7TH World Congress on Rural and Agricultural Finance

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Empowering Rural Africa

Business Session 4
Seafood Value Chain Finance in Africa: Scaling Up the Blue Economy

NOVEMBER 23rd to 25th 2022

MORELIA, MICHOACAN. MEXICO

Session Chair: Mr. Thomas T. Essel, Secretary General, AFRACA

THEME: SEAFOOD VALUE CHAIN FINANCE IN AFRICA: SCALING UP THE BLUE ECONOMY

The issue of sustainable development has gained ground in development circles and the need for more inclusive growth has highlighted the importance of the blue economy as complementary to green growth. The importance of the oceans is not limited to the wide array of biodiversity and ecosystems. Rather, it extends to the food chains and livelihoods, especially for the coastal populations. Micro, small-and medium-sized enterprises (MSMEs) active in agriculture value chains often have challenges to access financial services. For MSMEs in seafood value chains these challenges may even be more daunting than those other agricultural value chains. Risks in the seafood business are often high, as seafood is highly perishable, catches are uncertain. Fishing at sea is one of the riskiest occupations, and in aquaculture fish diseases and water pollution can affect production and trade.

Many MSMEs are constrained in their development and innovation due to limited access to financial services. The introduction of production technologies, implementation of value addition processes, risk management measures, product traceability tools, meeting certification requirements, implementation of marketing and promotion plans, and digital payment tools, all require financing. The purpose of this panel is seafood value chain finance vs. agriculture value chain finance: differences and commonalities; how financial service providers can increase their services to the seafood value chains; share experiences of the Fish4ACP project supported value chain finance strategies development in Africa; promote CAFI SSF Network collaboration in developing financial products that enable small-scale fishers and fish farmers worldwide to increase their contribution to the Blue Economy.

Suchitra Upare, Network Coordinator, CAFI-SSF

Coordinator for the FAO supported initiative, CAFI SSF - **Global network for capacity building to increase access of small-scale fisheries to financial services (CAFI SSF Network).**

Suchitra is a fisheries management professional with an expertise in microfinance, credit, insurance, value chain, social and gender equity in fisheries and aquaculture sector. She has implemented projects to facilitate small-scale fisheries finance through the bank – microfinance institution partnerships in eastern India. She was associated with organizations like WAPCOS, GIZ India, Dvara Trust in the capacity of Senior Manager and was a faculty at Dr.BS Konkan Agriculture University & WeSchool Institute of Management, Mumbai.

Business Session Theme:
Seafood Value Chain Finance in Africa: Scaling up the Blue Economy
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Suchitra Upare, Coordinator

Global Network for capacity building to increase access of small-scale fisheries to financial services (CAFI SSF Network)

Seafood and Traditional Agriculture Value Chain Finance

Seafood value chain

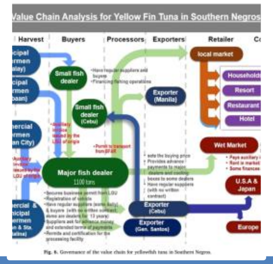
Marine capture fishery

Mariculture

Primary Fish processing → Secondary fish processing → Retail

Input supply → Processing Grading Sorting → Packaging → Wholesale → Retail → Consumption

Actors involved in Agriculture value chain finance (Ag VCF) and Seafood value chain finance (Sf VCF)



Demand
- Individuals
- Fisherfolk groups/Coops

Supply
- Government Financial Institutions
- Microfinance Institutions
- Rural Banks and Credit Organizations
- Social/Environmental Investors
- Wholesale Financers
- International Financial Institutions

Multifunction
- Value Chain Actors
- Development NGOs

Enabling Environment
- Local and Regional Government
- Government Departments
- Central Bank
- Regulatory agency

Commonalities and Differences in Ag VCF and Sf VCF

Comparing Business Characteristics: Agriculture versus Seafood

Business Characteristics	Agriculture	Fisheries
Business drivers	Policies, technology	Quotas , Management plans and Regulations
Risks	- Government policies - Diseases & Pests	- Seasonal ebbs and flows - Declining & Migratory nature of stocks
Similarities - Funding Characteristics - Organizations - Value chain Characteristics		
Unique elements related to Sf Value Chain Finance		
- Livelihood Finance - Adaptation Finance - Off season activity - Linked Finance		

Commonalities: Opportunities in Sf VCF and Ag VCF

For Producers

Mechanism to obtain finance due to lack of collateral or high transaction costs

For Suppliers/Buyers/Processors

Offers way to build strong buying & selling relationships

Market growth

For Financial Service Providers

Offers ways to lend in an informed manner

Offer customized products and services

Reduce cost and financing risks

Lending gap in agriculture MSME estimated at **USD 100 billion per year** in Sub-Saharan Africa
Overall blue finance gap estimated at **USD 5.5 trillions** (based on 28 country reports)

Entry and Leverage Points

Key factors for provision of finance in Sf VCF & Ag VCF

Institutional Mandate

- Similarities with Agriculture Finance Portfolios
- Environmental Mandates

Product Mandate

- Working Capital and Fixed Asset Provision

Identify and Replace Poorly Served Market

- Identify and Replace Internal Value Chain Finance
- Identify smaller programs and investments and collaborate or Co-Finance

Second Tier Incentives

- Use Government, Donor and Financial Policy Support to Initiate pilot and Investment and transfer risks

RECOGNIZE

business opportunity

DEVELOP

profound understanding

ADAPT

institution to address sectoral challenges

Technology interventions in seafood value chain finance

Potential credit and microfinance needs of fishers and fisher households engaged in seafood value chain

Marine fisheries sector

- Purchase of small, traditional fishing vessels
- Motorization of traditional fishing vessels etc.
- Motorized fishing vessels
- Fishing gears

Mariculture

- Mariculture- cage farming
- Purchase of feed, seed stock (fish fry/fingerlings) & organic fertilizers
- Short term loans for recurring expenses –i) purchase of fuel and ice, ii) repair and maintenance of engines and vessels

Coastal aquaculture

- Shrimp culture
- Oyster,mussel, clam & seaweeds culture
- Cage culture, Pen culture

Post – harvest value added products preparation

- Solar-fish dryer/tent
- Improvised technology kilns for fish brining
- Local fish value added products – manufactured by fisher women/ groups

Consumption loans

- Children’s education, marriage, funeral purpose loan
- House construction & repair loan
- Individual & households purpose loans - buying a mobile phone or phone credits, electronic items like television sets

Marketing Support

- Purchase of fish transport vehicle such as truck, rickshaw, bicycle, scooter etc.
- Fish stall with refrigerated storage, weighing machine, fish bone-cutting machine, etc.
- Fish packaging materials for retail sale

