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Organization of the
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Financing small-scale fisheries in the Philippines

A policy brief





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Key messages

- › Small-scale fishers (SSF) make an important contribution to food security and the rural economy.
- › Average income of most SSF is below the poverty line of USD 2 500/year.
- › For economic growth and sustainable fishing operations, SSF need access to financial and insurance services.
- › 50 percent of the SSF have access to financial services.
- › Only 29 percent of SSF have a savings account.
- › Many financial and insurance service providers in the Philippines are willing to provide their services to SSF.
- › Financial institutions struggle with providing credit to SSF because of the seasonality of fishing business, lack of insurance of fishing vessels, and internal lack of technical knowledge about fisheries.
- › Digital finance tools are required to deliver microfinance or credit more efficiently to SSF.
- › Fishers' organizations and financial institutions have a joint interest to increase financial literacy of SSF and enhance business planning and record keeping skills of SSF.

1. Introduction

In the Philippines, small-scale fisheries (SSF) make an important contribution to food security, sustainable livelihoods, and poverty alleviation. There are nearly two million active fishers, who operate an estimated 476 000 fishing vessels. Around 60 percent of these vessels do not have engines, and use sails or oars (FAO, 2020). More than 80 percent of the fishers in the Philippines can be characterized as small-scale fishers.

The vast aquatic resources of the country could be utilized better, more sustainably and generate more income than they do now. The sustainable development of fisheries does - among other things - depend on whether the hundreds of thousands of SSF have access to financial resources for investing in fishing vessels and responsible fishing technologies. However, there was no information on the actual needs of SSF for financial services and to what extent financial institutions are able to cater for them.

To learn more about this important topic, the Food and Agriculture Organization of the United Nations (FAO) teamed up with the Asia Pacific Rural and Agricultural Credit Association (APRACA) and the Philippines' Agricultural Credit Policy Council (ACPC).

The project launched by the three partners seeks to promote financial services for SSF and advocate for responsible and sustainable fishing, processing, and marketing operations including preparedness for natural disasters and climate change-related challenges.

One key initiative under the partnership was a survey that was conducted in 2020-2021 with stakeholders in the finance and in the fisheries sector. Looking at both the demand and supply side of finance, the objectives of the survey were:

- (a) to learn about small-scale fishing communities and identify the assistance and support they need for their fishing activities, particularly in accessing financing and insurance services and,
- (b) gather information on the current capacities of financial service providers to help SSF in accessing financing and insurance services.

The survey was also meant to lay the groundwork for future capacity building activities on the subject of financial service provision to SSF in the Philippines.

The aim of this policy brief is to provide to stakeholders a summary of the survey findings, explain why financial services are important for small-scale fishers in the Philippines and provide recommendations for enhancing the access of small-scale fishers to finance and insurance.



2. Survey methodology

The ACPC conducted four different surveys with four different types of institutions: small-scale fishers (SSF), fishers' organizations (mainly cooperatives), financial institutions (FI), and insurance providers.

The survey of small-scale fishers was done through in-person interviews with a total of 100 small scale fishers¹. The selection of small-scale fishers was based on a list provided by the Municipal/City Agriculture Offices in Luzon, Visayas and Mindanao.

The surveys of fishers' organizations, financial institutions and insurance providers were administered through a web-based survey platform, because of the travel restrictions in place and safety protocols related to the COVID-19 pandemic. The lists of organizations to survey were kindly provided by the Cooperative Development Authority, Microfinance Council of the Philippines Inc., and ACPC's Partner Lending Conduits. Survey responses were received from 13 fishers' organizations, 52 financial institutions and 17 insurance providers.

