

Financial Assistance to Small-Scale Fisheries in the Commonwealth Caribbean Countries

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BACKGROUND INFORMATION

The fisheries of the Commonwealth Caribbean Countries are in the main small-scale fisheries, exceptions being the export oriented, vertically integrated, crustacean fisheries for shrimps (*Penaeus* spp.) in Guyana and Trinidad and for spiny lobsters (*Panulirus argus*) in Belize and Turks and Caicos Islands. There is an estimated 22,500 full and part-time fishermen involved in the small-scale fisheries of these countries, whose combined annual production has been conservatively placed at 45,000 tons (Table 1).

The fisheries are characterized by low productivity which arises primarily from the low level of effort expended, limited access to the resources because of unsuitable gear and equipment and the application of inadequate technology. Boats tend to be small comprising canoes, pirogues and open double-enders ranging from 3.5 to 9.0 m (12'-30') long and powered by outboard motors. They usually fish inshore for an average of six (6) hours per day. Exceptions are the 10.5 to 15.5 m (35'-50') long fishing sloops and snapper boats with inboard engines used in the Leeward and Virgin Islands, which have wider operating ranges and the capability of remaining at sea for several days. Ironically, these boats too are used in one-day fishing operations for reef fish employing traps and handlines and as a consequence are uneconomical, except where lobsters make up the major portion of the catch. Fishing for the seasonally migrating pelagic resource is also constrained by the small size of boats, low levels of technology, and the absence of adequate shore facilities to store, market, and distribute incidental large catches.

Annual earnings range from EC\$1,500 for a fisherman/deck-hand to EC\$15,000¹ for a boat owner/captain, with an average of approximately EC\$3,500. Many fishermen as a result are involved in other forms of employment on a part-time basis such as taxi driving and agriculture in order to increase their incomes.

WHY FINANCIAL ASSISTANCE?

Fishing like other types of production, requires the basic elements of production, *namely* physical resources, labor, and capital. Assuming that the fisheries resources are presently not optimally exploited and labor is abundant in the Region, lack of capital for financing fishery development is a limiting factor.

¹ EC \$1.00 = US\$0.37

Table 1. Data on small-scale fisheries in Commonwealth Caribbean Countries

Country	No. of Fishermen	No. of Boats	Estimated Annual Production – Tons *
Antigua	800	250	900
Barbados	1,200	500	4,000
British Virgin Islands	300	125	150
Cayman Islands	60	30	100
Dominica	1,200	600	800
Grenada	1,400	830	1,200
Guyana	1,400	700	10,700
Jamaica	7,200	3,500	14,000
Montserrat	200	75	70
St. Kitts/Nevis/Anguilla	700	350	900
St. Lucia	1,800	600	1,500
St. Vincent	2,500	730	1,200
Trinidad & Tobago	4,000	1,800	10,000

Source: Unpublished data collected by CDB's Fisheries Personnel, 1976 - 1977.

* 1 ton = 1,000 kg = 2,200 lb.

The traditional problems of low production and consequently low earnings and standard of living, which affect small-scale fishermen the world over, typify those of the Region.

Capital is required for the acquisition of boats, gear and equipment, shore facilities, and infrastructure including marketing and distribution systems as well as for improved technology. The objectives of capital input are to improve the efficiency of the individual operation and the industry in general, to increase the availability of a valuable protein food, to provide employment directly to fishermen and through linkages to other sections of the economy and to improve the general standard of living of fishermen.

SOURCES OF FINANCING

Sources of capital financing that have been and continue to be available to small-scale fishermen in the Region are: government; private sector; and financial institutions.

Government

Considered in this category is the role played by Governments in providing facilities and equipment for fishing, fish handling, and marketing infrastructure, which fishermen or the industry in general cannot afford, and grants and/or loans to individual fishermen and fishermen's organizations.