CAFI SSF Network

Recommendations

National Governments

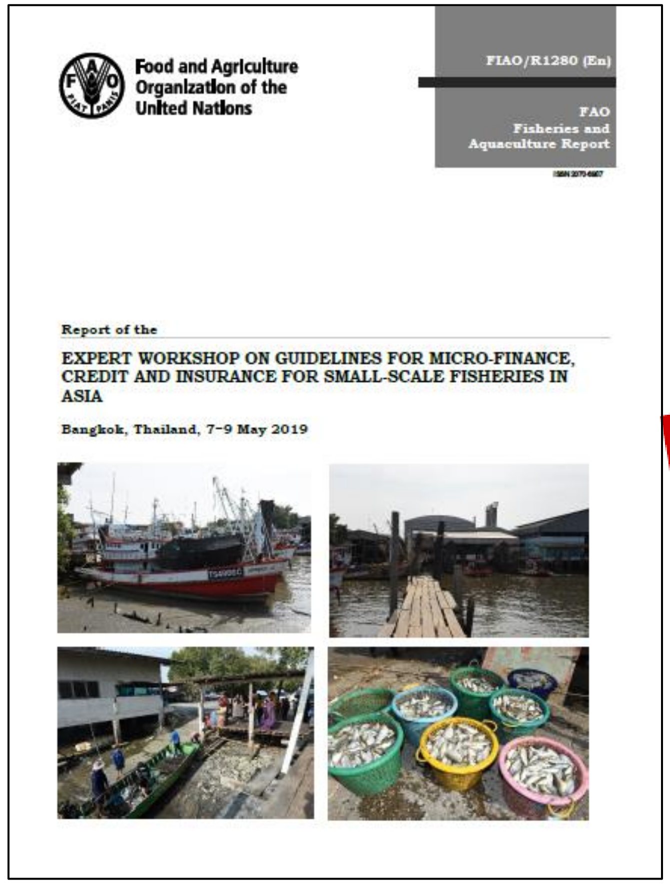
Policy regulation for credit, microfinance as well as insurance sector to provide services to seafood value chain activities
Initial grant support in early phase of programme implementation.

Financing institutions
Awareness amongst institutional staff on seafood sector financing because of the risks faced and unique business nature of seafood production as compared to agriculture production
Intensive training
Rational nature of loan recovery suitable to the production cycle either biweekly, monthly or bullet payments.

International /Regional organizations
Need to facilitate financing for seafood value chain enterprises by providing funds and support for recognizing this sector.
Strengthening and capacity building through FAO supported Global CAFI-SSF Network to facilitate and scale-up fisheries financing programmes.

About the Network - Partner Organizations & Publications

Origin of CAFI SSF Network


Food and Agriculture Organization of the United Nations

FIAO/R1280 (En)

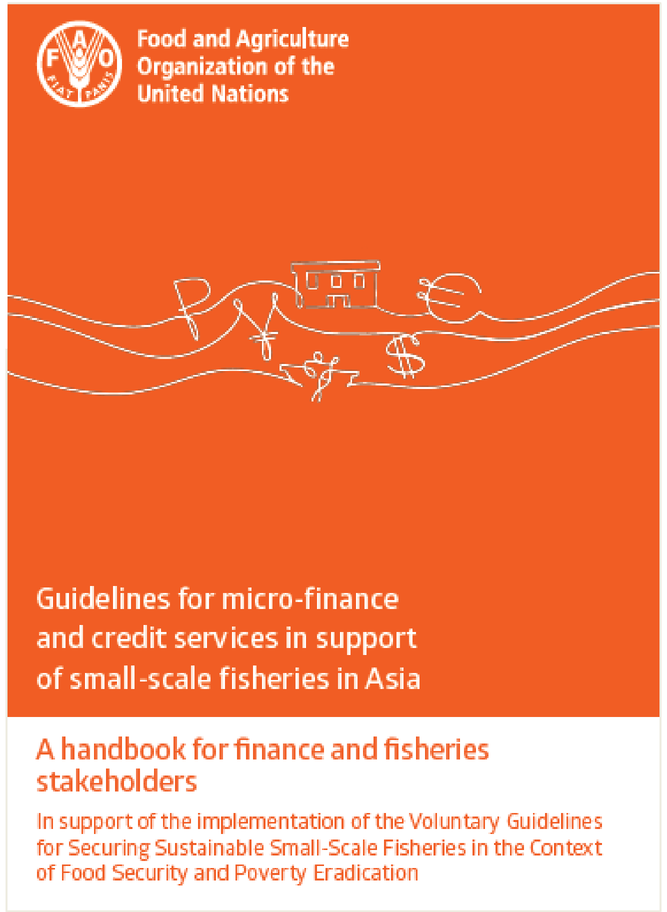
FAO Fisheries and Aquaculture Report

Report of the

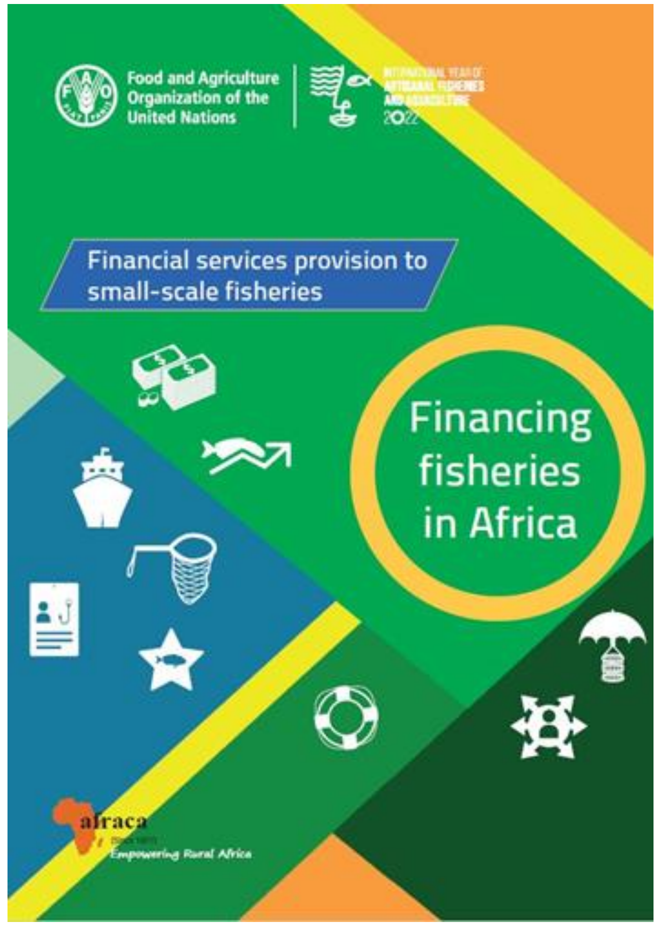
EXPERT WORKSHOP ON GUIDELINES FOR MICRO-FINANCE, CREDIT AND INSURANCE FOR SMALL-SCALE FISHERIES IN ASIA

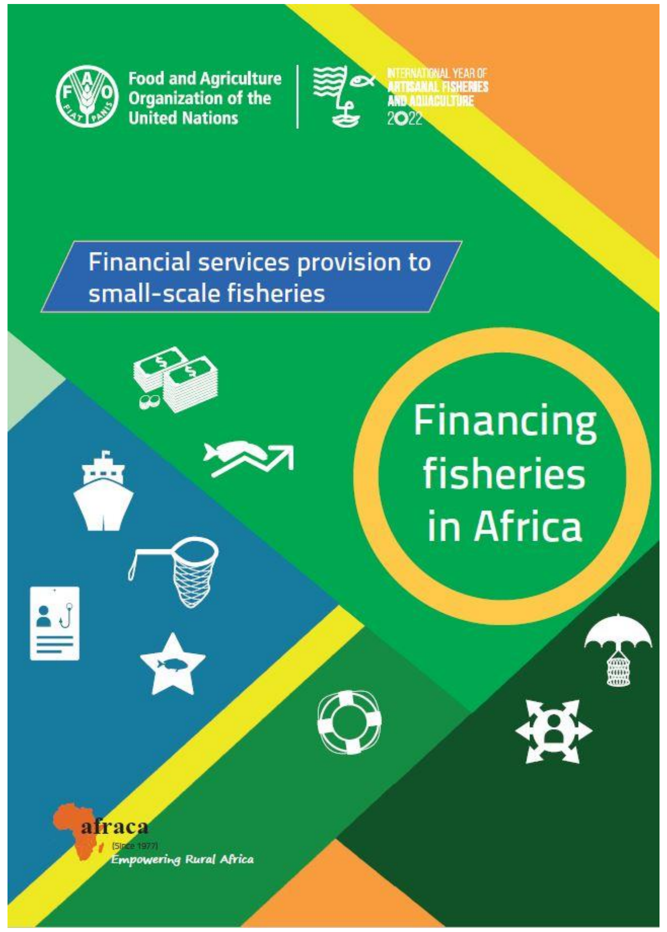
Bangkok, Thailand, 7–9 May 2019

APPROVED



CAFI SSF – AFRACA Partners & Publications





Guidelines for micro-finance, credit and insurance services for small-scale fisheries in Asia

i. Financial services provision to small-scale fisheries
ii. Case studies from the United Republic of Tanzania and Zambia

