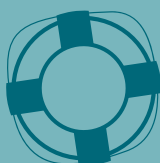
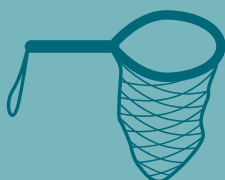




Food and Agriculture  
Organization of the  
United Nations

## Case studies from the United Republic of Tanzania and Zambia

# Financing fisheries in Africa



*Empowering Rural Africa*

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# Case studies from the United Republic of Tanzania and Zambia

Small-scale fishers and fish farmers (SSF) make an important contribution to nutrition, food security, sustainable livelihoods, and poverty alleviation – especially in many countries in Africa. Compared to other parts of the world, however, the sector is generally underdeveloped. A key element in the sustainable development of the sector is access to financial services.

To learn more about the current state of financial service provision to SSF in Africa, the African Rural and Agricultural Association (AFRACA) and the Food and Agriculture Organization of the United Nations (FAO) teamed up in 2020. Demand and supply surveys for financial service provision to SSF were conducted and discussions were held with stakeholders all over the continent.

Some encouraging examples of financial institutions successfully servicing SSF surfaced.

This brochure shares two of such examples:

1. the Cooperative and Rural Development Bank Plc. (CRDB) in the United Republic of Tanzania
2. the National Savings Bank (NATSAVE) in Zambia

## Summary of key takeaways

- The two financial service providers in these case studies; the **Cooperative and Rural Development Bank Plc. (CRDB) in the United Republic of Tanzania and the National Savings Bank (NATSAVE) in Zambia** provide examples of how the financial needs of small-scale fishers and small-scale fish farmers can be met.
- **Cost-effective measures to reach fishers and fish farmers in rural areas with financial services, through network improvements, use of agents, digital services and other innovative approaches are presented.**
- Given that financial literacy of many small-scale fishers and fish farmers is still low, they should **learn the basics of bookkeeping and to understand when they need credit and when they don't**. The latter will also prevent them from becoming over-indebted. Some fishers' organizations and fish farmers associations work effectively with the banks to improve financial literacy of their members.
- **The challenges involved** in providing micro-finance and credit services to small-scale aquaculture producers and fishers **are recognized by the governments**, which have put policies and programmes in place to facilitate access to these services.
- The increase in population and demand for fish and fisheries products in both countries requires **investments in sustainable production, as well as the entire fish value chains**.
- **Financial service providers are essential in the Blue transformation** of the fisheries sector towards sustainability and to ensure that high quality fish, full of essential proteins, minerals, fatty acids and vitamins, remains available to the population.





# 1. A case study from the United Republic of Tanzania

## The Cooperative and Rural Development Bank Plc. (CRDB)

### The importance of fisheries and aquaculture

The fisheries and aquaculture sector provides employment, livelihoods, income, tourism, foreign export revenues and food security to the economy. The national economy is highly dependent on agriculture production. The agri-sector employs around 65 percent of the youth population in the total labor force (Banks, 2016). The youth are also important contributors to the increased fisheries and aquaculture production and productivity of the country.<sup>1</sup>

Within the agriculture sector, the fisheries sector is a priority sectors in the National Strategy for Growth and Reduction of Poverty (NSGRP II) (URT, 2010). The fisheries sector is characterized by fishermen with small boats and equipment, who together contribute about 97 percent of the total fish catch. Over 202 000 people are directly dependent on fisheries activities for their livelihood. The sector also supports more than 4 million people who are engaged in related fisheries activities such as, processing, trading, fish transporting, net making and boat building. The fisheries sector contributes around 1.71 percent to the GDP of the country (MLF, 2021).

The United Republic of Tanzania is ranked ninth in the world amongst inland capture fisheries producers with a production of 0.31 million tonnes in 2018. The country contributes around 3 percent to global inland capture fisheries production (FAO, 2020).

Inland freshwater capture fishery landing are responsible for 85 percent of the United Republic of Tanzania's total fish production, while 14 percent comes from marine capture fisheries and only 1 percent from the untapped and under-developed aquaculture activity. The annual fish production reported is around 434 000 tonnes (FAO, 2020).

The United Republic of Tanzania also exports fish and fishery products. Amongst the inland capture fisheries, the prominent export varieties are Nile perch mainly from Lake Victoria and sardines from Lake Tanganyika. The export value of fish in 2019 was estimated at TZS 692 billion (USD 298 million) (Seafood source, 2020). Fish and fishery product imports in 2018 were valued at USD 10 million (FAO, 2021).

