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## DEVELOPMENT OF A CREDIT AND INSURANCE PROGRAMME FOR SMALL-SCALE FISHERIES IN THE PHILIPPINES



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**DEVELOPMENT OF A CREDIT AND INSURANCE PROGRAMME FOR  
SMALL-SCALE FISHERIES IN THE PHILIPPINES**

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## PREPARATION OF THIS DOCUMENT

This publication was prepared under the regular programme of the Food and Agriculture Organization of the United Nations (FAO). Some activities presented in this circular received support from the FAO Umbrella Programme for the promotion and application of the SSF Guidelines “*Enhancing the contribution of small-scale fisheries to food security and sustainable livelihoods*”.

This circular presents the outcomes of a project on “Preparing the groundwork for establishing a credit and insurance programme for small-scale fishers in the Philippines”, which was carried out in 2020–2021. The project was a follow-up activity to the *guidelines for micro-finance and credit services in support of small-scale fisheries in Asia - a handbook for finance and fisheries stakeholders* (Grace and van Anrooy, 2019), which had been developed by the Asia Pacific Rural and Agricultural Credit Association (APRACA) and FAO in 2018–2019. The project’s objective was to improve access to financial services for small-scale fishers (SSF) in the Philippines, by means of 1) a stakeholder analysis, 2) capacity building for key stakeholders on how to reach SSF with financial services, and 3) establishing a platform for stakeholders to convene, exchange knowledge and plan further activities.

A letter of agreement (LOA) detailing the project activities was signed between FAO and APRACA in September 2019 and project operations took place in 2020–2021. Project field-level implementation was constrained by the COVID-19 pandemic.

Most project activities were carried out by one of APRACA’s national members in the Philippines, the Philippine Agricultural Credit Policy Council (ACPC). FAO provided technical guidance and quality assurance to both partners during all stages of project implementation.

## ABSTRACT

Small-scale fisheries (SSF) make an important contribution to nutrition, food security, sustainable livelihoods, and poverty alleviation in the Philippines. The Agricultural Credit Policy Council (ACPC) with support from the Asia and Pacific Rural and Agricultural Credit Association (APRACA) and FAO implemented a project in 2020–2021 to analyse and improve the availability of financial services to SSF in the Philippines.

This circular describes the steps taken by the project implementing agencies and partners in the development of a credit and insurance programme for small-scale fisheries. The document summarizes the project's achievements and includes information about its outputs, such as training materials, a list of stakeholders and the established network.

The project identified the main stakeholders involved in the financial service provision to SSF. The team then surveyed and analysed the current supply of financial and insurance services as well as the demand for such services by fishers and fisherfolk organizations. Based on the survey results, ACPC developed training materials, which follow a train-the-trainer approach. Trainings were conducted in November 2021 for representatives from government organizations, non-governmental organizations (NGOs), financial institutions (both public, private and microfinance institutions) and fisherfolk organizations. The trainings covered business development services for the SSF and the processes used by financial institutions to supply financial services to SSF.

ACPC and APRACA established a network of stakeholders interested in exchanging experiences and increasing financial service provision to SSF. The PhilNet SSF network was launched on 29 November 2021. Eighteen institutions participated in 2021 in the network, demonstrating a wide interest in engaging on the subject. Several financial sector stakeholders involved in the project have made efforts to increase their financial services provision to SSF. The project laid the groundwork for further improving financial and insurance services provision to SSF in the Philippines.

## CONTENTS

Preparation of this document	iii
Abstract	iv
Acknowledgements	vi
Abbreviations and acronyms	vii
1. Introduction	1
2. Project objectives and main activities	1
3. Project implementing agencies	3
4. Main outcomes of the project	3
4.1 Activity 1: Stakeholder analysis	3
4.2 Activity 2: Market analysis and market survey	4
4.3 Activity 3: Philnet SFF, a local network	7
4.4 Activity 4: Training and capacity building	8
5. Recommendations and next steps	9
References	10
Annex 1 - Training story board	11
Annex 2 - Case studies	29

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## ACRONYMS AND ABBREVIATIONS

<b>ACPC</b>	Agricultural Credit Policy Council
<b>AGFP</b>	Agricultural Guarantee Fund Pool
<b>APRACA</b>	Asia-Pacific Rural and Agricultural Credit Association
<b>BFAR</b>	Bureau of Fisheries and Aquatic Resources
<b>BDS</b>	Business Development Services
<b>DA</b>	Department of Agriculture
<b>DBP</b>	Development Bank of the Philippines
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FSP</b>	financial service provider
<b>LBP</b>	Land Bank of the Philippines
<b>NGOs</b>	non-governmental organizations
<b>PCIC</b>	Philippine Crop Insurance Corporation
<b>PhilGuarantee</b>	Philippine Guarantee Corporation
<b>PhilMech</b>	Philippine Center for Postharvest Development and Mechanization
<b>PhilNet SSF</b>	Philippines national network for small-scale fishers
<b>PITAC-MPC</b>	Philippine International Travel Assistance Center Multipurpose Cooperative
<b>PLEA</b>	Production Loan Easy Access
<b>RHBF</b>	Rural Household Business Finance
<b>SSF</b>	small-scale fisheries
<b>TESDA</b>	Technical Education and Skills Development Authority



## 1. INTRODUCTION

Small-scale fisheries (SSF) make an important contribution to nutrition, food security, sustainable livelihoods, and poverty alleviation in the Philippines.

The Food and Agriculture Organization of the United Nations (FAO) developed a vision for SSF in which the contribution of fisheries to sustainable development is fully realized, SSF and fish workers are not marginalized and the importance of SSF to national economies and food security is recognized, valued, and enhanced. FAO also recognizes that those dependent on the SSF sector should be empowered to participate in decision making with dignity and respect through integrated management of the social, economic, and ecological systems underpinning the sector.

An important element of the empowerment of SSF is access to financial services such as loans, savings, and insurance. Financial services are needed to grow businesses, but also to reduce vulnerability to shocks and to mitigate economic challenges in case of natural disasters. Access to finance and insurance services enable the SSF to invest in more responsible fishing operations and technologies, reduce overfishing, contribute to fisheries management, and to implement climate change adaptation measures.

In 2018–2019, the Asia-Pacific Rural and Agricultural Credit Association (APRACA) and FAO developed the *guidelines for microfinance and credit services in support of small-scale fisheries in Asia - a handbook for finance and fisheries stakeholders* (Grace and van Anrooy, 2019), and the *guidelines for increasing access of small-scale fisheries to insurance services in Asia - a handbook for insurance and fisheries stakeholders* (Tietze and van Anrooy, 2019). These guidelines were discussed and finalized at an FAO-APRACA expert workshop on microfinance, credit and insurance for SSF in Asia, which was held in Bangkok, Thailand in May 2019 (FAO, 2019). The insurance and credit guidelines facilitate the implementation of the *Voluntary guidelines for securing sustainable small-scale fisheries in the context of poverty eradication and food security* (SSF Guidelines) (FAO, 2015), as well as contribute towards achievement of Sustainable Development Goal 14 (life below water).

In the expert workshop it was agreed that various projects should be designed to put the various recommendations from the guidelines into practice. One of the projects that was developed following the 2019 workshop was a project on “Preparing the groundwork for establishing a credit and insurance programme for small-scale fishers in the Philippines”, which was carried out in 2020–2021. The outcomes of this project are presented in this circular.

## 2. PROJECT OBJECTIVES AND MAIN ACTIVITIES

The project’s objectives were to:

1. build and strengthen the capacity of financial service and insurance providers, fisherfolk organizations, non-governmental organizations (NGOs), and concerned government agencies in designing and implementing financial services and insurance products that suit the needs of SSF communities and enhance social protection;
2. guide policy- and decision-makers in the financial industry to encourage investment in the fishery sector, thus ultimately strengthen the sustainability and economic viability of these SSF;
3. promote financial and insurance services that advocate responsible and sustainable fishing, processing and marketing operations including preparedness for natural disasters and climate change related challenges.

To achieve the objectives the following activities were implemented:

1. An **analysis of the relevant stakeholders** in the SSF sector. This activity was carried out to identify the stakeholders to be addressed by the survey (Activity 2) and to identify institutions that would be potential participants in the formation of a network on SSF (Activity 3).

2. A **baseline survey** aimed to determine and measure the status of the SSF communities as well as provide information on the assistance and support they need for their fishing activities, particularly in accessing financial and insurance services.
3. Preparation of the **foundation for a national network in support of SSF**. The national network acts as a platform where members promote, develop and facilitate capacity building, share experiences and good practices, and provide support and advice to concerned stakeholders to increase the provision of financial services to SSF.
4. A **training programme** to build the capacity of trainers (train-the-trainer approach) on how to provide financial services to SSF.

### 3. PROJECT IMPLEMENTING AGENCIES

The Asia Pacific Rural and Agricultural Credit Association (APRACA) and the Agricultural Credit Policy Council (ACPC) implemented the project, supported by FAO.

APRACA was established as a regional association that promotes cooperation and facilitates exchange of information and expertise in the field of rural finance. The establishment was first proposed at a regional seminar on agricultural credit for small farmers in 1974. Subsequently, under the auspices of FAO, rural finance and agricultural credit institutions in the region formally launched APRACA during its first general assembly in New Delhi, India in 1977.

APRACA's mission is to promote the efficiency and effectiveness of rural finance and improve access to financial services through knowledge sharing and learning, capacity building, research and exchange of expertise. APRACA's membership includes 87 institutions in 24 countries in the Asia Pacific region. Most of the members are agriculture and rural development banks and financial institutions working in rural areas. Many of the members also provide credit and other financial services to the fisheries sector.

The ACPC was created in the Philippines in 1986 by virtue of *Executive Order 113* to assist the Department of Agriculture (DA) in synchronizing all credit policies and programmes with other rural development activities. The ACPC helps the government to develop and implement strategies and policies that increase and sustain the flow of credit to agriculture and fisheries, to improve the viability of the businesses of farmers and fisherfolk, and to support agriculture modernization, food security and poverty alleviation.

### 4. MAIN OUTCOMES OF THE PROJECT

#### 4.1. Activity 1: Stakeholder analysis

To identify and analyse the institutions involved in the provision of financial services (including insurance) to SSF, the following three main activities were conducted.

##### ***Desktop study***

A desktop study (internet research, phone calls, etc.) was conducted to create an initial stakeholder list from which the invitees for a stakeholder workshop and survey could be drawn from.

##### ***Stakeholder group workshop***

The ACPC hosted a roundtable discussion attended by key stakeholders in the SSF sector, such as the Philippines' Bureau of Fisheries and Aquatic Resources (BFAR), the Philippine Crop Insurance Corporation (PCIC), the Development Bank of the Philippines (DBP), the Cooperative Development Authority (CDA), and two fisher organizations, namely Kaizen Multi-Purpose Cooperative and the Nagkakaisang Samahan ng Mangingisda ng Paombong (NASAMAPA).

### ***Stakeholder identification survey***

The project team conducted a stakeholder identification survey by means of a self-administered questionnaire. Among the participants of the stakeholder group workshop and the desktop study, the team identified a total of 34 key stakeholders with strong interests in the fishery sector. These stakeholders consist of eleven government agencies, two government financing institutions, eight non-government organizations, including research/consultancy institutions, and thirteen fisher groups whose activities may be sizeable enough to have impact with respect to fishery sector in the country.

