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FAO'S INVOLVEMENT IN FISHERIES CREDIT AND THE EMERGING  
IMPORTANCE OF RISK MANAGEMENT AND INSURANCE

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*Abstract*

FAO's technical assistance and advice in support of the provision of institutional credit to the fisheries sector on appropriate terms and conditions commenced in the Seventies and was further strengthened through the Strategy for Fisheries Management and Development which was adopted by the FAO World Conference on Fisheries Management and Development in 1984.

With the objective of providing guidance and orientation in the field of fisheries credit, FAO has developed materials such as guidelines for the management of revolving loan funds and credit programmes for fishing communities, case studies of successful fisheries credit programmes, reports of workshops and seminars, an annotated bibliography on fisheries credit, an information and training video as well as micro-computer software for the monitoring of fisheries credit recovery.

An important event in FAO's involvement in fisheries credit development was the interregional workshop on fishery credit and marketing development, which was organized by the Fishery Industries Division of FAO and held at the FAO Regional Office for Asia and the Pacific in Bangkok in November 1989. Following this workshop, a number of regional and national workshops, seminars and technical assistance activities were implemented which contributed to a better access of the fisheries sector to institutional credit on appropriate terms and conditions and also to a better performance of fisheries credit programmes in terms of loan utilization and loan recovery.

Recently, the international political and economic climate in which fisheries credit programmes operate has undergone major changes. Fisheries development strategies are changing, too, and in accordance with the adoption of the Code of Conduct for Responsible Fisheries, increased attention needs to be paid to ensuring that fishery credit programmes contribute to the conservation and rational utilization of living marine resources.

In this context, the introduction of appropriate insurance arrangements which reduce risks for individual entrepreneurs and operators would certainly enhance the national and individual economic and financial benefits from the fisheries sector and furthermore help the fisheries sector to adapt itself more easily to newly introduced fisheries management measures and regulations which aim at promoting a sustainable and thus more beneficial use of natural resources.

Appropriately linked credit and insurance arrangements will greatly enhance the possibilities for taking full advantage of new development opportunities and prospects in the fisheries sector.

## INTRODUCTION

The idea of holding a regional conference on insurance and credit for sustainable fisheries development in Asia was first articulated at the Regional Consultation on Institutional Credit for Sustainable Fish Marketing, Capture and Management in Asia and the Pacific which was jointly organized by the Consultancy Services of the Asia Pacific Rural and Agricultural Credit Association (ACS) and the Fishery Industries Division of FAO and held in Manila in July 1995.

The workshop in Manila was part of a series of regional and national workshops and technical assistance activities in various parts of the world through which FAO facilitated the exchange of experiences in the field of fisheries credit between Government agencies, non-governmental organizations, financial institutions, bi-and multilateral development agencies and funds and others who are interested in providing credit to the fisheries sector and particularly to its small-scale segment. The workshops also provided guidance in the formulation and implementation of fisheries credit programmes.

Because of the changing environment in the fisheries sector as well as macro-economic, structural and institutional changes, the topics and issues which received attention during the workshops also underwent changes.

While there was always a general awareness of the need to take into consideration the risks which are inherent in fishing and fish culture and to take advantage of existing insurance arrangements, no special effort has been made so far, either by FAO or by any other development agency, to review the existing risk management and insurance mechanisms in the fisheries sector with a view to formulating and promoting sustainable mechanisms which would also be of help to ongoing and future institutional credit and investment programmes.

The present conference is the first of its kind in this part of the world and the National Federation of Fisheries Cooperatives of Japan and the Asia Pacific Rural and Agricultural Credit Association are to be commended for organizing this pioneering venture in the field of fisheries insurance and risk management.

## FAO'S WORK IN THE FIELD OF FISHERIES CREDIT

FAO's technical assistance and advice in support of the provision of institutional credit to the fisheries sector on appropriate terms and conditions commenced in the Seventies.

With special emphasis on the small-scale fisheries sector, FAO's involvement in the field of fisheries credit was further strengthened through the Strategy for Fisheries Management and Development which was adopted by the FAO World Conference on Fisheries Management and Development in 1984.

The Strategy explicitly states that attention should be given to making credit facilities available to small-scale fishermen on terms and conditions in keeping with their generally weak economic position and their special needs.

