdf

and particularly **Goal 14**: “Conserve and sustainably use the oceans, seas and marine resources for sustainable development”. Financing investments in sustainable fishing practices will specifically target **14.B**: Provide access for small-scale artisanal fishers to marine resources and markets.

The guidelines further contribute to other 2030 SDGs, including:

Goal 1: End Poverty in all its forms, everywhere[2.]

Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Goal 12: Ensure sustainable consumption and production patterns.

Goal 13: Take urgent action to combat climate change and its impacts.

1.4. Why is finance for small-scale fisheries so important?

More than one hundred and sixteen million people in developing countries are full or part time employed in capture fisheries. Ninety percent of these people work in the small-scale fisheries subsector (FAO, 2018).

Like many other small-scale economic activities, small-scale fisheries (SSF) needs a range of financial services, including savings services, (long and short term), insurance services (general, life, health and business), payment and remittance services and credit. Due to the scale of their operations, many small-scale fishers (SSFs) are part of an overall household economic unit, which implies other types of financial needs beyond business necessities, such as consumer and education loans, cash flow management tools, and home mortgage and renovation finance.

---

2 SDG Goal 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

In addition to working capital needs for daily fishing operations, SSF businesses need access to credit to purchase or replace fixed assets. There is evidence that capture SSFs are requiring larger capital investments in order to fish further off-shore as in many cases near shore stocks are overexploited or depleted. Therefore, SSFs often require bigger engines, larger vessels and more working capital to move further offshore to maintain yields. Compliance to government' fisheries management policy, fishing regulations and trade laws, may also require fixed asset finance for upgrades.

These guidelines focus primarily on microcredit and credit as tools to growth, and how they can support transition to more sustainable fishing practices and increase resilience of SSFs and their communities. Microcredit has the advantage of being particularly useful to SSFs as it is characterized by its use of flexible collateral or innovative guarantee structures, eliminating the need to pledge hard guarantees, such as land, buildings or other guarantees, which may be difficult to attain or non-existent for the SSF. Financial institutions, which deliver microcredit, usually have developed a robust methodology, which contributes to increasing outreach and therefore, access.

Capture fisheries are under increasing pressure from unsustainable fishing practices worldwide. Promoting sustainable fishing can provide incentives for wider ecosystem stewardship. Finance has a role to play as well. Financing capture fisheries activities of SSFs can contribute to appropriate investments including adoption of best practices and technical upgrades leading to sustainable fishing operations, modernization of the sector and adaptation to climate change. Financing sustainable fisheries practices in conjunction with certification and fair trade or sustainable market or export driven programs, can also lead to higher and often more stable market prices for SSFs.

1.5 Characteristics of small-scale fisheries relevant to finance

In developing credit products for SSF it is critical to understand the SSF market and value chain both from socio economic and technological points of view. Some of the common characteristics of SSF communities include the following:

- Fishing communities generally undertake small-scale capital commitments and have often low levels of production and limited political power. This makes them vulnerable to external threats.
- The fisheries activities of SSFs are often highly dependent on ecosystem health, and generally operate in open-access (poorly managed) coastal waters.
- The nature of the ecosystems and the particular species that are exploited dictate the type of fishing gear and technologies that are utilized.
- Fishing communities are generally located in coastal areas that can be prone to natural disasters, such as floods, surges, tsunamis, storms and typhoons.
- Fishing communities can be highly diverse and complex, with specific social and cultural profiles.
- There is a division of labour according to both gender and age, with corresponding role expectations regarding men, women, children, adults and the elderly. In most communities, the primary producers are men, while women are mainstays of fish processing, marketing and distribution systems.
- Contemporary small-scale fishing communities are increasingly stressed by external problems, including expanding globalization, marine pollution and, in some regions, the growth of a coastal tourism industry.

- In many communities fishing is not the sole income generating activity, especially if it is seasonal. Many fisher households have other income sources as well.
- SSF takes place in both marine coastal and inland areas. Inland fisheries have shared and differing characteristics to coastal fisheries. Inland fisheries are predominantly rural.

From a business point of view, the businesses of SSFs are generally profitable, as SSFs are entrepreneurs like those in other sectors. The main objectives of SSFs are to make profits, generate income and produce food for their households. The profitability tends to vary depending on the specific species the fishers target, whether or not they are involved in low capital beach seine or hand line fishing, or more capital intensive marine capture sectors, the value chain they operate in and the overall sector health and context. While the fishing vessel operation may be profitable, this does not always reflect a reasonable contribution to the livelihoods of the fishing crew.

2. Problem statement for dearth of finance for fisheries

The supply of finance to fisheries, in particular to SSF has not been well studied. However, it is thought to suffer from many similar gaps as are found in agriculture finance.

A rule of thumb used to measure the gap between demand and supply of credit to any particular sector, is the comparison of a sector's contribution to gross domestic product (GDP) (or gross value added (GVA) when available) for the nation's economy and proportion of credit extended to that sector vis a vis total credit extension by financial institutions. This might then be adjusted by the growth (or not) of a sector relative to others in the economy. Higher growth sectors normally warrant greater investments, lower or negative growth sectors may be reflected in lower proportions of credit extended. Not all finance is debt finance, and therefore debt finance does not represent the total value of financial support for any one sector. Other investment vehicles include forms of quasi debt, and equity (including venture capital and own funds). Finally, this doesn't account for any intra value chain informal finance from aggregators, buyers, exporters and suppliers.

2.1. Why are microfinance and credit not targeting SSFs in general?

Underlying any extension of credit is the business itself and its prospects. The fisheries sector can be an attractive sector to invest in from a portfolio growth perspective, in part because so little formal finance has been extended, leaving an untapped market for credit and other financial services.

Reasons for not targeting or not including SSF in fisheries credit programmes can be of operational nature, have to do with capacity, have a political or regulatory background, or be a combination of those.

- Operationally the expected returns on investment may not be as high in SSF as in other sectors, the small-scale fishers may have relatively low investment capacity and limited assets, and the geographical dispersion of coastal communities and the related challenges to reach them can be constraining factors. The latter adds considerably to the transaction costs of credit delivery in the past.
- In terms of capacity the infrastructural capacity, as well as technical capacity and training, both at the financial service providers (supply side) and among the fishers (demand side) often is not sufficient to deliver credit successfully to SSFs. Social exclusion and in some cases stigmatization of fishers also contributed to their exclusion from many rural credit programmes. Moreover, the institutional structure and capacity in fishing communities, with often loosely organized groups and few formal organizations did not contribute to effective credit supply to the fishing communities.
- The political and regulatory frameworks sometimes make credit supply to fishing communities not attractive. Political and social interference are common. Regulations in place at national level often do sometimes not reach coastal communities, with consequently weak regulatory and other contract enforcements.

On top of those common constraints the illiteracy among fishers, as well as their vulnerability to risks (e.g. natural disasters), and their limited power within the value chain make the SSF sector not an attractive sector for targeting micro-finance and credit services.

SSFs, like smallholder farmers, do not always receive a significant portion of value added (despite the fact they take on significant risk) in the value chain, so even though the chain as a whole may be profitable with growth prospects, systemic issues (such as monopolistic and predatory relationships and even lack of finance) may dampen profitability of the SSF itself, making it less attractive to financial institutions. SSFs are often price takers and earn the lowest margins among all actors in the value chain. Formally financing SSF can loosen predatory relationships and allow SSFs to make an increased percentage of value in the chain. This, in turn, can make the SSF sector more profitable and thereby contributing to its viability, sustainability and ensure loan repayment.

Risk is also an important deterring factor. SSFs are subject to many uncertainties. A complex set of risk factors, beyond just business risk, accompanies any SSF capture business. Declining fish stocks, severe weather events, risks such as fire, theft, accidents and collision, and government policies and regulations on quotas and licenses can also pose risk to SSF prospects.

Risks in SSF, especially capture, have certain unique characteristics that set them aside from other economic and business activities. Weather conditions, climate change, natural disasters or market prices are neither predictable nor controllable by the fisher, but have an impact on the returns from fisheries. These elements are not controllable by financial institutions. However, financial institutions have the ability to manage these risks through appropriate portfolio diversification and through selective use of portfolio insurance and guarantee products.