Sixteen of the 34 stakeholders (47 percent) responded to the survey (including ACPC itself). Altogether, these project's key stakeholders were classified as follows:

1. Government
  - a) Agricultural Credit Policy Council (ACPC).
  - b) Philippine Crop Insurance Corporation (PCIC).
  - c) Bureau of Fisheries – Regional Fisheries Office V (BFAR – RFO V).
2. Government Financing Institutions
  - a) Land Bank of the Philippines (LBP).
  - b) Development Bank of the Philippines (DBP).
3. Fisher Groups
  - a) Alyansa ng Mangingisda sa Navotas.
  - b) Banate Bay Small Fisherfolk Multi-Purpose Cooperative.
  - c) Alyansa Kan Parasira sa Sorsogon.
  - d) Calumpit Fishers Cooperative.
  - e) Philippine Tilapia Stakeholders Association.
  - f) Payao Credit Cooperative.
  - g) Nagkakaisang Samahan ng Mangingisda sa Paombong.
4. Non-governmental organizations and research/consultancy institutions
  - a) Rare Philippines.
  - b) USAID Oceans.
  - c) NGO for Fisheries Reform.
  - d) Southeast Asian Fisheries Development Center – Aquaculture Department (SEAFDEC–AQD).

### ***Recommendations from the stakeholder analysis process***

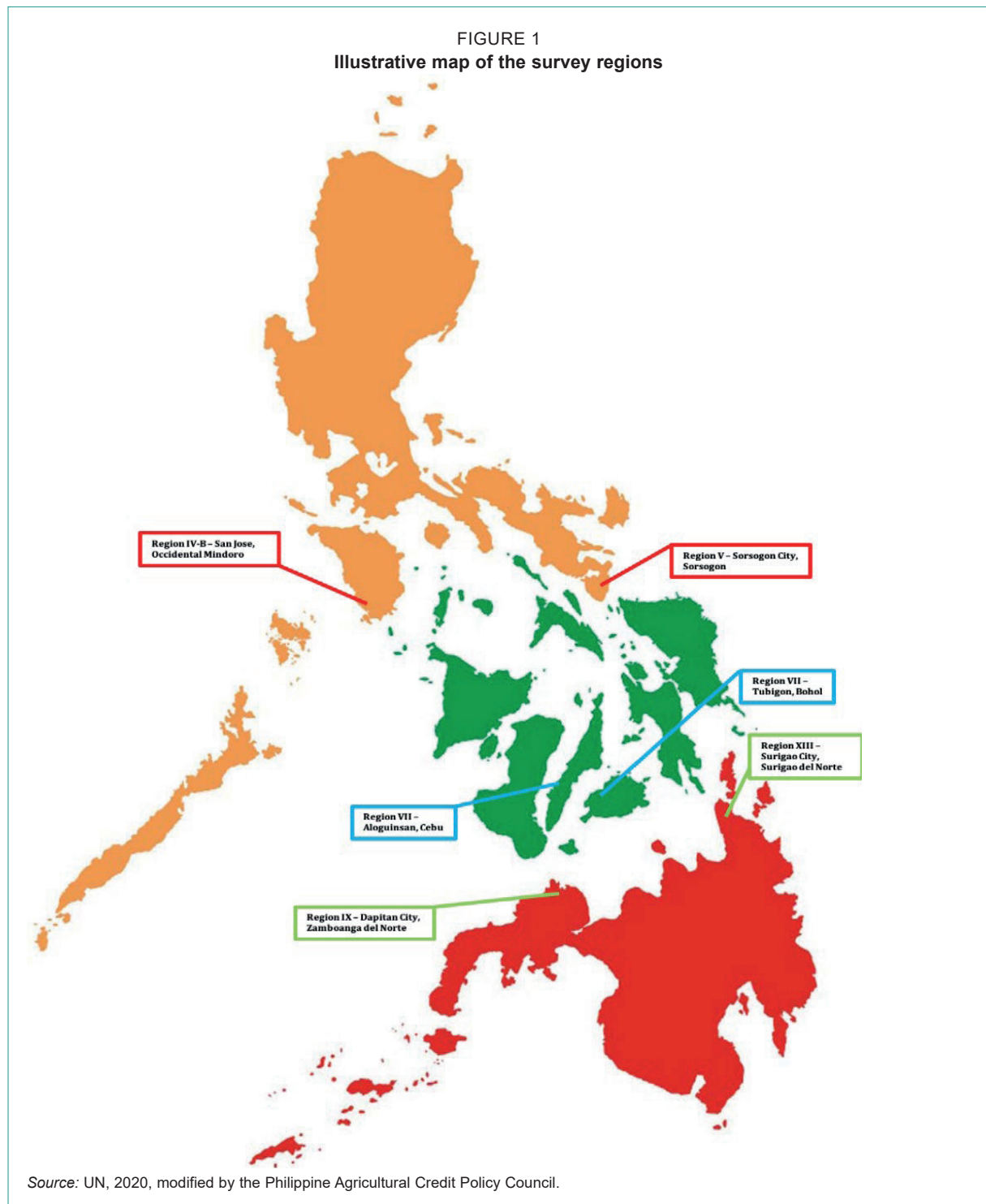
The following recommendations for increasing involvement and engagement of stakeholders in the credit and insurance programme development process for SSF were made by the stakeholder group:

- **Clear delineation of roles and responsibilities:** Based on the shared experiences of stakeholders, one of the factors that helps to ensure sustained engagement of players in every project is the clarity of the roles and responsibilities of every participating stakeholder.
- **Proper planning of activities and setting of timelines:** Proper planning allows stakeholders to identify and reduce/mitigate potential risks. Among the significant factors which contribute to the success of a project is the crafting of actionable plan of activities and setting of realistic timelines.
- **Mobility support for activities, workshops:** To ensure sustained engagement of stakeholders (i.e. participation in consultations and workshops to be conducted virtually) provision of mobility support, such as providing allowance for mobile data use, provision of vehicle/transportation for face-to-face activities (if necessary) must be considered.

- **Creation of interagency committee for key stakeholders.** A strong partnership must be forged with the key stakeholders in order to establish a truly operative, effective, efficient and sustainable credit and insurance program for SSF.
- **Provision of capacity building support to ensure sustainability.** For sustainable development, a capacity building programme for fisher associations/cooperatives must be developed. Fisher organizations which have been strengthened through various training may also be engaged as partner lending conduit of the ACPC.

#### 4.2 Activity 2: Market analysis and market survey

FIGURE 1  
Illustrative map of the survey regions



### **Market survey methodology**

The ACPC conducted four different surveys with four different types of stakeholders: small-scale fishers, fishers' organizations (mainly cooperatives), financial service providers and insurance providers. Thus, the surveys were administered to both the demand and supply side of the market. The first objective was to learn about small-scale fishing communities and identify the assistance and support they need for their fishing, particularly in accessing financing and insurance services. The second objective of the surveys was to gather information on the existing capacities of financial service providers to supply financing and insurance services to SSF. The market surveys were also meant to lay the groundwork for other future capacity building activities on the subject of financial service provision to SSF in the Philippines by creating a solid base of knowledge.

The **survey for fishers** was conducted in six provinces through in-person interviews with a total of 100 SSF from San Jose, Occidental Mindoro, Sorsogon City, Sorsogon, Aloguinsan, Cebu, Tubigon, Bohol, Dapitan City, Zamboanga del Norte, and Surigao City, Surigao del Norte (see Figure 1).

The other three surveys were conducted online.

- thirteen fishers' organizations participated in an online survey, including 2 fishers' associations, 5 producers' cooperatives, and 6 multipurpose cooperatives or marketing, consumer or credit cooperatives;
- fifty-two financial institutions participated in the survey, including 18 rural banks and 19 microfinance institutions, as well as other financial services providers (FSPs);
- seventeen insurance providers participated in the survey.

### **Summary of survey outcomes**

**The survey results for the fishers** show that most SSF are engaged in fishing for their own consumption and also income generation. The respondents have an average annual net income (after deducting the costs for their activities) of PhP 107 000 (equivalent to about USD 2 200)<sup>1</sup> from fishing operations. In the absence of much other income, this places them below the poverty line which is at around USD 2 500 as defined by the Philippine Statistics Authority. Access to financial services (i.e. credit, insurance, savings and others) varies from place to place but is scarce overall. Less than 50 percent of SSF have access to financial services (the uptake of insurance is also low). On top of that, only about 20 percent of the respondents save at a formal financial institution.

**The survey responses from fishers' organizations** included a variety of cooperatives. Most of the members of the organizations that participated in the survey are fish farmers or fishers (85 percent). The services provided by these organizations to their SSF members include savings and loans facilitation (two-thirds of them do so), information sharing among members, marketing support, capacity building, and enabling linkages with the government. Their own funding is mostly generated internally, i.e. through fees. The survey revealed a need to intensify information dissemination to these organizations and their members. These organizations seem to be essential in capacity building of members, and in informing their members of the financial services available.

**The financial service providers** responding to the survey included commercial rural or agricultural banks, non-profit financial institutions, government financial institutions, cooperative banks, commercial microfinance institutions, and credit associations. The survey found that most respondents (in principle) offer their services to SSF. According to the FSPs, despite the slightly higher risk involved in fishing compared to other agricultural sectors, lending to the sector can be done profitably. The respondents

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<sup>1</sup> This was calculated using the 1 September 2021 exchange rate of 1 USD = 48.5 PhP (*Source: www.xe.com/currencycharts*).

consider the SSF sector underserved by financial service providers. The exposure of many FSPs to the SSF sector is small. The main problems encountered in lending to SSF are the volatility of the SSF-business and the lack of insurance and collateral. Curiously, short-term loans and small loan sizes do not seem to be important barriers to lending to the sector. An important finding of the survey was that there is room for further digitalization within the sector. Sixty-one percent of the survey respondents stated that they do not offer digital financial products.

**Most of the insurance service providers surveyed** were mutual benefit associations, while the other respondents were governmental insurance companies or commercial insurance companies. For the fisheries sector, the most commonly offered services are life and disability insurance. Other insurance products are credit life insurance (a type of insurance that will pay outstanding debt if a borrower dies) and aquaculture insurance. There is a general notion among the insurers that the provision of insurance to the SSF sector needs to be increased. They are however concerned with the lack of financial capacity of SSF to purchase insurance products. The survey further revealed that insurers rate their own knowledge about the SSF sector as insufficient. There are only few established connections between insurers and the SSF sector at large.

### **Selected policy recommendations**

**Helping financial service providers to understand SSF (supply side support):** The survey findings indicate that there is a lack of capacity among the financial service providers to adequately address the credit, savings and payment needs of SSF. The financial institutions should invest in capacity building of their staff to increase their understanding of fish value chains, business characteristics and technology used in fisheries and aquaculture.

Develop awareness generation programmes to build creditworthiness and bankability of SSF and their support organizations (demand side support): The surveys showed that training and technical assistance on fishing technology, business management, entrepreneurship, marketing skills, preparation of business plans, simple recording of income and expenses, financial literacy (basics on saving, borrowing, availing of insurance, etc.) are needed to increase SSF' capacity to invest loans in a productive manner. Programmes that build capacity of SSF to prepare for and recover from natural calamities should also be promoted. The capacities of fishers' organizations also need to be scaled up to be able to administer credit programmes or facilitate the contact between members and financial institutions.