CAFI SSF objectives

- increase advocacy and awareness
- enable capacity building and knowledge sharing
- support innovative and suitable programmes to meet the microfinance, credit, and insurance needs of SSF
- promote and increase collaborative action among members to strengthen existing and build new partnerships

CAFI SSF Services Offered

CAFI SSF works at local, national, regional, and global level. The network provides the following services:

- evidence-based policy research and advisory services to SSF stakeholders
- capacity building of institutions and staff providing services to the SSF sector
- support development of training tools and materials
- technical assistance for innovative products, projects, and programmes
- identify and document case-studies and lessons learnt
- disseminate materials at global level in support of the SSF sector

For more information:

CAFI SSF Secretariat

FAO Headquarters (Rome, Italy)

- Senior Fishery Officer/NFIFO Team Leader: Dr. Raymon VanAnrooy (Raymon.VanAnrooy@fao.org)
- Network Coordinator: cafi-ssf@fao.org

Thank You

CAFI SSF stands ready to support fisheries stakeholders with capacity building, training and awareness materials and/or technical assistance to promote initiatives related to these areas of work at local, regional and global level.

Maregesi Shaaban, Senior Manager, Agribusiness, CRDB Bank Plc. Tanzania

Mr. Maregesi Shaaban has 21 years' experience in Banking and is currently in charge of managing CRDB's Agribusiness portfolio valued at TZS. 650 billion (USD. 320 Million). Mr. Maregesi is also a Commodity and Trade Structured Finance Specialist experienced in covering a wide range of commodities handled by both MSMEs' and Corporate clients

Mr. Maregesi Shaaban holds a Bachelor of Commerce degree in Accounting from The University of Dar es Salaam and Master of Science Degree in Finance and Investment (Msc. FI) from The Institute of Finance Management (IFM), Dar es Salaam – Tanzania.

He also holds a Certificate in Agricultural Finance from Kenya School of Monetary Studies (KSMS) Nairobi, Kenya

CRDB BANK PLC

Tanzania’s case study on
Seafood Value Chain Finance

SCALING UP THE BLUE ECONOMY

Areas of Strength

RESILIENT BALANCE SHEET (TZS. 2,400/$)

US$ 531Mln	US 4,273 Mln	US$ 2,750Mln	US$2,473Mln
Capital	Assets	Deposits	Loans

44% 56%

+3,500 Skilled Employees

3Mln

Customer Base

Service over 2Mln non-customers, monthly.

Pioneering market-leading innovations

Recognized locally and globally by public entities professional and governing bodies

INTEGRATED CHANNELS AND TOUCH POINTS

- 558 ATMs
- 226 Branches
- 22,400 Bank Agents
- 20 Mobile Branches
- 6,000 POS Merchant

Financed Key Economic Sectors

Large Infrastructure Financing

- Julius Nyerere Hydro Power Project, 2019 - **$720mln**
- Standard Gauge Railway, 2018 - **$104Mln**
- Rural Electrification agency, 2019 - **$148Mln**
- Julius Nyerere Airport Terminal3, 2015 - **$22Mln**

Trade & Tourism Financing

- Finance Major Real Estates Developers, 2015 – **$44Mln**
- Hotels &Tourism – **$75Mln**
- Oil & Gas - **$200Mln**
- Pharmaceutical - **$30Mln**
- General Trading – **$200Mln**
- Tech & Comm - **$30Mln**

Agriculture & Climate Financing

- Agri sector financing – **$320Mln** (43% of the market share)
- Tanzania Agriculture Technology Adaptation through **GCF**, 2022 - **$200Mln**

Financing of Agricultural Value Chains

Use of structured finance models

Use of CMA/WHR systems, groups/schemes financing, guarantee cover on DAFS, Use tripartite agreements to ring fence cash flow, introducing block farming/group fishing to SHF linked to key off-takers

Promoting financial inclusion

Scaling up financial support to investors in forestry, crop production, livestock keeping, fishing & value addition with key focus on climate adaptation technology

Increase our market share in agriculture sector

Enhance our exposure in agriculture sector from 43% (USD. 320Mn) to at least USD. 750Mn in the coming three seasons.

OUR INITIATIVES IN SUPPORTING INVESTMENT OPPORTUNITIES & FISHING SECTOR UNDER THE BLUE ECONOMY INITIATIVES

TANZANIA'S AGRICULTURE & FISHING SECTOR POTENTIALS

- ❖Land size - 945,087 km² of which 60% is arable
- ❖Great lakes – 54,337 km²
- ❖Minor inland water – 5,000 km²
- ❖Territorial sea 64,000 km² along shore of over 1,400 Km long
- ❖Exclusive economic zone (EEZ) – 223,000 km²
- ❖Aquaculture potential in caging and fish ponds.
- ❖Good geographical diversity suitable for multiple crop production.
- ❖Agri sector employs 75% of population, still contributes 25% of our GDP (huge untapped potentials)

