

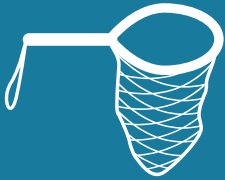


Food and Agriculture  
Organization of the  
United Nations



INTERNATIONAL YEAR OF  
ARTISANAL FISHERIES  
AND AQUACULTURE  
2022

## Financial services provision to small-scale fisheries



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# Introduction

Small-scale fisheries (SSF) make an important contribution to nutrition, food security, rural livelihoods, and poverty alleviation. The importance of SSF is recognized by the United Nations, which declared 2022 the International Year of Artisanal Fisheries and Aquaculture (IYAFA 2022).

To develop small-scale fisheries in Africa in a sustainable manner, access to financial services is key. This brochure presents the main findings of a survey held among financial services providers in Africa about their supply of services to small-scale fishers and aquaculture producers.

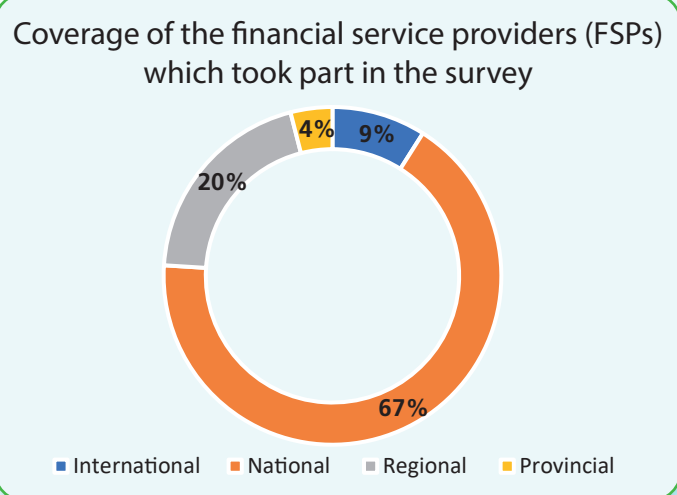
Forty-four financial service providers (FSPs) providing loans and other banking services to agriculture entrepreneurs and others active in rural sectors in Africa responded to the survey in 2021.



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# Summary of key survey findings



**64 percent** of the FSPs offer their services to small and medium enterprises (SMEs) active in small-scale fisheries and aquaculture.



**35 percent** of FSPs have dedicated credit programmes for either fisheries or aquaculture sectors (or both).



**16 percent** of the credit programmes for SMEs in small-scale fisheries are supported by governments.



For **70 percent** of the FSPs the credit programmes available for fisheries and aquaculture entrepreneurs make up less than 10 percent of their portfolios.



**31 percent to 52 percent** of the FSPs rated the financial performance of their credit services to the fisheries and aquaculture sectors as 'good' or 'very good' for the years 2016-2019. 15 percent to 23 percent of FSPs rated the performance of their credit services to the sectors as 'bad' or 'very bad' over the same period.



## Survey methodology

The African Rural and Agricultural Credit Association (AFRACA), Global Network for capacity building to increase access of small-scale fisheries to financial services (CAFI SSF) and the Food and Agriculture Organization of the United Nations (FAO) carried out an online survey in 2021 among financial service providers active in rural areas in Africa to investigate the current supply of financial services to the fisheries and aquaculture sectors, with a focus on small-scale producers. The survey participants included AFRACA member institutions and other FSPs identified through CAFI-SSF research.

The respondents are FSPs with different mandates, such as commercial banks, microfinance institutions, and central banks from 11 African countries. Most institutions are active at national level in their home markets; only a few are regional institutions. Most of the respondents were from Nigeria, Kenya, Ghana, Uganda and Zambia. A total of 44 FSPs completed the survey.



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## Survey findings



In general, financial service providers (FSPs) are able to reach out to SMEs active in the small-scale fisheries and aquaculture sectors. Many have branches in coastal areas.

Two thirds of the FSP respondents serve the sectors, but loans to the fisheries and aquaculture sectors only constitute a small part of their portfolios. For 70 percent of the FSPs the loans awarded to fisheries and aquaculture entrepreneurs make up less than 10 percent of their portfolios.

Some commercial banks expressed challenges with lending to small-scale fishers due to the migratory habits of fishers. Microfinance institutions, rural- or agricultural credit associations and cooperatives are often well equipped to service the small-scale fisheries and aquaculture entrepreneurs in need of loans.



**35 percent** of FSPs have dedicated credit programmes for fisheries or aquaculture (or both), including small-scale fisheries. FSPs mostly provide short-term lending products (operational loans, credit lines), followed by long-term lending for investments and also credit cards. Guarantees are mentioned several times in the answers as viable instruments to help lending to SSF. Most of the lending is earmarked for operational expenses (working capital) and for financing the purchase of equipment, such as vessels, engines, gears, ice-makers and freezers.



**31 percent to 52 percent** of the FSPs rated the financial performance of credit services to the fisheries and aquaculture sectors as "good" or "very good" in the period 2016-2019. 15 percent to 23 percent of FSPs rated the performance of their credit services to the sectors as bad or very bad over the same period. Internal factors are the most common reasons (risk management, lack of collateral, inadequate cash flow and risk assessment) for bad financial performance by some FSPs in terms of their credit service provision to the sectors. External factors (e.g. natural disasters) only played a minor role. Most of the reasons mentioned for poor performance can be addressed by capacity building of staff and borrowers.