The main findings of the market surveys have been summarized in a policy brief on *Financing small-scale fisheries in the Philippines* (Badiola et al., 2021).



#### **Financing small-scale fisheries in the Philippines**

A policy brief



**Intensify information dissemination of credit and insurance policies and programme:** Information asymmetry between FSPs and SSF or a lack of information in general has been singled out as the primary reason for inadequate credit and insurance access by SSF. As much as 38 percent of all SSF were not aware of any institution which they could approach for their financing needs. Generating appropriate and accurate information, and establishing a system that will make this information easily accessible to SSF will improve the credit and insurance delivery system.

**Partnerships with fishers' organization and cooperatives:** The survey showed that the majority of SSF who were able to receive a loan are members of fishers' organizations or cooperatives. Conversely, most of the fishers who were not able to access credit services did not belong to any fishers'



organization or cooperative. These organizations thus play an important role in bringing credit demand and supply together. This fact should be taken into account when designing policies and programmes to enhance financial service provision to SSF.

**Development of suitable products and services:** The survey results showed that there is a need to address the limited insurance penetration in the SSF sector. Particularly, capture fishers operating along the coastlines are vulnerable to weather and climate changes, more so than small-scale fish farmers. Their catches and incomes fluctuate and are highly seasonal. Credit and insurance products targeting SSF should consider the characteristics of fisheries and the seasonality of the fishing business.

**Enhance digital finance solutions (with a focus on rural areas):** Using traditional credit delivery methods, particularly in the unbanked and underserved rural areas where many SSF are located, entails high transaction and monitoring costs. The use of digital technology is expected to help reduce these costs and increase the outreach of credit services. Most of the FSPs surveyed responded that using digital technology makes it more convenient for their clients to get loans but also improves their own efficiency.

### 4.3. Activity 3: Philnet SFF, a local network

The SSF National Network of the Philippines (PhilNet SSF) was launched on 29 November 2021. The launching event was attended by 18 organizations and included national, regional and global agencies that supported the initiative. The network has the following objectives:

- Act as a platform where members design and promote credit and insurance products as well as develop and facilitate capacity building for SSF and their organizations.
- Serve as a venue for knowledge exchange, to share experiences and best practices, and to organize advocacy.
- Provide the necessary support for the development of suitable financial services and insurance products tailored to fit the needs of SSF.

Initially, the following members joined the network.

- Mt. Carmel Rural Bank.
- Philippine Crop Insurance Corp.
- Saklaw Foundation, Inc.
- Southeast Asian Fisheries Development Center.
- Rhudarda MPC.
- Alyansa ng Mangingisda ng Navotas.
- NGO for Fisheries Reform.
- Cebu People's MPC.
- Rural Bank of Rizal (Zamboanga del Norte).
- Mindanao Consolidated Cooperative Bank.
- Food and Agriculture Organization.
- APRACA and APRACA CENTRAB.
- ACPC.
- Gubat St. Anthony Cooperative.
- RARE Philippines.
- Coop Bank of Cagayan.
- Bureau of Fisheries and Aquatic Resources.

The ACPC will act as the secretariat of the PhilNet SSF and the APRACA office in Manila will be used as the official address of the network. PhilNet SSF will eventually form part of the global network for capacity building to increase access of SSF to financial services, the CAFI-SSF Network.<sup>2</sup> The Global Network for capacity building to increase access of small-scale fisheries to financial services (CAFI SSF Network) aims to increase the availability and access of microfinance, credit and insurance services for small-scale fishers and small-scale aquaculture producers, with the ultimate goal to contribute to a more resilient fisheries sector and improve the livelihoods in fishing and aquaculture communities. By actively engaging with the CAFI-SSF Network, the PhilNet SSF will benefit from domestic and international experiences and good practices in implementing credit and insurance programmes for SSF.

#### 4.4. Activity 4: Training and capacity building

The ACPC designed two training modules based on the capacity building needs identified during the previous project activities. Overarching objective of this capacity building exercise was to provide training-of-trainers. The trainers would in turn reach out and train field level officials to bring about the necessary changes in the skills and business acumen of SSF. The training modules consisted of a guideline for the trainers (story board), a PowerPoint presentation to be used during the trainings, and a set of case studies and exercises to be presented to the participants.

The two initial training events attracted 28 and 30 participants respectively. Based on the positive feedback from the respondents, the trainings will be featured in the regular ACPC's training and capacity building activities.

An abridged version of the story board (to be used by the trainers) for the training can be found in Annex 1. The case studies can be found in Annex 2. The power point slides (original version/not edited) for the training modules 1 and 2 can be found in Annex 3.

The first module entitled *Stakeholder platform and business development services for small-scale fishers* aimed at equipping the participants with a clear understanding of the ecosystem of SSF in the Philippines (this includes business development service providers). Module 1 of the training programme was divided into five sessions:

- Introduce the issues of access to financial services related to SSF in the Philippines and a brief discussion on financial literacy and the role of stakeholders.
- Stakeholder platform: brief discussions on the importance of a stakeholder platform, how it will support SSF and the way it will operate at country level.
- Benefits of stakeholders: provide some concrete examples of how the stakeholders will benefit through the platform and cooperation models.
- Business Development Services (BDS): introduction to BDS and how it is beneficial to improve the fishing business by SSF.
- Type of BDS available for SSF: a list of the BDS available to cater to the SSF and other stakeholders in the Philippines. Further details on location-specific BDS may also be referred to.

#### **Module 2**

This training module was designed for finance professionals working in banks and microfinance institutions. The objective of this module was to provide training-for-trainers who in turn will reach out and train field officers that work directly with SSF. Training module 2 was expected to generate awareness on the financial services for SSF with respect to (a) the general availability of financial

<sup>2</sup> CAFI-SSF activities are published at: [www.rfilc.org/event\\_organizer/cafissf-network/](http://www.rfilc.org/event_organizer/cafissf-network/)

services for agriculture and fisheries, (b) the requirements of financial services providers when extending loans to SSF including the required documentation, and (c) how to support SSF in the repayment of loans.

Module 2 of the training programme was divided into six sessions:

1. Introduction to financial services for SSF in the Philippines: The objective of the session was for the participants to gain insights on the state of fisheries sector in the Philippines, identify gaps in the supply of credit and insurance services and what can be done to address these gaps. Participants were introduced to the APRACA-FAO-ACPC project and learn about credit service providers in rural, agricultural and unbanked areas where the majority of the SSF are located.
2. Financial products for SSF: The objective of this session was for the participants to learn about various credit and insurance programmes for SSF in the Philippines and know the features of each financial service. In addition, they would learn about the geographic locations and contact details of the different credit and insurance providers for SSF.
3. Forms and procedures: The objective of the session was for the participants to learn about standard forms and procedures that financial institutions use and require during loan application processes and to understand the loan appraisal procedures that financial institutions typically employ.
4. Calculating financial requirements: The objective of the session was for the participants to understand how lending institutions calculate the loanable amount for borrowers and learn the bases for evaluating the loan application of borrowers.
5. Collateral substitutes: The objective of the session was for the participants to get a clear understanding of the cash flow based financing method, to avoid stringent collateral norms. A better understanding of available risk mitigating mechanisms, like agricultural insurance and credit guarantees, which can encourage financial institutions to lower their collateral requirements, was also covered in this session.
6. Repayment: The objective of this final session was for the participants to have a clear understanding about loan repayment modes, procedures, and incentives for improved loan recovery.

## 5. RECOMMENDATIONS AND NEXT STEPS

The project activities and survey results showed that there is general interest by a wide range of stakeholders to increase the financial services provision to SSF in the Philippines. This was made evident by the numerous participants along the various stages of the project.

The results also demonstrated that further capacity needs to be build **both** on the supply side (the financial service providers, including the insurance companies) and the demand side (the fishers and the fisherfolk organizations) to boost the financing of sustainable fishing practices in the Philippines. Addressing just either of the two will unlikely result in progress in terms of financial services provision to SSF.

Going forward, ACPC and APRACA aim to continue the development of capacity building materials. These material will become part of the regular training schedule of ACPC and thus continue to assist stakeholders throughout the Philippines in their support to SSF.

The newly established PhilNet SSF plans to address the following network activities in the years 2022–2023.

1. Continue the development of a credit and insurance programme for SSF.
2. Organization of capacity building and knowledge sharing events.
3. Dissemination and advocacy campaigns.

The project did not manage to establish new credit or insurance programmes for SSF. It rather laid the groundwork for the stakeholders to exchange on the needs and details of such a programme. The project revealed that new initiatives need to be well integrated with existing efforts to provide financial services to SSF and other rural stakeholders. The capacity building activities by the project emphasized the need for linking various initiatives and contained an extensive overview of existing programmes that can serve SSF. The network will further help to identify, coordinate and improve existing programmes.

Through the PhilNet SSF network, the stakeholders will continue to collaborate with each other and with the partners, such as FAO and APRACA. The network will be linked to the CAFI-SSF Network and thus form part of a global initiative to support the sustainable development of SSF.

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## ANNEX 1

### TRAINING STORY BOARD

#### STORY BOARD / TRAINING MATERIALS (ABRIDGED VERSION)

##### Module 1: Stakeholder platform and business development services for small-scale fishers

##### *Session 1: Introduction to the financial services for the small-scale fisheries sector<sup>1</sup>*

**Session objectives:** At the end of the session, the participants will be able to: (a) describe the current situation of the small-scale fisheries sector in terms of their access to financial services, (b) identify the issues and challenges encountered by small-scale fishers in accessing financial services for their fishery-related activities and (c) know and understand the importance of financial literacy and discuss its different components.

**Duration:** 20 minutes. **Methodology:** Lectures and discussion. **Material:** PowerPoint presentation.

##### *Understanding financial literacy, its significance and different components*

**Definition:** Financial literacy refers to the set of skills and knowledge that allows an individual or an organization to make an informed and effective decision and take practical action with respect to their financial resources (e.g. cash, income, credit, savings, insurance, etc.). According to the Organisation for Economic Co-operation and Development (OECD) it is a combination of awareness, knowledge, skill, attitude and behaviour, necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Components:

1. Budgeting
2. Savings and investments
3. Debt management
4. Financial negotiations

**Budgeting:** Budgeting involves the process of creating a plan to spend your money in what we call a budget. This plan involves a definite period of time, which can be short-term or long-term (e.g. daily, weekly, monthly, yearly). One example of budgeting is “farm plan and budget”. You can also do a “family budget” separate from your project expenses. This budgeting is also compared to income or cash inflow to come up with a projected cash flow, since you will be balancing your expenses with respect to your income. Through budgeting, you can spend your money wisely, save a portion of it regularly, and invest a portion prudently. The major benefits of budgeting are: (a) assess decision-making about spending and saving, (b) encourages cautious spending, (c) encourages disciplined saving and (d) if followed, help to control money.

<sup>1</sup> This abridged summary doesn't include the sessions on: 1) small-scale fishers: realities, 2) fishers' organizations: realities, 3) financial services providers: realities, 4) insurance services providers: realities, 5) issues and challenges encountered by small-scale fishers in accessing financial services for their fishery-related activities.