Government programs and policies and enforcement also can impact business viability. These can underpin development of market strategies, but they may also crowd out private sector market developments, especially if the government becomes the market maker (through a combination of financial sector policies and public sector financial institutions). SSF risk is therefore part of an interrelated system in which markets and government actions interact with sector risks and SSF's strategies. Interactions such as these require risk management strategies and tools that should be available to the businesses and financial institutions. Risk management strategies at the individual business level may include business planning and decisions, adherence to safety guidelines, purchase of insurance, investment in fish finding technologies or quotas, diversification of target fish stocks and other income sources and use of market instruments, such as contracts, where available.

These real or perceived risks, beyond usual character risks, can be a deterrent to investment in and financing of SSF businesses. Many financial institutions lack tools and a nuanced approach to risk management of SSF loans. Instead, they prefer to take hard collateral, which is not usually available at this level of economic enterprise or may decide to not lend at all. On the other hand, without ability to diversify or otherwise manage these risks, the SSF may find themselves unwilling to take credit, even if offered, knowing they would lose the few productive assets they have in case of an untoward event or poor fish harvests.

For financial institutions, an understanding of the unique business characteristics of SSFs, the value chains they operate in and the risks they face, is a fundamental pre-requisite to entering this market and a key way to reduce risk and ensure lending success.

An appreciation of the complexities of the business is critical when entering it and institutions who have been successful at agriculture finance (which faces many of the same challenges) have done so by: a) recognizing a business opportunity, b) developing a profound understanding of the sector, and c) adapting their institution to addressing the sector's challenges.

Risk management specific to SSF financing, should include strategies for:

a) appropriate product design,

b) proper screening of client/business,

c) understanding of the value chain in which the SSF operates,

d) portfolio diversification,

e) monitoring of environmental events, and

f) an operational strategy to contend with risk events both systemic and non-systemic if and when they take place.

The ability to access third party guarantees either for each loan extended or as portfolio insurance, will help the financial institution mitigate and manage risk, especially throughout its learning stage.

2.2. Entry points and leverage points

Sustainable financing comes when there is a business case for the industry to be financed. SSF are generally profitable. Like in agriculture finance, microfinance institutions (MFIs) and rural credit providers can struggle to find the right fit of products, services and processes to finance productive enterprises in SSF while managing associated risks.

Institutional mandate

Financial services for fisheries require as many considerations as small-scale finance for agriculture and can therefore be a natural fit for financial institutions or programs already involved in rural and agriculture finance. Management orientation towards productive enterprises, staff familiarity with analysing cash flow patterns, institutional outreach capabilities, and analytical tools used in evaluating farm-based businesses could easily be adapted to SSF.

Some similarities and differences between financing smallholder (agriculture) production and capture fisheries are presented in Table 2.

Table 2: Comparison between agriculture and SSFs business characteristics

	Agriculture	Capture fishery
Key business drivers	Yields, policies, crop technology and systems, rain fed versus irrigated	Yields, quotas, management plans and regulations, policies and technology
Key risks	Weather, climate change, market price, government policies, crop diseases and pests	Market price, weather, seasonal ebbs and flows, declining stocks, transboundary resources and migrating stocks, IUU fishing, equipment failure and climate change
Key operational inputs to finance	Cash flows and technical capacity at financial institution	Cash flows and technical capacity at financial institution
Funding characteristics	Short term for inputs; long term for equipment/farm purchase and certification	Short term for inputs such as ice, fuel, labour, gears; long term for equipment, vessel and engine purchase and certification
Organizations	Associations, cooperatives, groups (SHG, VSLAs, etc.)	Associations, cooperatives, groups (SHGs, VSLAs, etc.)
Organizations Value chain characteristics	Varies, depending on crop and context and end-market, country and culture dependent	Varies, local consumption, perishable and export driven items will usually have more structured value chains, country and culture dependent

Many NGO-MFI's have a social and environmental mandate. While in the for-profit MFI's, (e.g. non-banking financial companies or institutions) these mandates may be subsumed to profit motives. The mandate may also positively influence the appetite for responsible SSF finance, including the development of new markets and outreach.

Product mandate

While there is a role for financial service providers to make available working capital for SSF, there is an emphasis on financing equipment for capture fisheries business, in particular, vessels, engines, freezing/ice making equipment and gears. The working capital needs are often already financed by actors within the value chain. Institutions comfortable with and able to finance SSF vessels and related equipment, usually implying longer term financing (>one year) are generally more inclined to finance this type of business investment. In contrast, institutions that are normally used to financing short term working capital (i.e. most microfinance institutions) may have more appetite to do so for SSF as well.

Pre-identified and (often poorly) served market

Various actors in the capture fisheries value chains already provide informal types of finance to

SSFs, especially in terms of working capital. These types of informal relationships can be predatory, including high implied "interest" rates and sometimes an obligation to sell under a pre-arranged agreement, which may not be mutually beneficial. Other types of informal relationships between value chain actors can be more supportive, providing working capital on credit in order to increase sales (input suppliers) or to guarantee quality and timeliness of supply. There are several benefits to these kinds of internal credit arrangements, including timeliness and access with no guarantees. Largely these relationships exist to fill a need of a business, which the value chain has already deemed profitable. Financial institutions can identify and capitalize on these already existing relationships and overlay or leverage with their own products, providing more flexible and often, cheaper capital to SSFs, covering more financial needs and at a longer term. In some cases, this replacement finance may give greater empowerment to the SSFs in their relationships with other actors in the value chain, releasing them from predatory arrangements.

Second tier incentives

Program and/or Line of Credit (LOC) funding, subsidies and guarantee funds can be a useful way for donors, governments and other interested parties to promote microfinance and/or credit for SSFs. Governments, donors and impact investors have important and complementary roles, which should vary depending on the objectives of their support and their resources tapped. By supporting the financing of SSFs, investors may at the same time assist SSFs to adhere to integrated policies for fishery management and sustainable development goals.

Box 1: An example of second tier incentives

In Thailand, government policies related to upgrading of boats for sustainable fishing practices provide an opportunity for financial institutions to supply credit for making the required improvements.

The following are some of the second tier objectives for SSFs finance:

- Facilitate implementation of fisheries management and conservation recommendations.
- Meet national and international standards related to the fisheries products value chain/fish trade and regulations related to illegal, unreported and unregulated (IUU) fishing.
- Promote the introduction and distribution of more sustainable fishing gears and technologies.
- Provide financial institutions with an opportunity to ensure socially and environmentally responsible investments.
- Adapt to the challenges of climate change (CC) in the fisheries sector and make preventive investments.
- Provide a mechanism for risk buy down through credit or portfolio guarantees.

Support should always follow general best practices for smart subsidies, loan funds and/or guarantees to prevent crowding out, over-reliance and to enhance risk sharing.

3. Actors involved in SSF finance

There are a number of actors who play different roles within the supply of and demand for microfinance and credit in SSF. The organization of SSF actors is contextual, depending on the country, enabling environment, and particular sub-sector and value chain the SSF fisher is involved with. The following sections outline different actors involved in microfinance and credit for SSFs, from perspectives of demand, supply and enabling actors.

3.1. Demand for microfinance services

At the level of microfinance, the demand side is made up of individual fishers and often fisherfolk groups formal or informal. The range of individuals requiring finance involved in the sector is broad and straddles not only type of fishery industry, but also vertically among actors in the value chains. For example, one thinks of a fisher as a person with a boat, but in reality, there are many small scale actors within that value chain which may have demand for finance, such as small fish processors, gear makers, small shipyards, workshops for vessel and engine repair, wholesalers, packagers, traders, retailers etc., each with their activity characteristics and financing needs.

Fishers may form either groups consisting solely of fisherfolk or mixed groups. These groups can be formal or informal and when ably managed, can act not only to provide technical services or market linkages to members, but can also be a conduit for finance to members, while also requiring finance for their own activities.