Performance of FSPs in the provision of financial/credit services to SMEs in fisheries and aquaculture in the period 2016 to 2019

|      | Very good | Good | Neutral | Bad | Very Bad | N/A |
|------|-----------|------|---------|-----|----------|-----|
| 2019 | 7%        | 45%  | 19%     | 11% | 7%       | 11% |
| 2018 | 4%        | 39%  | 19%     | 23% | 0        | 15% |
| 2017 | 4%        | 27%  | 35%     | 15% | 4%       | 15% |
| 2016 | 4%        | 35%  | 23%     | 11% | 4%       | 23% |

Source: FSP survey with 44 respondents.



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FSPs view aquaculture farms as more attractive than SMEs involved in capture fisheries. They regard aquaculture as a lower-risk activity and appreciate the ease of monitoring aquaculture projects.



FSPs see potential roles for other value chain stakeholders in the supply of credit to small-scale fishers and aquaculture producers. Providers of equipment (e.g. gears and vessels) have direct business relationships with fishers and feed producers and hatcheries (for fry and fingerlings) with aquaculture producers. These providers know the finance needs of SMEs in the sectors and could be of help in designing (or take part in) credit supply to these sectors.

Capacity building priorities of FSPs related to service provision to fisheries and aquaculture are focused towards increasing their understanding of these sectors. The survey responses indicated that the needs for technical support by FSPs were rather broad. Yet, most FSPs are interested in getting a better understanding of the sector (e.g. technology used, markets, profitability and sustainability). Capacity building on general tools like cash flow analysis, and product design and development, as well as learning about group lending models were of lower priority for the respondents in the survey.

Technical assistance providers such as the Ken Soh Consulting Group (Cameroon) and (Zambia) play an important role in capacity building of small-scale fishers and aquaculture producers and in bridging the knowledge gap. They help stakeholders understand the characteristics and inherent risks of the fisheries sector, create market linkages, conduct feasibility studies, and identify investment opportunities.



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### Agricultural lending toolbox

Most financial service providers have their own credit assessment tools, embedded in their policies. Adaptation to new tools is often a challenge. Some FSPs responding to the survey expressed interest in other tools that can complement their existing tools. The World Council of Credit Unions (WOCCU) developed an agricultural lending toolbox (WOCCU, 2021), which is used frequently by the Kenya Union of Savings and Credit Co-operative Societies (KUSCCO) to assess the credit-worthiness of cooperatives during the appraisal process.

### Organizing fisherfolk to facilitate access to credit

Small-scale fishers can increase their access to credit and financial services by organizing themselves in formalized groups. FSPs indicated that loan provision through organizations reduces their transaction costs and makes access to loans for small-scale producers easier. Non-governmental organizations, such as AWAK and Marinecultures, and WorldFish, can leverage on their close relationships with small-scale aquaculture and fisherfolk communities to promote good governance and support organizational strengthen of organizations of small-scale producers.



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FSPs responding to the survey are aware of the many programmes and institutions that support small-scale fishers. It is recognized by FSPs that linkages need to be sought with public and private initiatives of government agencies, fisherfolk and aquaculture producer organizations and international organizations and NGOs to increase the supply of financial services to small-scale fishers. Public sector agencies, international development partners and technical service providers actively support fisherfolk and

their organizations. The International Year of Artisanal Fisheries and Aquaculture (IYafa 2022) shows the importance attributed to small-scale producers by the international community.

Sixteen percent of the credit programmes for SMEs in small-scale fisheries operated by FSPs responding to the survey receive some support from governments, for instance through guarantees, risk/insurance facilities or subsidized credit programmes.

### Expanding agriculture finance solutions to fisheries and aquaculture

The survey demonstrated keen interest from other financial stakeholders, such as financial regulators, specifically the Central Bank of Ghana and Central Bank of Kenya, to assess employment and investment opportunities in the fisheries sector.

Several central banks within AFRACA's network implement development finance interventions targeting the agricultural sector. These interventions include de-risking of financial instruments through credit guarantees and concessionary loans (wholesale credit). Key examples include NIRSAL in Nigeria, GIRSAL in Ghana, and the Agricultural Credit Facility (ACF) by the Bank of Uganda.

Interest in expanding the scope of these development finance interventions to include fisheries and aquaculture programmes and projects is increasing among central banks.

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The African Rural and Agricultural Credit Association (**AFRACA**) is a regional association of Sub-Saharan Africa's financial and non-financial institutions involved in promoting rural and agriculture finance. The Association comprises of members from Central Banks, Commercial Banks, Agriculture and Rural Development Banks, Microfinance Institutions and Networks, Insurance Providers and Knowledge Institutions. It is a lead advocate agency and coordinator of rural and agriculture finance in sub-Saharan Africa.

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## CAFI SSF Network

The **Global Network for capacity building to increase access of small-scale fisheries to financial services** (CAFI SSF) is an FAO initiative endorsed by rural finance stakeholders from Africa, Asia-Pacific, Latin America and the Caribbean.

The CAFI SSF Network aims to address this challenge by increasing the capacity of policy makers, financial service providers and fishers' and fish farmers' organizations to promote, design and implement appropriate financial services in support of the small-scale fisheries and aquaculture. The Network envisions doing so by providing a platform to facilitate coordination, knowledge sharing, advice provision and support to all stakeholders involved in or interested in financing these sectors.

The Network mission is to act as a platform where members promote, develop and facilitate capacity building, knowledge exchange, advocacy and awareness, share experiences, good practices and provide support and advice to stakeholders to increase access of adequate financial services for SSF (small - scale fishers and small-scale aquaculture producers).

In the beginning of 2021, the Network began its activities by organizing thematic webinars, support baseline assessments of the financial and insurance services available in Africa and Asia for SSF. The Network has officially partnered with AFRACA and APRACA. The CAFI-SSF Network will engage with regional and national level financial institutions to provide evidence-based policy recommendations, to develop training materials and to increase the capacity of financial institutions and fisherfolk organizations.

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