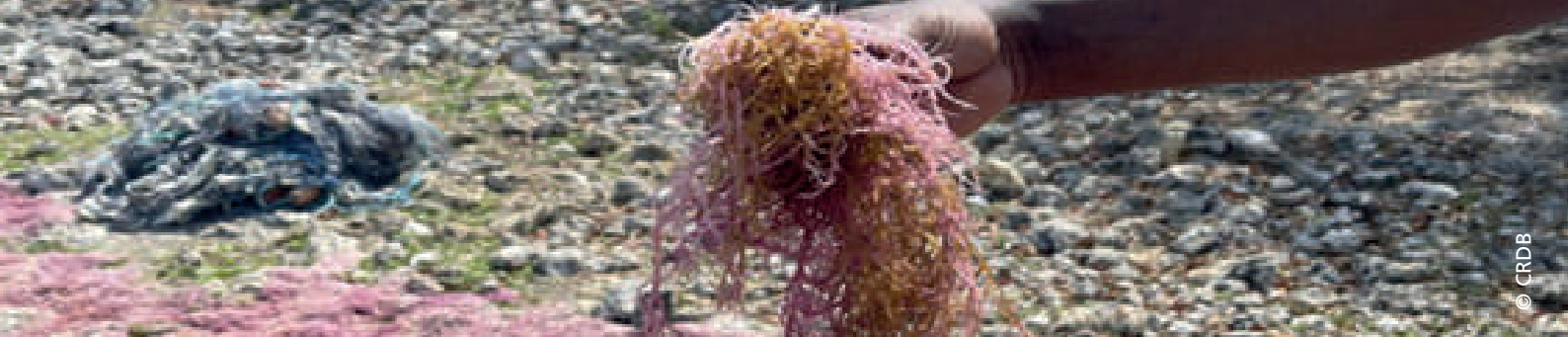
The per capita fish consumption of 14 kg/year in the 1980s has reduced to 7 kg/year currently. In comparison, the fish consumption average for the Africa region is 9.9 kg/year and it is 20.5 kg/year for world (FAO, 2020). This reflects a downward trend for nutrition and food security of the nation. Particularly as the fisheries sector contributes around 12.3 percent of total animal protein intake of the people.

**The role of women** in the Tanzanian fisheries sector cannot be underestimated, even if they do not own assets like boats and equipment. Female labor makes up an estimated 52 percent of the labour force in the value chain. Women are mostly active in post-harvest and marketing of fish and fishery products. Women also play a vital role in small-scale aquaculture programs in the United Republic of Tanzania.

### Tanzanian fisheries resources and potential

The United Republic of Tanzania is bestowed with abundant fishing and aquatic resources and has great potential both in its marine and inland areas. The country's shoreline is 1 424 km in length and the inland freshwater territory includes major parts of three great lakes: Lake Victoria, Lake Tanganyika, and Lake Nyasa. There are also rich fishing grounds along the islands of the United Republic of Tanzania, Zanzibar.

<sup>1</sup> Conversion rate applied of 1 USD = 2 318 TZS.



## Aquaculture – A growing industry

The gap between the demand and supply of fish cannot be met by the capture fisheries sector alone, as the inland fisheries resources harvests have reached their maximum sustainable yield (MSY). The Tanzanian population continues growing and therefore more fish production must come from aquaculture.

The country has developed a strategy to enhance aquaculture production from 20 000 tonnes per year to 50 000 tonnes by 2025 and to increase it further to 100 000 tonnes by 2030. The growth would be accompanied by an increased demand for adequate fish seeds, fry, fingerlings and (preferably) local fish feed.

There is scope and potential to increase fish production through aquaculture activities both in inland and marine fisheries.

For now, aquaculture is mostly practiced in small-scale ponds of around 100 m<sup>2</sup>. The main species cultured are Nile tilapia and African catfish, while marine aquaculture species farmed are milkfish (*Chanos chanos*), mullets, pearl oysters and

seaweeds. In recent years, commercial prawn farming has started on Mafia Island. Nile tilapia and catfish culture can be found in Mwanza and Kagera regions, and trout farming near Arusha. Coastal aquaculture is also gaining momentum and farmed varieties are crabs, milkfish, and seaweed species (*Echeuma spinosum* and *Echeuma cottonii*) in the coastal regions of Lindi, Mtwara and Tanga.