Following the implementation of the action programmes adopted by the above Conference, the issue of financial assistance, in cash or in kind, to small-scale fisherfolk gradually received more attention by the fisheries development projects of FAO and by other multilateral and bilateral development agencies as well as by fisheries administrations throughout the world.

Furthermore, the type of financial assistance provided to fishermen and women in most countries has been changing from grant to credit as it has been realized that, if new technologies and methods which require financing are financially and economically viable and socially and environmentally feasible, they should be financed through credit and not be given free of charge.

In addition to development projects, financial institutions, like rural, agricultural, cooperative and

development banks, have included the fisheries sector in their rural credit programmes. While many fisheries credit programmes have been implemented as part of externally financed investment and development projects, others have been carried out in the context of expansion of national banking services to rural areas or in the framework of anti-poverty programmes.

With the objective of providing guidance, assistance and orientation in the field of fisheries credit, FAO has developed materials such as guidelines for the management of revolving loan funds and credit programmes for fishing communities, case studies of successful fisheries credit programmes, reports of workshops and seminars, an annotated bibliography on fisheries credit as well as an information and training video and micro-computer software for the monitoring of fisheries credit recovery.

An important event in FAO's involvement in fisheries credit development was the interregional Workshop on Fishery Credit and Marketing Development, which was organized by the Fishery Industries Division of FAO and held at the FAO Regional Office for Asia and the Pacific, Bangkok, in November 1989.

The workshop aimed at improving the management of fisheries credit and marketing development, with the ultimate dual goal of improving the standard of living of fishing communities, particularly of the poorer sections, and of maximizing national economic benefits derived from small-scale fisheries. The workshop made a number of recommendations and proposals for follow-up activities which were implemented in many countries.

In Asia, the follow-up to the workshop also consisted of various technical assistance and training activities in a number of countries as well as holding national workshops in India, the Philippines, Bangladesh and Pakistan.

Further regional workshops in Asia focused on special issues and topics such as on the establishment of a fisheries credit network for Asia and the Pacific (Consultation on the Establishment of a Fisheries Credit Network for Asia and the Pacific held in Jakarta, Indonesia, in October 1993) and on appropriate credit arrangements for sustainable fisheries management and better utilization of resources through improved processing and marketing (Regional Consultation on Institutional Credit for Sustainable Marketing, Capture and Management in Asia and the Pacific held in Manila, Philippines, in July 1995).

The latter workshop looked at the current and future investment and credit needs for fish marketing and processing also in relation to community-based fisheries management. National and regional follow-up activities were agreed upon which would enhance the efficiency of fisheries credit operations and facilitate access to credit for community-based fisheries management and for fisheries processing and marketing.

Regional workshops, followed by national workshops and technical assistance activities, have also been organized for West Africa (in Abidjan, Cote d'Ivoire, in September 1991), for Eastern and Southern Africa (in Harare, Zimbabwe, in November 1993), and for Central Africa (in Libreville, Gabon, in December 1994). Another regional workshop for the Near East was held in Cairo, Egypt, in June 1993.

## **RESULTS OF FISHERIES CREDIT PROGRAMMES AND EMERGING ISSUES**

As far as the results of fisheries credit programmes are concerned, these programmes have certainly made a significant contribution to the introduction and expansion of more efficient fishing technologies including the motorization of artisanal fishing craft, introduction of synthetic twines, introduction of active fishing gears such as trawling and purse seining, etc.

Fisheries credit programmes thereby contributed to a fuller exploitation of fisheries resources, the creation of employment and income, and to the provision of animal protein, particularly for the poorer sections to the rural population. In some cases, they might also have contributed to over-

exploitation of certain inshore fisheries resources.

Loan recovery has not always been satisfactory, which is why in many countries the flow of institutional credit to the small-scale fisheries sector has not been satisfactory. In addition to the lack of appropriate lending norms and procedures, other factors have also played a role, such as deficient identification of investments, unfavourable macro-economic conditions, politically motivated interference and poor overall project design and management.

More recently, however, in the context of deregulation and liberalization of national economies and financial markets, and also because of the technical assistance which was provided in the past, utilization of loans and loan repayments in the fisheries sector have improved.