Provision of Shore Facilities and Marketing Infrastructure

Large capital investments are required for berthing, boat haul-up and launching facilities and for marketing and distribution systems, which up to now have been borne by government or quasi-government authorities. These facilities may be regarded either as a service exclusively for the benefit of the fishing industry, or as a service in the general public's interest, or are normally paid for wholly or in part from general revenue, since it is unlikely that these costs can be recovered from the industry. Such facilities are lacking in many countries of the Region and where present they are usually inadequate.

Grants and Loans

These forms of assistance, which are the most common in both developed and developing countries, are usually provided for the acquisition or improvement of fishing vessels, gear, and equipment. The programs are generally administered by a government department, although other agencies such as development corporations, loan boards, and approved co-operative societies may also be charged with the responsibility. The administering authority may have an important bearing on the effectiveness of the program especially in view of the need for close liaison with, and even supervision of, the beneficiaries. Usually, the fisheries departments are most able and likely to achieve this; however, many of the departments in the Region are understaffed or do not have the experience to conduct banking operations.

Funds may be made available by lump sum appropriations, annual appropriations and as revolving funds. Grants in conjunction with loans are frequently used; nevertheless, loans are by far the most typical form of assistance and may range from 20%-80% of the cost of equipment to be acquired. Since the introduction of the Caribbean Development Bank's Farm Improvement Credit Scheme, which includes assistance to small-scale fishermen, the governments in the Less Developed Countries (LDCs) of the Windward and Leeward Islands have reduced considerably the quantity and size of loan financing to fishermen, although short-term loans of up to \$3,000 are still available in some countries. Other forms of government assistance include exemptions from import duty on all fishing gear and equipment and subsidies on fuel and lubricants.

Government financing is derived from loans and/or grants from bilateral or multilateral external agencies such as – The United Kingdom Ministry of Overseas Development (ODM), the Canadian International Development Agency (CIDA), United States Agency for International Development (USAID) and the European Development Fund (EDF). The Caribbean Development Bank (CDB), in addition to financing individual fishermen directly or indirectly through its intermediaries, is currently appraising three (3) Regional Joint-Venture Projects involving several Caribbean Community and Common Market (CARICOM) Countries. The Inter-American Development Bank (IDB) is also currently appraising fishery development proposals in at least two of the larger countries in the Region. Among the principles applied by the Banks in financing projects are that the investment must contribute effectively to the economic development of the countries or Region and the Projects must be financially viable.

Private Sector

In some developing countries, informal private lending is as important a source of funds to farmers and fishermen as is credit from public institutions. In addition, household savings is probably a very important source of financing for new investment, thus some fishermen have been able to expand or improve their operations without access to public institutional financing.

Given that a lack of credit can be a constraint on fishing output, it should be recognized that a good many of the existing credit financial institutions lend a small portion of their funds to small producers. Institutions are subject to various pressures which cause them to lend disproportionately to the larger producers, such as keeping administrative costs down, avoiding default and using credit to increase production, since it is true that administrative costs are proportionally higher for smaller loans especially when loan supervision is undertaken. Because ability to cover costs and low default rates are considered the hallmarks of a successfully administered credit program, loans to small producers are kept to a minimum in order to meet the criteria by which they are judged.

Interest charged on public sector credit is well below the high rates charged by private unlicensed money lenders, though above the rates charged by friends and relatives in most societies. Aside from interest rates other terms offered by public sector agencies tend to be less attractive than those offered by the private lenders. Timeliness, absence of red tape, duration of loans, flexibility in repayment, and absence of collateral requirements are often some of the advantages cited in favor of private loans.

Detailed information on private sector lending in terms of its structure, sources, recipients, rates, uses, and impact on the fisheries sector is lacking or fragmentary. This form of financing is recognizable and is purported to work with varying measures of success, especially for short-term financing.

Financial Institutions

Commercial Banks

Credit to small farmers and fishermen is available from all commercial banks in the Region; however, for reasons such as lack of adequate security and high interest rates, most small-scale fishermen and farmers have not been able to use these sources of funds.

