



THE FSP CREDIT COMPONENT ANOTHER LOOK AT ITS IMPACT

Introduction

In 1996, a rapid survey assessment (RSA) commissioned by the Asian Development Bank (ADB) noted a rise in the incidence of income diversification among coastal households¹ covered under the ADB and Overseas Economic Cooperation Fund (OECF)-sponsored Fisheries Sector Program or FSP² (please refer to Table 1). Consequently, the RSA showed improved income levels and a decline in poverty incidence (Table 2) in the barangays visited by the survey teams.

Considered as a major input to the success of the program, a credit component was included in the final FSP design to support not only income diversification among marginal coastal fisherfolk (i.e., via the implementation of alternative livelihood projects) but also the intensification of production in the aquaculture sector. By end 1995, the credit component's overall cumulative outreach already benefited around 50 thousand individual beneficiaries through the various participating financial institutions (Table 3).

Some analysts, however, have cautioned against using solely the RSA findings as a basis for concluding that the situation "could be the same" for the other priority bay areas. In fact, a closer inspection

¹ Carigara and Panguil Bays were randomly selected from among the 12 priority bay areas of the program.

² The FSP is considered "the government's first coordinated comprehensive effort to attain an ecologically-balanced utilization of marine resources as a basic strategy for long-term sustainable development in the fisheries sector." The program covered the period 1991-1995.

of the alternative livelihood loans under the program reveals that close to 30 percent of the total amount (i.e. P161 million)³ disbursed to program clients actually still went to financing capture fisheries in the coastal areas – which is a perceived shortcoming of the credit component especially relative to the objective of promoting alternative land-based livelihood activities.

Table 1. Incidence of Income Diversification in Selected Bay Areas

1992	1996
Supplemental income not major contributor to household income	About 30 percent of total household income from supplemental sources

Source: Pacific Rim Innovation and Management Exponents, Inc., 1996

Table 2. Socio-Economic Impacts of FSP

Bay Area	PARAMETER			
	Income Level / Yr.		Poverty Incidence	
	1991	1995	1991	1995
Carigara	P21,700	P43,080	65% below poverty threshold	80% below poverty threshold
Panguil	P22,150	P43,244	55% below poverty threshold	59% below poverty threshold

Source: Pacific Rim Innovation and Management Exponents, Inc., 1996

³ "Diversification" projects under the FSP credit component are attributed mainly to releases under the Land Bank of the Philippines, which was specifically tapped for this objective.

Table 3. FSP Cumulative Lending and Guarantee Performance, Broad Indicators (as of December 1995)

Participating Institution	Total Funds Allocated (P million)	Total Loans & Guarantees Generated (P million)	No. Of Beneficiaries / Borrowers
LBP	330.46	564.68	39,024
DBP	259.55	259.86	353
PCIC	54.35	154.84	10,793
QUEDANCOR	73.60	106.55	254
GFSME	0.75	0.75	1
Total	718.71	1,086.68	50,425

Source: Agricultural Credit Policy Council

These conflicting viewpoints on the socio-economic impact generated under the FSP credit component pose several issues that require further field validation. First, there is the question of whether credit indeed had some measure of effectiveness as a developmental input under the program and, if so, to what extent was this achieved?

Corollarily, if the supply of credit under the program, contrary to the design's intentions, did not actually contribute to the program's overall campaign of promoting a sustainable coastal resources management, then it remains crucial to know what factors may have constrained it from doing so.

Objectives

This paper presents a summary of an evaluation that was done by ACPC to further assess the effectivity of the FSP credit component as a program support input. Specifically, the evaluation assessed the program's overall accomplishments and documented impact using "before and after" and "with and without" project scenario analysis. Indicators that were looked into include the incidence of credit avilment under the program by targeted beneficiaries and such socio-economic variables as changes in income levels, other/supplemental source/s of income or income-generating activities, etc. The study also inquired on factors that may have had an effect on borrowing incidence during the period covered by the program (1991-1995).

Summary of Findings

I. On the Overall Performance of the FSP Credit Component

Credit outreach under the FSP credit component is low. Only 9 percent of the respondents surveyed in the program priority areas are program borrowers, while only 22 percent of all the borrower-respondents in the priority areas obtained their loans from the program (please refer to Table 4). The survey results point out that the principal factor that prevented intended beneficiaries' from borrowing from the program was their unawareness of the FSP or its credit component.