3.2. Supply for microfinance Services

The formal supply of microfinance services for fisheries can rest in the hands of government or state financial institutions, public or private rural banks, and microfinance institutions, which could be for profit or non-profit entities. Other direct suppliers of microfinance for SSFs could be producer/fisher cooperatives, village savings and loan associations (VSLAs) or self-help groups (SHGs) or other forms of self-managing savings and loan groups.

Government financial institutions can be key providers of financial services for small scale fisheries in Asia particularly and can have extensive outreach. Banks such as BAAC in Thailand or LandBank in The Philippines have a mandate to serve SSFs[3].

Government financial institutions can effectively finance small-scale activities and support government policies related to the fishery sector, but are sometimes hampered by inefficient processes, politicization, and erratic funding, leading to an inconsistent and bureaucratic supply of financial services.

Rural banks usually have well-established outreach and may be either public or privately owned. These banks can be highly effective providers of microfinance and credit services to

[3] Landbank however directs less than 1 percent of its portfolio to SSF, and instead channels funds through municipal fisheries programs. Four percent of BAAC's outstanding portfolio is invested in the fisheries sector.

small-scale farmers as well as fishers. However, the orientation of management and prospects for sustainability determine generally the scope of financial services on offer. Depending on their jurisdiction, some can provide a range of financial services, including savings, money transfer, and different forms of credit, which many NGOs may not be able to provide.

Microfinance institutions can be categorized into not for profit and for profit entities. For profit entities are usually sustainable providers of efficient financial services for SSFs, but are more suited to profitable and growing SSFs clients. Depending on their jurisdiction and legal structure, some microfinance entities can provide a broad range of financial services, including savings, money transfer, and different credit products. Non-profit MFIs may not be as consistent in service provision, nor do they offer the variety of services as for profit MFIs do, and they often suffer from scarcity of funds.

Box 2: NGOs are becoming for-profit entities to increase sustainability of their services

Faced with dwindling supply of donor funds, and an inability to raise sufficient capital with their legal status as NGO, many microcredit NGOs have transitioned into for-profit MFIs. This transformation takes many forms, but most common is a transfer of a portfolio to a legal structure that allows the now regulated institution to access different forms of capital, such as deposits and loans. Often (but not always) the original NGO remains active as a provider of non-financial services, philanthropic activities and other forms of support to the newly created for profit MFI. Examples of such transitions include BancoSol in Bolivia, K-Rep in Kenya, CARD Bank in the Philippines, BRAC in Bangladesh, Mibanco in Peru, Finsol in Honduras and Compartamos in Mexico among many others.

3.3. Multi function actors

Organizations who play multiple roles in the finance of fisheries, include businesses within SSF value chains. Buyers, exporters, packers, processors, wholesalers, retailers and input and equipment suppliers provide critical links and services in movement of value added products to market. At times these actors play the role of financer. Often SSFs working capital finance comes from wholesalers or buyers from the SSFs. This financing and service providing relationship (e.g. called Suki in the Philippines, Dadon in Bangladesh) is often a credit/marketing linkage in its most basic form. This relationship provides the fisher with a guaranteed outlet for his/her fish and access to working capital, while providing the trader with a steady supply of fish (Rosales et al., 2017). This type of relationship can often be seen in varying degrees in value chains throughout Asia.

Tables 3, 4 and 5 present the main actors in financing SSF businesses, their roles, activities, interests, capacities and specific constraints. These table furnish a broad representation of actors that may be involved in SSF finance. They detail roles actors can have, and what incentives exist to ensure that small-scale fisherfolk engage with financial institutions. The incentives and interests column identifies commercial or non-commercial interests in case of governments or civil society, in that it illustrates what the actor stands to gain from facilitation or delivery of financing to target market. Constraints indicate what limitations exist that prevent an actor from providing or facilitating financing. This includes not only supply constraints but also demand and regulatory constraints.

Table 3: Actors involved in financing SSFs – demand side

	Roles	Activities	Incentives/ Interests	Capacity/ Constraints
Individuals	Recipient, economic agent.	Business activity.	Profits, nutrition and livelihoods.	Illiteracy, seasonal migration, and fluctuating incomes.
Fisherfolk groups[4]	Recipient and conduit of finance.	Management, organization, marketing, and input sales to members.	Well-capitalized members are able to withstand most risks and increase income. Provision or facilitation of financial services to members. Group strengthening.	With upgrading, may act as conduits of finance to members. With contracts and good administration, can be screeners for credit.

Table 4: Actors Involved in Financing SSFs – supply side

	Roles	Activities	Incentives/ Interests	Capacity/ Constraints
Government financial institutions	Financer of groups and/or individuals.	Provision of credit and other financial products.	Outreach; government policy instrument.	Usually subsidized interest rates; good outreach; limited knowledge of sector; slow processes; funding gaps; limited innovation; risk of politicization.
Rural banks and credit organizations	Financer of groups and/or individuals.	Credit, savings and other financial products, non-financial training, and financial literacy.	Profitable business lines and growth of industries/business.	Good local outreach; funding may be constrained by terms and overall amounts; interest rates are usually affordable; good community links.

4 Landbank however directs less than 1 percent of its portfolio to SSF, and instead channels funds through municipal fisheries programs. Four percent of BAAC's outstanding portfolio is invested in the fisheries sector.

	Roles	Activities	Incentives/ Interests	Capacity/ Constraints
Microfinance institutions - Private	Financer of groups and/or individuals.	Credit, savings and other financial products, non-financial training, financial literacy.	Profitable business lines, growth industries/ business, responds to commercial incentives; Some have a social and/ or environment mandate.	Medium -long term funding problems; risk appetite can be small; interest rates may be unaffordable.
Microfinance institutions Not for profit	Financer of groups and/or individuals.	Credit and possibly agents for other services (e.g. education, empowerment).	Interest in food security, social development, profitable industries, and development objectives.	Funding problems; may be innovative; may be inefficient; usually affordable interest rates; may provide non-financial services.
Social/ Environmental investors	Financer of financial institution or directly to SSF groups.	Usually trade credit but sometimes for fixed asset investments (for groups).	Finance certification, fair trade, sustainable practices, empowerment, investor mandate.	Higher lower limits for lending. Usually lend to organizations, not individuals, sometimes loans in foreign currency.
Wholesale financers	Government banks, Central Banks, commercial banks.	Wholesale lines of credit for retail financial institutions.	Targets certain sectors, especially where there is little liquidity or risk appetite for lending. May also include partial guarantee facility.	May be politicized, interest rates sometimes lower than market rates, may require onerous reporting, limited technical assistance.
International financial institutions (IFIs)	World Bank, IFAD, regional multilateral development banks (e.g. ADF, AFDB, IADB, EBRD).	Indirect financing to rural and development banks.	Target certain sectors with market failure in finance or liquidity issues.	Limited knowledge of the fisheries sector, focus on large loans to the government, limited capacity building, limited technical assistance.

Table 5: Actors Involved in Financing SSFs – multifunction actors

	Roles	Activities	Incentives/ Interests	Capacity/ Constraints
Value chain actors	Buyers, traders, exporters, input providers, equipment suppliers.	Sales, marketing, programming, contract provision, orders, sometimes finance. Provide also technical assistance.	Buyers, traders want better productivity, and more consistent quality and volumes. In cases where there is a predatory relationship, their interest may be mixed.	Funding for lending is limited. Types of financial services restricted to credit. Direct financial, marketing and sale links to SSF. Minimal administration capacity.
Development NGOs	Technical service providers, credit providers, may also provide marketing, livelihood and capacity building assistance.	Technical skills, credit, financial literacy, and empowerment of women.	Development goals, technical assistance to businesses, small- and medium enterprises (SMEs) and micro-enterprises.	Provision of financial services usually insufficient. Project orientation is often not sustainable.

It should be noted that there are important gender differences within many of the SSFs roles and activities. Filling numerous roles within the sector, women are active in harvesting activities, industrial to small-scale processing and trade, and corporate and community leadership. In most regions, fish catching is male dominated, and women make up the dominant proportion of the labor force in seafood processing and post-harvest activities (Gee, and Bacher, 2017).