### Tips on Budgeting

1. Set your financial goals and prioritize them (short-term and long-term). Goals are reasons for expenses (for example: expand your project, purchase of farm equipment, or your home improvement). Short-term goals can be getting out of debt (paying off debts), meeting day-to-day expenses, paying school fees, saving for wants. Long-term goals can be savings for a house or retirement.
2. Do the budgeting together: It is important that you and your partner do the budgeting together since this is how you will know what to prioritize. If single, assign someone who will act as “accountability partner” who will help to stick to goals.
3. Every month is different: A budget may differ every month since there will be sudden changes in spending such as birthday expenses, fiesta, visitors, or even sickness of a family member.
4. Pay off your debt: Know how to pay your debt in order for you to establish a good credit standing so you could borrow again. This can be true in an individual or an institution.
5. Don't be afraid to trim down your budget: Trim down your budget when necessary. There might be some expenses that you can let go in a month or you could find cheaper alternatives.
6. Make a schedule/list and stick to it: One classic example for this is when you buy groceries, make a list to avoid overspending and stick what you buy to the list. Avoid impulsive buying.
7. Create a buffer in your budget: Buffer is money set aside for unexpected expenses (emergencies, milestones). It is important to be always prepared for these unexpected expenses.
8. Use an envelope system: This is an old practice, but might still be applicable to ensure all expenses are covered and nothing is being sacrificed in favour of unnecessary wants.
9. Be content and quit the comparison with others.
10. Always keep a record: Repeat your record-keeping over several periods (weeks or months) so that you can identify the differences between periods and come to know the fluctuations in income and expenses.

**Savings:** Savings is money set aside for future use. The purpose is varied and includes anticipation of future needs such as emergencies, working capital for farming, or to meet short and medium term financial goals.

Here are some common reasons why Filipinos don't save money:

**Reason 1:** *Not having enough money left for savings*

“Kung gusto maraming paraaan. Kung ayaw maraming dahilan”.

**Reason 2:** *Leaving things to fate (Diyos na ang Bahala)*

“Nasa Diyos ang awa nasa tao ang gawa”.

**Reason 3:** *Not knowing how to save*

No diploma required to learn how to save. Just the determination and discipline to improve our financial situation.

**Reason 4:** *Being buried in debt*

Pay-off-your-debt mentality will keep you from being able to save.

**Reason 5:** *It's too late for me*

It's never too late or too early to save. Saving is the first step towards ensuring financial wealth/health.

*Source:* (ABS-CBN News, 2017)

**Investment:** Money that is used to purchase a durable good, real estate, infrastructure or financial assets with the expectation of a financial return in the future. In an investment, these are the factors that need to be considered: (a) return / reward - the potential of making a big profit or gain, (b) associated

risk – There is a possibility of suffering a loss from investing. If the investment fails, what are the consequences of taking this risk?, and (c) tolerance for risk - think about the moments in your life involving risks, how did you handle those risks?

While the benefits of investment are: (a) generate additional income/monetary gain, (b) use “sleeping” money for productive purposes and (c) help avoid using money for leisure or unnecessary expenses.

**Credit or debt management:** Credit is the money borrowed from (a) individual (e.g. relative, trader), (b) organization (cooperative, association, etc.) and (c) financial institution (e.g. Land Bank). This is used for a specific purpose (e.g. emergency expenses, working capital for farming/fishing, capital for business, house construction) that is payable over a period of time and may be charged with interest payments. Debt management refers to properly utilizing the proceeds from the loan and paying the amortizations due on time. It requires the following for efficient control: (a) self-control (use loan for its intended purpose, never divert the fund for other uses), (b) obtain credit within your capacity to repay (think of the risk before borrowing), (c) be ready for contingencies (e.g. through insurance, buffer fund), (d) pay debt on time. Avoid penalties and sanctions, to increase credibility as borrower, and facilitate repeated borrowing.

**Components of credit:** If you borrow money from a bank or other formal lender, you will hear the following terms associated with your loan. It will be important to understand what each means for your specific loan: (a) **loan size:** the amount you borrow, (b) **loan term:** period of time you have to use the loan money and repay it, (c) **interest rate:** percentage of the total loan amount charged to the borrower for the use of money borrowed. Interest is usually charged on a monthly basis, (d) **fees:** administrative charges in addition to interest which are usually paid once, at the time the borrower takes the loan (e) **grace period:** period after receiving a loan and before the first payment is due, (f) **repayment schedule:** the frequency of loan payments (e.g. weekly biweekly, monthly).

TABLE 1

**Advantages and disadvantages of taking a loan and using own money**

Components	Taking a loan	Using own money
Advantages	<ul style="list-style-type: none"> <li>gaining access to additional funds; and</li> <li>getting required money for emergencies.</li> </ul>	<ul style="list-style-type: none"> <li>you don't owe money to anyone;</li> <li>you don't have restrictions in using your own money;</li> <li>less risk since the amount you use is the amount you could afford; and</li> <li>avoid any obligations for loan repayment.</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>you are obligated to pay the cost (loan processing, interest pay, service fee, etc.);</li> <li>responsibility of paying the loan and penalties once overdue; and</li> <li>face obligations as a member of the institution.</li> </ul>	<ul style="list-style-type: none"> <li>limited access to working capital requirements;</li> <li>slow business growth due to limited additional capital; and</li> <li>limited ability to respond to opportunities.</li> </ul>

TABLE 2

**Loan use and debt management**

Use of a loan	Good debt management	Bad debt management
Purchase of asset	<ul style="list-style-type: none"> <li>The asset value being purchased will increase overtime exceeding the cost of loan.</li> </ul>	<ul style="list-style-type: none"> <li>Debt still exists while the asset is broken or under maintenance or the asset may be worth less than the cost of the loan.</li> </ul>
Working capital	<ul style="list-style-type: none"> <li>You are able to expand a project that is profitable enough to repay the loan.</li> </ul>	<ul style="list-style-type: none"> <li>Your project is not earning enough to repay the loan.</li> <li>You may have other alternative sources of financing.</li> <li>You cannot use the loan for the specific operations.</li> </ul>
Basic family needs		<ul style="list-style-type: none"> <li>Debt is owed and did not generate income to repay the loan.</li> </ul>
Emergency loan	<ul style="list-style-type: none"> <li>The loan helps solving an immediate problem without undue hardship.</li> </ul>	<ul style="list-style-type: none"> <li>High cost loan and terms that cannot be adjusted to your ability to repay.</li> </ul>

**Financial negotiation:** This is the act of reaching an agreement on a transaction involving money. This involves skills in knowing what to do, how to do it, and when to do it for financial transactions such as:

- Buying inputs, goods or machineries (bulk buying).
- Sourcing credit for personal and business needs.
- Sourcing insurance (e.g. crop, vessel, life insurance).
- Other range of financial transactions (e.g. money transfer, pawning, time deposits).

### ***Session 2: Stakeholder platform for small-scale fishers***

**Session objectives:** At the end of the session, the participants will be able to: (a) recognize the stakeholders involved in supporting the small-scale fisheries sector, (b) understand the importance of a stakeholder platform in establishing the programme for the small-scale fishers, and (c) discuss the roles and responsibilities of the stakeholder platform or network.

**Duration:** 25 minutes. **Methodology:** Lectures and discussion. **Material:** PowerPoint presentation.

### ***Objectives of the national network***

The Philippines national network for small-scale fishers (PhilNet SSF) will be established with the support of stakeholders willing to be part of this initiative to develop a credit and insurance programme for small-scale fisheries and address related capacity building needs. The network aims to:

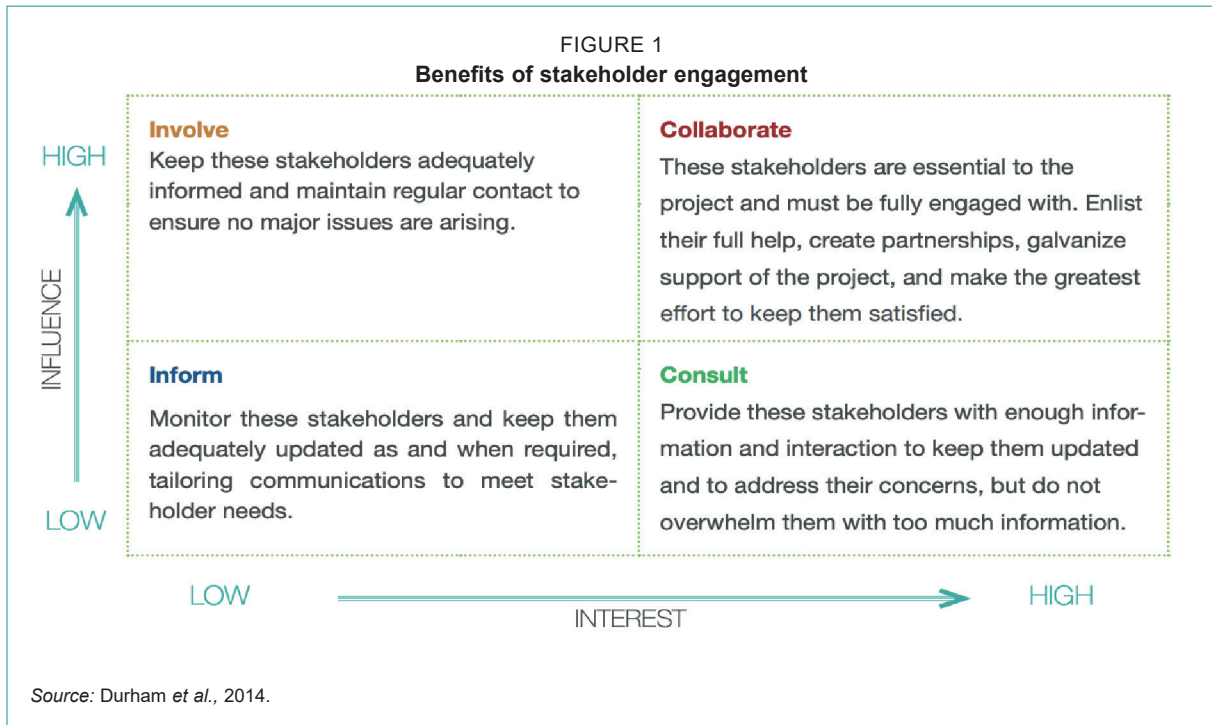
- Act as a platform where members design and promote credit and insurance products as well as to develop and facilitate capacity building for small-scale fishers and their organizations and service providers.
- Serve as a venue for knowledge exchange, sharing experiences, best practices, advocacy and awareness to contribute to a more sustainable and economically viable small-scale fisheries sector.
- Act as a holistic partnership mechanism to strengthen small-scale fishing communities through financial and insurance products and services and capacity building activities.
- Provide the necessary support for the development of suitable financial services and insurance products tailor-fit to the needs to the small-scale fisheries.
- Come up with a strategic work plan anchored at the operationalization of the proposed project.

### ***Session 3: Benefits of stakeholders engagement***

**Session objectives:** At the end of the session, the participants shall be able to: (a) explain the benefits of stakeholder engagement, including small-scale fishers, (b) identify best practices of the stakeholder network in providing assistance to beneficiaries, and (c) cite issues and challenges experienced as well as solutions provided by stakeholders/networks.