Meanwhile, because of a decision made by program administrators to allow credit delivery to extend even to non-priority bay areas, around one-fifth (19 percent) of the program borrowers are not from the priority areas. This notwithstanding, most of the FSP clients were apparently able to access loans only as a result of the program. The only exceptions are the fishpond operators in priority aquaculture areas, most of whom are already regular bank clients.

FSP borrowers in priority bay areas source their loans principally from LBP. On the other hand, FSP borrowers in priority aquaculture areas source their loans principally from the DBP.

Majority of the program clients from the priority bays, likewise, expressed satisfaction over the credit component's loan-pricing schemes. Yet, slightly more respondents in the same areas also find the assistance inadequate, mainly because of the insufficiency of the loan amount they were given.

An estimated three-fourths of the program borrowers also apparently failed to pay their loans on time. Most of these borrowers again come from the program's priority areas.

II. On the Promotion of Alternative Livelihood in Bay Area Communities

As much as 65 percent of the FSP clients, and most of the program borrowers in priority bay areas, borrowed to either set up alternative livelihood projects and/or to finance already existing non-fishing businesses. Most of these projects/activities were financed by the LBP (accredited private banks, on the other hand, were the least able to channel loans to

Table 4. Distribution of Borrowers, by Loan Source

Area Classification	No. of Borrowers				% Share out of total borrowers			
	From FSP only	From Other Sources	From Both Sources	Sub-Total	From FSP only	From Other Sources	From Both Sources	Sub-Total
Priority bay area	22	105	2	129	6.6%	31.5 %	0.6%	38.7%
Non-priority bay area	6	128	1	133	1.8%	38.4 %	0.3%	39.9%
Priority aquaculture area	6	37	0	43	1.8%	11.1 %	0%	12.9%
Non-priority aquaculture area								
Sub-Total	0	26	0	26	0%	7.8%	0%	7.8%
Total No. of borrowers: 333	34	296	3	333	10.2%	88.8%	0.9%	100%

eligible projects under the program). But survey results show that the incidence of capture-based livelihood declined in the priority areas. This notwithstanding, it is still noteworthy that the incidence of capture livelihood declined more than did the incidence of non-fishing livelihood.

Between priority and non-priority areas, though, capture livelihood declined by a lesser extent in priority areas. This can be tied to the following:

- **The greater decline in the number of projects in the non-fishing sector (i.e., non-farming and farming) in the priority areas** (please refer to Tables 5). Among others, this suggests the poorer viability of non-fishing livelihood options in the priority areas of the program. This is validated by the survey results indicating that the average monthly income from non-fishing activities slightly improved in non-priority areas, but went down in priority areas (please refer to Tables 6.a-d). Because of the lesser availability of viable non-fishing livelihood in priority areas, coastal communities there are still finding it more difficult to withdraw from fishing activities;
- **The greater decline of fish catch volume in non-priority areas, leading to a greater decline of income from capture activities** (please refer to Table 7). The faster deterioration of fish catch in non-priority areas hints at the greater resource-exploitation happening in these areas despite the greater decline in the incidence of capture-based livelihood there. This points to the continued practice of more unrestrained fishing methods/techniques in these areas relative to

priority areas (where the foundations for resource management have already been laid by programs such as the FSP).

The absence of other program interventions that form part of the efforts to wean clients away from coastal fishing (e.g. the formation of associations and cooperatives, training and seminars, etc.) also explains why more FSP clients in the non-priority areas were able to use their program loans for coastal fishing purposes compared to FSP clients in priority areas.

But even in priority areas, the survey results suggest that the complementary program interventions reached only an estimated 50 percent of the targeted beneficiaries (please refer to Table 8). Again, outreach was constrained mainly by the inadequate level of awareness among targeted beneficiaries.

III. On the Improvement of Aquaculture Production

The decline in the incidence of aquaculture projects in both priority and non-priority areas indicates that the industry itself also went into a slump despite support coming from the program.⁴ Compared to the rate of decline in non-priority areas, though, the decline in priority areas can be considered only marginal. Moreover, despite the decline in the incidence of aquaculture projects, the average culture area in priority areas even increased, while average culture area in non-priority areas declined (please refer to Table 9).