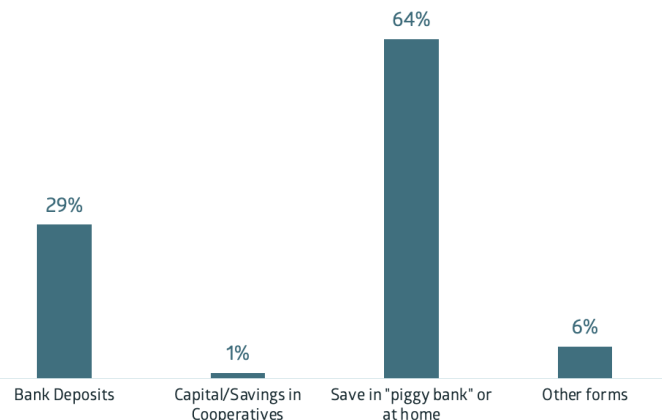


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3. Summary of findings

Small-scale fishers (SSF): The survey results show that SSF are mainly engaged in fishing for their own consumption and 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) from fishing operations. In the absence of much other income, this places them below the poverty line which is 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. Half of the respondents (45 percent) reported to have access to credit services for fishing operations whereas only 29 percent had formal savings (or have sufficient income to do so). A large share (28 percent) among the sub-sample of borrowers reported to face problems in repaying their loans. Financial services delivery points (e.g. cooperatives, microfinance institutions, and/or Non-stock Savings and Loan Associations) are also not widespread in fishing communities and only 40 percent respondent reported to have access to these facilities. Only about 20 percent of the respondents save at formal financial institutions, the rest saves informally for themselves or not at all.

Access to savings/deposits by fisherfolk



1. Small-scale fishers, according to Administrative Order No. 21, series of 2011, refer to (i) coastal/municipal fishermen operating fishing vessels with capacity of gross three (3) tons or less and/or whose fishing activities are within 25-kilometer radius from the shoreline, (ii) owners or operators of fishponds of five (5) hectares or less, fish cages with an area of 400 square meters or less, or (iii) individuals engaged in catching aquatic resources using traps and other devices, in aquaculture, and in the processing and trading of aquatic products.

SFF Guidelines

The FAO-APRACA project builds on the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication (FAO SSF Guidelines). These Voluntary Guidelines were developed through a participatory world-wide process and were globally adopted in 2014.

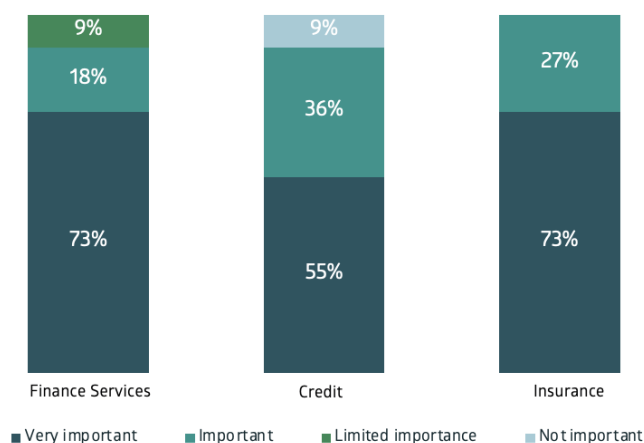
AFRACA and FAO developed in 2019 the [“Guidelines for increasing access of small-scale fishers to insurance services in Asia”](#) and [“Guidelines for micro-finance and credit services in support of small-scale fisheries in Asia”](#). These guidelines were officially adopted by APRACA member financial institutions in 2020 to support countries in achieving the sustainable development goals, with emphasis on the importance of credit, insurance, finance, technologies, and investment for the SSF sub-sector.



Health insurance is prevalent among SSF either through PhilHealth or social security. However, insurance for fishing vessels is uncommon. Eighty-one percent have never availed of insurance for their fishing assets.

Fishers' Organizations: The survey respondents from fishers' organization included multipurpose cooperatives, producers' cooperatives, fisherfolk associations, and marketing cooperatives, which are mainly active at the municipal, provincial, or regional level. Most of the members of these organizations are fish farmers or fishers (85 percent). The services provided by these organizations to their SSF-members include savings and loans facilitation, information sharing among members, marketing support, capacity building, and enabling linkages with the government. For organizations extending loans to their members, their funds are mainly sourced from these organization's internal funds, followed by grants from public or private finance institutions and net profits from enterprises/services. Loans from the government play a minor role only. Overall, the respondents rate financial services as being either very important or important to their organization and members. Interestingly, services like savings and insurance are rated as even more important than credit.

