

# **Guidelines**

**for**

# **Fisheries Financing**



**STATE BANK OF PAKISTAN**  
Agricultural Credit Department  
[www.sbp.org.pk](http://www.sbp.org.pk)

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## 1. Introduction

Fisheries is an important sub-sector of agriculture. It has great potential and can play a significant role in the national economy by contributing towards food security of the country, reducing pressure on demand for mutton, beef and poultry and earning of foreign exchange. However, like other sub-sectors, fisheries sector also remained largely untapped and comparatively small and almost unchanged over the last ten years. Fisheries contribute only 0.3 percent to overall GDP and 1.3 percent to agricultural GDP. Pakistan has a coastline of 1050 km and a total area of approximately 0.25 million sq km of marine and 0.08 million sq km of inland waters consisting of rivers, streams, canals, drains, abandoned canals and farms.

During 2005-06, the total marine and inland fish production stood at 0.6 million metric tonnes (mmt), of which 63 percent was marine production and remaining 37 percent catch came from inland waters. Fifty percent of the total production i.e. 0.3 mmt was consumed locally, 0.12 mmt of fish and fish product were exported and 0.18 mmt of the fish production was used as fish meal. Fisheries sector provides direct employment to about 379,000 fishermen and 400,000 people are employed in ancillary industries. The share of fisheries in total export earnings stood at 0.9 percent (US\$160 million) during the year. Fisheries sector has domestic consumption potential of 1mmt and export of US\$ 1 billion annually. If the high potential area of aquaculture is included, fisheries sector can yield even higher export earnings.

The Government is taking keen interest in the development of the fisheries sector. Emphasis is being given to strengthen the fisheries infrastructure, enhancement of fish production, increase in export earnings & domestic consumption of fish, diversification of fishing effort, exploitation of untapped resources and above all, improving the socio-economic condition of the fishing communities.

## 2. Marine and Inland Fisheries

Fisheries sector in Pakistan consists of both marine and inland fisheries playing an important role by contributing to the national economy.

### 2.1 Marine/Offshore Fisheries

Marine capture fisheries consist of coastal fisheries in Sindh, Balochistan and deep-sea fisheries. The major fish harbours in Pakistan are i) Karachi Fish Harbour operated by Sindh Government and handles about 90% of fish catch and seafood; ii) Korangi Fish Harbour operated by Federal Ministry of Food, Agriculture & Livestock; iii) Pasni Fish Harbour operated by Balochistan Government and iv) Gwadar Fish Harbour operated by Federal Ministry of Communication. Most of the marine catch is taken within 12 nautical miles from

the coastal areas; the boats are of small size with limited catching and preserving equipments on board. This reduces the catch per boat and therefore, increases the cost of fish per kg. Fisheries zone are demarcated as under:

- Zone-I, from coast line up to 12 nautical miles
- Buffer Zone, from 12 nautical miles to 20 nautical miles
- Zone-II, from 20 nautical miles to 35 nautical miles
- Industrial Fishing Zone-III, from 35 nautical miles to 200 nautical miles.

The area of Zone-I and Buffer Zone reserved for the local fishermen, remains under-utilized due to paucity of modern boats & necessary equipments for catch and preservation. Zone-II is meant for fishing through medium sized vessels. The area between 35 to 200 nautical miles which is declared as Industrial Fishing Zone-III is reserved for foreign as well as Pakistan Flag vessels which operate under license from the Government of Pakistan. The catch in Zone III is very nominal and has great potential for exploitation.

## **2.2 Inland Fish Farming**

Inland fish produce consists of catchments on rivers, irrigation canals & reservoirs in addition to production on fish farms. Fresh water aquacultures are being developed, on a limited scale, in Punjab, N.W.F.P and Sindh provinces. Inland fishing and aquaculture have received increasing attention in recent years and the government has established several fish hatcheries and training facilities for fish farmers in the country.

## **3. The Guidelines for Financing**

In view of the importance and un-tapped potential of the non-farm sector, in August 2005 SBP established a Committee of Experts to come up with a strategy for increasing institutional finance to neglected sub-sectors of agriculture. As a result, the committee had submitted its recommendations for financing livestock and fisheries. SBP has already issued guidelines to banks for financing livestock. These guidelines for fish financing are aimed at assisting and facilitating banks to penetrate the fisheries sector by rigorously financing related activities. Banks may wish to adopt the guidelines in the present form or with some adjustments to suit their organizational & operational needs and market characteristics, subject to compliance with SBP Prudential Regulations for agriculture financing.