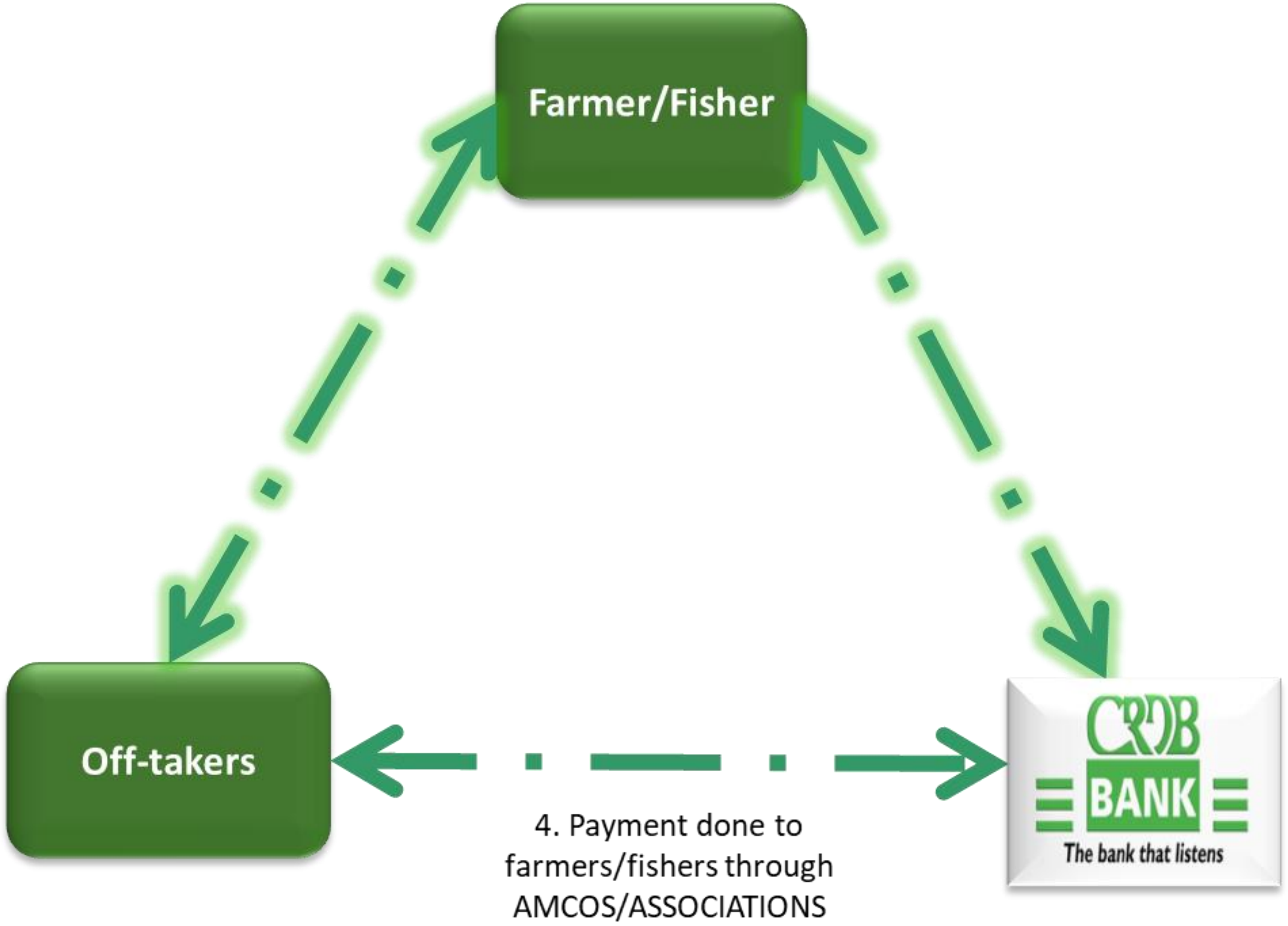
CRDB BANK Support in the fishing

1. Only little was invested in the sector by end of 2021 (USD. 5 Million) less than 2% of our loan book	1. Increased lending in fishing to USD. 10 Million, out of the target of USD. 30 Million by December 2023.
2. Limited access to banking services	2. Extended banking services to the fishing community through branch opening, use of digital platforms & agents
3. Perceived high default risk due to high mobility of small-scale fishers	3. Introduction of unique financing model in fishing sector backed up with group guarantees (AMCOS/ASSOCIATION)
4. Inadequate collaborative efforts in supporting the fishing sector	4. Gvt involvement through Ministries of Blue Economy / Ministry of Livestock and Fisheries in promoting investment in fishing and acquaculture
5. Inadequate financial support and high cost of funds	5. We still have long duty ahead to transform subsistence production into commercial. More resources needed to support long term capital investments
6. Knowledge gap among actors in the value chain (customers, lenders and policy makers)	6. Limiting productivity for fingerlings/seeds producers, feeds pdn, storage facilities, fish processing, ice makers, project analysis in the aquaculture sector (ponds/caging)

How to ring fence cash flow & minimize default risk

Targeted beneficiaries

1) Individual farmers/fishers
2) Investors in the blue economy
3) Farmer Groups (AMCOS/ASSOCIATIONS)
4) Input suppliers
5) Investors in livestock
6) Investors in forestry products
7) Agro processors
8) Commodity traders
9) Input suppliers



Transformation in the fisheries sector in Tanzania

Transformation in the fisheries sector in Tanzania

Transformation in the fisheries sector in Tanzania

THANK YOU

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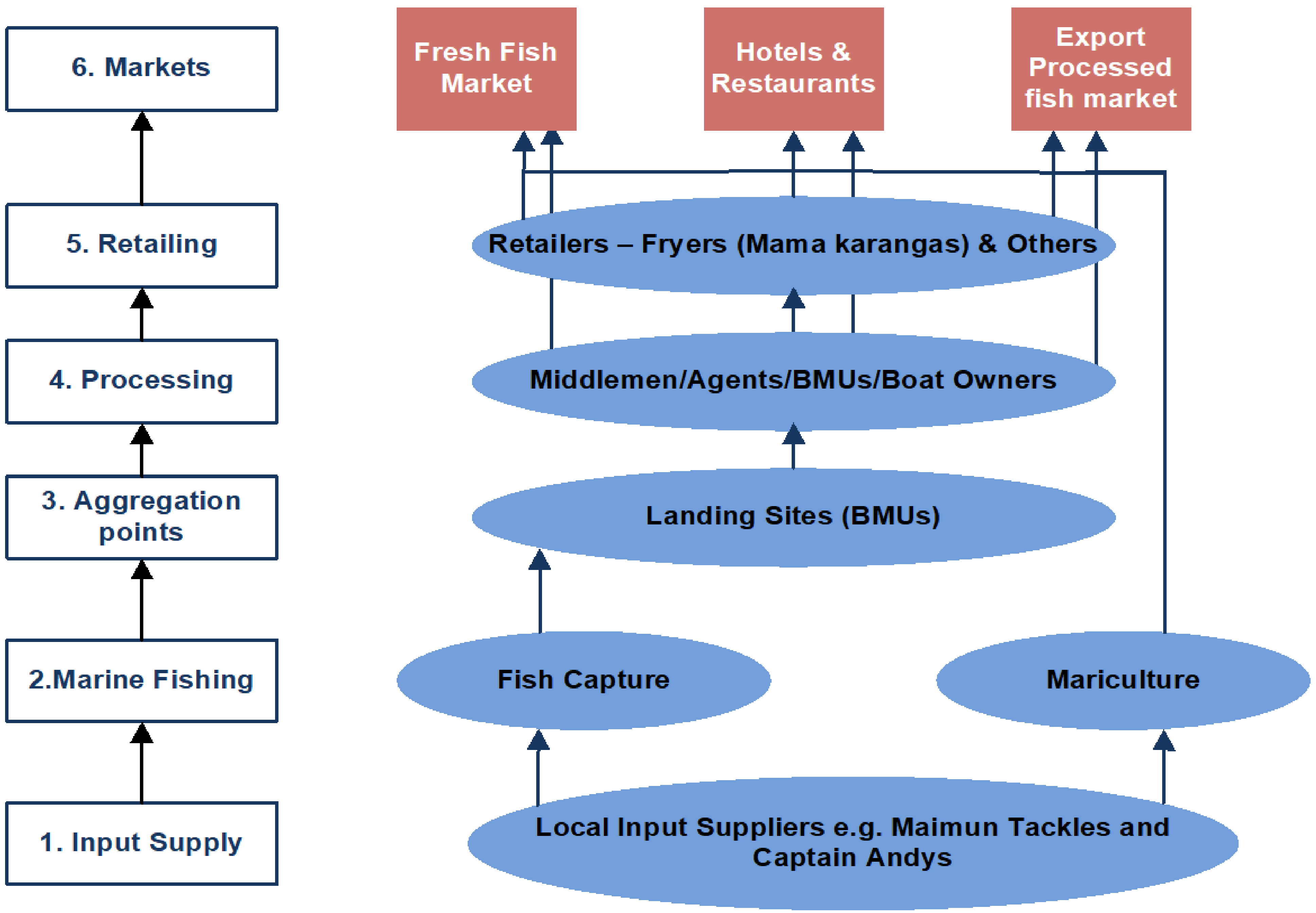
Karembo Mweni, Projects Coordinator, USTADI Foundation

Ms. Karembo currently works as a Projects Coordinator for USTADI Foundation, a local NGO based in Kenya. She has over 24 years of experience in project management implementing projects funded by different development partners like IFAD, USDA, USAID, USADF, CTA, EU, SNV, HIVOS, among others. Her work experience has also focused in working and improving livelihoods of women and youth in Agriculture.