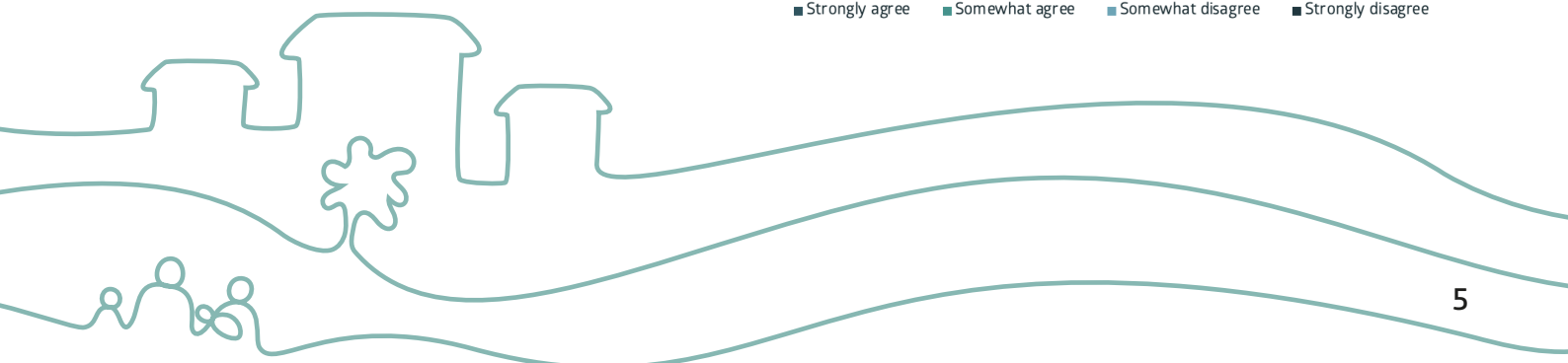
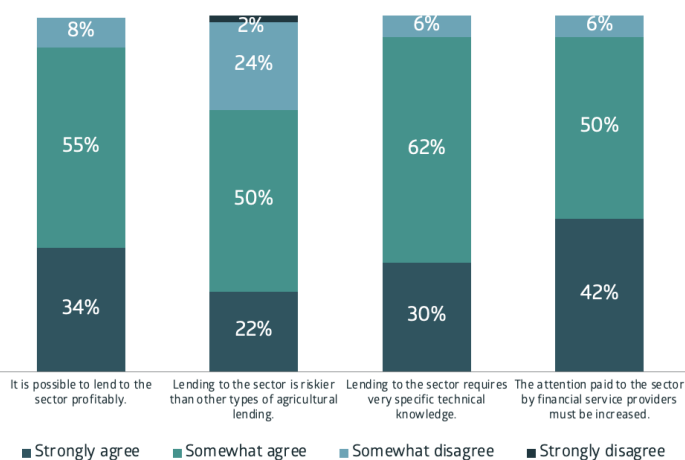
To what degree is access to finance, credit and insurance important to the operations of your organization?



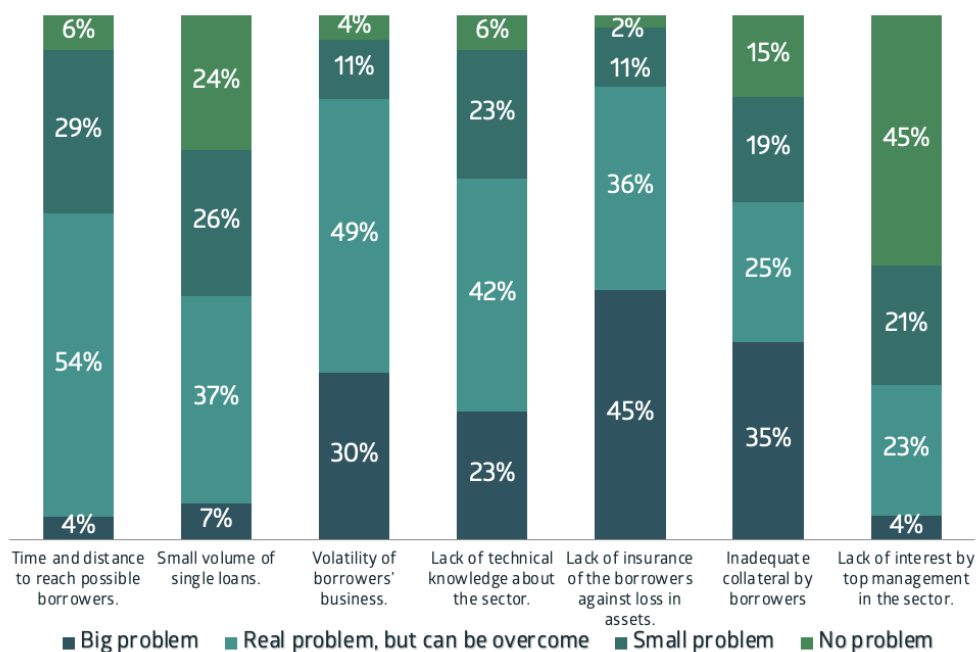
The survey revealed a need to intensify information dissemination to these organizations and their members. These organizations can be essential in capacity building of members, and in informing their members of the financial services available.