The main objectives of Guidelines are:

- To encourage increased fish meat /sea foods production for local consumption.
- To promote export of fish meat/sea foods and its processed products
- To encourage farmers to adopt modern & efficient fish farming techniques and facilitate banks in developing internal expertise & products for fisheries financing.
- To encourage & facilitate financial sector to provide the needed working capital and term finance to the fisheries sector.

#### **4. Eligibility of Borrower**

Loan can be extended to individuals, fishermen, fish farmers, corporate firms, cooperative societies/self help groups, fish catching/ processing /packing companies and fish exporters having sufficient knowledge and relevant experience,. However, as per Prudential Regulations on agriculture financing, agriculture financing shall not include loans to traders and intermediaries engaged in trading/processing of agriculture commodities. Such lending would be covered under Prudential Regulations for Corporate/ Commercial Banking or SME Financing. However, agricultural financing can be extended to entities (including corporate farms, partnerships and individuals) engaged in farming activity as well as processing, packaging and marketing of mainly their own agricultural produce, provided 75% of the agriculture produce being processed, packaged and marketed should be produced by the above-mentioned entities themselves.

- The borrowers should be holders of computerized N.I.C, while usual requirements for corporate clients would apply.
- The borrower should not be a defaulter of any Bank/Financial Institution. This condition may be relaxed in cases where the bank is satisfied with the creditworthiness of the borrower and that the earlier default was circumstantial and not wilful.
- ACO/Branch/Regional Managers are satisfied and comfortable with the borrower's and guarantor's (where applicable) identity, character, reputation & creditworthiness.

It is advisable that the ACO should have detailed understanding and information about the borrower's business and his assets as well as his capacity to effectively use and repay the loan from the projected cash flow, and/or any other possible income streams.

#### **5. Types of Financing**

The fishermen and fish farmers need financing facilities to meet daily expenses i.e. working capital and long term investment for purchase of boats& equipments, construction of cold storage, ponds, tanks, etc. The guidelines discuss both types of financing for the fishermen and fish farmers viz. Working Capital and Term Finance.

##### **5.1 Working Capital Financing – Marine Fisheries**

To meet the day to day expenses of the fishermen, banks can provide working capital financing to cover following items:

- Purchase of fuel, ration and ice.
- Overhead expenses i.e. labour etc.
- Packing/ processing/cleaning items required for export of fish.

- Consumable items for curing and drying.
- Procurement of insulated boxes, purchase of plastic fish crates and plastic baskets.
- Freezing, packing charges, etc.
- Fish waste disposal/management charges.
- Any others, such as mooring charges, etc.

## **5.2 Term Financing – Marine Fisheries**

The term finance facilities could be provided for the following purposes:

- Purchase of motor boats/fishing trawlers.
- Purchase of marine engines (outboard and inboard).
- Replacement of engines and spare parts.
- Construction of cold storage by fishermen with the use of insulation material /sheets for walls/ roof.
- Purchase of other deck equipments like winch, wire rope, gallows, net-handler, navigational lights, communication equipments, radar, life jackets, life boats, anchors, direction finders (compasses) , echo sounder (fish finders), life buoys, insulation materials.
- Purchase of nets – trawlers net/purse-seine/grill nets.
- Purchase of chilling/freezing plants
- Fish storage centre (distribution centre).
- Fish/shrimp hatcheries
- Purchase of mobile insulated, pick ups/vehicles etc.
- Jetties.
- Any other items.

## **5.3 Working Capital Financing – Inland Fish Farming/Capture Fisheries**

- Renting/leasing of ponds and tanks
- Purchase of fingerlings fish/fish seed/fish feed/shrimp post larvae.
- Purchase of inputs like oil cake/rice bran/ composite fertilizers, poultry droppings and other feed materials.
- Purchase of nets, boxes, baskets, ropes, shovels, hooks and other accessories etc
- Purchase of medicines and vitamins
- Purchase of diesel for tube well / payment of electricity bills.
- Consumable items for curing and drying.
- Packing and storage material.
- Any other items.

## **5.4 Term Financing – Inland Fish Farming/Capture Fisheries**

- Excavation/expansion/rehabilitation/water channels.
- Construction, repairing and renovation of ponds/tanks.

- Purchase of lining for ponds and tanks.
- Construction of cold storage/ fish yards/ fencing.
- Installation of tube well/pumping sets/ancillary structure.
- Replacement of engine and spare parts.
- Purchase of chilling/freezing plants.
- Purchase of boats.
- Purchase of allied equipments.
- Purchase of air- conditioned vans for marketing.
- Any other items.

## 6. Fixation of Loan Limits and Repayment Terms

The limit amount may be assessed by the ACO/Branch Manager on the basis of financing request/appraisal/feasibility report by the bank and if possible from an external source. The banks should undertake due diligence and market survey to assess the credit requirements of the borrower.