3.4. Enabling environment actors

Laws, regulations, policies and international treaties serve as the structural basis for a country's ability to achieve and sustain market-based development in the fishery sector. Examples of common legal framework challenges to SFF include restrictive laws, regulatory gaps, unforeseen consequences, and unpredictive *ad hoc* rules.

Lack of credit can be one of the greatest barriers hindering sustainability of the fisheries sector in developing countries. The enabling environment for credit is normally generally applied, i.e. any one sector is not distinguished or differentiated within the laws. However, certain industry sectors and activities to be financed can be more affected than others by absence or presence of regulations and/or laws. For example, in financing equipment such as vessels, engines, and other SSF fixed assets, the use of this equipment as collateral (legally) requires existence of a secured transaction law with associated registry. This does not exist in many countries in Asia and therefore limits the forms of acceptable collateral and reduces credit supply to the sector.

Existence of government regulations directing a minimum percentage of bank credit to certain sectors may stimulate lending. For example, in Bangladesh, India, Indonesia and the Philippines, banks are required to dedicate a certain percentage of credit to agriculture sectors, including fisheries. However fisheries as a sector is often subsumed to agriculture and many banks overlook it in fulfilling their commitments in this regard. Setting a requirement for fisheries finance and specific requirements around reporting of fisheries finance may assist the sector to access credit services[5] .

Non-financial policies which impact trade, environment and other industry elements can have a highly specific and acute impact on SSF and ultimately on the supply of credit to the sector, as well as on the repayment capacity of the SSFs.

Table 6: Type of enabling environment actors and their roles and activities

Enabling environment	Roles and activities	Incentives/Interests
Local and regional Governments	May develop and enforce laws and regulations on fisheries, food safety, market infrastructure, etc. May own a regional financial institution or operate regional or local credit funds.	Enforcement of policies; achievement of food security; economic growth; employment generation; poverty reduction in coastal areas; market development; reduction of migration from coastal areas to the cities.
Government Departments of Agriculture and Fisheries; Ministry of Finance	Policy development, management planning and enforcement of management measures Development of laws and regulations related to fisheries and finance. May provide additional wholesale funding and participate in or originate guarantee facilities.	Buy down risk of finance; food security; economic growth; sector focus; sustainable fishing practices; conservation of resources.
Central Bank	Sets policy and laws on insurance and finance. Regulates formal financial institutions. Enforcement of government's directed sector credit policies. May also set a financial inclusion strategy for the country.	Stability in finance; financial health of industry (banking and finance) Financial inclusion

5 These directed finance approaches by central banks are not always successful and many banks prefer to pay a penalty rather than dedicate finance to these sectors. Additionally, there is generally no particular allocation for direct production finance as opposed to financing the value chain actors overall in most countries.

4. Key good practices in delivery of financial products and services to small-scale fisheries

There is little documentation on best micro-finance and credit service practices for SSF. However, as the SSF sector shares many characteristics with smallholder agriculture finance (shared risks, erratic cash flows, yield fluctuations), at a minimum a frame of reference can be developed, drawn and adapted from current best practices for agriculture finance with input from existing implementers. Like agriculture, fisheries can be a risky activity, and it becomes more challenging when working with SSFs, particularly in view of their often weak positions in the value chains. It is important for a financial institution with an interest in the sector to develop practices for managing the lending process and mitigating risks in order to satisfactorily and sustainably address demand for credit in the sector.

The list provided here is not an exhaustive list of best practices for SSFs finance, nor does it specify elements more common to microfinance as a whole. Rather it extracts elements which have shown to make a difference and to lead to success, when delivering sustainable finance to either agriculture smallholders or SSFs.

Client and market knowledge

While knowing your client is important for any successful lending, it is critical for financial institutions who enter the SSF market. SSF enterprises may have large fluctuations in income on a regular basis, with the addition of the seasonality undercurrent. A prescribed investment does not always lead to an expected output. Understanding diversity of the SSF markets and value chains is valuable for customizing product terms, delivery channels and risk management strategies. It is important to note that in order to reach scale at low cost, urban focused microfinance grew up on standardization of products, policies and procedures, yet smallholder and SSF finance requires more nuanced approaches and customization. Knowing your clients involves market research, to inform product design, but also monitoring of client feedback and establishing a learning organization approach for adapting products and processes.

Flexible products

SSF lending products need to be adaptable. Some SSF actors have highly diversified and volatile income streams (such as capture fisheries because of seasonality) while others (e.g. fish processors) have somewhat more predictable income streams. This volatility needs to be addressed through adaptation of loan terms, including loan tenor, size and timing of disbursements, and payment terms in sync with diverse profiles. Small-scale retailers of fish products, owners of input shops, may fall into the typical microfinance product structure, i.e. commercial, and have more regular income streams, needing less customized finance[6].

Cash flow analysis

Analyzing cash flows of the production unit enables financial institutions to: a) contemplate net financial needs of the production unit, and b) match product disbursement and repayment schedules against

[6] An element of seasonality is still expected for these businesses, especially if these retailers solely dedicate to the purchase and sale of fishery products.

flows of that unit. SSFs cash flows are likely to be characterized by erratic and unequal cash surpluses and deficits, in part due to seasonality, and unpredictability of catches at any one period, even as short as daily. Measuring and forecasting these cash flows with adapted disbursements and collections will allow the financial institution to accurately measure the total amount required for finance, and limit their risk of fund diversion, during disbursement and collection periods.

In the event that the SSF income is only part of the overall income of a fisher's household production unit, cash flows may be recommended as a way of measuring the repayment capacity of the household overall, by respecting the fact that income and expenses within a household production unit come from varying sources and are fungible between sources and uses of cash.

In cases where catch is regular and does not exhibit any wide swings, no cash flow analysis may be required except in the cases where the finance is for fixed asset purchase. In that case, a cash flow may be required to denote the term of the loan. For very small loans for working capital, cash flows may have less benefit and are relatively costly, and therefore other risk mitigating features may be utilized (such as group guarantees).

Differentiation of loan officer performance targets to promote small scale fisheries lending

Differentiating staff performance targets for fisheries portfolios and commercial portfolios may be valuable for financial institutions interested in incentivizing SSF lending. Establishing specific targets between the two portfolios and then adjusting for seasonality variations, may help prevent credit officers from favouring other types of loans on which performance bonuses are based.

Marketing materials customized to reflect target market

Financial institutions can use a diverse range of media and other marketing channels to market their products. Incorporating images of their targeted clients in their marketing materials, choosing appropriate time and place to distribute materials and utilizing value chain partners and parallel government programs can help to overcome distrust in financial institutions, and contribute to market share growth. As illiteracy among SSFs is high, marketing materials, along with any credit paperwork must be written in simple words and phrases. Financial education has often been used as a complementary service for borrowers in other sectors and is needed also for SSF.

Box 3: An example of a loan product for SSF

The National Microfinance Bank (NMB) in Papua New Guinea developed a loan product for coastal fisheries. It is backed by a guarantee of the National Fisheries Authority and marketed through the Authority as well as in NMB branches with posters and flyers. NMB also provides financial education for all borrowers.

High level institutional buy-in

Successful SSF lending requires an approach different from typical MFI commercial lending. In order to lend to SSFs, financial institutions need to tailor products to cash flows, conduct product specific internal training, adapt monitoring techniques and adjust compensation packages. This requires a high-level institutional buy-in with a commitment at the top to see these elements through.

Appreciation, measurement, mitigation and monitoring of unique and systemic risks

Finance for SSFs brings unique risks different from risks associated with finance of commercial micro-enterprises. Perceived risk is often the most important deterrent in financing SSF. Financial institutions are often uncomfortable with short-term risk spikes even if the business indicates long-term profitability. Typical products, processes, human resources and systems are not currently designed for this type of risk profile. Financial institutions which have successfully targeted the agriculture credit market have been able to address these risks in a variety of ways using a combination of sector immersion, innovative product design, diversification policies and by combining alternative and complementary collateral with, where possible, credit guarantees. Similar approaches are required for successful provision of credit and microfinance services to SSFs.