Financial Services Providers: The financial service providers responding to the survey included commercial (rural/agricultural banks), non-profit financial institutions, government financial institutions, cooperative banks, commercial microfinance institutions, and credit associations. Almost all the respondents reported to provide short-term loans to their clientele. About half provide checking and/or savings products. The survey found that most respondents (in principle) offer their services to SSF.

Financial service providers views on lending to fisheries and aquaculture



Main problems faced by financial institutions when lending to the fisheries and aquaculture sector

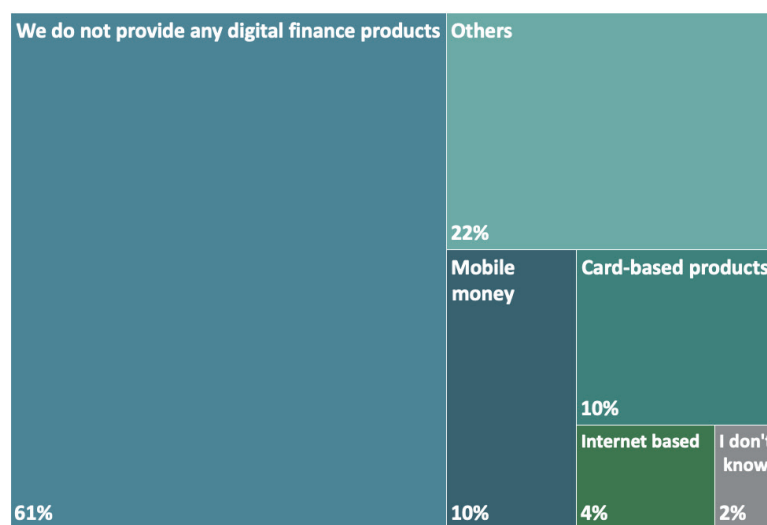


The financial institutions for the most part think that addressing SSF requires specific technical knowledge. However, more than 65% of the institutions do not offer any products specifically designed for SSF. Despite the slightly higher risk involved in fishing, compared to most other sectors, lending to the sector can be done profitably according to the financial institutions. Given the currently rather small exposure to the sector for most financial institutions, the respondents consider the small-scale fisheries sector underserved by financial service providers.

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.

There is room for further digitalization within the sector. Less than half of the respondents provide digital finance services to SSF, despite the emergence of many financial innovations in recent years in the country. About 30 percent of the financial service providers use digital platforms for application processes and mobile payments.

Digital finance products provided by the financial institutions



Insurance Service Providers: Most of the insurance service providers surveyed are mutual benefit associations, while the other respondents were governmental insurance companies or commercial insurance companies. For the fisheries sector, most of the insurance services provided are life and disability insurance. Other insurance products provided include credit life insurance² and aquaculture/inland fishing 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. According to the insurance providers, some risks in the sector are difficult to estimate. On an uplifting note, while respondents recognized the time and distance to reach possible SSF clients in some coastal areas as a problem, they said this could be overcome. Almost all of the insurers agreed that successfully servicing the SSF sector requires specific technical knowledge, which they currently lack.

2. Credit life insurance is a product to protect financial institutions against the possibility of an unpaid loan due to a borrower's untimely death.