Detailed parameters recommended for fisheries financing are given in the following tables:

### 6.1 Financing for Working Capital – Marine Fisheries

Purpose	Repayment of Loans	Maximum Period
<ul style="list-style-type: none"> <li>• Purchase of fuel, ration and ice.</li> <li>• Overhead expenses i.e. labour etc.</li> <li>• Consumable items for curing and drying by fishermen.</li> <li>• Procurement of insulated boxes, purchase of plastic fish crates and plastic baskets.</li> <li>• Packing/ processing/cleaning items required for export of fish.</li> <li>• Freezing &amp; packing charges.</li> <li>• Fish waste disposal/management charges.</li> <li>• Any others, such as mooring charges, etc.</li> </ul>	<p>Monthly /Quarterly/ Half yearly instalments as per policy of the bank.</p>	<p>Limit to be extended for 1-year or</p> <p>Revolving credit facility for three years subject to mandatory clean up of entire liabilities (both principal and mark up) once in a year.</p> <p>Salient features of Revolving Credit Scheme are:</p> <ul style="list-style-type: none"> <li>• Credit limit for three years</li> <li>• One time documentations</li> <li>• One time sanction/approval.</li> <li>• Cash/ chequing facility.</li> <li>• Multiple withdrawals and partial repayments allowed.</li> </ul>



## 6.2 Term Financing – Marine Fisheries

Purpose	Indicative Financing / Loan	Repayment	Maximum Period
<ul style="list-style-type: none"> <li>• Purchase of motor boats/fishing trawlers.</li> <li>• Purchase of marine engines (outboard and inboard).</li> <li>• Replacement of engines and spare parts.</li> <li>• Construction of cold storage by fishermen with the use of insulation material /sheets for walls/ roof.</li> <li>• Purchase of other deck equipments like winch, wire rope, gallows, net-handler, navigational lights, communication equipments, radar, life jackets, life boats, anchors, direction finders (compasses) , echo sounder (fish finders), life buoys, insulation materials.</li> <li>• Purchase of nets – trawlers net/purse-seine/grill nets.</li> <li>• Purchase of chilling/freezing plants</li> <li>• Fish storage centre (distribution centre).</li> <li>• Construction of fish/shrimp hatcheries</li> <li>• Purchase of mobile insulated, pick ups/vehicles etc.</li> <li>• Jetties</li> <li>• Any other items.</li> </ul>	<p>Maximum 80% of actual cost <i>(based on three quotations where ever possible)</i></p>	<p>Monthly/ Quarterly/Half yearly/ Yearly instalments as per policy of the bank.</p>	<p>Up to 5 years including grace period.</p>

### 6.3 Working Capital –Inland Fish Farming

Purpose	Repayment of Loans	Maximum Period
<ul style="list-style-type: none"> <li>• Renting/leasing of ponds and tanks</li> <li>• Purchase of fingerlings fish/fish seed/fish feed/shrimp post larvae.</li> <li>• Purchase of inputs like oil cake/rice bran/ composite fertilizers, poultry droppings and other feed materials.</li> <li>• Purchase of nets, boxes, baskets, ropes, shovels, hooks and other accessories etc</li> <li>• Purchase of medicines and vitamins</li> <li>• Purchase of diesel for tube well / payment of electric bill.</li> <li>• Consumable items for curing and drying.</li> <li>• Packing and storage material.</li> <li>• Any other items.</li> </ul>	Monthly /Quarterly/Half yearly instalments as per policy of the bank.	<p>Limit to be extended for 1-year or Revolving credit facility for three years subject to mandatory clean up of entire liabilities (both principal and mark up) once in a year.</p> <p>Salient features of Revolving Credit Scheme are:</p> <ul style="list-style-type: none"> <li>• Credit limit for three years</li> <li>• One time documentation</li> <li>• One time sanction/approval.</li> <li>• Cash/ chequing facility.</li> <li>• Multiple withdrawals and partial repayments allowed.</li> </ul>

### 6.4 Term Financing – Inland Fish Farming

Purpose	Indicative Financing/Loan e	Repayment	Maximum Period
<ul style="list-style-type: none"> <li>• Excavation/ expansion/ rehabilitation/ water channels.</li> <li>• Construction, repairing and renovation of ponds/tanks.</li> <li>• Purchase of lining for ponds and tanks.</li> <li>• Construction of cold storage/ fish yards/ fencing.</li> <li>• Installation of tube well/ pumping sets/ancillary structure.</li> <li>• Replacement of engine and spare parts.</li> <li>• Purchase of Chilling/ Freezing plants.</li> <li>• Purchase of different equipments</li> <li>• Purchase of boats for fishing</li> <li>• Purchase of air- conditioned vans for marketing.</li> <li>• Any other items.</li> </ul>	Maximum 80% of actual cost (based on three quotations where ever possible)	Monthly/ Quarterly/Half yearly/ Yearly instalments as per policy of the bank.	Up to 5 years including grace period.
<ul style="list-style-type: none"> <li>• Project financing for fish processing/ packing and fish product units</li> </ul>	-do-	-do-	-do-