### United Republic of Tanzania: fisheries natural resources (inland & marine)

Exclusive economic zone	223 000 sq.km
Coastline	1 424 kms
Marine waters	64 000 sq.km
Total inland water area	61 500 sq.km
▪ Lake Victoria	35 088 sq.km
▪ Lake Tanganyika	13 489 sq.km
▪ Lake Nyasa	5 760 sq. km
▪ Lake Rukwa	3 000 sq.km
▪ Lake Eyasi	1 000 sq.km
▪ Small water bodies	1 000 sq.km

Source: National Fisheries Policy 2015

## Limited access to financial services is constraining developments

Access to credit is a major constraint in the development of small-scale fisheries and aquaculture (SSF) in The United Republic of Tanzania. Based on numerous discussions with stakeholders, the following reasons are commonly cited:

- No guaranteed or consistent fish catch at the end of each fishing trip means that financial institutions consider the sector as risky. To a large extent this seems to be based on a lack of understanding of the sector's risk (which is something that can be worked on). However, the current risk perception results in high interest rates for SSF loans.
- Investment costs in fishing vessels and equipment are high, which leads to fishers using their vessels many years. Similarly, aquaculture enterprises also incur high investment costs, such as the digging of ponds, purchase of fish tanks and farm buildings.

- Fisheries and aquaculture insurance schemes that can help spread risks in the sector are lacking.
- Poor awareness amongst the coastal and inland fishing communities about businesses development and the options to access credit.

### Why the CRDB Bank Plc. has been chosen for case study

- The case of CRDB Bank Plc. is proof of the fact that large universal banks, if they develop the right tools and advisory services, can address the fisheries sector's credit needs appropriately, using a range of financial products from micro-to-large loans.
- The bank has identified specific risks of the sector and uses its agricultural lending expertise to de-risk the loans accordingly.

# Profile of the CRDB

The CRDB is the largest Tanzanian wholly owned private universal bank was established in 1996 as a result of the Tanzanian government's initiatives for privatization of state-owned firms. The bank is listed on the Dar Es Salaam Stock exchange since 2009. The bank has the largest agriculture lending portfolio in the United Republic of Tanzania of over TZS 735 billion (USD 317 million) and a market share of over 43 percent in agriculture lending within the country. CRDB operates two subsidiaries; CRDB Bank Plc Burundi (S.A) and CRDB Insurance Broker Limited (CRDB, 2020).

The vision of the CRDB is to be a leading bank that is customer-need driven with a competitive return to shareholders and a mission to provide competitive and innovative financial solutions through digital transformations to achieve distinctive customer experiences (CRDB, 2021). CRDB Bank Plc is further building to create value to the society through access to credit, deepen the financial inclusion and through social responsibility programs.

## A strategy for business expansion

CRDB Bank Plc's five-year business strategy (2018-2022) focuses on sustainability for delivering long-term growth. In 2020, CRDB Bank Plc made a capital investment of around TZS 7 billion (USD 3 million) (CRDB Group Annual Report 2020) in the Kilimanjaro Cooperative Bank Limited (KCBL), to support agriculture value-chain financing. The bank also made

some major changes to its business operations, such as: i) transforming the microfinance business by aligning the business model with the groups vision, ii) reforming its credit management by portfolio diversification and de-risking, for example by using portfolio guarantees through strategic partners, iii) diversifying its services to small and medium enterprises (SMEs) in various sectors, with the aim to sustain and expand agriculture value chain financing and increase financial inclusion, and iv) transforming the CRDB insurance brokerage business.

## New delivery channels

### Memorandum of Understanding with companies in agri-finance

CRDB Bank Plc has improved access of large and small-scale farmers to financial services by signing a memorandum of understanding (MOU) with agriculture input suppliers such as Lan Agro, ETC Agro and Agricom Africa Ltd.

### Banking Model Fahari - Huduma

CRDB Bank Plc tries to overcome the challenges of a dispersed branch banking network and weak infrastructure in parts of the country. In 2013 it started with the agency banking model "Fahari-Huduma" in Swahili, for reaching to unbanked areas. The model uses a network of agents, who are contracted by the bank to administer selected banking services in areas where CRDB is not already present. The agents are compensated on a per transaction/commission basis (CRNewswire, 2014). The CRDB is expanding this cost-effective model through a five year-strategic program.

### A specialized microfinance subsidiary

CRDB Microfinance Company Ltd. is a subsidiary of CRDB Bank Plc that provides wholesale microfinance services throughout the country. It serves the remote regions through mini branches, categorized as service centres and known as "Bank Kiosks". The bank is further extending its services through more than 450 SACCO's (Savings and Credit Cooperatives) (Internationalbanker, 2016).

#### CRDB Bank Plc-Key information

■ CRDB combined	TZS 7.2 trillion
■ (Asset base)	(USD 3.1 billion)
■ Customer base	3.3 million
■ Customer loan	TZS 3.9 trillion
■ Branch network	260
■ Mobile branches	21
■ Banking agents (CRDB Wakala)	20 000
■ Point of sales terminals	4 000
■ ATMs	553
■ E-commerce merchants	385

Source: CRDB Bank Plc and Group Annual Report 2020 & AFRACA-FAO-CAFI-SSF Network Webinar, 18 August 2021).