Ms. Karembo holds a BSc (Chemistry Major) from Egerton University and several short course certificates in Project Management, M&E, Data collection and analysis.

The Small-scale Fisheries Value Chain



Gender Issues in small scale Fisheries

Gender Imbalances are much more prominent under the fish trading segment of the value chain.

Fishing along the Coast is primarily male dominated right from its harvesting, the participation of women is focussed mainly in the secondary and tertiary levels of the value chain.

Along the Kenyan Coast, women are mainly involved in fish processing (commonly known as '*Mama Karangas*') and trade.

Gender Issues in small scale fisheries, Cont.

Mama Karangas co-exist with male fish traders, who tend to target higher value species and not engage in processing.

Fish traders compete to buy different fish e.g., octopus, squid and lobsters. Some traders specialize in one type, while others purchase a variety of fish.

Mama karangas prefer to trade directly with fishermen at the beach, rather than at the market, in order to secure better prices and fresher fish.

Access to the commodity is often difficult due to social pressure by male fishers. This has resulted into a practice shrouded in misery popularly known as ‘’Sex for fish’’

They tend to arrive at a site several hours before the fishermen are due, sometimes selling snacks or collecting firewood while they wait.

Gender Issues in small scale fisheries, Cont.

Most *Mama Karangas* are school dropouts' (less educated) and exclusively rely on the trade as their sole source of income whose proceeds are generally low ranging from US$ 2- 5 dollars a day.

Female roles inside the processing factories is mostly processing labour, wheares the supervisory roles are mainly male-dominated.

Despite the gender imbalance, *Mama karangas* provide a vital link between the fishers and poor fish consumers, their target market.

Evolving role of women in small scale fisheries

Women with higher levels of education or access to resources are becoming more involved in profitable value addition activities e.g. Kati farms in Uganda

Evolving role of women in small scale fisheries

Some women traders have ventured into collective business to benefit on economies of scale and to create employment for themselves and other women.

Impact Story – Collective Business Model

Case Study

- **Mayungu High Vision Women Group**: Comprised of 11 women started as a VSLA July 2017.
- From their savings they later started a poultry farming project and a fish marketing business. Despite this, the group still had a challenge accessing fish.
- In 2018 they enrolled into the ‘Vijabiz’ Project where they after intense training, they managed to register the group as a Self-Help Group.
- In 2019, they opened an account with a Commercial Bank- Kenya Commercial Bank and started banking their daily proceeds and keeping proper records.
- In August 2019, they acquired a cold storage (freezer) on credit and paid it off within 11 months
- In September 2020, they won a matching grant of USD $ 2000 which they invested in purchasing a boat, an outboard engine and a cooler box.
- The group now employs a crew (men) to run the boat.
- Mayungu High Vision Women group now has access to high value fish and retails the surplus to other women retailers in the area.

Recommendations to bridge challenges faced by Women in SSF

Transitioning from informal to formal entities: Most women belong to VSLA's saving groups. Registration of these groups as legal entities is imperative as they are able to open bank accounts to save and develop credit profiles necessary for investment.

Financial Literacy: Given their low levels of education there is need to train and develop business skills to meet the required threshold for accessing financing mechanisms at county and national levels as individuals or as a women or youth group or cooperative.

Policy Intervention: National governments have made great efforts in extending concessionary funds to women groups but more needs to be done regarding sensitization and protection on violation against women in fisheries value chains.

THANK YOU

Dr. Thomas Gietzen, International Consultant, Financial Sector Specialist

Dr. Gietzen has wide experience in financial sector development. He has held several positions at KfW Development Bank, previously as Projects Manager for Energy and Financial Sector Projects and currently as Portfolio Manager.

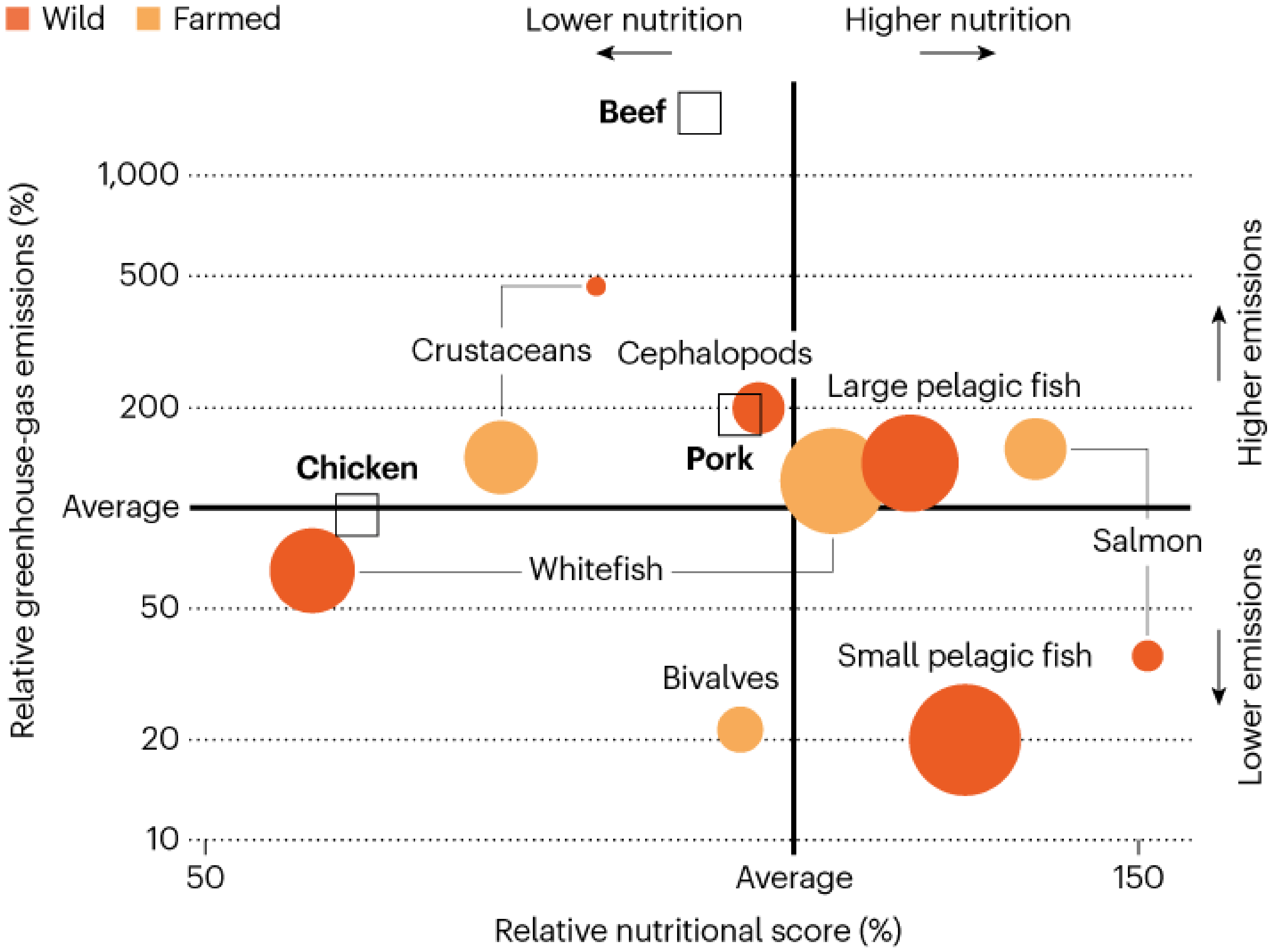
He is also involved in consulting assignments for UN FAO focused on developing financial strategies for the fisheries sector. Has also been supporting AFRACA in implementation of its fisheries projects namely FISH4ACP and the Multi-disciplinary Fund Project in Kenya.