## 7. Mark-up

- Bank shall determine mark-up as per instructions contained in BPD circular No1 dated 21<sup>st</sup> January, 2004
- Banks shall not charge any penalty on early repayments / adjustment of loan.

## 8. Security, Collateral and Insurance

### 8.1 Security/Collateral

- Personal surety
- Hypothecation/mortgage of assets e.g. motor boats / fishing trawlers etc.
- Mortgage of rural, urban or commercial property and/or;
- Pledge of SSC/DSC, lien on bank deposit, bank guarantee and/or;
- Pledge of gold and Gold jewellery and /or;
- Individual/Group Guarantee (maximum per person exposure as mentioned in PRs for agriculture regarding personal guarantee).
- Any other tangible collateral security acceptable to bank.

#### Collateral and Margin Requirement

Collateral	Margin Requirement
Mortgage of agriculture land* & rural, urban or commercial property.	30 % of market value
Pledge of SSC/DSC, etc. Lien on bank deposits.	0% of encashment value, covering principal and 6 months mark-up.
Pledge of gold and gold ornaments.	25% of valuation by the bank's approved gold smith. (Mark to market annually)
Individual / Group / NGOs guarantee.	1. Should provide coverage of Principal along with one year mark-up. 2. Maximum per person exposure as mentioned in Prudential Regulations for Agriculture Financing regarding personal guarantee.

\*Market value of land would be assessed by the ACO/branch manager by visiting the site and collecting necessary information about the land.

### 8.2 Insurance

- Banks are encouraged to obtain comprehensive insurance of the hypothecated/mortgaged assets e.g. motor boats/fishing trawlers/ cold storage, etc. as per policy of the bank.

## 9. Documentation

Following documents or formalities must be completed:

- Bank account in the name of intending borrower before applying for the finance facility.
- Standard Application Form duly completed in Urdu along with borrower and his/her father / husband name in English (for feeding in computer with correct spelling) duly completed, should be obtained. Signatures/thumb impression of the applicant, guarantor and witnesses (where required) and verified by the branch manager.
- In case of tenants / harees a certified copy of Khasra Girdawari, Fard Jamabandi or Form VII & VII A (for landowners of Sindh Province).

or

- Bank charge may be created on the agriculture land through passbook system by the Revenue Authorities and a charge creation certificate Schedule - II is to be obtained.

or

- Registered or Equitable Mortgage of rural/urban property **or** earmarking of Bank's Deposits, **or** pledge of DSC/SSC/Regular Income Certificates/other financial instruments **or** pledge of gold, silver and gold/ silver ornaments.
- Letter of agreement-cum-guarantee (IB-7) from the borrower.
- Appraisal report on the applicant and credit report of the guarantors must be prepared before finance is sanctioned.
- SBP Credit Information Report should be obtained.

Completion of documentation shall be the responsibility of ACOs or branch/regional managers.

## 10. Loan Monitoring System

Effective loan monitoring and tracking system are critically important for ensuring quality of the loan portfolios. Banks must develop sound and reliable loan monitoring and tracking system for desirable growth of credit in the fisheries sector.

## 11. Recovery of Loans

First recourse for the bank to recover its loans is the borrower and his/her cash flows. An effective monitoring system, follow-up and frequent interactions with the borrowers are critical for ensuring recovery of agricultural loans. The traditional correspondence and letter/notice based recovery mechanism will not be successful in agricultural loans. However, in case of delinquent borrowers the following recovery process may be initiated:

- Persuading borrowers / guarantors through personal contacts.
- Issuance of legal notices.
- Persuasion through Recovery Tehsildar / Mukhtiarkar/Fisheries Authority after declaration of loans as Arrears of Land Revenue in accordance with Section 4(7) of Loans for Agriculture Purposes Act 1973 by the Collector / Asstt. Collector / Deputy Commissioner in case of financing against passbook.
- Filing recovery suits in Banking Tribunals/High Courts.
- Any other legal remedies available to the bank.

## **12. Compliance with Prudential Regulations**

Bank shall ensure that financing to fisheries sector is being made in compliance with the SBP Prudential Regulations for agriculture financing, including classification of non-performing loans.

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