## Products developed for micro-enterprises and micro-entrepreneurs

**Machinga loan** – this product is designed for micro entrepreneurs, recognizing that they play an important role in the value chains. A big challenge faced by micro-entrepreneurs is to have sufficient working capital for buying raw materials and supplies to avoid disruptions in their business cycles. The Machinga loan is a short-term loan that addresses working capital needs via mobile banking.

**Birashoboka (micro group loan product)** – the product is designed to support the marginalized and vulnerable population. The loans are collateral free. Prior to loan provision the groups are trained to maintain records and save together as a group. This product aims to support the United Nations Sustainable Development Goals (SDGs) to reduce poverty, hunger and promote gender equality.



## Leveraging on previous experience

CRDB Bank Plc provided finance to fisheries more than three decades ago. The operational area of the pilot project was 25 villages in the Kigoma region of Lake Tanganyika. The pilot started with the provision of credit to fishers as group loans to Ujamaa villages and later included individual borrowers.

CRDB Bank Plc operated a revolving loan fund, under the FAO project for Integrated Technical Assistance and Credit for Artisanal Fishermen on Lake Tanganyika. This loan fund was a (rare) success example among the fisheries-finance projects in Africa.

The special feature of the revolving loan fund was that loan amounts recovered in local currency were automatically converted into foreign currency to facilitate imports of fishing inputs (e.g. gears, outboard engines) to be purchased with credit (Tietze & Merrikin, 1989). The loan fund, despite its success, also faced several challenges that required adaptation of the approach.

Lessons learned were:

- i. The project initially began with a group lending approach that would benefit the poor sections of the fisher community. The group lending was later discontinued in favor of individual lending to fishers. Hence, credit was extended to a smaller number of borrowers than planned (mainly individual fishers).
- ii. The lengthy procedures of loan application, approval and sanctions assured a good repayment record, but the bank was unable to meet the credit demands of a wider fishing community within the project operational area.
- iii. The purchasing power of the revolving loan funds eroded over time mainly due to the high inflation rate and devaluation of Tanzanian shilling.
- iv. In addition to implementation of the loan fund, the development project became increasingly involved in cash sales of fishing gears and equipment (e.g. outboard engines, lamps, lift nets and other essential accessories). Only rich fishers were able to purchase the more expensive items, while the poorer fishers did not have access to similar loans.

The shortcomings of the loan fund in the 1990s showed that the bank needed to re-vamp its lending policy and process to address the credit needs of SSF. A more flexible delivery system with a wider outreach was needed. CRDB Bank Plc now leverages this experience in its current move towards financing the fisheries and aquaculture sector in the United Republic of Tanzania.

## Current initiatives to service small-scale fisheries

The CRDB's current exposure to the fisheries and aquaculture sector is USD 6.6 million. New loans are being granted to small-scale fishers, fish traders, fresh food suppliers (sellers of frozen fish), investors in aquaculture, fish equipment traders as well as fish farmers. The bank has expanded its fisheries portfolio Zanzibar, particularly to finance small-scale fishing boats, equipment, outboard engines, traps, nets and aquaculture activities, like seaweed farming.

### Risks identified and mitigation measures

The CRDB reports that there are specific risks in the fisheries and aquaculture sector that complicate its recent move. Finding the schools of fish often

is a problem for small-scale fishers. Hence, daily catch volumes are volatile, and fishers also tend to move around a lot in search of new fishing grounds. The fluctuation in borrowers' incomes means that follow-up with clients is key in successfully lending to them.

The CRDB also reports challenges in the adoption of new technologies and innovations among small-scale fishers, which results in limited value addition and few economies of scale.

Considering these risks and challenges, the bank uses a variety of instruments to increase profitably of its lending to the sector:

- 1 The **agency banking model** is implemented through bank agents (CRDB Wakala) and facilitates rural communities (small-holder farmers and fishers) to access banking services in their locality. CRDB Wakala, acts as a link between the Bank and its customers in providing normal banking services, including but not limited to cash deposits and withdrawals.
- 2 **Fisherfolk cooperatives and associations also play a large role** as they provide the bank with the necessary accountability. According to the bank, many cooperatives are well organized, and their leadership is a key element in lending to small-scale fishers. In other cases, the bank also applies group lending techniques to increase the level of accountability among fisherfolk.
- 3 In 2020, the bank created a new retail agribusiness unit that is responsible for all micro, small- and medium scale agriculture clients. The focus on small-scale producers is supposed to benefit the fisheries sector, where large corporate clients are rare.
- 4 For larger producers, the CRDB features a special unit for **value chain financing**. The bank aims to use modern financial instruments, such as **tri-partite agreements, warehouse receipts and collateral management arrangements**.