4. The role of credit in the development of small-scale fisheries

There are some obstacles to overcome in providing financial services to SSF. The fisheries sector still is one of the poorest “basic sectors” in the Philippines.³ Credit, if invested well, can contribute to increased productivity in the sector. However, both the demand and the supply side need attention.

Despite the general understanding that credit can be an important tool for growing a business, the demand for credit among fisherfolk remains weak for several reasons. The ‘Small Farmers and Fisherfolk Indebtedness Survey (SFFIS) 2016-2017 of the ACPC found that almost 90 percent of respondents consider access to credit for their fishing activities to be important. The current survey, found that only 38 percent of the respondents have taken up a loan before. Among those borrowers, the majority (77 percent) use loans to purchase fishing vessels and engines, equipment, and fishing gears, such as fishing nets and hooks. An additional 13 percent avail credit for buying of fish to sell. The lack of awareness among SSF of institutions offering credit, which a significant 38 percent of the respondents reported, may have contributed to the low incidence of borrowing by SSF. In ACPC’s SFFIS, specific reasons for not availing of credit declared by non-borrowing respondents included a hesitance to borrow as they have (1) insufficient income to prove their creditworthiness, (2) no feasible business or other needs to be financed, and (3) fear of getting indebted.

On the supply side, SSF rarely make up a substantial share of financial institutions’ portfolios. This is despite 90 percent of sample respondents expressing willingness to lend to the sector, and 88 percent claiming to have credit windows that can be accessed by fishers. The top three factors limiting the financial institutions willingness to lend to the sector, mentioned in the survey, were: (1) volatility of borrowers’ business, (2) lack of insurance of the borrowers against loss of fishing assets (e.g. vessels and engines), and (3) a lack of technical knowledge about the sector within the financial institution. Accordingly, among fishers’ organizations, more than half claimed that zero to only 50 percent of their members have access to credit.

5. Policy recommendations

The survey findings provide entry points for increasing the access of small-scale fishers and their organizations to financial and insurance services. Specific recommendations to support access are the following:

» Development of suitable products and services

The survey results show that there is a need to address the limited insurance penetration in the small-scale fishery sector. There is low coverage of existing agricultural insurance programs, particularly those offered by the Philippine Crop Insurance Corporation (PCIC) to SSF and their organizations.

The one-size-fits-all approach does not apply to the SSF sector. Respectively 92 percent and 71 percent of the finance and insurance providers responding to the survey mentioned that the sector requires very specific technical knowledge, as the SSF exhibit characteristics which are unique to them.

Particularly, capture fishers operating along the coastlines are vulnerable to weather and climate changes – more so than small-scale fish farmers. The volume of their catch, and thus their incomes fluctuate and is highly seasonal. The seasonality of the availability of marine resources and thus fish catches, is also the main reason why there is a lot of occasional or part-time employment among SSF.

Credit and insurance products targeting SSF should, therefore, take into account the characteristics of fisheries and the seasonality of the fishing business.

» Helping financial service providers to understand SSF (supply side support)

The survey findings indicated 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. There is also a need to better understand relevant national regulations/policies, to ensure that unsustainable and illegal fishing practices are not supported.

³ Based on Philippine Statistics Authority’s 2018 round of Poverty Statistics for Basic Sectors in the Philippines. The nine (9) basic sectors in the Philippines include farmers, fishers, children, self-employed and unpaid family workers (as proxy indicators to informal sector workers), women, youth, migrant and formal sector workers, senior citizens, and individuals residing in urban areas.

» **Partnerships with fishers' organization/cooperatives**

The survey showed that the majority of SSF who were able to receive a loan are members of fishers' organizations or cooperatives. Most of the fishers who were not able to access credit services did not belong to any fishers' organizations/cooperatives. Fishers' organizations can play an important role in bringing credit demand and supply together.

Hence, there is a need to encouraging SSF to join fishers' organizations/cooperatives to leverage available resources and facilitate access to financial services. The financial service providers may play an important supporting role in strengthening organizations/cooperatives of SSF, partner with them, and use them as agents for disseminating their products and services to SSF.

» **Business development training for SSF (demand side support)**

A stronger demand side will facilitate the outreach of financial service providers to SSF.