4.1. Understanding the market, its similarities and differences to traditional microfinance and smallholder financing

Before entering a "new" market, a microfinance or credit institution would generally conduct a market assessment, which takes into account different activities and financial needs of the target market. A market assessment preferably should go beyond the fishers as a stand-alone category and look at the overall value chain, weaknesses (including risks), strengths and prospects. There are several value chain mapping resources which can be used when assessing the market needs.

All SSFs belong to value chains, however the value chains they belong to can be as simple as when an SSF provides product to a local retailer/seller or more complex in which an SSF utilizes inputs and delivers product to an aggregator or trader, who delivers to a processor, and the product eventually gets exported. Some 35 percent of all fisheries production enters international trade in various forms. A substantial part of this production is caught by SSFs. Nearly 60 percent of all internationally traded fish comes from developing countries' fleets, particularly in Asia (FAO, 2018). To meet the increasing consumer demands in export markets and domestically it is important that SSFs can participate effectively in fish value chains and in the development of these chains.

As the value chain becomes more complex, it is critical to consider the SSF as an actor in a value chain and how his or her business operates within, including the governance and power dynamics of the value chain which can have a substantial impact. Further, it is not enough to consider only movement of the product between actors in any one value chain, but also how movement of money flows between actors, as it is common to see credit being extended within the value chain (internal value chain lending). These financial flows can act as signals for a microfinance or credit institution as to where the profitable flows are, how strong the relationships between the actors are, and where the financial institution may leverage these relationships to improve access to credit.

4.2. Activities to be financed

There are a wide range of activities performed by SSFs that could be financed. Activities that are commonly found in SSF and require finance are presented in Table 7.

Table 7: SSF activities, related finance requirements and financial products

Activity	Defining characteristics	Types of financing required	Types of products
Capture fisheries	Uncertain and uneven income and expense streams. Seasonal drops and hikes in production.	Working capital (fuel, ice, salt, labour). Equipment & gears. Purchase & maintenance of vessels and engines. Short-term bridge finance. Certification. Adaptation Finance.	Short term, cash flow based loans. Savings products twinned to key inflows. Line of credit at Input providers. Leasing products for boat and equipment purchase. Medium term certification finance. General marine (hull) and other insurance (e.g. third party liability, accident/ life)
Fish processing	Some seasonality in terms of inputs. Some onlending to SSFs.	Working capital. Trade finance. Capital Investments (e.g. processing lines, ice machines, cold storage, scales). Onlending capital. HACCP certification.	Small working capital loans. Equipment investment loans (medium term). Savings and insurance products.
Fish packaging and distribution wholesale	Some seasonality in supply and demand.	Trade finance. Fixed asset investments. Input finance. Capital investments (e.g. packaging lines, freezers, ice machines, cold storage, scales, trucks/vans).	Short term working capital loans; fixed investment loans for fixtures/premises. Savings and Insurance products.
Fish retail	Regular income streams.	Working capital. Outlet/shop rental. Transport means. Some small fixed asset investments (e.g. scales, ice machines, freezers, cold storage).	Short term, traditional microfinance loans. Medium term loans for fixed expenditures. Savings and Insurance products.
Input providers (gears, ice, fuel)	Regular income streams with some seasonality.	Working capital for stock. Small fixed asset investments.	Short term, traditional commercial credit and microfinance loans.

4.3. Product design

Best practices of product design should balance needs of credit recipients against ways to manage risk. Good product design will help to manage risk of non-payment. In particular, cash flows for businesses with erratic and uneven income and expense streams, will be the primary input. Product design which does not mirror cash flows of the business or production unit (except in very unique cases) will invariably run the risk of non-payment of installments and eventually loan default. For example, financing purchase of a vessel should reflect the fact that the vessel may not go out daily for fish, or it may not be successful on a daily basis to provide a fixed installment. Some SSF fishing vessels do not return to the dock for a period of time, as they migrate with fish stocks and would therefore not be able to make regular installments. This is why it is fundamental to understand the needs and patterns of underlying business activity - the fishing operations.

In cases where the value chain exists, and it provides a fairly "tight" governance in that activities and relationships are prescribed and actors enjoy good relationships, product design may also leverage the value chain in several ways. Involving the actors in screening, disbursement collection and even in the provision of a credit guarantee, can help financial institutions to mirror the natural cash movements within the value chain and help them capitalize on key moments and physical cash points of the chain.

Not all financial products directed to SSFs will directly serve a fisheries activity as Table 8 explains.

Table 8: SSF unique circumstances/activities and related finance requirements

Product Types	Defining Characteristics	Types of financing required	Benefits
Livelihood finance	SSF activities are only one of many activities which support the household livelihood.	Finance the productive household unit in accordance with its investment needs.	Ensures all activities are financed as required and provides multiple income sources to contribute to repayment.
Adaptation finance	Implementation of vessel and equipment standards recommended or demanded by government.	Capital investments for upgrading equipment (vessels, gears). Transition finance into new activity.	Existing business activity continues. Vulnerability to shocks (e.g. natural disasters) and related risks can reduce.
Off season activities	In the low fishing season, SSFs may take on other activities such as farming, tourism, and salary jobs.	Working capital. Input finance. Some fixed asset investment. Trade finance.	Provides revenue smoothing and averts consumer or moneylender debt.
Linked finance	Credit or microfinance linked with insurance product.	High accident and fatality rates and risk in capture fisheries especially offshore.	Insurance provides additional guarantee of loan repayment. Cross-selling opportunities. Avoidance of long-term debt of households in case the main income earner gets and accident or dies.
Predatory finance replacement	Predatory loans with value chain actors or “patrons” are common in SSF.	Loan consolidation and refinance matched to cash flows of ongoing activities.	Replacement of usurious loans can lead to more retention of income by SSFs. May lead to empowerment of SSF households and better prices for products.

Box 4: An example of replacing predatory finance structures in SSF

In Bangladesh, Friendship NGO provides a "Liberation loan", to allow SSFs to pay back their debts to the usurers (Mahajon). It is a long term loan (over one year) and collateral free, but loosely utilizes a group liability mechanism. It is usually followed (simultaneously) with a working capital and/or vessel and engine loans as necessary. Friendship NGO states that this empowers fishers to make more optimal choices in the commercialization of the catches, as previously they are forced to sell their catches to the Mohajon at a very low price.

4.4. Policies and procedures

Differences in clientele, business activities and cash flows require a variety of products and types of analysis. Therefore, financial institutions are moving towards separate policies and procedures for smallholder (agriculture) lending. As SSFs share so many of the same attributes, a financial institution would benefit from having specific policies and procedures as well as associated applications, analyses and risk checklists, for SSF finance. In the case where an institution is financing both small scale agriculture and fisheries these procedures could likely be consolidated. A detailed subsection in the general policies and procedures would be a starting point for inclusive finance of SSFs.