The bank aims to further increase its portfolio in the fisheries and aquaculture sector and is planning to provide credit for following activities:

a. **Procurement of long liner and purse seiner vessels**

for fishing operations in the Exclusive economic zone (EEZ). This shall include credit for small-scale fishermen from mainland and the islands who desire to innovate and invest in modern fishing gears, fishing boats and engines to fish further from shore.

b. **Financing the installation of cold storage facilities and ice manufacturing plants**

There is too much fish spoilage right now and ice and cold storage facilities are only found in the major cities. The transport of ice is especially costly for fishers in rural areas; hence investment in local production would increase fish quality and value.

c. **Capital investments in aquaculture**

fish ponds and cage construction and fish processing plants.



**d. Supporting investments in seaweed production**

in coastal areas and in Zanzibar.

**e. Vertical integration**

in the aquaculture value chain, through investments in hatchery establishment and production of fry and fingerlings.

## Fisheries cooperative financing in Zanzibar – Facts and figures

Fishing is the main economic activity of Zanzibar and it is mainly small-scale in nature. Recently CRDB Bank Plc has begun to expand its fishery and aquaculture sector portfolio. It has financed fisheries cooperatives in the islands of Unguja and Pemba region of Zanzibar. The Blue Economy of Zanzibar has great potential in terms of Bank financing. Current projects are worth TZS 169 billion, covering small scale to large scale fishing businesses. CRDB Bank Plc expects to increase its exposure in fishing by at least TZS 40 billion by December 2022.

### Examples of loan purposes and amounts approved

- purchase of more than 50 glassfibre reinforced plastic (GRP) fishing boats and engines by 50 fisherfolk organizations for small-scale fishing activities: TZS 2 billion (USD 865 000)
- seaweed farming activities: TZS 243 million (USD 105 000)

### Loan tenure

- short-term loans from 12-36 months and long-term investment loans of up to 10 years.

### Loan amount offered for MSME's:

- micro loans start from any amount based on client needs up to a maximum of TZS 50 million (USD 22 000)
- small- and medium enterprise loan amounts range between TZS 50 million- 3 billion (USD 1.2 million)
- loans above TZS 3 billion are available as corporate loans.

### To apply for a loan through the fisheries/aquaculture cooperatives the following is requested:

- each small-scale fisher or small-holder fish farmer must be a member of a registered fishing group, aquaculture producer association or cooperative, and have at least 3 years of experience in the activity.
- individual loan application letters
- for group members: minutes of resolutions made by them to borrow through their association
- equity contribution for any capital investment loan (preferably 30- 40 percent equity contribution)
- sales contract with middlemen/wholesalers (if any)
- evidence of sales made in the past 3 consecutive years
- business plan with cash flow projections for twelve months
- audited financial statements for the past four years from the Co-operative Audit and Supervision Corporation (COASCO)
- securities to be pledged as collateral for the requested loan amount
- association leaders are expected to sign personal guarantee and indemnity on behalf of their borrowing members (group guarantee), availability of Maximum Liability Certificate (MLC) from the Registrar of Co-operatives allowing banks to advance loans to association members.

**The interest rate** ranges from 18 to 20 percent per year, dependent on the risk category, collateral provided and variable costs of funds.

The Government of the United Republic of Tanzania through the Central Bank (i.e. Bank of Tanzania) is currently reviewing the interest rates to enable commercial banks access cheaper funds for onward lending to certain economic sectors. **The stimulus may be a game changer for financial service providers like CRDB Bank Plc. to provide fishers and fish farmers with loans with interest rates lowered to a maximum of 10 percent.**

## 2. A case study from Zambia

### Profile of the National Savings Bank (NATSAVE)

#### The importance of agriculture and small-scale fisheries for Zambia

Zambia is a large, landlocked and resource-rich country in the center of southern Africa. It shares borders with eight countries: the Democratic Republic of Congo, Angola, Botswana, Malawi, Mozambique, Namibia, United Republic of Tanzania, and Zimbabwe. Its population is largely urban, estimated at about 17.9 million (2019) and growing rapidly at 2.8 percent each year. Given its vast territory, the country is relatively sparsely populated. The largest contributor to the Zambian economy is the mining sector, but agriculture also plays an important role, along with its subsectors livestock and fisheries. **Combined, the agriculture, forestry and fishery sectors employ around 665 000 people, including 35 percent women.** The employment provided by these rural sectors is second only to the wholesale and retail industry (Zamstat, 2019).