CDB's Farm Improvement Credit Program

In the More Developed Countries (MDCs) of Barbados, Guyana, Jamaica, and Trinidad and Tobago, financial intermediaries, variously known as agricultural development banks or national development banks, etc., administer credit programs for small-scale farmers and fishermen. These, which may or may not be funded wholly or in part by the Caribbean Development Bank, are not a part of its Farm Improvement Credit Program. The Farm Improvement Credit Program (FIC) was introduced in 1971 by the Caribbean Development Bank (CDB) to make available to small farmers and fishermen financial assistance on a medium

and long-term basis that otherwise would have been difficult to obtain particularly from the commercial sector. The money is generally lent by CDB to the Government-owned financial intermediaries of the LDCs, which on-lend to sub-borrowers.

The maximum size of loans which can be approved by the intermediaries under this program is EC\$270,000 for individuals and EC\$405,000 for Cooperatives. Interest rates are lower than those charged by commercial banks and do not exceed 8%. There is usually a moratorium on repayments of up to twelve (12) months and the credit is usually supervised.

A review of the FIC program, as is shown in Table 2, reveals that since its inception, a total of 347 loans have been approved by the various financial intermediaries, of which 63 (or 18%) were for fisheries. Total commitments have amounted to \$9,000,000 with EC\$2,000,000 (22%) going to fisheries and disbursements have reached a figure of EC\$8,000,000 with only \$1,000,000 (13%) for fishing. Loans range from EC\$2,500 to about EC\$90,000.

It is evident that serious efforts must be made from both a technical and financial standpoint to give greater attention to this neglected section of the Region's development. Many governments are delinquent in preparing fisheries sector plans and loans are being made on an *ad hoc* basis with little or no thought to the overall planned development of the fisheries.

The size and types of loan applications made by fishermen may account for the low level of approvals and disbursements. Most of the applications have been for relatively medium size capital expenditures, such as boats, including trawlers, engines, and equipment for amounts of up to EC\$90,000 which are often considered over-capitalizations by the evaluating officers.

Loan repayment performance has been poor in some countries due to one or more of the following factors: (1) over-capitalization in relation to the borrower's productive capability; (2) the seasonal nature of some fisheries and the fact that repayments are usually scheduled for monthly remittances; (3) inadequate supervision and extension services; and (4) an apparent reluctance by some borrowers to make payments.

In many cases it was difficult to distinguish interest from principal in arrears as they were often combined. Although the evidence is not conclusive because of the relatively small number of loans, it would appear that in the long run the majority of loans were eventually repaid, but the arrears rate was prone to be seasonally high.

Proper loan appraisals for small loans to fishermen is as vital and necessary as the appraisal of a large fishing project. A random sampling of fisheries loans, which were evaluated and financed by some of the intermediaries, has revealed that in appraising some of the earlier loans, current prices were used with no provision in the investment costings for price escalations. Consequently, by the time the projects were implemented, in many cases up to twelve (12) months after the appraisal had been completed, more financing was needed, which meant either obtaining an additional loan, increasing the borrower's capital contribution, scaling down the project or even scrapping it.

Table 2. Activities of the Farm Improvement Credit Program as it relates to the fisheries industry in the less developed countries (June, 1972-1977)

	No. of Approvals	Committed EC\$000s	Disbursed EC\$000s
FIC Program	347	9,000	8,000
Fisheries Sub-Program	63	2,000	1,000
Fisheries Activities as a percentage of FIC Program	18	22	13

Most of the appraisals have used net cash flows rather than the Financial Rate of Return (FRR) as indicators of viability. It should be of interest to the financial intermediaries to ascertain whether the interest rate charged is above or below the opportunity cost of capital, and to what extent. This will also indicate whether interest rates to the small fishermen should be subsidized or not since at first glance, this appears to be one way of assisting them financially on a short-term basis. However, interest subsidies should not perpetuate if an efficient credit scheme including loan appraisal and credit supervision is in operation.