Policies and procedures or a credit manual pertaining to SSF finance should do the following:

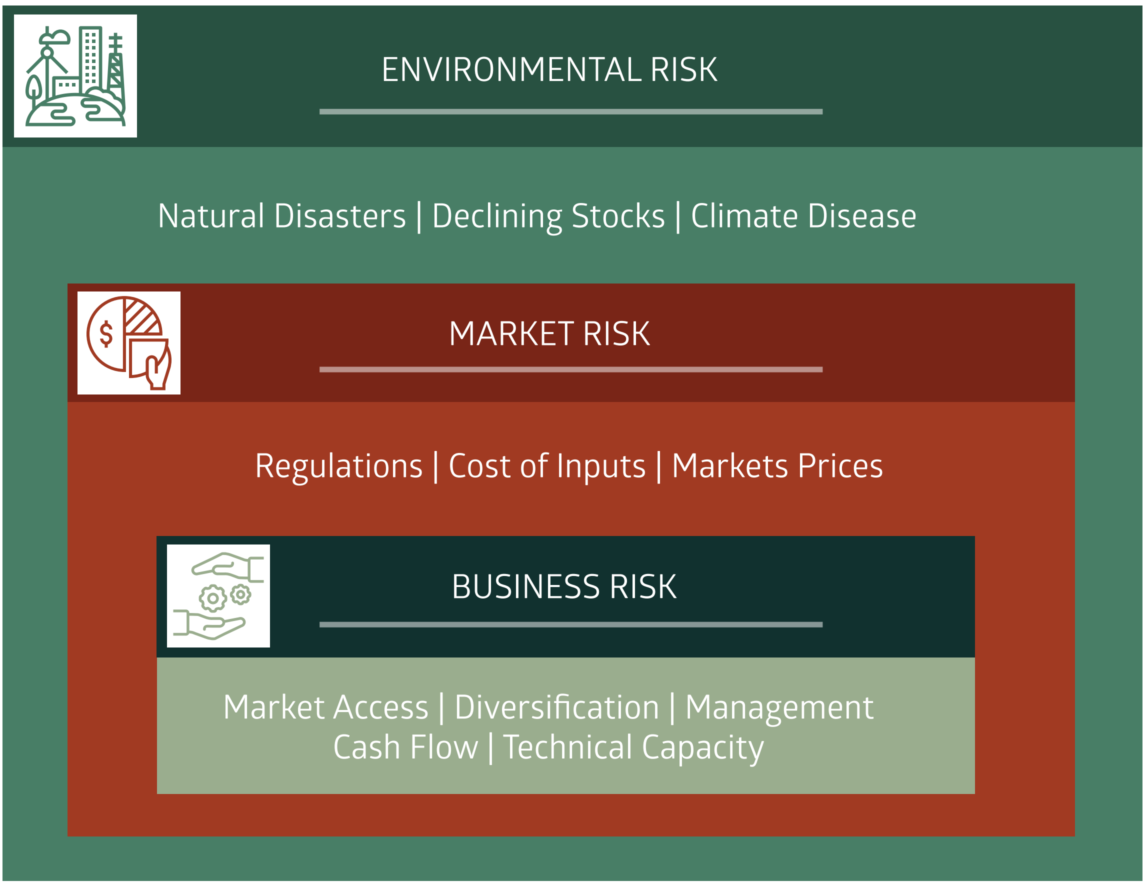
1. Define target market and general qualification criteria which may include elements such as activity, nationality, business size, individual/group participation, training, self contribution, memberships etc.
2. Provide a pre-screening checklist to pre-qualify potential clients.
3. Set out loan products and detailed criteria for each loan product, including pre-application training, financial education, group training, group savings, individual savings, presence of contract, history in activity, credit history etc.
4. Outline application process, formats, and supporting documentation dependent on loan product and client. Supporting documents may include cash flow analysis, certificate of ownership or rental status, references, contracts, and certification of the business.
5. Risk and qualification checklist to be filled and filed.
6. Analysis with results and recommendations by supervisory credit/business officer.
7. Credit committee procedures, how often they meet, where, and levels of authority in approval.
8. Processes guiding resolution of application, notification of clients, generation of disbursements and repayment dates and amounts.
9. Monitoring guidelines, including supervision of disbursement of credit if dictated as part of a loan covenant, and forestalling issues, which may arise which could cause non-payment.

Policies and procedures and associated loan conditions should be adjusted depending on the size of the loan, methodology used, and overall risk. Small loans for working capital or loans captured via self help groups (SHGs) or village savings and loan associations (VSLAs) will not normally require a cash flow analysis. In addition, loans for retail of fish products may fall into the commercial loan category and be treated differently in terms of analysis and monitoring.

4.5. Marketing and promotion

In financial services targeting SSF, MFIs use traditional marketing methods and materials adapted to the clientele. Investment in marketing efforts may include using a wide variety of print and electronic media tools and methods. Brochures, posters, and newspaper advertisements, as well as radio and television spots may be used depending on literacy levels of the target population. Massive promotional efforts on the part of loan officers and branch staff may also be used during market days, just before the main fishing season or in certain areas in an effort to promote financial services. The principal difference between urban focused and rural/fishery marketing efforts is in the imagery used, and in the case of television or radio spots, the timing they show. SSFs may normally be active at sea in the early or late hours of the day, so radio spots before or after these times, may be effective. Promotion of finance through fisherfolk organizations or a value chain nexus (where the actors interact) may also be effective in targeting SSFs.

Figure 1: Levels of risk impacting SSFs structured by financial institution's ability to manage, monitor or anticipate the risk



4.6. Risk assessment and credit analysis

Important parts of product design are terms and conditions surrounding risk mitigation. Only part of risks facing SSF can be controlled or monitored by the financing organization. Risks which pertain to the operation of the business such as technical fisheries expertise, navigation skills, cost of fuel and ice, and staff management (as applicable), links to purchasers, as well as an assessment of the borrower's character, may be analysed by the financial institution in determining credit worthiness. However, risk elements such as market price shifts, weather events, and accidents are more difficult to mitigate internally through the financial institution's internal processes and analysis. Such risks can be partially mitigated by integrating sales contracts, vessel insurance policies and 3rd party guarantee facilities into the mix of requirements.

It is an ecosystem of policies, instruments and strategies in which SSF, markets, including financial markets, and government intersect (see Figure 1).

Although collateral also helps mitigate risk, like guarantees and insurance policies, it is a post facto tool to recoup losses and does not determine or predict success of the underlying business. More realistically it acts as a deterrent to non-payment. Types of collateral taken might include land, vessels, trucks, buildings or equipment. Business related collateral is not always available as there are a significant proportion of fisherfolk who rent instead of own equipment. In many fisheries the vessel owners stay on land and hire captains and crew who get a share of the catch or sales, but do not own the fishery assets. In those cases, use of alternative collateral or third party guarantees may be used to offset risk.

The use of groups as a methodology for managing credit risk is prevalent in certain types of industries and countries. Asia especially, has a strong orientation for utilizing group methodology as a mechanism for risk mitigation. Use of the fisherfolk groups as providers of social collateral, as managers and sometimes conduits of credit, not only reduces risks by providing screening and alternative collateral to secure the loan, but it can also reduce the delivery costs of finance to SSF.

Box 5: Village savings and loans associations

The Matsyafed model in India, utilizes self-help groups in the manner of village savings and loans associations (VSLAs) in which the trained and capitalized groups provide financial services to their fisherfolk members. The model uses the group to manage and issue collateral free small loans, without significant outside institutional support. A similar program has been developed with RARE in the Philippines in which they promote the VSLA model to stimulate credit and savings services within local groups of fisherfolk.

4.7. Delivery channels

In microfinance, alternative delivery channels are expanding the ways that people access and repay credit. New delivery channels include digital disbursements and repayments via mobile phones or through agent banking facilities. These channels can be considered by those financing SSF, as these contribute to lowering the overall cost of the service, with the added bonus of limiting risk of non-repayment or loan diversion.

Value chains, which have a tight orientation, with limited ability to side sell, and good and balanced relations between all parties, can also be successfully used by financial institutions to screen clients, and disburse credit in kind and act as monitors and collection agents, thereby reducing delivery and management costs and enhancing risk mitigation. In well-organized value chains, actors may be able to provide complementary guarantees, or even co-financing to financial institutions to further increase access to finance.

A commonly practiced delivery and repayment collection model is through fish processing plants, which supply credit on behalf of financial institutions and collect repayments, sometimes in the form of a share of the landings of fish.

Well managed SSF groups embedded in value chains can go beyond acting as social guarantors. They can also act as conduits, screeners, and collection agents, while providing other needed services, such as technical training, aggregation, processing and marketing arrangements. An added benefit may be the overall strengthening of the group cohesion and functioning. Very strong fisherfolk groups (and even with some lead firm buyers) may choose to pledge assets to secure loans for their members, taking on the debt and its management themselves. This is a common mechanism in high value agriculture chains, such as coffee, cacao, and horticulture.