SSF must have skills in fishing technology and operations, management and marketing, preparation of business plans and simple recording of income and expenses. Capacity building and training is required. If SSF build their skills and assets they become a more interesting clientele to the financial service providers. Programmes that build capacity of SSF to be better prepared for and to recover from natural calamities should also be promoted, in order to protect those assets previously required. Insurance services can play a major role here as well.

» **Financial literacy training for SSF**

Financial literacy on the basics of saving, borrowing, and insurance, is a prerequisite for SSF to grow their business responsibly and to avoid becoming over-indebted. The current level of financial literacy among many SSF bears the risk of taking up credit without fully understanding the consequences. Financial service providers should play a strong role in increasing financial literacy among SFF and promoting responsible finance standards. Training in financial literacy could efficiently be organized in partnership with fishers' organizations/cooperatives.

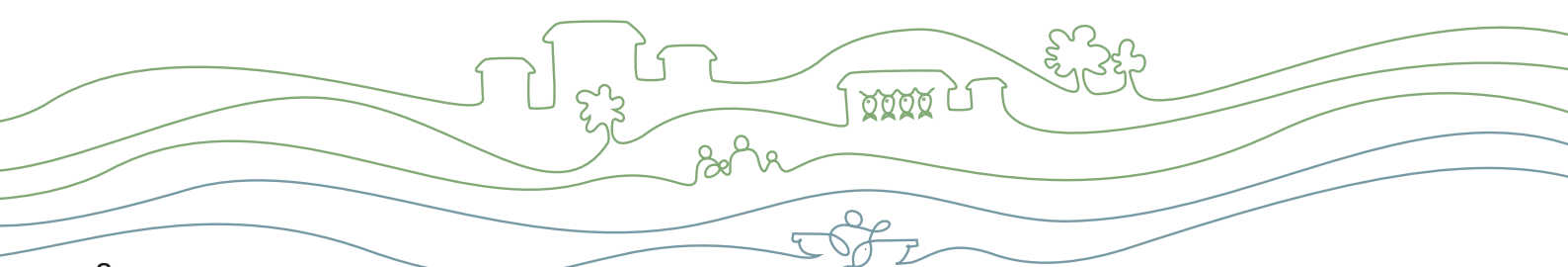
» **Intensify information dissemination of credit and insurance policies and programs**

Information asymmetry or lack of information has been singled out as one of the primary reasons for inadequate access to credit and insurance by the survey respondents. More than a third (38 percent) of SSF claim that they are not aware of any institution they can access for their financing needs. This confirms the Bangko Sentral ng Pilipinas' (BSP) 2019 Financial Inclusion Survey finding that while financial access points may be present in some areas, 36 percent are not aware that financial transactions, such as or loan services, can be done through these access points. Hence, there is a need to intensify information dissemination of credit and insurance services availability.

» **Enhance digital finance solutions (with a focus on rural areas)**

The majority (63 percent) of the financial institutions surveyed do not provide digital finance products/services. Meanwhile, a significant two-third of the respondents expressed the need for development and promotion of digital tools (phone or online banking, ATMs, digital wallets etc.) and other innovative credit delivery channels to increase their capacity to deliver microfinance or credit services to SSF.

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. Already, many of the financial institutions' respondents said that using digital technology makes it more convenient for their clients to get loans, as but also improves their own efficiency.



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This policy brief summarizes the findings of surveys among financial and insurance providers, fishers and fisherfolk organizations in the Philippines in 2021. It explains why financial services are important for small-scale fishers (SSF) and provides recommendations for improving their access to finance and insurance.

SSF make an important contribution to food security and the rural economy. The average income of most SSF is below the poverty line of USD 2 500/year. For economic growth and sustainable fishing operations SSF need access to financial and insurance services. Less than 50 percent of the SSF have access to financial services. Only 30 percent of SSF have a savings account at a bank. Many financial and insurance service providers in the Philippines are willing to provide their services to SSF. However, financial institutions find it hard to supply credit to SSF, because of the seasonality of the fishing business, lack of insurance of fishing vessels, and limited technical knowledge about fisheries within their institutions. Digital finance tools are required to deliver credit more efficiently to SSF. Fisheries organizations and financial institutions have a joint interest to increase financial literacy, enhance business planning and record keeping skills of SSF.

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