⁴ Among the major reasons cited by literature for the industry's decline over this period are the acute shortage of fry (especially milkfish or bangus fry) and the overcrowding of fishpens resulting in the rapid deterioration of inland water ecosystems (Yap, et. al., 1996).

Table 5. Increase/Decline in Number of Projects

Project	Number				% Increase (Decline)	
	Before FSP		With FSP		Priority Areas	Non-Priority Areas
	Priority Areas	Non-Priority Areas	Priority Areas	Non-Priority Areas		
1. Fishing Related	392		165		-57.9%	
A. Fish Capture	52	399	48	149	-7.70%	-62.6%
B. Fish Culture		63		22		-65.1%
2. Non-Fishing						
A. Farming	69	43	45	32	-34.8%	-25.6%
B. Non-Farming	165	136	84	77	-49.1%	-43.4%
C. Off-farm	23	13	25	7	8.7%	-46.1%

Table 6.a. Increase/Decline in Nominal & Real Income (FSP Priority Areas)

Project	Average Income (Pesos/Month)				% Increase (Decline)	
	Before FSP		With FSP		Nominal	Real
	Nominal	Real	Nominal	Real		
1. Fishing Related						
A. Fish Capture	4,024	4,024	3,439	1,685	-14%	-58%
B. Fish Culture	53,290	53,290	45,868	22,481	-13%	-57%
2. Non-Fishing	4,534	4,534	3,799	1,862	-16%	-58%

Table 6.b. Increase/Decline in Nominal & Real Income (FSP Non-Priority Areas)

Project	Average Income (Pesos/Month)				% Increase (Decline)	
	Before FSP		With FSP		Nominal	Real
	Nominal	Real	Nominal	Real		
1. Fishing Related						
A. Fish Capture	4,309	4,309	3,292	1,613	-23%	-62%
B. Fish Culture	15,353	15,353	6,673	3,271	-56%	-78%
2. Non-Fishing	3,397	3,397	3,426	1,679	0%	-50%

Table 7. Increase/Decline in Average Volume of Harvest/Catch

Area Classification	Ave. volume of harvest or catch (kilograms per year)		% Increase (Decline)
	Before FSP	With FSP	
FSP Priority Areas	1,365.58	1,303.27	-4.56%
Non-Priority Areas	2,012.20	1,603.73	-20.30%

The survey results clearly indicate that, while utilization purposes for FSP loans might have improved in the priority bay areas, the program's impact in terms of promoting alternative/non-fishing livelihood in the same areas was severely stifled by the limited outreach not only of the program's credit component, but its other interventions as well, and the fact that the credit component's scope was expanded even to non-priority areas.

Consequently, based on the decline in the incidence of all types of livelihood and the overall decline of real incomes in the priority areas, it could already be inferred that poverty incidence has again risen in these areas.⁵ In other words, the improvement in poverty incidence that was documented by the 1996 RSA was not sustained. To some of the survey respondents and some of the people involved in the community-organizing component of the program, the limitation of the program's effectiveness is mainly due to the subsequent failure to sustain the interventions after the FSP terminated in 1995. However, this also indicates that the foundations laid by the program, upon which its socio-economic gains were achieved,⁶ were not strong enough and not adequately sustainable.

Table 8. Participation in Other Support Programs of the FSP: Share out of Total Respondents in Priority Areas

Participated in other FSP-initiated activities?	% Share out of respondents in all priority areas	
	Priority Bay Areas	Priority Aquaculture Areas
Yes	47.93	1.86
No	29.34	9.09

Table 9. Increase/Decline in Fish Culture Area and Volume of Harvest

Area Classification	Ave. area used for fish culture (hectares)		% Increase (Decline)
	Before FSP	With FSP	
FSP Priority Areas	7.76	8.12	4.64%
Non-Priority Areas	7.5	4.16	-44.53%

The reasons that were given by some of the respondents why they were not able to repay their loans on time clearly illustrate this because, save for the number one reason (force majeure), most could clearly be managed through the various program interventions – e.g. the promotion of alternative livelihood, credit support, credit appreciation seminars, value-formation training, etc.–which, however, fell short of expectations. Other reasons cited for non-repayment of loans were: a) Poor catch/harvest, b) Delayed harvest, c) Lack of funds, d) Loan used for household consumption, e) Medical/other emergency, f) Does not want to pay.

With regard to the program's support to aquaculture productivity, although the greater decline

Hence, although the average income from aquaculture activities declined in both priority and non-priority areas, the decline of both nominal and real incomes is much greater in the non-priority areas.