Traditional delivery channels continue to be used where rural financial institutions have a dedicated presence in the areas. Group lending is often used to both secure loans and to deliver and collect for the financial institution, reducing risk and operating costs. In peri-urban areas where many fish retailers, processors and suppliers are located, the cost of access to a branch is generally low.

4.8. Loan monitoring and repayments

Monitoring procedures adjust to the types of businesses financed. Critical investments, whether purchase of fishing equipment, vessels and gears, fuel and ice, are key points to monitor in SSF. This can be performed by the loan or business officer of the financial institution. Value chain actors can also play a role in monitoring, including SSF groups, buyers and input providers.

The underlying mantra around repayments is to ensure that repayments are structured around cash generated from the business. This becomes more problematic in businesses which exhibit erratic and unequal cash flows. Prediction of cash flows of SSF will include seasonal variety and levels of activity. Daily or weekly repayments may be possible if the SSF is fishing regularly. However, there will be periods in which there is no fishing at all, determined by seasonality or regulations. There is no certainty of yield, although presence of technology and critical inputs can help increase and retain yields as they come. Logbook information as well as historical landing site or fishing port statistics may provide useful information about the repayment capacity of fishers and in fact, if available, should be a critical part of the credit analysis.

Financial institutions have options to promote and ensure repayment. One is to give a sufficient range of time for clients to pay, i.e. similar to a line of credit, in which people pay when cash is available, with some restrictions. This, while rarely encountered in formal finance, is the preferred type of finance for businesses with erratic cash flows (agriculture and fisheries as examples). Another is to expect a percentage of the value of harvests of fish. There are drawbacks to each type of arrangement along the dimensions of risks and operational cost.

In cases where the value chain is active, in terms of aggregation, processing and other purchasers of harvests, and where transactions already exist, these elements can be managed successfully. Group models (e.g. VSLA, SHGs and cooperatives) may also be used to smooth expected repayments, when there is a shortfall within in the group in terms of timing of cash flows. Where it gets more complicated is if the SSF has no ties and sells exclusively on the open market. In such cases, other collection and repayment methodologies, usually more expensive or time consuming, are needed.

4.9. Institutional sustainability

In order to ensure continuity of service provision and continued access to capital, most financial institutions are required to be sustainable and/or profitable. Profitability or cost coverage transpires when an institution creates a sufficient spread between the cost of funds and the effective yield on assets (which is normally predominantly the institution's loan portfolio). This net interest spread, as it is termed, must cover operating costs, including loan losses. Consequently, the pricing side of the sustainability equation must be such that it covers costs. However, there are situations in which a financial institution deems it necessary to subsidize a specific product with income from another product. Financial institutions do not always understand their product costs, and therefore provide a rudimentary calculation at best. Typically interest rates are set on relatively general conditions, usually with a risk premium to reflect risk.

In a competitive market interest rates may be set according to market interest rates, instead of a cost plus basis, but this assumes a relatively robust market. Financial institutions may choose to reduce the interest rates applied for certain sectors depending on how they are able to mitigate risks from external sources (such as external guarantees) and access concessionary funding. It should however be noted that lower cost funding does not necessarily reduce interest rates to the borrower, as financial institutions may still choose to issue market rate loans even while receiving concessionary funds. This is usually done to discourage rent-seeking.

Conversely, the objective of institutional sustainability may also be met through cost control. Cost elements can be reduced through appropriate risk management (risk premium). Alternative delivery mechanisms, product linking, and scale can also reduce costs.

4.10. Second tier investors and their considerations

Investors and funders of SSF microfinance and credit programs and financial institutions can have a variety of incentives for supporting the financing of SSF via financial institutions. They can act as important leverage points in persuading financial institutions to enter the market, by providing attractively priced funding for onlending and operating cost coverage, including technology development. Concessionary funding can also be used to buy down risk (offering a subsidy or guarantee to offset the cost of risk) through guarantee facilities and technical assistance for product development, pilot implementation and management. Concessionary funding especially if accompanied by a technical assistance package can also promote sustainable fisheries and responsibly sourced seafood. Regardless of the objective, best practices of support should apply to these interventions as follows.

Grants

Best practices are met when program subsidies or grants can in the short term offset costs related to piloting products, including coverage of costs related to additional (technical) staffing, technology improvements or outreach points. These should be short term and targeted with defined objectives.

Loan funds

The role of funding (concessionary or otherwise) provided by central banks or other wholesale fund providers, such as banks or impact investors, is to provide needed liquidity in contexts where available funds for onlending are constrained by the enabling environment. This funding may be concessionary in nature (when the interest rate is below market rates) if the purpose is to entice retail financial institutions into the market segment or when financial institutions are unable to raise sufficient funds to intermediate. This concessionary rate may or may not be passed on to the final consumer depending on the policy of the financial institution. What it should do however, is to increase access for the targeted segment, the SSF sector in this case. What it should not do is distort the market.

In certain cases in agriculture finance, loans may be provided directly to groups or associations of producers, for trade finance and in some cases, for onlending to smallholders. This is something that is normally done by impact investors such as Root Capital or Oikocredit and has some success in driving a move toward sustainable behaviours and products, such as fair trade, rainforest certification and organic. This type of arrangement may also be used by fisherfolk groups.

Loan guarantees

Where liquidity is not required, a valuable instrument is a form of guarantee, either a portfolio guarantee, or a credit guarantee extended on a case by case basis, usually in the form of a drawdown facility.

Loan guarantees should buy down identified risks, match the structure of loans extended, cover the majority of SSF related risks, especially systemic risks, and absorb only partial losses on an equal basis. The remaining risks are for the financial institution, thereby continuing to require appropriate assessment and management on a loan by loan basis. While end user interest rates may not be lowered, loan guarantees by virtue of the fact that they offset risk costs, may contribute to an overall reduction in rates.

Wholesale lenders or donors must not involve themselves directly in operations of analysis, approval and follow up. These should be dictated by the financial institution providing credit to SSF. Neither should wholesale investors or donors prescribe product terms including interest rate caps, relying instead upon a robust memorandum of understanding or contract with the financial institution and allowing them to perform their business in a sustainable manner.

The criteria for utilization of funds may be highly diverse. For instance funds might determine that only SSFs pursuing certification can benefit from the available credit sources, or they may decide to finance only SSFs that are adapting their fishing operations to climate change. There is a myriad of objectives, which may be pursued. However the narrower the target market is in scope, the more the market power shifts to the borrowers. Once the targets or the behaviours you wish to change have been identified and a business case developed, a win-win financing or risk mitigating arrangement can be agreed to between parties involved.

References

FAO. 1989. *Revolving loan funds and credit programmes for fishing communities. Management guidelines.* Food and Agriculture Organization of the United Nations. Rome. Italy. 163 p.

FAO. 1995. *Code of Conduct for Responsible Fisheries.* Rome. 91 p.

FAO. 2003. *Microfinance in fisheries and aquaculture. Guidelines and case studies.* FAO Fisheries Technical Paper No. 440. Rome. 114 p.

FAO. 2005. *Increasing the contribution of small-scale fisheries to poverty alleviation and food security.* FAO Technical Guidelines for Responsible Fisheries No. 10. Rome. 79 p.

FAO. 2007. *Credit and microfinance needs in inland capture fisheries development and conservation in Asia*. **Tietze, U., Siar, S.V., Marmulla, G., van Anrooy, R** . eds. FAO *Fisheries Technical Paper No. 460*. Rome. 138 p.

FAO. 2009. *Report of the Global Conference on Small-Scale Fisheries – Securing sustainable smallscale Fisheries: Bringing together responsible fisheries and social development.* Bangkok, Thailand, 13–17 October 2008. FAO Fisheries and Aquaculture Report No. 911. Rome.

FAO. 2015. *Voluntary Guidelines for Securing Sustainable Small-scale Fisheries in the Context of Food Security and Poverty Eradication.* FAO. Rome 2015. 18p.

FAO. 2018. *The State of World Fisheries and Aquaculture 2018 - Meeting the sustainable development goals.* Rome, Italy, FAO. 210p.