**Duration:** 35minutes **Methodology:** Lectures, discussion, case sample **Material:** PowerPoint presentation.





Case Sample: Sikat Saka Program (see Annex 2)

#### **Session 4: Business development services**

**Session objectives:** At the end of the session, the participants shall be able to (a) identify the business development service providers that support small-scale fishers and (b) assess the importance of business development service providers for the fisheries sector.

**Duration:** 35 minutes. **Methodology:** Lectures and discussion. **Material:** PowerPoint presentation.

#### **Introduction to business development services**

##### **Periods of agricultural and fisheries development**

- a. The Green Revolution (1960s).
- b. Integrated rural development programmes (1970s).
- c. Market reforms and the rise of structural adjustment programmes (mid 1980s).
- d. Market-based approaches for agricultural development (present).

Examples of Market-Based approaches to rural development are:

- The sustainable rural livelihoods approach.
- Territorial approach to rural agro-enterprise development.
- The value chain approach.

### **What are business development services?**

Business development services include all financial and non-financial support services that an individual farmer or a small- or medium-sized agricultural enterprise needs to achieve the following:

- Innovate, produce and market a particular product.
- Increase access to markets, revenue, profitability and productivity.
- Forecast, manage and mitigate risks, and
- Add value to or diversify production.

TABLE 3  
Categories of business development services

Service category	Description
Technology and product development	<ul style="list-style-type: none"> <li>• Support research and identify new and innovative ways to produce, process and market agricultural products.</li> <li>• Example: new mobile information systems and improved, multibeam fish finders, drought-resistant seeds.</li> </ul>
Training and technical assistance	<ul style="list-style-type: none"> <li>• Develop the capacity of farmers, fishers, and enterprises to better plan and manage their operations and improve their technical expertise—from accounting to agronomy and fishing technologies.</li> </ul>
Input supply	<ul style="list-style-type: none"> <li>• Help farmers and fishers improve their access to and use of raw materials and production inputs, such as seeds, fertilizer, fuel, ice, agro-chemicals and tools.</li> <li>• Facilitate linkages between farmers/fishers and suppliers, and enable suppliers to both expand their outreach and develop their own capacity to offer better, less expensive inputs.</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Offer credit to smallholder farmers, fishers, producer organizations and agro-entrepreneurs, usually in the form of loans.</li> <li>• Other services help producers identify and access funds, for example, helping enterprises prepare loan applications or business plans.</li> <li>• Can also include supplier or buyer credits, warehouse financing, equity financing and venture or private equity capital.</li> </ul>
Market access	<ul style="list-style-type: none"> <li>• Identify and establish new markets for small-scale fishers and agro-enterprises.</li> <li>• Facilitate the creation of linkages between all actors in a given market and enable buyers to expand their outreach to and purchases from rural producers.</li> <li>• Help rural entrepreneurs to develop new value-added products and meet consumer demands.</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>• Establish sustainable infrastructure and distribution networks that enable producers to increase production, sales and profitability.</li> <li>• Example: irrigation, refrigeration and storage, processing facilities, transport systems, loading equipment, communication centers, improved fishing ports or landing sites, and expanded road and rail routes.</li> </ul>
Policy and advocacy	<ul style="list-style-type: none"> <li>• Conduct research and analysis to improve overall terms of trade, strengthen sectoral governance and correct any power imbalances.</li> <li>• Identify and seek to reform policies and regulations that constrain smallholder farmers and agro-enterprises.</li> <li>• Facilitate the organization of businesses, donors, government offices and academics around inclusive, pro-poor policies.</li> </ul>

### **Session 5: Types of business development service providers supporting small-scale fisheries**

**Session objectives:** At the end of the session, the participants shall be able to: (a) Identify the available business development service providers that cater to small-scale fishers; and (b) describe the mandates and services offered by the business development service providers.

**Duration:** 35 minutes. **Methodology:** Lectures and discussion. **Material:** PowerPoint presentation.

**Government Agencies**  
**Bureau of fisheries and aquatic resource**

Mandate: responsible for the development, improvement, management, and conservation of the country's fishery and aquatic resources.

**Philippine fisheries development authority**

A government owned and controlled corporation attached to the Department of Agriculture, created to promote the development of the fishing industry through the provision of post-harvest infrastructure facilities and essential services that improve efficiency in the handling and distribution of fish and fishery products and enhance their quality.

Mandate: created through Presidential Decree 977 (1976), to address and provide solutions to the fishing industry's post-harvest problems.

**NATIONAL FISHERIES RESEARCH AND DEVELOPMENT INSTITUTE (NFRDI)**

**Mandate/functions:**

- provide leadership in fisheries research;
- run national centers; and
- R and D.

**DA-Agribusiness and Marketing Assistance Service (DA-AMAS)**

Mandate/functions: The Agribusiness and Marketing Assistance Service of the Department of Agriculture collaborates with and provides direct assistance to the private sector, including concerned NGOs, in marketing ventures and in the conduct of market analysis, identification and matching in accordance with the *Agriculture and Fisheries Modernization Act* (FAO, 2022).

**Agricultural training institute**

Mandate: train agricultural extension workers and their beneficiaries and lead the delivery of e-extension services for agriculture and fisheries.

**Technical Education and Skills Development Authority (TESDA)**

Mandate/functions: TESDA is the government agency tasked to manage and supervise technical education and skills development (TESD) in the Philippines.

**Philippine Center for Postharvest Development and Mechanization (PhilMech)**

Mandates: PHilMech is mandated to generate, extend and commercialize appropriate and problem-oriented agriculture and fishery postharvest and mechanization technologies, practices and systems.

**Department of Agriculture (DA) - Agricultural Credit Policy Council (ACPC)**

Mandates and functions: ACPC was created in 1986 by virtue of Executive Order 113 to assist the DA in synchronizing all credit policies and programs in support of the latter's priority programs. It was also tasked to review and evaluate the economic soundness of all on-going and proposed agricultural credit

programs, whether for domestic or foreign funding, prior to approval. ACPC was tasked to undertake measures to increase its funds base and adopt other liquidity interest stabilization and risk cover mechanisms for its various financing programme. ACPC continues to help the government develop and implement strategies and policies that increase and sustain the flow of credit to agriculture and fisheries, improve the viability of farmers and fishers, and support agriculture modernization, food security and poverty alleviation.

## **Banks**

### ***Land Bank of the Philippines (LBP)***

Mandate: The Land Bank of the Philippines is a government financial institution that strikes a balance in fulfilling its social mandate of promoting countryside development while remaining financially viable.

### ***Development Bank of the Philippines (DBP)***

Mandate: The DBP is classified as a development bank and may perform all functions of a thrift bank. Its primary objective is to provide banking services to cater to the medium- and long-term needs of agricultural and industrial enterprises with emphasis on small- and medium-scale entrepreneurs.

## **Module 2: Accessing financial services by small-scale fishers (SSF)**

Module 2 of the training programme is divided into six self-contained sessions:

1. Introduction.
2. Financial products and services.
3. Forms and procedures.
4. Calculating financial requirements.
5. Primary and collateral security.
6. Repayment.

### ***Session 1: Introduction to available financial services in the Philippines for the small-scale fisheries sector***

**Session objectives:** At the end of the session, the participants will be able to: (a) know more about the state of the fisheries sector in the Philippines, (b) identify credit and insurance gaps and what can be done to address these, (c) know about the APRACA-FAO-ACPC project and (d) know the credit service providers in rural, agricultural and unbanked areas where majority of the small-scale fishers are located.

**Duration:** 20 minutes. **Methodology:** Lectures and discussion. **Material:** PowerPoint Presentation.

The following chapters are not included in this summary: 1) State of Fisheries Sector in the Philippines, 2) Credit and Insurance Gaps in the Fisheries Sector, 3) Importance of Agricultural Credit to Small-scale fishers.

### ***Definition of small-scale fishers***

Small-scale fishers refers to natural persons who are dependent on small-scale fishing activities as a primary source of income, i.e., those: (a) directly or indirectly engaged in taking, culturing, or processing fishery or aquatic resources, (b) those engaged in fishing using gears that do not require boats or boats less than three tonnes, in municipal waters, coastal and marine areas, (c) workers in commercial fishing and aquaculture, (d) vendors and processors of fish and coastal products, (e) subsistence producers such

as shell-gatherers, managers, and producers of mangrove resources, and other related producers. An added condition in most DA programmes is that the farmer or fisher borrower must be registered in the Registry System for Basic Sectors in Agriculture (RSBSA).

### ***Banks' presence in rural and agricultural areas***

There are 537 banks operating in the country with a total network of 12 914 branches/offices. More than half of these bank offices are from Universal and Commercial Banks (UKBs), 21 percent are Thrift Banks (TBs), and 25 percent are Rural and Cooperative Banks (RCBs). About one-third (30 percent) of the banking offices are located in Metro Manila or the National Capital Region (NCR), and most (83 percent) are UKB offices.

### ***Unbanked municipalities***

More than two-thirds (69 percent) of the 1 634 cities / municipalities in the country are being serviced by at least one bank. This means that 31 percent or 509 municipalities, all outside the NCR, are still unbanked or without any banking offices. The Mindanao regions has the highest proportion of unbanked municipalities, 51 percent, particularly in the Autonomous Region of Muslim Mindanao (ARMM) (92 percent unbanked municipalities) and Zamboanga Peninsula (54 percent). This is followed by the Visayas regions (33 percent) with 56 percent unbanked municipalities. On the other hand, the Northern and Southern Luzon regions have relatively less unbanked municipalities.

## ***Session 2: Financial products and services in the Philippines for SSF***

**Session objectives:** At the end of this session, the participants will be able to: (a) know the various credit and insurance programmes for small-scale fisheries (SSF) available in the Philippines, (b) Identify the credit and insurance programmes and know the features of each financial service available to the SSF, and (c) know the geographic locations and contact details of the different credit and insurance providers for SSF.

**Duration:** 40 minutes. **Methodology:** Lectures and discussion. **Material:** PowerPoint presentation.

### ***Credit programmes for SSF***

There are currently 12 state-funded credit programmes dedicated to the fisheries sector. Six of these programmes are being administered by the Department of Agriculture (DA), the Agricultural Credit Policy Council (ACPC), and the Bureau of Fisheries and Aquatic Resources (BFAR). The Land Bank of the Philippines (LANDBANK) has five credit facilities available to small scale fisheries, while the Development Bank of the Philippines (DBP) implements one credit window for agribusinesses and agriculture entrepreneurs.

#### ***Department of Agriculture (DA)***

##### ***Agricultural Credit Policy Council (ACPC)***

- Expanded SURE-Aid and Recovery Project (SURE COVID-19), 2020.
- Agri-Negosyo (ANYO) Program, 2020.
- Kapital Access for Young Agripreneurs (KAYA) Program, 2020.
- Survival and Recovery Loan Assistance (SURE) Program, 2017.
- Production Loan Easy Access (PLEA), 2017.

### *Bureau of Fisheries and Aquatic Resources (BFAR)*

- DA-BFAR- LANDBANK Partnership for the Promotion and Development of Mariculture Parks Program (PDMP), 2017.