⁵ The 1998 average nominal income in priority areas (P3,600 per month) shows no improvement over its 1995 level (Table 2) based on the RSA conducted in 1996. In real terms, however, income values have substantially dropped. On the other hand, the poverty threshold level in terms of income has increased (NSCB, 1997).

⁶ Group organizing/cooperative formation, value formation, identification of viable alternative livelihood in the priority areas, etc.

Conclusions and Recommendations

in the average real income of aquaculture operators in non-priority areas shows that aquaculture operators in the priority areas were still better able to cope with the crisis that happened in the fish culture industry, the average production level in priority areas (0.94MT/Ha per year) continues to fall short of the program's targeted average of 2.4MT/Ha.

Overall, the accomplishments of the FSP could have been improved if focus were maintained on the following areas:

- **More effective dissemination of information to intended beneficiaries about all forms of assistance that are being made available to them.** As evidenced by the survey results, one of the key elements in improving program outreach is good information dissemination. The importance of designing and integrating a systematic information dissemination component in programs like the FSP, therefore, cannot be overemphasized;
- **Installing mechanisms that would ensure sustainability of the gains derived from the interventions.** Mechanisms to institutionalize interventions initiated through the FSP should have been given more attention in the design of the project. The abrupt disintegration of cooperatives and associations organized through the FSP when the program terminated, for instance, is a testament to the inadequate groundwork by the institution-building component of the program. As a result of the eventual disappearance of fisherfolk organizations, credit delivery in the priority areas dropped instead of being sustained or increasing over time. In connection with this, institutions that were involved in program implementation should have been more carefully assessed and/or monitored in terms of their capacity to adequately handle specific tasks/responsibilities required under the project, e.g. NGOs that were tapped for institution-building,⁷ government and private financial institutions that were accredited as financing (i.e., credit and guarantee) conduits, etc.

In fact, the program was not able to optimally tap into the network of private financial institutions. This is evidenced by the continued minimal participation of private banks in lending in the priority areas. Moreover, the minimal lending that is being carried out by private banks in the priority areas remains unresponsive to the program's objective of encouraging the development of non-fishing projects. Yet, the program's longer-term objective was precisely to tap the resources of the banking sector to address the credit needs of fisherfolk-clients, given that the amount of credit support available under the program is limited and can accommodate only a very limited number of loans.

In the case of the NGOs, several accounts indicate that the program already had difficulty at the outset in the identification and contracting of qualified community

organizers. This indicates that there was already a discernible gap between program expectations and the actual capacity of the community organizers existing in the priority areas to meet those expectations. In the absence of possible alternative private institutions, program implementors could have explored alternative arrangements suited to the conditions prevailing in the priority areas that would also lead to the desired end-results. Some possible options, for instance, are tapping the services of existing institution-building units of government institutions (e.g. LBP), designing alternative financing schemes/approaches (e.g. aimed at individuals using informal lenders as conduits, etc).

- **Confining program intervention to the identified priority areas.** The poor quality of institution-building activities under the FSP is also one of the reasons why the credit component encroached into non-priority areas, i.e., because it was difficult to identify viable FSP-organized cooperatives and associations in the priority areas, the program's financing conduits were consequently compelled to source their clients outside these areas. As a consequence, however, this further dampened the impact of the program in the priority areas.

Finally, it must be noted that the implementation of area-specific programs, such as the FSP, does not isolate priority areas from the impact of macroeconomic shocks. In the case of the FSP, changes in the macroeconomic situation probably affected the viability of non-fishing enterprises and aquaculture commodities. Among other things, this impaired the development of alternative livelihood in the priority bay area communities, which is an integral element in the design of the program. So, with the absence of mechanisms under the program to help beneficiaries be able to respond to shifts in tastes, costs, etc. arising from changes in macro conditions (e.g. timely provision of information and technologies on other possible alternative projects/livelihood for coastal communities, aquaculture commodities, etc.), the program became too inflexible and was eventually prevented all the more from achieving its objectives.

⁷ A 1996 review of the FSP Credit Component commissioned by the ADB also identified the "selection of more effective and efficient NGOs to carry out community organizing and fisherfolk training activities" for consideration in the design of future programs to improve the creditworthiness of fisherfolk cooperatives (Sison, 1996).

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