Gee, J. and Bacher, K. *Journal of the Asian Fisheries Society, Engendering Statistics for Fisheries and Aquaculture Asian Fisheries Science Special Issue 30S* (2017): 277-290

Rosales, R. M., Pomeroy,R.,Calabioc, I. J., Batongd,M., Cedoe,K., Escaraf,N., Facunlag, V., Gulayanh,A., Narvadezi, M., Sarahadil, M., Aimee, M.. *Value Chain Analysis and Small Scale Fisheries Management Marine Policy 83* (2017) 11-21

Annexes: Steps to consider when entering SSF finance, sample risk checklist, product profiles, and a glossary

Annex A: Steps for introducing SSF finance into a credit programme/operations

Step	Activities
MARKET ASSESSMENT	· Market research - to involve fisheries department and/or local government actors, market actors, target clients · Value chain assessment (as required)
PRODUCT/ PROJECT CONCEPT	· Product/project design · Pro forma documentation and financial forecast · Concept testing
PILOT	· Selection of test site(s) · Establishing benchmarks for successful pilot
REVIEW AND EVALUATION	· Adjustment of product concept (as required) · Finalize documentation: policies and procedures, marketing materials, checklists
PRODUCT LAUNCH AND SCALING	· Launch marketing and promotion campaigns · Implementation · Adjustment of staff performance incentive structure as required
CLIENT FEEDBACK	· Adaptation (as necessary) to address changing needs of clients

Annex B: Risk checklist

Sample Risk Checklist (adjusted from agriculture)

Borrower Name:______________________________ Client Code:______________________________

Proposed Loan Product:______________________________ Proposed Loan Amount:______________________________

Name of Credit Officer:______________________________

	YES	NO	COMMENTS
A. Client Profile			
1. Meets all Pre-Qualification Screening Criteria	[ ]	[ ]	
2. Has open account at bank (or other financial institution)	[ ]	[ ]	
B. Profile of the Business being Financed			
1. Is the activity expected to generate income and is not subsistence?	[ ]	[ ]	
2. General Conditions of vessel, gears, and landing site/port, Access and level of technology applied are adequate for the fishing operation.	[ ]	[ ]	
C. Analysis of Credit Risk			
1. Amounts, terms and other condition of finance are adequate to needs	[ ]	[ ]	
2. Expected market has been confirmed.	[ ]	[ ]	
3. Does client have references from suppliers or purchasers (if yes, note)	[ ]	[ ]	
4. Client has other sources of cash income such as agriculture/livestock, remittances, salaries, small business etc.	[ ]	[ ]	
5. Analysis of the cash flow of client show ability to pay	[ ]	[ ]	
Additional observations and comments:	[ ]	[ ]	

Responsible Official **Date**

______________________________ ____________

Annex C: Product profile worksheet

Purpose	Requirements/Guidelines
Type: (working capital, fixed asset, factoring, line of credit, revolving credit)	
Target Client (fisher, business, vessel, gear types, fishing operations, species targeted, exporter, buyer, etc)	
Client Profile (size of client, vessel and engine information, crew information, experience, history with lender, TA in place, etc)	
Amounts	
Minimum Amount	
Maximum Amount	
Average Amount	
Total Amount dedicated to Pilot (if applicable)	
Pre conditions	
Type of Collateral Preferred	
Complementary collateral accepted (if any)	
Value of colateral as a % of loan amount	
Cost	
Interest Rate Basis of interest rate calculation	
Commissions/Fees When? How often?	
Other costs: (insurance, stamp fees, collateral registration etc.)	
Disbursements	
Based on: (type of analysis, type of collateral, loan history,)	
How: (Cash, kind, voucher, through suppliers, against monitoring forms etc.)	

Payment Conditions	
Term (term of financing considered against what?, no more than x? etc.	
Grace Period (Interest and/or capital)	

Annex D: Glossary

Short	Refers to the term of the loan. Short is usually less than a year. Medium and Long: equal to or more than a year.
Working capital	The money required to operate a business in the short term. Does not refer to purchases of equipment or land, but rather to inputs related to running the business on a daily basis
Input loan	Loan which is received in kind: in this case inputs such as seeds, fertilizers, agrochemicals.
Collateral	The guarantees which a borrower offers to secure his repayment of a loan. May be tangible or intangible in nature.
Delivery channels	A delivery channel is the method a company uses to get its products into the marketplace for consumer use. In financial institutions it could be a branch, a field officer, an ATM, a mobile phone, a POS, another financial institution etc. It may also be used to express the channel for repayments.
Finance	To furnish with necessary funds.
Assets	Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset.
Formal/informal	Refers usually to legal structure of the institution. Informal businesses usually are not incorporated, or as in the case of informal financial institutions they may be incorporated but not under any of the financial institution legal structures.
Traditional loan structures	Traditional loan structures require the buyer to pay the principal and interest by following a payment schedule with a down payment. Usually this refers to regular equal installments of loan capital and interest.
Retail lending	Where the financial institution's relationship is directly with a borrowers. Indirect lending is when a financial institution works though a middleman (either another financial institution (wholesale), or other type of entity).
Wholesale portfolio	That portfolio of a financial institution, which is lent to other financial (or non-financial) intermediaries.
Grace period	The period of time (usually at the beginning) where loan installments are not due, but usually include interest installments.
Operating financing	Loans intended to fund the costs of operations (usually of equipment), such as parts, labour, and other inputs (fuel, primary resource materials).
Loan capital	That part of the loan which refers to the initial amount lent.
Loan installments	Payments which usually include interest and capital, paid periodically.

Installment loans	A loan that is repaid with a fixed number of periodic equal-sized payments.
Microfinance services	Microfinance services are a range of financial services (credit, savings, insurance, payments and transfers) which are tailored to low income individuals or small/micro businesses.
Microfinance service providers	A range of different types of institutions which can provide microfinance services including: financial institutions (financial cooperatives, banks, credit unions, savings and loan institutions, microfinance institutions, and other financial companies) and non-financial entities (producer cooperatives, processors, cajas rurales, community based savings groups, exporters, buyers, inputs/service providers etc.).
Risk buy down	Cost-sharing is used by programmes to help buy-down the risk of a market actor trying a new innovation or product. This tactic is useful when a potential partner understands the benefits and risks of a new venture, and just requires a small safety net to increase their confidence throughout implementation.
Credit bureau	A (usually) private firm that maintains consumer credit data files and provides credit information to authorized users for a fee.
Net interest spread	Net interest spread is the nominal average difference between the borrowing and the lending rates.

For more information about these guidelines and related activities, please contact:

Asia-Pacific Rural and Agricultural Credit Association (APRACA)

BAAC Building (4th Floor); 469 Nakhonsawan Road
Dusit; Bangkok-10300; Thailand
Telephone:+66-2282-0693; 2282 1365
Web: www.apraca.org

FAO of the United Nations

Via delle Terme di Caracalla
00153, Rome, Italy
Telephone: +39 06 57050155
E-mail: fi-inquiries@fao.org
Web: www.fao.org

These Guidelines for increasing access of small-scale fisheries to credit and microfinance services in Asia have been developed to support the implementation of the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication (SSF Guidelines).

The purpose of these guidelines is to Increase awareness about the financial service needs of small-scale fishers for more sustainable and inclusive access to finance, to provide guidance to policy and decision makers to help introduce and incentivize financial services to small-scale fishers, to build capacity among financial service providers, fisherfolk organizations, NGOs, and other stakeholders, and to promote financial services that incentivize and reward responsible fishing, fish processing and fish marketing operations.

These Guidelines describe why microfinance and credit are important for small-scale fisheries and why many small-scale fishers are currently not financed. The Guidelines suggest entry and leverage points for actors interested in supporting the access of financial services for small-scale fishers and compares agriculture (smallholders) and small-scale fisheries business characteristics. Good practices in the provision of microfinance and credit to small-scale fishers are identified and discussed in detail.

Asia-Pacific Rural and Agricultural Credit Association

ISBN 978-92-5-131567-5

9 789251 315675

CA5128EN/1/07.19