Dr. Gietzen holds a Doctor of Philosophy (PhD.) Finance from the University of St. Gallen

Food and Agriculture Organization of the United Nations

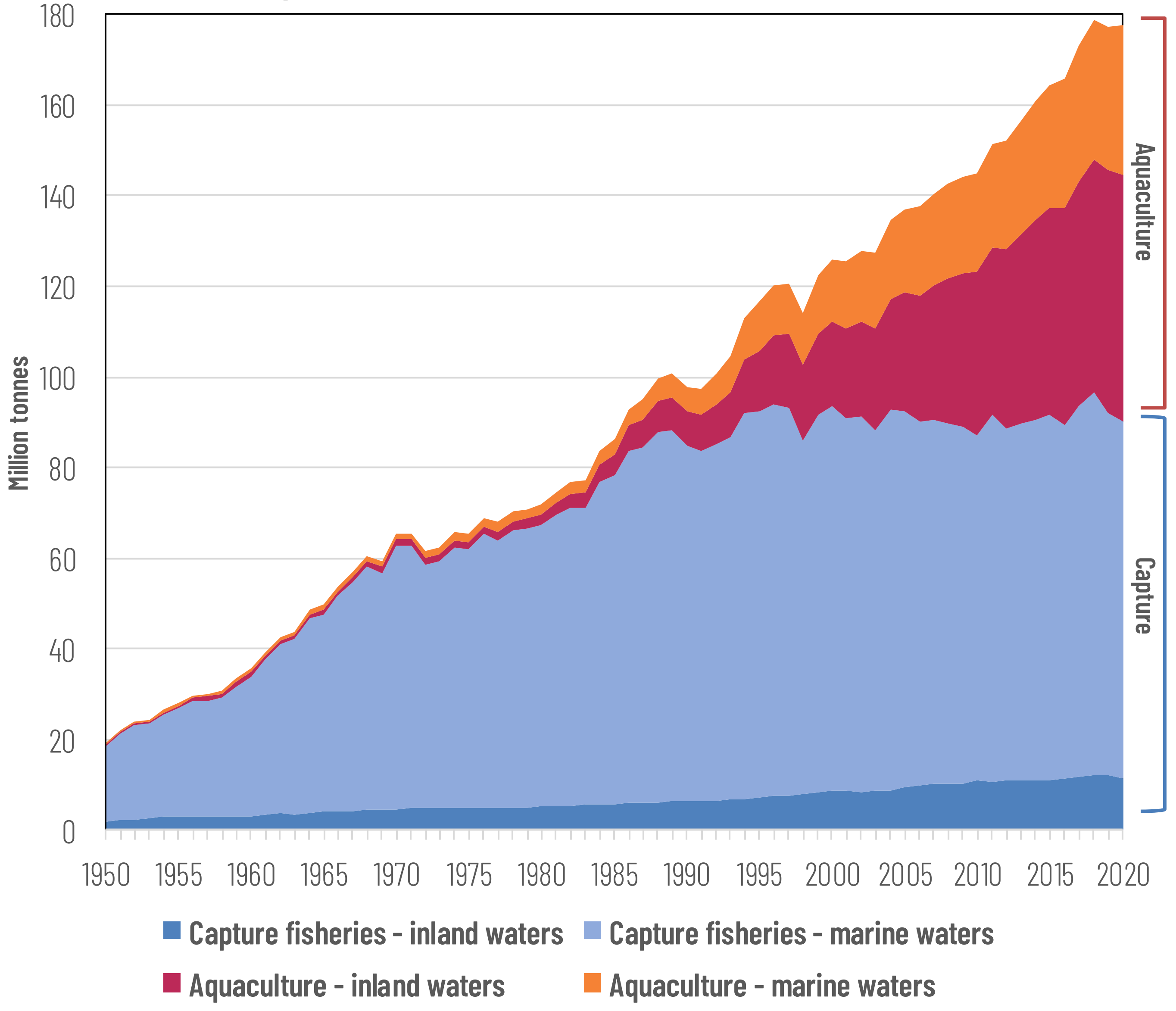
BETTER FISH TO FRY

Some types of seafood have a higher nutritional value and generate fewer emissions than beef, chicken and pork.