There are a number of success stories, both of financial institutions and of non-governmental organizations, of how credit to the fisheries sector and particularly to the small-scale sector, can be provided in a successful manner in terms of utilization, repayment of loans and overall economic impact.

Recently, the international political and economic climate in which rural and also fisheries credit programmes operate has undergone major changes. Fisheries development strategies are also changing and, in accordance with the adoption of the Code of Conduct for Responsible Fisheries which is being actively promoted by FAO, increased attention needs to be paid to ensure that fisheries credit programmes contribute to the conservation and rational utilization of living marine resources.

Policies and strategies of major multilateral credit agencies such as the World Bank and the International Monetary Fund as well as regional development banks have also changed in the context of ongoing structural adjustment programmes, which can be summarized as promoting the deregulation, liberalization and privatization of the economies of developing countries and as sometimes unfortunately discouraging the operation of credit programmes which are targeted at structurally disadvantaged groups and sectors of the economy.

In the light of the on-going changes in the fisheries sector and in the macro-economic environment, credit programmes for the fisheries sector need to be adjusted to new conditions and opportunities and also to incorporate new elements. At the same time, more importance should be given to the financial viability of credit operations and to environmental and ecological concerns as well as to the fact that fishers and fish farmers need to adapt themselves to the important changes in their economic activities on which their livelihoods depend.

All of these considerations make it crucial that more attention be paid to risk management in fisheries credit operations and to forging a better link between credit and insurance programmes.

In this context it is encouraging to note that as a direct result of past technical assistance programmes and workshops, a pattern of regional cooperation is emerging between financial institutions, non-governmental organizations and bi- and multilateral donors which are involved in fisheries development and credit.

A fisheries credit support services unit (FISHCRESS) has recently been established at the Consultancy Services Unit of the Asia Pacific Rural and Agricultural Credit Association which promotes the institutional and financial strengthening of the fisheries sector with special focus on small-scale fisherfolk. FISHCRESS also promotes reorientation of credit programmes and investment flows in accordance with fisheries management measures which are in support of sustainable and responsible fishing and fish culture practices.

## **RISK MANAGEMENT, INSURANCE AND CREDIT**

From the viewpoint of the fisher and fish farmer, the major risks which affect the successful conduct of fishing and fish culture operations and enterprises are accidents, natural calamities and fish diseases which might negatively affect the health and physical well-being of the fisher or fish farmer him/

herself, the working condition of his/her production assets viz. fishing craft and gear, fish culture installations, etc. and, in the case of fish culture, the production of fish and other aquatic organisms.

While these risks have also been present, the changes which are now taking place in the fishing industry and which, in many cases, require fishers and fish farmers to change their way of operating and to acquire new types of production technologies and inputs, make fishers and fish farmers more vulnerable to these and other risks. With these risks we have the uncertainties which go hand in hand with the introduction of new fisheries regulations and new fish capture and culture methods.

The effects of these new risks and uncertainties are aggravated by the fact that in the course of deregulation, liberalization, privatization and drastic reduction of free-of-charge support services to the fisheries sector, fishers and fish farmers will have to rely even more than in the past on themselves and their own resources.

In this context, the introduction of appropriate insurance arrangements which help to reduce the risks taken by individual entrepreneurs and operators would certainly enhance the national and individual economic and financial benefits for the fisheries sector and furthermore help the fisheries sector to more easily adapt to newly introduced fisheries management measures and regulations which aim at promoting a sustainable and thus more beneficial use of natural resources.

Likewise, institutional credit support needs to be enhanced in order to facilitate the necessary investments which are needed to enable fishers, fish farmers and fish processors to comply with newly introduced fisheries regulations and to take advantage of the new opportunities which are being offered by a more sustainable use of fisheries resources.

Insurance arrangements which reduce the risk of fishing and fish culture operations and enhance their economic and financial success also automatically reduce the risk of fisheries credit and investment programmes. There is also a need to establish direct links between insurance and credit programmes so that insurance cover can form part of the collateral for a loan and insurance premiums are included in the loan itself and similar linkages.

Appropriately linked credit and insurance arrangements will greatly enhance the scope for taking full advantage of new development opportunities and prospects in the fisheries sector.