### *Land Bank of the Philippines*

- Agricultural Competitive Enhancement Fund (ACEF), 2018.
- Sustainable Aquaculture Lending Program (SALP)/ Pagsasakang Pantubig.
- Commercial Fishing Vessel Financing Program.
- Climate Resilient Agriculture Financing Program.
- Empowering Barangays in Remote Areas Through Credit and Enterprises (EMBRACE).

### *Development Bank of the Philippines (DBP)*

- Sustainable Agribusiness Financing Program (SAFP).

### **Loan delivery schemes**

Government-supported agricultural and fishery credit programmes deliver loans to end-borrowers via two modalities: a) direct lending by a financing institution to target individual or group borrowers and b) wholesale lending to eligible partner lending conduits for on-lending to target individual or group farmer borrowers.

### **Insurance programme for SSF**

The PCIC is the sole provider of agricultural insurance in the country. The primary mandate of PCIC is to provide insurance protection to the country's agricultural producers particularly the subsistence farmers against loss of their crops and/or non-crop agricultural assets caused by natural calamities such as typhoons, floods, drought, earthquakes, volcanic eruptions, plant pest and diseases, and other perils. The PCIC extends insurance services through a network of 13 regional offices and 33 provincial extension offices spread across the country.

### **Session 3: Forms and procedures**

**Session objectives:** At the end of the session, the participants will be able to (a) know about the common forms that financial institutions use and require during loan application and (b) understand the loan appraisal procedures that financial institutions use.


**Duration:** 30 minutes **Methodology:** Lectures and discussion **Material:** PowerPoint presentation, Case samples.

## **THE PRODUCTION LOAN EASY ACCESS (PLEA) PROGRAMME**

The Production Loan Easy Access (PLEA) is a loan facility of the Department of Agriculture – Agricultural Credit Policy Council (DA-ACPC) designed to address the financial needs of small-scale farmers and fishers. Non-collateralized loans for agri-fishery production were provided under the PLEA through cooperative banks, rural banks, cooperatives and non-governmental organizations (NGOs) as lending conduits. The loan is payable depending on the commodity or project/s with a low interest rate. The PLEA was implemented nationwide covering 81 provinces.

The DA-ACPC uses partner lending conduits (PLCs) in extending loans to SFF. The PLCs select, evaluate, approve and collect loans from borrowers applying agreed guidelines. The ACPC extends zero cost funds to PLCs that in turn must extend non-collateralized loans at reduced interest rate (6 percent p.a.). Only the loan principal shall be remitted to ACPC. The interest fees shall go to the lending conduit. The following are the most important documents in the application process:

### 1. PLEA enrolment form

 Department of Agriculture Agricultural Credit Policy Council		<b>2x2 PICTURE</b>																	
<h1>PUNLA/PLEA ENROLLMENT FORM</h1>																			
Reference No.: _____																			
<b>PART I: PERSONAL INFORMATION</b>																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">SURNAME</td> <td style="width: 25%; text-align: center;">FIRST NAME</td> <td style="width: 25%; text-align: center;">MIDDLE NAME</td> <td style="width: 25%; text-align: center;">EXTENSION NAME</td> </tr> </table>				SURNAME	FIRST NAME	MIDDLE NAME	EXTENSION NAME												
SURNAME	FIRST NAME	MIDDLE NAME	EXTENSION NAME																
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HOUSE/LOT/BLDG. NO.	STREET/CRUIO/SUBDV.	BARANGAY																	
MUNICIPALITY/CITY	PROVINCE	REGION																	
Contact Number: _____	Sex: <input type="checkbox"/> Male <input type="checkbox"/> Female	Person with Disability (PWD): <input type="checkbox"/> Yes <input type="checkbox"/> No																	
Date of Birth: <table border="1" style="display: inline-table; width: 100px; height: 20px; text-align: center;"> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td>M</td><td>M</td><td>D</td><td>D</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr> </table>									M	M	D	D	Y	Y	Y	Y	Civil Status: <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Widowed <input type="checkbox"/> Separated	Highest Formal Education: <input type="checkbox"/> None <input type="checkbox"/> Elementary <input type="checkbox"/> High School <input type="checkbox"/> Vocational <input type="checkbox"/> College	
M	M	D	D	Y	Y	Y	Y												
Place of Birth: _____	No. of living household members: _____	Member of an Indigenous Group? <input type="checkbox"/> Yes <input type="checkbox"/> No																	
Household Head: <input type="checkbox"/> Yes <input type="checkbox"/> No If no, name of household head: _____ Relationship: _____	No. of male: _____ No. of female: _____	If yes, specify group: _____																	
With Voter's ID#: <input type="checkbox"/> Yes - ID# _____ <input type="checkbox"/> No	<b>Barangay Verification</b> – Verified true and correct by: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Name</td> <td style="width: 20%;">Position</td> <td style="width: 20%;">Signature</td> <td style="width: 30%;">Date</td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>			Name	Position	Signature	Date												
Name	Position	Signature	Date																
<b>PART II: FARM PROFILE</b>																			
<b>MAIN LIVELIHOOD:</b> <input type="checkbox"/> FARMER <input type="checkbox"/> FARMWORKER/LABORER <input type="checkbox"/> FISHERFOLK																			
<i>For farmers:</i> <b>Type of Farming Activity</b> <input type="checkbox"/> Rice <input type="checkbox"/> irrigated <input type="checkbox"/> rainfed/upland <input type="checkbox"/> rainfed lowland <input type="checkbox"/> Corn <input type="checkbox"/> Other crops, please specify: _____ <input type="checkbox"/> Livestock, please specify: _____ <input type="checkbox"/> Poultry, please specify: _____		<i>For farmworkers:</i> <b>Kind of Work</b> <input type="checkbox"/> Land Preparation <input type="checkbox"/> Planting/Transplanting <input type="checkbox"/> Cultivation <input type="checkbox"/> Harvesting <input type="checkbox"/> Others, please specify: _____																	
<i>For fisherfolk:</i> The Lending Conduit shall coordinate with the Bureau of Fisheries and Aquatic Resources (BFAR) in the issuance of a certification that the fisherfolk borrower under PUNLA/ PLEA is registered under the Municipal Fisherfolk Registration (FishR). <b>Type of Fishing Activity</b> <input type="checkbox"/> Fish Capture <input type="checkbox"/> Aquaculture <input type="checkbox"/> Others, please specify: _____																			
Other source of income: Farming, please specify: _____ Non-farming, please specify: _____																			
<b>FARM DESCRIPTION</b> No. of Farm Parcels: _____ Agrarian Reform Beneficiary (ARB): <input type="checkbox"/> Yes <input type="checkbox"/> No																			
FARM PARCEL	CROP/COMMODITY	LOCATION (Barangay & Municipality)	SIZE (Hectare)	Tenurial Status	Ownership Document*														
1				<input type="checkbox"/> Registered Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Lessee <input type="checkbox"/> Others _____															
2				<input type="checkbox"/> Registered Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Lessee <input type="checkbox"/> Others _____															
3				<input type="checkbox"/> Registered Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Lessee <input type="checkbox"/> Others _____															
4				<input type="checkbox"/> Registered Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Lessee <input type="checkbox"/> Others _____															
5				<input type="checkbox"/> Registered Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Lessee <input type="checkbox"/> Others _____															
	LIVESTOCK/POULTRY	LOCATION (Barangay & Municipality)	NO. OF HEAD	* Please put appropriate number/s. See table below for reference.															
1				<b>Ownership Document</b> 1. Certificate of Land Transfer 2. Emancipation Patent 3. Individual Certificate of Land Ownership Award (CLOA) 4. Collective CLOA 5. Co-ownership CLOA 6. Agricultural sales patent 7. Homestead patent 8. Free Patent 9. Certificate of Title or Regular Title 10. Certificate of Ancestral Domain Title 11. Certificate of Ancestral Land Title 12. Tax Declaration															
2																			
3																			
4																			
5																			
<b>I HEREBY CERTIFY THAT THE ABOVE INFORMATION ARE TRUE AND CORRECT.</b>																			
_____ SIGNATURE ABOVE PRINTED NAME OF REGISTRANT				_____ DATE															
<b>VERIFIED TRUE AND CORRECT BY:</b>					THUMBMARK														
_____ SIGNATURE ABOVE PRINTED NAME <b>MUNICIPAL AGRICULTURE OFFICE</b> Verified with: <input type="checkbox"/> MARO (for ARBs) <input type="checkbox"/> PCA (for coconut farmers/farmworkers)				DATE: _____															





## 3. Farm plan and budget

**PROVINCE ILOILO**  
**Municipality BAROTAC NUEVO**  
**BARANGAY: GUINTAS**  
**STANDARD OYSTER BUDGET**  
**DA/ACPC PUNLA-PLEA**

2020  
**3 RAFT/S & BAMBOO/S**

PARTICULAR ACTIVITIES	Qty.	Unit	Unit Cost (P)	Total (P)
<b>LABOR</b>				
Raft assembly (2man/day)	2	3	300	1800.00
Harvest (4man/day)	1	1	250	250.00
Sub-total =				<b>2,050.00</b>
<b>MATERIALS/INPUTS</b>				
Bamboo	20	pcs	120.00	2400.00
Plastic Container	80	pcs	50.00	4000.00
Nylon	12	kg	400.00	4800.00
P. E Rope	1	roll	1400.00	1400.00
Empty Shells	70	can	50.00	3500.00
Plastic Binder	30	roll	60.00	2550.00
Sub-total =				<b>18,650.00</b>
<b>TOTAL</b>				<b>20,700.00</b>

Prepared by:

Certified by:

Dingle Multi-Purpose Cooperative

Office of the Municipal Agriculturist

**Anabelly B. Latigay****EDWIN BESANA**

Name of Borrower

Municipal Agriculturist Office

Brgy. Guintas, Barotac Nuevo, Iloilo

LGU-Barotac Nuevo



### *Credit history check*

Where credit schemes have operated in an area in the past, records should be examined and, if possible, programme administrators contacted to determine, which members of the community remain in arrears, and which applicants seem to have involved wilful defaulters. Even where formal lending programmes exist, fishers make extensive use of informal credit. Studies show that formal credit is often a complement to, rather than a substitute for informal credit. Under certain circumstances, it might be possible to obtain information on liabilities for informal credit from local lenders. In all cases, the credit officer should determine, as accurately as possible, the extent of a prospective borrower's liabilities for informal credit, when appraising a loan application. Also credit bureaus should be consulted. (*Repayment capacity = activity, outside income, collateral and other loan guarantees*).

### *Equity*

The lower the proportion of the cost of an investment financed by borrowing, the lower is the risk to the lending institution. Borrowers should always be encouraged to contribute a high proportion of the proposed loan from their own resources rather than a fixed minimum percentage.

### *Non-fishing income*

Many fishers or members of their immediate family have other sources of income besides fishing. Weather and seasonal fluctuation makes it impossible or uneconomical to fish during certain periods of the year. Many fishers (in developing countries) supplement their incomes by farming or wage labour in agriculture. It is also common for one or more members of fishing households to be engaged in other occupations. The diversification of income sources regulates family income over the year. It also increases the likelihood that loans made to families with other sources of income will be repaid.