The intermediaries should not merely be lending institutions, but in order to minimize poor risks they should possess fishery technical expertise and be able to advise on the most suitable boat and equipment to suit the individual fisherman's needs, as too often, loans have been based on what the fisherman wanted rather than what he was capable of coping with. A fisherman may want a certain type of engine, but unknown to him spares and parts may be difficult to obtain, or the engine may be over-powered for his boat and type of operation, hence his operating and capital costs may exceed his earnings. Alternatively, the engine may be too small causing a great deal of breakdown, a loss of fishing time and consequently a loss of revenue.

DISCUSSION

Unlike small farmers most of whom have land, many small-scale fishermen lack capital assets which can be used as security or as equity, hence it is difficult for them to obtain a loan either from the FIC program or from commercial banks to acquire their own boats. They are, therefore, obliged to work as crew members on other people's boats or find alternative employment for which they may be less suited. This tends to suppress any enterprising desires they may possess.

For some small-scale fishermen who own boats, obtaining working capital may be a problem. It is true that artisanal fishing is basically a day-to-day cash transactional operation and should, therefore, generate its own working capital;

however, because of the uncertainties of fishing, there are times when the catch is not large enough to gross sufficient revenue to cover operating expenses. Since costs for food, fuel, oil, repairs, etc., are incurred regardless of the size of the catch, it is important that provision be made to accommodate fishermen in the form of short-term credit programs specifically to provide working capital. One of the pitfalls of this proposal, however, may be the difficulty of recovering loans. It may be advisable for fishermen to form marketing associations, such as cooperatives, which would market all of their products and be responsible for repaying loans through standard deductions from sales.

At least one commercial bank in the Leeward Islands has introduced a revolving credit scheme through which the small-scale fishermen may obtain from EC\$50 to EC\$500 for their working capital needs. Beneficiaries of the program have welcomed this type of assistance and it is hoped that it will be expanded to include other banks and countries in the Region.

As in the case of the small farmer for whom farm models are generally prepared to indicate the benefit of loans in terms of net revenue to borrowers, so too should models for small-scale fishermen be provided. A model may reveal that the fishermen will not be better off financially by incurring additional debts but rather than advice in management and technical assistance are all that may be required. Most small-scale fishermen practice inshore fishing only and do not have the expertise to do deep sea fishing, so that becoming involved in large capital outlays, which could only be repayed through the realization of larger catches, may only worsen their situation and be defeatist since, in the final analysis, the aim of loans is to increase productivity and raise the fishermen's standard of living.

SUMMARY AND CONCLUSION

Financial assistance in the form of credit is often a key element in the modernization of agriculture and fisheries since, not only can it remove a financial constraint, but it can accelerate the adoption of new technologies. Since these primary producers suffer most from poverty in the developing world, improving their productivity and income should be matters of high priority. Unfortunately, they are often rated very low by some development practitioners and seen as the main representatives of the backwardness which developing countries appear to be rejecting in their efforts to emulate advanced industrial countries.

Evidence demonstrates that credit stands little chance of being successfully utilized unless it is accompanied by certain other elements including: clear opportunities for economic gain from the adoption of new technology; widespread recognition and acceptance of such opportunities along with access to training and demonstration of necessary skills; and a dependable delivery system which makes the required inputs readily available.

These conditions do not often prevail in developing countries. To be successful in expanding production, each of the constraints, whether financial or non-financial, must be relaxed. These may involve establishing basic facilities such as

docks, over-night cold storage units, organized marketing arrangements, reliable provision of inputs, price policies, duty free concessions, adequately staffed Departments of Fisheries, including extension services, and others.

Financial resources, therefore, are only a part of the answer. Not only funds, but a number of other factors are needed, the more important of which are the actual availability of new technologies, inputs and favorable product marketing environments. In the absence of these, funds are useless.

Asistencia Técnica y Económica a la Industria Pesquera en Pequeña Escala en la Comunidad de Países del Caribe

RESUMEN

Habiéndose determinado la necesidad de asistencia financiera, se han examinado minuciosamente los distintos programas y fuentes disponibles de financiamiento incluyendo el Proyecto de Crédito para el Mejoramiento Agrícola del Banco de Desarrollo del Caribe.

No se ha percibido la ayuda financiera como remedio de las dificultades de los pescadores artesanales.

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