Despite Zambia being landlocked, fisheries are vital to employment and income generation, and contribute to food security and nutrition of the country. Zambia has 12 million hectares of water bodies and 8 million hectares of wetlands, which are in principle available for fish farming and fisheries. **Zambia is home to 40 percent of surface water resources in the Southern African Development Community (SADC) region.** The fisheries sector contributes approximately 3 percent to the gross domestic product (GDP), according to the Second National Agriculture Policy (SNAP, 2016). **Fish provides 30 percent of the animal protein consumed by Zambians and is an essential source of micronutrients and often the only accessible or affordable animal-protein source for poor people in rural areas** (FAO, 2020).

Currently, there are fourteen fishery areas all over Zambia where fishers are involved in various types of capture fishing methods and related activities along the value chain. Aquaculture is more common in the North-Western, Copperbelt and Eastern provinces, but other areas too have shown a steady increase in aquaculture activities within the last decade.

Production in the fisheries sector has shown an upward trend in the last decade. Total annual capture fishery production increased by 32 percent from 69 000 tonnes in 2011 to 91 000 tonnes in 2019, while the aquaculture production increased nearly fourfold from 10 000 tonnes to 38 000 tonnes over the period 2011–19 (DOF Zambia, 2019).

In addition to a total fish production of some 129 000 tonnes of fish, Zambia also imports for some USD 115 million in fish and fisheries products annually. The export value of fish in 2018 did not reach USD 1 million (FAO, 2021a). The largest export product in 2018 fresh or chilled tilapia with an export value of USD 185 000. Fish availability for consumption is estimated at nearly 12 kg/capita per year.

An annual fish and fishery products deficit of 108 000 tonnes is estimated by the authorities. This may grow because of the rapid population growth. The inland capture fisheries production cannot increase rapidly, thus an increase in production should come from aquaculture development.

**The fish deficit provides opportunities for the aquaculture industry in Zambia as there is a guaranteed market in the country and the sub-region for fish and fishery products.**



## Small-scale fisheries in Zambia support livelihoods

Fish are an important source of protein and micro-nutrients. Large volumes of small-size indigenous fish varieties are consumed by the poor population in rural areas of the country. The capture fisheries sector of Zambia is predominantly small-scale in nature (80–90 percent) and is crucial for rural poor communities. Most of the catch of SSF is local and for the domestic market, but recent studies have shown that fish from SSF are even sold for export (Mussa *et al.*, 2017). An estimated 93 000 people are directly engaged in small-scale fishing or harvesting activities. Some 600 000 people in Zambia are deriving an income from small-scale fisheries related activities; this can be part-time, full-time, or as occasional workers in the fisheries value chain (post-harvest processing, marketing, trading, transportation etc.) and activities associated with the sector (FAO *et al.*, 2021).

## Government initiatives to promote fisheries investment

The 7th National Development Plan of Zambia (7NDP) covers the period 2017–2021. The strategic goal of the Plan is to create a diversified and resilient economy for sustained growth and socioeconomic development. It also includes a results-based performance management system to measure implementation progress. The government is trying to shift the mainstay of the economy from the mining sector to agriculture. Diversification of the agriculture sector, to move away from relying on a handful of commodities to a wide variety of agricultural products, such as livestock, forestry, and fisheries, is one of the targets. The 7NDP estimates that an additional 108 000 tonnes of fish is needed to reach food security for Zambians in the coming years, to maintain the current annual supply of 12 kg of fish per capita (Kakwasha *et al.*, 2020).

## The Zambia Aquaculture Enterprise Development Project (ZAEDP)

In 2016, Zambia launched the ZAEDP. The project tries to bring in more people into aquaculture as capture fisheries do not produce enough fish to meet the demand in the country. The ZAEDP is a joint effort by both the public and private sector to encourage aquaculture development. For that purpose, the Government of Zambia has received a loan from the African Development Bank (AfDB, 2020).



# NATSAVE

NATSAVE (National Savings and Credit) has a long history in providing financial services in Zambia. It hails from the Post Office Bank of Zambia founded in 1896 and converted to financial services provision in 1926. In 1972 it became a government owned Non-Bank Financial Institution under the Act of Parliament, namely the National Savings and Credit Act, Chapter 423 of the Laws of Zambia. The Act gives the Bank the power to administer funds on behalf of any person or agency, accept deposits, operate saving schemes, issue loans and to carry on any form of banking business. NATSAVE has a social mandate. The mission and vision of NATSAVE is to provide innovative, convenient, and affordable financially inclusive services to its customers.