### *Collateral*

Loans from formal credit institutions tend to be larger and normally require collateral. The collateral for larger loans is usually the assets purchased with those loans. The first condition should be guaranteed by a charge on the assets; particularly in the case of a boat, a mechanism needs to be developed to make it impossible to sell the asset until the loan is paid off. It is possible to make boat registration contingent on proof that loan obligations to participating financial institutions are being met. In most developed countries, borrowers are required to ensure against the risks of loss or destruction of the asset. The insurance of major assets, such as boats should be required, where such coverage is available. Where insurance is not available at reasonable premiums, local insurance companies should be encouraged to provide it.

### *Group responsibility*

It is feasible to make all members of a group of borrowers jointly responsible for the debts they individually contract with a bank. For example, in microfinance Self Help Groups (SHGs) are often used for this purpose. Until all debts incurred by group members are paid off, no new loans will be made to any member. Group responsibility works best when groups are small (maximum 10 members), when there are kinship ties among members, and when groups existed before the lending programme and have not been formed purposely to acquire loans.

### **Session 5: Collateral substitutes**

**Session objectives:** At the end of the session, the participants will be able to have a (a) clear understanding on the cash flow-based financing method to avoid stringent collateral norms, and (b) a better appreciation and understanding on the available risk-mitigating mechanisms, like agricultural insurance and credit guarantees, which can encourage financial institutions to waive their collateral requirements.

**Duration:** 30 minutes. **Methodology:** Lectures and discussion. **Material:** PowerPoint presentation, Case sample.

#### **Introduction to collateral substitution**

Based on the results of the survey for financial services providers, the majority of the financial institution respondents adopt the use of cash-flow based financing method as a mechanism to ensure loan repayment and to avoid the stringent collateral norms. Sometimes aside from business plans, hard collateral such as real estate mortgage and insurance cover are also required as security to mitigate potential loan defaults. Risk-mitigating mechanisms, such as agricultural insurance and credit guarantee can facilitate financial institutions waiving their collateral requirements. Insurance protects the income of farmers and fishers from weather shocks, low catches, accidents and pests and diseases, and hence, they are able to repay their loans. A credit guarantee, on the other hand, insulates financial institutions from defaults as unsecured loans are covered by the guarantee.

#### **Cash flow-based financing for farmers or SSF**

The decision to lend by any financial institution ultimately depends on the client's ability to repay the loan. This in turn is dependent on the client's cash flow. Insufficient cash flow equals non-repayment, no matter what the size or scale of the farmer/fisher's state or reputation.

Lending to farmers/fishers and assessing cash flows presents a number of challenges that are less prominent in other sectors. The cash flow in agri/fishery production is not regular, but generally seasonal. When producing a crop, the farmer/fisher will often need to invest in production expenses including labour, maintenance, and harvesting upfront, yet farmers/fishers will only receive an income from their crop once they harvested and marketed it. Depending on the crop/crops, the farmer only receives income once or twice a year. Similarly, in fishing operations there are seasons with low catches and low incomes and seasons with high incomes. This irregularity in income needs to be taken into account when scheduling loan disbursements and repayments. Banks will typically monitor loan performance based on the receipt of regular repayments taking early action when a payment is late. When loans are repaid with just one payment at the end of the season, however, banks may want to make several visits to the farm throughout the period of the loan to check the borrower and ensure that the crop production is on track. Along with the regularity of payments, yields and prices in agri-fishery production also vary from season to season often based on factors beyond their immediate control such as the weather. Essentially, a bank should only lend to farmers if they can accurately assess the household's complete financial situation and projected cash flow throughout the loan period (World Bank, 2015).

## BOX 1

**Agricultural guarantee: the Agricultural Guarantee Fund Pool (AGFP)**

Another important risk-mitigating tool is the provision of government guarantee for unsecured loans of rural borrowers. The Agricultural Guarantee Fund Pool (AGFP) was created in 2008 to mitigate the risks involved in agriculture lending and facilitate the provision of credit to the agriculture sector. Until its transfer to the Philippine Guarantee Corporation (PhilGuarantee) in 2019, the DA directed and supervised the implementation of the programme through a Governing Board chaired by the DA Secretary and a Program Management Committee chaired by the LANDBANK. A project management office implemented the AGFP with LANDBANK acting as the guarantee fund trustee. The administration of the AGFP by the PhilGuarantee started in August 2019 (ACPC, 2020). The AGFP provides up to 85 percent guarantee cover on unsecured loans extended by accredited lending institutions against all types of risks of non-repayment by farmer- and fishers-borrowers except fraud.

**Session 6: Repayment**

**Session objectives:** At the end of the session, the participants will be able to have a clear understanding on loan repayment modes, procedures, and incentives for improved loan recovery.

**Duration:** 30 minutes. **Methodology:** Lectures and discussion. **Material:** PowerPoint presentation, Case sample.

**Repayment and loan recovery**

In a successful lending programme, loan repayment is the primary goal. A high percentage of non-performing loans means that funds are not available to provide loans to new borrowers. If loans are not repaid, they become grants and the lesson of how credit can be used productively is lost. A system of accounting, auditing, monitoring and evaluation must be established to provide project management with accurate information on the achievement of this goal, so that action can be taken (as needed). There are basic rules which will make the achievement of high levels of loan repayment possible:

- borrowers must recognize that they are receiving a loan rather than a subsidy or grant;
- payment must be scheduled at times and in amounts, which can be paid from current income; and
- borrowers must be made aware of the consequences of failure to pay.

**Scheduling repayment and repayment receipts**

Repayment should follow the income flow from the activity being financed as closely as possible. Thus, repayments should not start until income starts flowing from the project. In most cases, there will have to be grace period for the time that the assets are being purchased/delivered or until the time of the year they can be used effectively. Even though finance charges will increase, it is best to plan assets to be available before the beginning of the main fishing season, but to delay payments until income is derived from the activity. If there is a delay in arrival of the assets ordered or build (e.g. a fishing boat), there will not be sufficient income to service the loan. In such a case, the supervisory officer should see that the loan is promptly rescheduled and that the new loan payment schedule reflects the revised estimate of income.

In a port without a fish auction, but where a large number of borrowers bring their fish catch for sale to middlemen, the bank might pay an agent to collect loan repayments each time a borrower brings her/his fish for sale. There can still be problems with diversion of the catch to ports without collection agents or with sale of catch at sea. Repayments should be high enough to recover the full amount of the loan well before the end of the economic lifetime of the asset. Another possible way of enforcing repayments of loans is to make licensing contingent on satisfactory payment. The lending institution could provide the fisheries department with a list of names of borrowers in technical default and of the registration numbers of the boats so that they cannot be licensed until an arrangement is made with the bank for loan repayment. Registration numbers should be provided to fisheries authorities so that fishers cannot avoid their obligations by selling their boats or putting them in someone else's name.

### ***Arrears control***

A notice should be mailed to the borrower before the first payment is due, giving the amount and the date. It should arrive something like 30 days before the payment is due. If a payment is late, the borrower should be reminded of the fact.

### ***Visits for loan recovery***

Good contacts between the bank/fund and the borrower should be always maintained. Visits for loan recovery should start before the first instalments become due. When a number of borrowers in the same community have loans due at the same time, meetings should be organized to remind the borrowers that payments are due and to explain again the mechanism for payments. Meeting with borrowers before the first payment makes it possible for the project to learn of any problems that may affect repayment.

### ***Loan rescheduling***

If problems in repaying the loan are more than transitory, a new repaying schedule should be drawn up. If months are allowed to pass without working out a solution to the problems of repayment, the likelihood of recovering a high proportion of the loan decreases in proportion to the time that the borrower has been allowed to go without either repaying or coming to a new agreement with the bank. Whether a loan should be rescheduled or enforced in law depends on how much effort the borrower makes to service the loan and to carry out the loan-funded activity.

### ***Legal enforcement***

Fishers are not different from anyone else. Some will try to avoid payment of loans, if they think they can get away with it. People, who act in this way with respect to loans, will normally have done things of dubious honesty, including having defaulted on other loans. If payment has not been made by the agreed date, the borrower should be advised in writing that the bank will immediately begin legal proceeding against the borrower to recover the value of the loan. Co-signees on the loan should also be advised in writing that they will be held liable for the amount due on the loan and that their liability will be enforced in law if necessary. It may also be worth informing the barangay council of the impending proceedings. Even at this stage, should the borrower make a reasonable attempt to settle the differences outstanding with the bank, management should consider rescheduling or acceptance of less than full repayment of the loan. Litigation for litigation's sake is pointless, if other solutions exist, particularly as litigation takes so long.

## ANNEX 2

### CASE STUDIES

(Abridged version)

#### **Module 1: Stakeholder platform and business development services for small-scale fishers**

##### ***Sikat Saka Programme (case study in session 3)***

The Sikat Saka Program is a credit program of the Department of Agriculture (DA) - Agricultural Credit Policy Council (ACPC) with funds coming from the DA and the Land Bank of the Philippines (LBP). It aims to provide rice and corn farmers with access to timely, adequate and affordable production credit, as well as improve the viability of agricultural production by ensuring availability of irrigation services, extension and links to market.

Sikat Saka is a multi-agency collaboration that includes DA, ACPC, LBP, the National Irrigation Administration (NIA), the Agricultural Training Institute (ATI) and Local Government Units (LGUs). The main conduits are the so called Irrigator's Associations. It is implemented in 40 out of the 45 provinces in the country.

The implementing rules and regulations (IRR) of the Sikat Saka provide guidance in the implementation of the programme in the provinces. Some deviations were adopted, with the approval of the Provincial Action Teams (PAT), to ensure that more farmers can comply with the requirements, and can access and benefit from the programme.

According to a study conducted by the Asian Social Project Services, Inc. (2018), the best practices observed in the implementation of the Sikat Saka are as follows:

1. Use of concrete criteria in selecting potential borrowers.
2. Provision of full-time coordinators who assist the farmers in completing the loan requirements and monitor their farmers' progress.
3. Revisiting of the National Food Authority's role as a marketing agent for the farmers' products.
4. Finding of other credible buyers to ensure that farmers will receive higher farm prices.
5. Expansion of collateral for the loan to include other properties.
6. Provision of additional full-time staff in the lending centers for the Sikat Saka Program to speed up the processing, documentation and program reporting.

*Source:* Content retrieved from the study commissioned by the ACPC to the Asian Social Project Services, Inc. (2018) entitled "Mid-term evaluation of the Sikat Saka Program".

##### ***Building the capacity of smallholder farmers to link with modern markets: calamansi growers in the Philippines (case study from session 4)***

The support of the business development services providers plays an important role in the establishment of agro-enterprises. Farmers are in need of training interventions to improve production, plan businesses, and strengthen their organization.

The case study on the calamansi growers from Siay in the province of Zamboanga Sibugay, Island of Mindanao focuses on the organization of agro-enterprises, linking to new markets, and provision of grants. This case study shows how the Catholic Relief Services (CRS), a non-governmental organization based in the Philippines, and the local partners of the project have facilitated the process of linking Philippine calamansi growers to new markets to address the gaps and challenges in the sector.