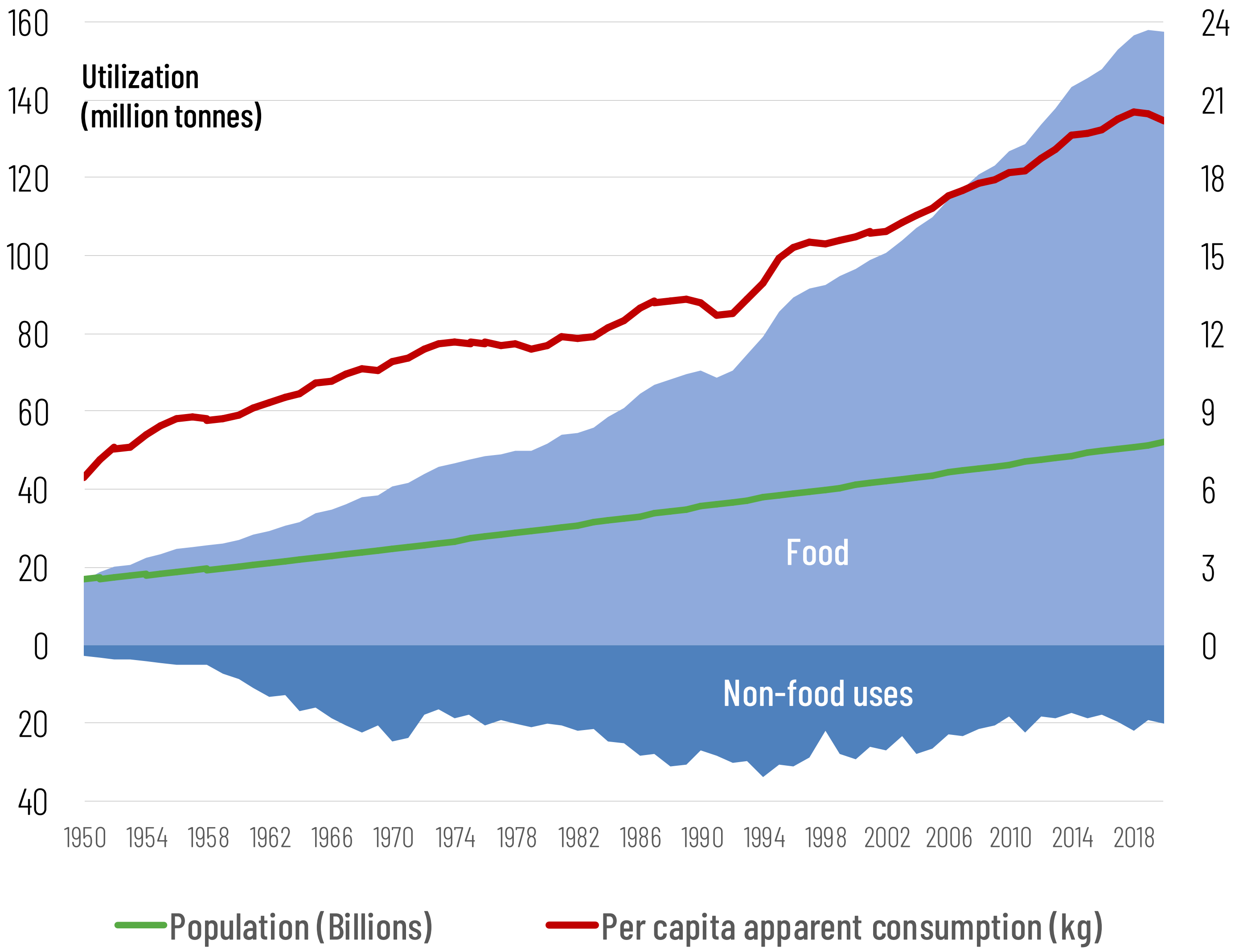


Point size is proportionate to global production volumes for each seafood type in 2015.

Total fisheries and aquaculture production 2020, 214 million tonnes, a new record

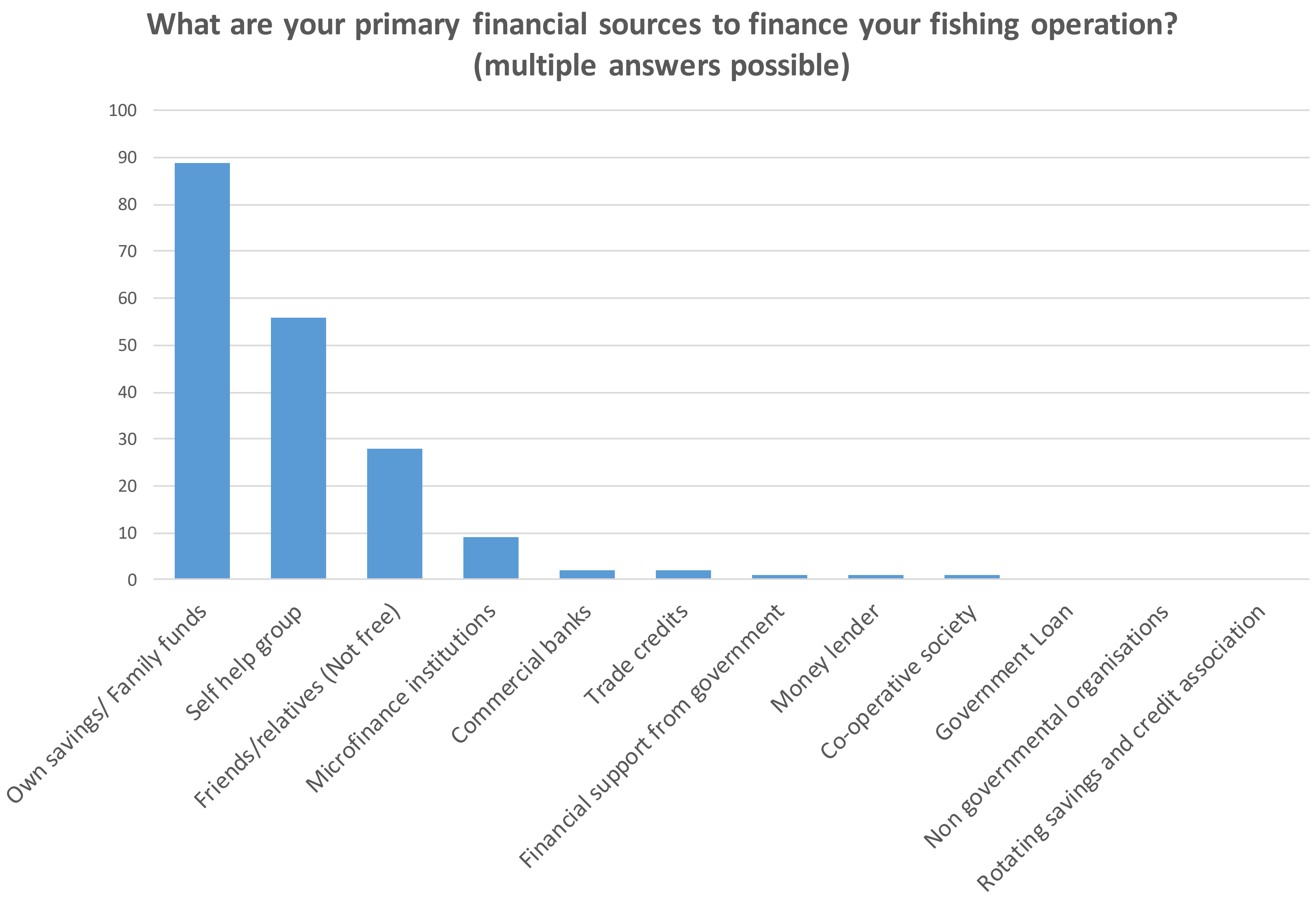


Utilization and consumption



Many small-scale fishers (SSF) do not access finance from formal financial institutions.