NATSAVE is headquartered in Lusaka and has a presence in all 10 provinces of Zambia with a network of thirty-eight branches. In some places it is the only financial service provider. NATSAVE is developing from an institution that offers only basic banking products to a **digital social enterprise that**

**provides inclusive financial services supported by a digital platform and points-of-presence within communities.** The bank serves its customers through ATM's, 45 partner agencies and mobile and internet platforms. The bank serves in 2021 around 300 000 customers across all segments with the majority of customers being smallholder farmers, and small and medium enterprises (SME's) in rural areas.

NATSAVE's loan portfolio is composed of 70 percent salary backed loans, 5 percent microfinance and agriculture-based loans, 10 percent SME loans, and 15 percent corporate lending. The bank is aiming for growth in terms of outreach to farmers, small-scale fishers and aquaculture enterprises.

## Products offered by NATSAVE

The bank offers a suite of products and services to both urban and rural areas. Below are the two most suitable products that are availed by small-scale fishers and fish farmers.

Micro/Medium Enterprise Loan	Asset Plus Loan
<ul style="list-style-type: none"> <li>Working capital loan offered to micro enterprises.</li> <li>Clients need to comply with requirements under normal commercial lending procedures.</li> </ul> <p><b>Product features</b></p> <ul style="list-style-type: none"> <li>Offered to individuals and businesses.</li> <li>Applicant must have an active account in operation for at least six months.</li> <li>Loan term is maximum 36 months.</li> <li>Collateral required.</li> </ul>	<ul style="list-style-type: none"> <li>A loan provided for purchase of equipment.</li> </ul> <p><b>Product features</b></p> <ul style="list-style-type: none"> <li>Offered to individuals and businesses.</li> <li>Applicant must have an active account in operation for at least six months.</li> <li>Loan term is maximum 36 months.</li> </ul>

Source: <https://zmaply.net/national-savings-and-credit-bank-natsave-zambia-loans/>

Some of the financing mechanisms the bank has introduced for extending its services to a larger rural customer base are through the following arrangements: contract farming, guarantee farming, insurance, tripartite arrangements, and collateral substitution mechanisms, especially for asset finance.

# Projects in support of small-scale fisheries and aquaculture in Zambia

## NATSAVE initiative in northern Zambia

The northern region of Zambia experiences higher rainfall and consists of a network of rivers and large water bodies suitable for aquaculture activities. There are approximately 3 000 small-scale inland aquaculture farmers in the northern and Luapala province. Despite good climatic conditions and abundant water resources, the development of the aquaculture sector is inhibited by lack of suitable infrastructure and operational inputs. The farmers do not have access to quality fish seeds (fry and fingerlings), which is a major impediment to boost to aquaculture industry in this region.

That is why NATSAVE has teamed up with WorldFish, to establish **fish hatcheries in rural communities by introducing a hapa-based production system**, both for existing and potential new fisheries. This is a traditional method of fish hatching in which two nets are used, with the inner net being smaller than the outer net. This technology minimizes the loss of fry and ensures high-quality reared fingerlings. The hapa technique originates from Southeast Asia and is commonly practiced for nursing Indian and Chinese carp species. In recent years it was introduced in Sub-Saharan Africa. The technique offers nursing spaces for the fry to grow to a marketable fingerling (juvenile) size; free from the predatory environment of the open water bodies. Within the project, aquaculture producers

are receiving not just technical assistance, but also the financial services they need for this new method of growing fish.

## NATSAVE– FAO-ILO (YAPASA Program)

NATSAVE's support to SSF is not new. In 2014, NATSAVE collaborated with the UN International Labour organization (ILO) and FAO to support the establishment of an outgrower scheme for youth and small holder farmers in Zambia, trying to link smallholder farmers to bigger markets. The project was called the Rural Youth Enterprise for Food Security (RYE-FS) (later named as YAPASA, a locally used term that means, It has passed). The project noticeably included an aquaculture component. Two companies, Vyazala and Palabana fisheries, were contracted to implement outgrower schemes and their members opened savings accounts. The major role and responsibility of these companies was to supply fingerlings as well as provide training, under the YAPASA program (FAO, 2020a). NATSAVE provided access to financial services for youth, beginning with opening savings accounts with the bank for them.

The YAPASA program is a unique partnership between FAO and the ILO that seeks to empower youth to look at aquaculture as a business. YAPASA aimed to create decent work for rural youth across Zambia and the program works for two core value chains soybean and aquaculture.



## Lending methodology

NATSAVE applies a group lending methodology for the provision of micro-finance services up to the third loan cycle. Thereafter, a client can qualify and apply for an individual loan.

