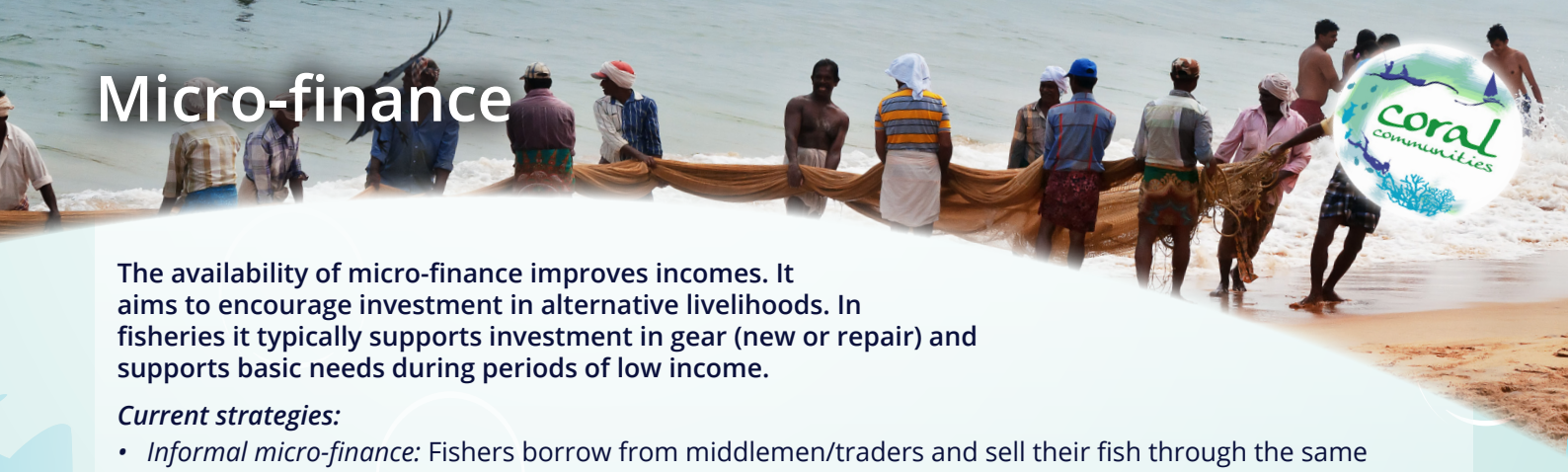
Micro-finance



The availability of micro-finance improves incomes. It aims to encourage investment in alternative livelihoods. In fisheries it typically supports investment in gear (new or repair) and supports basic needs during periods of low income.

Current strategies:

- *Informal micro-finance:* Fishers borrow from middlemen/traders and sell their fish through the same person/people.
- *Formal micro-finance:* Individuals or groups borrow from banks or other institutions.

Assumptions: Improved incomes enable households to better withstand difficult times (e.g. when fish catch is low or weather is bad). If linked to sustainable fishing practices, micro-finance can support management of fish stocks and influence the location and type of fishing activities. Similarly, where it is used to invest in alternative livelihoods the assumption is that micro-finance can reduce fishing effort and use of destructive gears on reefs.

Ecological impacts

Positive

- No evidence for ecological benefits was identified within the literature reviewed.

Negative

Evidence shows that micro-finance can:

- Encourage a disconnect between fishing pressure and environmental signals and cycles, which can promote constant exploitation/overexploitation.
- Encouraged use of destructive or illegal gears

Anecdotal evidence suggests that micro-finance can:

- Increase consumption pressures.

Implications for ecological resilience

- Loss of ecological function resulting from exploitation may inhibit management and restoration.
- Reduce resilience to climate change and increase pressure on vulnerable species if microfinance supports constant or increasing fishing effort.

Social impacts

Positive

Evidence demonstrates that:

- Informal loans from within the fisheries supply chain are easy to obtain (unsecured, interest free and no repayment timeframe) and are less risky than formal micro-finance.
- Loans act as a social safety net.
- Formal loans have requirements that can support building social and human capital; management of common pool resources, and support livelihood diversification and alternatives livelihood strategies.

No evidence was found linking micro-finance within fishing communities to intra-household change or to the benefits of regular group saving, as has been demonstrated in other micro-finance settings.

Negative

Evidence demonstrates that:

- Fishers can be tied to lenders in informal systems and trapped in a debt cycle.
- Examples suggest that in fisheries micro-finance schemes can result in livelihood intensification and less need for livelihood diversification.

Implications for social resilience

- Reduces income variation.
- Can support food security, medical emergencies, improvements to housing.
- Dependent upon the circumstances, can either encourage or prevent livelihood diversification under different conditions.
- Loss of ecological knowledge if fishing becomes disconnected to ecological signals.
- May create sense of environmental independence.
- May build human and social capital (including the education of children) as well as pride and self esteem.

Spatial scale: Loans are usually made to individuals, but may occur along whole coastline.

Temporal scale: Immediate with benefits acting in the short and long-term, repayments due in months to years

Case study: VICOBA (Village Community Banks)

The well-known example of micro-finance implementation in the Western Indian Ocean is the VICOBA (Village Community Banks) in Tanzania. These schemes built on the tradition of Merry-go-rounds - savings or lottery schemes often organised by women in communities to reduce hardship (e.g., pay school fees, health bills). Donors (Care International, WorldBank, WWF) became involved in supporting VICOBA as a response to the need for more community development in the context of declining natural resource based livelihoods. Donors match fund a community collection which is shared out as loans to individuals under a set of by-laws for repayment. Often loans are accompanied by training modules to support members in starting to manage a business or project.

Is the scheme successful? There is a general sense that such schemes are beneficial to communities but little documented evidence of outcomes exists due to limited evaluation. VICOBA initiatives, while accessible to everyone in a village, often reached women due to their experiences with Merry-go-rounds. Men may avoid the schemes due to embarrassment if they can't contribute to loans repayments. This has meant that schemes intended to support livelihoods and therefore reduce impacts on marine environments were failing to appropriately target fishers or, more precisely, those who use unsustainable or destructive gears.

There were three key risks or barriers to these strategies: Loans to cover hardships are difficult to repay in contexts of poverty; the schemes are highly dependent on donor support and are not sustainably financed; and the schemes do not link micro-finance with conservation therefore miss opportunities to prevent livelihood decline or provide dual benefits to ecological resilience.

Future application: There is an interest across the Western Indian Ocean in micro-finance, but moving away from individual loans towards community projects.

Further reading

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Images courtesy of Elena Mirage, Shutterstock (front) and Mwambao Coastal Community Network (back).