For the project, the following phased interventions were conducted:

- Assessing product supply and demand – baseline study and conduct of market research to assess the supply of calamansi and potential demand for fresh and processed calamansi products.
- Organizing production and marketing clusters and building capacity – development of a clustering approach for farmer organizations in order to link farmers with markets, assist them to effectively organize into small groups and clusters, and guide them in entering markets that provide them with more favourable trading arrangements and that improve their incomes and secure their livelihoods.
- Product sampling – checking of quality and shelf life of the products.
- Agricultural technology dissemination – training of smallholder farmers on simple farming technology and good agricultural practices.
- Increasing access to credit through microfinance institutions – partnership establishment with microfinance institutions to develop appropriate agricultural financing models for calamansi farmers.
- Provision of post-harvest facilities and other infrastructure – support the construction of water reservoirs and repair of access roads.
- Adding value to enter new markets – invest in processing for concentrate and ready-to-drink beverages.

A critical part of the CRS' role has been to ensure that farmers, the clusters and the cooperative have access to services they need to maintain and increase their competitiveness.

*Source:* Content retrieved from Best *et al.*, 2015.

### ***Preserving Corcuera's sea (case study from session 4)***

Corcuera is one of the municipalities of Simara, Romblon. The municipality offers white sandy beaches, blue-green waters and rich fish harvests. Farming and fishing are the main sources of income in Corcuera. Fishery products from the municipality include lapu-lapu (wavy-lined grouper), tangigi (spanish mackerel), barakuda (barracuda), galunggong (big bodied round scad), and dalagang bukid (red caesio). These products are brought to Batangas Bagsakan Center by fish vendors.

The Philippine Center for Postharvest Development and Mechanization (PhilMech), in collaboration with the Department of Agriculture – Bureau of Fisheries and Aquatic Resources (BFAR), provided machinery and equipment, specifically a mobile ice maker, to the Corcuera municipal government. The ice maker aims to prolong the shelf life and maintain the quality of fish while in transport to distant places. About 110 fishers from the 356 registered Barangay Fishery and Aquatic Resources Management Council (BFARMCs), use the ice maker. Fishers are now able to buy ice at about one-fifth of the previous price.

*Source:* Content retrieved from Gonzales, 2012.

## **Module 2: Accessing financial services by small-scale fishers**

### ***Arya Coconut farmers multi-purpose cooperative (case study from session 3)***

The Arya Coconut Farmers Multi-Purpose Cooperative is one of ACPC's partner lending conduits under the Production Loan Easy Access (PLEA) credit programme and has been granted with a credit line of PHP 5 million to be disbursed eligible borrowers among its members. The following are the details of the cooperative's loan terms, criteria, and documentary requirements being adopted for the implementation of the credit programme.



#### Eligible borrowers

1. Must be a member of the Arya Coconut Farmers Multi-Purpose Cooperative.
2. Small-scale fishers.
3. Must not have past due obligation with ACF-MPC or any other financial institution.

#### Loan documentation

1. Farmer-borrower must fill-out enrolment form.
  - Must be certified by the Barangay that the SFF borrowers is a bonafide resident of the barangay.
  - Must be certified by the Municipal Agriculture Office that the SFF borrower is an eligible farmer.
2. Fill-out loan application.
  - Farm Plan and Budget.
3. Notarized promissory note.
4. Identification card (ID) as farmer is optional.
5. PCIC application form for insurance coverage.

#### Loan purpose

To finance the agricultural, fishery, poultry and livestock production.

#### Loan protection plan

1. Loan must be covered with Loan Protection Program Insurance (LPPI) or Koopamilya insurance plan (optional).
2. Crops planted by farmers will be covered by the Philippine Crop Insurance Corporation.

#### Loan charges

1. Interest is 6 percent per annum.
2. Savings/Retention Fee is 2 percent.
3. Service Charge is 1 percent per year or 2 percent for 2 years and above.
4. Notarial Fee is PhP 150.
5. Loan Protection Program Insurance (LPPI).
6. Penalty is 3 percent per month.

*Source:* Content retrieved from the ACF MPC's lending guidelines for the Production Loan Easy Access (PLEA), Program Development Division (ACPC).

### **Philippine international travel assistance center multipurpose cooperative (case study from Session 3)**

The Philippine International Travel Assistance Center Multipurpose Cooperative (PITAC-MPC) is another ACPC partner lending conduit. Below are the details of the cooperative's eligibility criteria, lending process, and documentary requirements in relation to the implementation of its lending facility for small-scale farmers and fisherfolk.

#### Eligible borrowers

1. Borrower must be a regular member of PITAC-MPC or a new member who participated in the Pre-Membership Education Seminar (PMES) and may qualify to be a regular member of the cooperative.

2. Borrower must be categorized as small farmers as defined by The National Economic and Development Authority.
3. Borrower must have a good track record of payment of annual dues and/or loans, savings, capital build-up, attendance to meetings, and other activities of the Philippine International Travel Assistance Multipurpose Cooperative.
4. Borrower must not have existing loan with another financial provider for the same purpose.
5. The borrower has experience in production/processing/trading of crops, poultry and/or livestock, or aquaculture activities.
6. Borrower must not face any criminal/administrative case.
7. Borrower must have attended the loan orientation seminar prior to loan disbursement.
8. Borrower is willing to enrol the loan account under the Loan Repayment Protection Plan of the Philippine Crop Insurance Corporation (PCIC).
9. Borrower is willing to hand-over his/her ATM card/savings passbook to PITAC-MPC to ensure proper usage of funds. The ATM card/savings passbook shall be returned back to the borrower once all the required inputs and labour cost, based on farm plan, are purchased and/or paid.

#### Lending process

1. Loan application (only for borrowers who have completed the PMES and ACPC PUNLA/PLEA orientation seminar).
2. A back ground and credit investigation check will be done after receipt of the loan application, to ensure the eligibility of the borrower and the credit worthiness.
3. Interview (to verify loan purpose and accuracy of farm plan and budget) and evaluation of documents (if complete and properly accomplished).
4. Manager to review, evaluate and act appropriately on loan applications (to approve or disapprove).
5. Opening of a passbook (for borrowers with approved loans).

*Source:* Content retrieved from the PITAC MPC's lending guidelines for the Production Loan Easy Access (PLEA), Program Development Division (ACPC).

#### ***Rural household business finance Programme (case study from session 4)***

One of the earliest attempts to replicate or adapt successful microfinance practices in agriculture using cash flow-based methodology was the Rural Household Business Finance (RHBF), which was developed by the ACPC and piloted by Land Bank of the Philippines in 2004.

The RHBF provided short-term loans to finance non-agricultural livelihood projects of agricultural households to diversify income and risk. The loan amount and repayment scheme were based on the cash flow of the entire household and not merely on that of the borrower. Hence, the RHBF adopted a repayment schedule which requires either weekly or monthly amortizations on a portion of the loan plus balloon payment on the remaining portion, usually upon harvest. In addition to being cash flow-based, the RHBF does not require collateral from the farmer borrower. Under this scheme, credit funds were channelled through lending conduits (e.g. farmer cooperatives and associations) accredited by ACPC and the Land Bank of the Philippines.

One successful feature of the programme was the cash flow-based repayment scheme, which gave the borrowers flexibility in settling their loan obligations. Another is the provision of loans for alternative livelihood projects of agricultural households which enabled them to augment income from farming. The lending program, which did not require collateral, enabled farmers to borrow from formal sources at much lower interest rates compared to those of informal lenders.

*Source:* Content retrieved from Llanto and Badiola, 2015.

### ***Agricultural Guarantee Fund Pool (AGFP) and GM Bank (case study from session 4)***

This case study shows how the AGFP credit guarantee has helped a rural bank succeed in expanding its loans to small-scale farmers and fishers. The credit guarantee functions as an effective instrument to mitigate credit risks, which has encouraged this rural financial institution to expand its small farmer loan portfolio.

Before joining the AGFP, the bank only had a micro-agriculture loan portfolio of PhP 12 million with around 1 000 farmer-borrowers. In 2011, the bank was accredited under AGFP and was initially provided a guarantee line of PhP 100 million. This was raised to PhP 200 million in 2012 and PhP 300 million in 2013. In 2014, PhP 192 million in loans were covered by AGFP credit guarantee. The guarantee cover enabled the bank's micro-agriculture loan portfolio to increase from PhP 23 million in 2012 to PhP 250 million in 2013 and increase the number of farmers from 1 000 to 3 600. Areas covered include several municipalities of the provinces of Nueva Ecija, Pangasinan, Tarlac, Aurora, La Union, Bulacan and Zambales. Those were new areas for GM Bank lending operations.

*Source:* Content retrieved from Llanto and Badiola, 2015.

### ***Examples of adaptive loan recovery processes (case study from session 6)***

- First Valley Bank does not charge penalties to farmers who experience a delay in harvest due to farm conditions. Loans are simply restructured and paid in full at a later time.
- Ecumenical Church Foundation, Inc. does not schedule the lump-sum payment of loans until 1–2 months after the harvest. This allows farmers to take the time needed to dry the palay and sell it to the National Food Authority at a higher price, rather than to traders.
- People's Bank of Caraga builds repayment flexibility in their loan contracts by setting a three-installment schedule within two months of harvest. Farmers who have capacity to repay in full immediately upon harvest will not be charged for the interest for the last two months. Reasonable repayment flexibility could also encourage farmers that are fearful of default to take up the loan and make better farm investments. The repayment flexibility may also increase the impact of a loan by not forcing clients to take actions that might reduce the returns on their investment or that might get them over-indebted just to meet a strict repayment schedule.

*Source:* Content retrieved from the study on Improving Agricultural Microfinance Barriers to the supply of agricultural lending in the Philippines, PinoyMe, 2009.

Cooperatives shared some effective practices adopted for loan recovery during a focus group discussion facilitated by the ACPC on 26 August 2021 in relation to this study:

- Rhudarda Multi-Purpose Cooperative provides interest discounts to borrowers who will pay the loan ahead of the maturity schedule. The cooperative also does not collect interest charges in advance.
- Sentrong Ugnayan ng Mamamayang Pilipino Multi-Purpose Cooperative also provides interest discounts to borrowers who will pay the loan before the maturity date.
- Yakap at Halik Multi-Purpose Cooperative provides an incentive through an interest discount to borrowers who will pay the loan before maturity date. In addition, from these borrowers, 5 will be drawn and will be provided with gifts such as a small appliance, mobile phone, or tablet computer as an incentive and to encourage more borrowers to pay their loan ahead of schedule.

**Small-scale fisheries (SSF) make an important contribution to nutrition, food security, sustainable livelihoods, and poverty alleviation in the Philippines. The Agricultural Credit Policy Council (ACPC), Asia and Pacific Rural and Agricultural Credit Association (APRACA) and FAO implemented a project in 2020–2021 to analyse and improve the availability of financial services to SSF in the Philippines.**

**This circular describes the steps taken by the project implementing agencies and partners in the development of a credit and insurance programme for small-scale fisheries.**

**The project identified the stakeholders involved in the financial service provision to SSF. It analysed the current supply of financial and insurance services and the demand for such services by fishers and fisherfolk organizations. ACPC developed materials for a training of trainers. Trainings were conducted in November 2021 for representatives from government organizations, NGOs, financial institutions and fisherfolk organizations. The trainings covered business development services for SSF and the processes used to supply financial services to SSF.**

**ACPC and APRACA established a network of stakeholders interested in exchanging experiences and increasing financial service provision to SSF. The PhilNet SSF network was launched on 29 November 2021. This project laid the groundwork for further improving financial and insurance services provision to SSF in the Philippines.**

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