### a) NATSAVE - Group Loan Eligibility Criteria

- Members of the community select candidates and form a group. Women members are usually encouraged to form their own homogeneous groups.
- A member must be running a business or must have a feasible business plan.
- A member must be residing in the area where he/she is operating the business and must be a Zambian citizen above 18 years, honest and credible.
- A member must be approved by the other group members and the group acts as a guarantor for each of the members.
- A member must agree and abide by the group's bylaws and constitution and NATSAVE's loan conditions.
- A member must attend the minimum required orientation and training sessions.
- A member must have a savings account with NATSAVE and gradually accumulate 10 percent of the loan amount sought, and a further 20 percent of the loan amount sought into the group loan security fund (GLSF), which is refundable after the loan is paid off.

### b) Loan appraisal and approval process

- After the application is filled out, the lending officer will visit the applicants to have a look at the businesses and assess the business prospects, to determine whether the size of the loan requested is appropriate and whether the potential borrower can repay the loan and interest.
- After the initial approval by the lending officer, the lending officer hands over the loan application to the Branch Manager or Head of Credit.
- When the group application is approved by the Branch Manager, he or she will hand it over to the accountant who will verify the calculations of insurance premium, loan processing fees and loan security fee done by the lending officer.
- The full loan amounts will be credited to the applicants' savings account and the fees will be deducted from the account.

### Loan monitoring and recovery system

- The monitoring of loans commences immediately after disbursements. It consists of visits to the client's business and tracking of the client through reports.
- The basic goal of loan monitoring is to develop a sense of commitment and trust so that repayments are made on time.

## Factors constraining financial service provision

Despite the successes of the various projects some constraints in the provision of financial services to SSF sector remain:

- Due to the often-remote location of the fisher and fish farming communities, the transaction cost for the bank to serve these clients is high. This is particularly true for monitoring the respective business activity/enterprise in the field.
- A low financial literacy level amongst fisher communities hinders the uptake of financial services.
- There is a lack of saving culture amongst the fisher communities, which impedes the provision of group loans or other small loans.
- The market linkages for small-scale fishers are not well established. This leads to high fluctuations in the earnings of the fishers and fish farmers (e.g. because they cannot shop for the best price), thus impacting the loan repayment schedules.

- The seasonality of the business means that SSF face peak and lean seasons, which results in inconsistent repayment of loan amounts to the bank.

### Looking forward

In the vast territory of Zambia, the operational costs associated with lending to small-scale fishers and fish farmers are a challenge. On the part of the financial institutions, digital delivery channels must become part of their DNA to lower costs of servicing small and remote communities. On the side of the SSF, there is real potential in the country for aquaculture business growth. However, business practices and technologies used must be improved, and basic financial literacy training is needed, so that SSF understand better how to use financial services to grow their business.

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## Acknowledgements

These case studies have been developed by Suchitra Upare and Thomas Gietzen (FAO), John Amimo and Thomas Essel (AFRACA) and Raymon Van Anrooy (FAO). The kind inputs from the partners, CRDB Bank Plc., NATSAVE and WorldFish to this brochure are also gratefully acknowledged.



The African Rural and Agricultural Credit Association (**AFRACA**) is a regional association of Sub-Saharan Africa's financial and non-financial institutions involved in promoting rural and agriculture finance. The Association comprises of members from Central Banks, Commercial Banks, Agriculture and Rural Development Banks, Microfinance Institutions and Networks, Insurance Providers and Knowledge Institutions. It is a lead advocate agency and coordinator of rural and agriculture finance in sub-Saharan Africa.

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## CAFI SSF Network

The **Global Network for capacity building to increase access of small-scale fisheries to financial services** (CAFI SSF) is an FAO initiative endorsed by rural finance stakeholders from Africa, Asia-Pacific, Latin America and the Caribbean.

The CAFI SSF Network aims to address this challenge by increasing the capacity of policy makers, financial service providers and fishers' and fish farmers' organizations to promote, design and implement appropriate financial services in support of the small-scale fisheries and aquaculture. The Network envisions doing so by providing a platform to facilitate coordination, knowledge sharing, advice provision and support to all stakeholders involved in or interested in financing these sectors.

The Network mission is to act as a platform where members promote, develop and facilitate capacity building, knowledge exchange, advocacy and awareness, share experiences, good practices and provide support and advice to stakeholders to increase access of adequate financial services for SSF (small - scale fishers and small-scale aquaculture producers).

In the beginning of 2021, the Network began its activities by organizing thematic webinars, support baseline assessments of the financial and insurance services available in Africa and Asia for SSF. The Network has officially partnered with AFRACA and APRACA. The CAFI-SSF Network will engage with regional and national level financial institutions to provide evidence-based policy recommendations, to develop training materials and to increase the capacity of financial institutions and fisherfolk organizations.

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