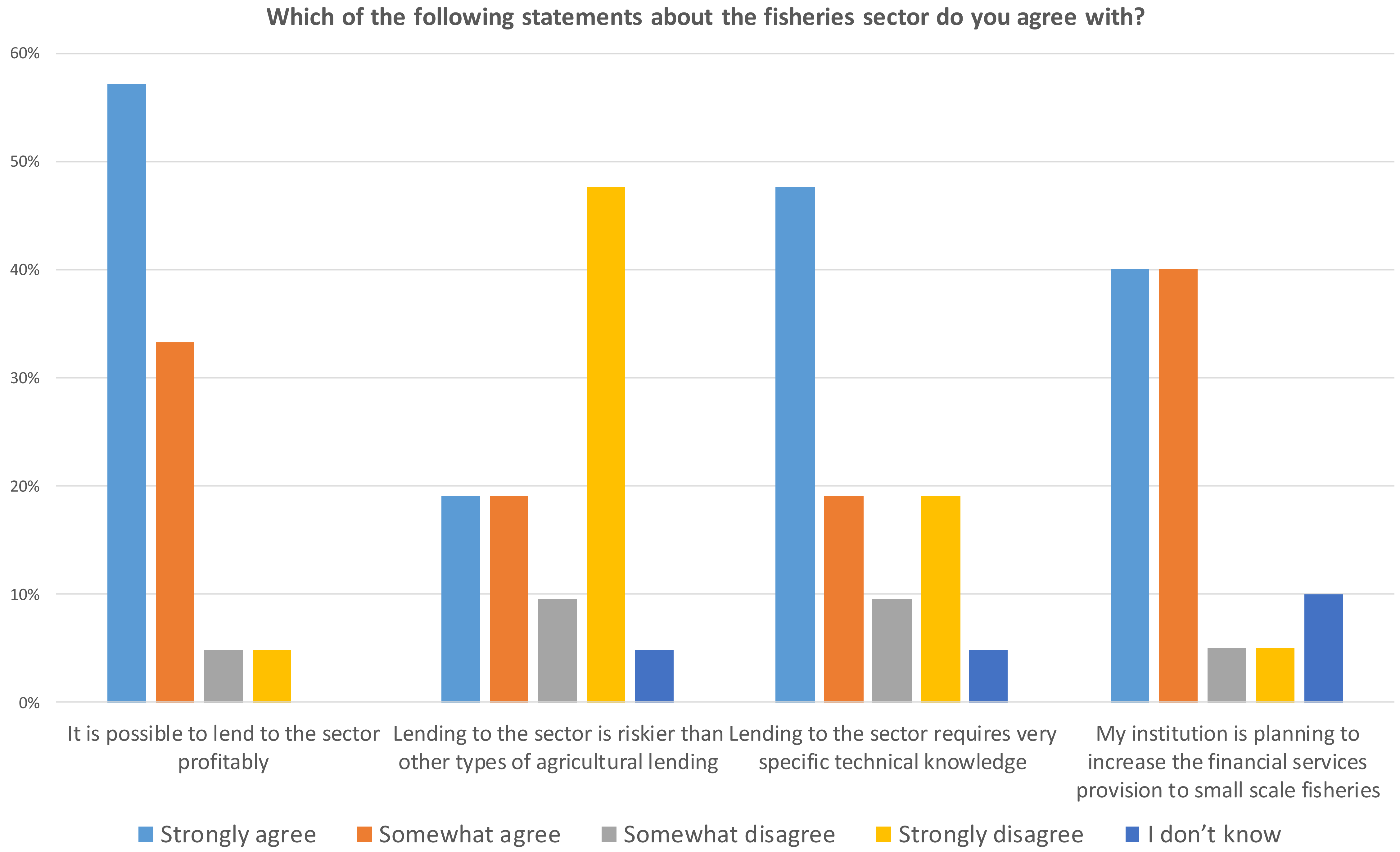
Less than 10 percent of SSF are accessing loans from financial service providers.

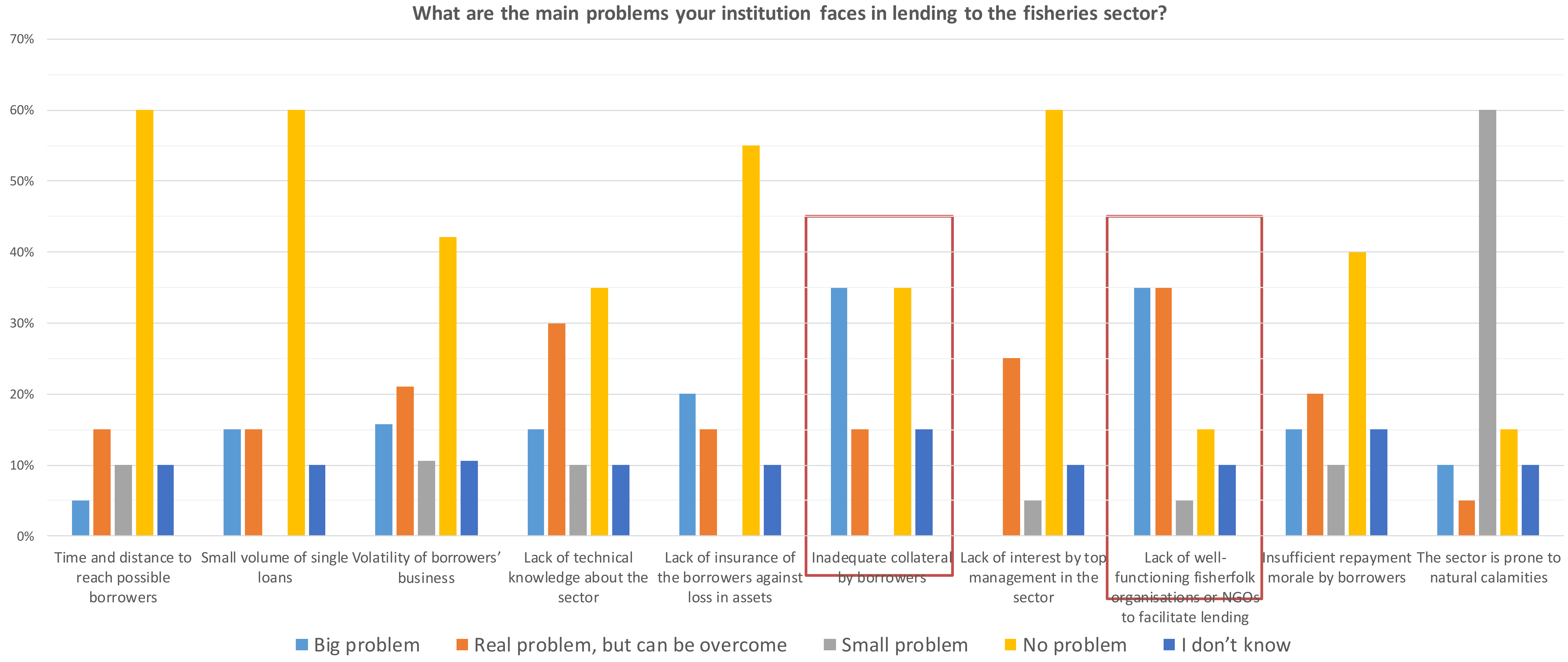


The performance of the credit programs to small-scale fishers is not rated very positively

	very good	good	neutral	bad	very bad	I don’t know	no answer
2019	0%	39%	17%	11%	11%	6%	17%
2018	0%	29%	29%	12%	6%	0%	24%
2017	0%	24%	24%	24%	6%	0%	24%
2016	0%	24%	12%	18%	18%	0%	29%

<u>But good news is:</u>
Financial institutions generally seem to believe in the sector




What are the main problems your institution faces in lending to the fisheries sector?
70%
60%
50%
40%
30%
20%
10%
0%
Time and distance to reach possible borrowers
Small volume of single loans
Volatility of borrowers' business
Lack of technical knowledge about the sector
Lack of insurance of the borrowers against loss in assets
Inadequate collateral by borrowers
Lack of interest by top management in the sector
Lack of well-functioning fisherfolk organisations or NGOs to facilitate lending
Insufficient repayment morale by borrowers
The sector is prone to natural calamities
Big problem
Real problem, but can be overcome
Small problem
No problem
I don't know

How can fisheries producers become more attractive clients?

- Fishers perform better when organized in groups.
- Linkages in the value chain need to be strengthened (e.g. accessibility to inputs like fingerlings, sales arrangements).
- Small-scale fishers need to be better connected to business development service providers (e.g. sellers of equipment, training providers).
- Fishers need financial literacy training and assistance to develop their business acumen.

On a national level

- Credit / subsidy programs at national level show mixed results
- National networks to promote knowledge among financial institutions and other stakeholders
- Promote fish as a nutritious food source
- Help developing new value chains

How can financial institutions better serve fisheries?

- Outreach is not the biggest issue: Branches in coastal areas exist.
- Specific loan products are unlikely to solve the problems.
- Technical knowledge to appraise fishing and aquaculture loans is needed
- Off-season activities need to be considered
- Be more digital (e.g. 76 percent of small-scale fishers in a survey in Kenya use mobile money services.)
- Be more active in developing fishers into good clients (training, business development services, etc.)

Thank you for your attention