



# Sustainable Coastal and Marine Fisheries Project (SCMFP)

## Terms of Reference of

Participating Financial Institutions (PFI) selection for Access to  
Finance under the Designing, Consultation and Testing  
Mechanisms for Access to Finance, Package No. SD10

**TMSS**

**Program Domain**

**Sustainable Coastal and Marine Fisheries Project**

**Head Office, TMSS Bhaban, 631/5 West Kazipara, Mirpur 10, Dhaka-1216**

## 1. Project Background:

Bangladesh is blessed with the Ganges-Brahmaputra-Meghna Delta which is one of the richest homes to huge and diverse aquatic resources. Despite being one of the most densely populated countries, with quite a small sized landmass, Bangladesh has made exemplary progress in its socio-economic development since its independence in 1971. The country is now entering into a historical era of developing country status. Despite this remarkable progress, population density, the prevailing poverty level in several poverty hotspots, and frequent floods, draughts, and other natural calamities resulting from climate change vulnerabilities remain pressing development challenges, particularly in coastal areas.

Although less known to the general people of the country, the fisheries sector has, during the last two decades, emerged as a major growth driver that is outperforming the long-standing dominance of the crops sectors. In 2018-19, the fisheries sector reached 3.76 percent of total GDP. Moreover, the fisheries sub-sector is also a leading exporter that is earning considerable amounts in foreign currencies. The contribution of fisheries export earnings is USD 546.28 million where shrimps and prawns are the main export commodities.

The fisheries sector is also a huge contributor to nutrition support, food security, and livelihood sustenance of the country's millions of fishers and other stakeholders. Fish provides 60 percent of all animal protein consumed in Bangladesh<sup>1</sup>.

It has been well recognized that the potential for the country to increase the value of its coastal and marine fisheries through more sustainable management. To do so, improvement of the life and livelihoods of the poor fishers, especially the coastal inhabitants is surely a precondition.

However, the Government of Bangladesh has also realized that there are several key sector-wide challenges that demand government intervention and investments to enable responsible private-sector-driven growth. These include:

- (i) The absence of an effective regulatory framework for managing coastal and marine fisheries.
- (ii) limitations in the basic public infrastructure necessary to enable private sector investment; and
- (iii) limitations in both public and private sector capacity for improved fisheries management and optimal productivity.

Because of the fact above, the Government of Bangladesh (GoB) has started the development of coastal and marine fisheries, both capture and culture, which could offer an important pathway to sustainable economic development and poverty reduction, which is currently a quarter of the entire agricultural GDP. In line with this development aspiration, Bangladesh has a Blue Economy Cooperation Agreement with Myanmar and India that extended Bangladesh's Exclusive Economic Zone (EEZ) to 118,813 km<sup>2</sup> in the Bay of Bengal and the Indian Ocean. As a result, Bangladesh's maritime area exceeds its land area. offering a new frontier to expand the country's national aspiration toward deriving greater economic wealth from its maritime areas and in doing so, transitioning to a blue economy.

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<sup>1</sup> World Fish. (2016). Review on Current Situations and Future Prospects of the Fisheries Sector in Bangladesh,



To capitalize on the opportunity to advance the country's development using this huge marine resource base, the Department of Fisheries of the Bangladesh Government has been implementing the "Sustainable Coastal and Marine Fisheries Project (SCMFP), under the World Bank (IDA Credit No. V077-BD) finance, to increase coastal and marine fisheries' contribution to the economy, poverty reduction, and environmental stability with particular focus to improve the management of coastal and marine fisheries and aquaculture. The project is aiming at achieving the following objectives:

- (i) Issuance of industrial fishing licenses in line with the precautionary principle.
- (ii) Share of industrial and motorized artisanal vessels with installed and functioning vessel monitoring and distress communication equipment.
- (iii) Share of landed catch and aquaculture production in targeted coastal belt fisheries in safe handling, according to defined criteria.
- (iv) Targeted households with access to project-promoted livelihood activities outside of capture fisheries (disaggregated by sex).

The Sustainable Marine and Coastal Fisheries Project (SCMFP) is a two-phase series of projects (SOP) where Phase I (focuses on the establishment of effective fisheries governance and management systems for sustainable utilization of coastal and marine fishery resources, as a critical precondition for poverty reduction and the stimulation of economic growth. It also aimed at bringing fisheries policies, regulations, and management capacity up to a level needed to enable stock recovery and responsible private-sector investments in the sector. While Phase -II is to scale up investments in community livelihoods and value-chain improvements, with a focus on Maximizing Finance for Development through the mobilization of responsible private sector financing to further improve the sector's performance, with the objective of generating higher-value capture from domestic and export-oriented capture and culture fisheries.

Among four components of the project, component-2 is aiming at "improving Infrastructure and Production Practices for Coastal Belt Fisheries (Capture and Culture)", having the following intermediate objective:

*"Improved quality to ensure food safety and higher value capture from export-oriented fishery and mariculture."*

This specific objective will be achieved through the following sub-objectives:

- i. Infrastructure Improvements for Capture and Culture Fisheries
- ii. Fishery sector value chain and food safety development
- iii. Boosting Aquaculture Survival and Growth Rates

The SCMFP has recognized that to achieve these objectives, Fish producers/fishers and the fisheries value chain actors should have easy access to finance as and whenever they need capital support, at affordable terms and conditions.

A secondary review of available information has revealed that there are multiple challenges hinders the fisheries sector investors in participating in sustainable fisheries and aquaculture in Bangladesh, despite its immense potential as a growth sector.



Therefore, adequate, and reliable access to financial services is a precondition to enabling sustainable investment and accelerating growth in the Aqua sector. Access to finance is also extremely crucial for the growth of micro, small, and medium-sized enterprises (MSMEs) in the Aqua sector in Bangladesh.

Adequate finance can enable entrepreneurs to adopt and innovate new technologies, improve efficiency, expand to new markets (including export), and provide jobs. However, unfortunately, the growth of the MSME development in the Aqua sector has been slow and lagging, the majority of existing MSMEs are unable to acquire the needed financing to reach their potential due to several problems.

It is now well realized that the typical MSME credit faces many challenges throughout the MSME lending cycle. Usually, Bank screens a loan client based on reliable historical data on MSMEs, which now is unavailable or expensive to collect for most of the MSMEs including those in the fisheries and aquaculture sector in Bangladesh. Also, financing MSMEs in the Aqua sector has been proven to be riskier and costlier for lenders (banks and other financial institutions) even under low-interest programs due to several factors unique to the Aqua sector, creating a huge financing gap.

In addition to these, there are many successful loan applicants who invest loans in aqua businesses or productions without having adequate financial and managerial knowledge to successfully invest and manage the loan, resulting in high default rates on MSME loans. This situation has increased risks, resulting in reduced MSME lending.

On top of these, Commercial Banks also require collateral to secure a loan, whereas loan applicants lack qualified collateral and institutional guarantors to give security to the lender. And, added to this, Commercial Banks rely on time-consuming methods to obtain credit histories directly from loan applicants. Incomplete financial records and unverifiable client information further increase the cost of assessing MSME loan applications, making banks reluctant or unable to lend to MSMEs.

Another drawback of traditional lending is the, is the life cycle of the production systems and the nature of value chains in the Aqua sector, which is a mixed bag. Not all segments of the value chain are equally bankable. For instance, the life cycle of a grow-out aquaculture system is different from raising seeds, where the former requires long gestation between initial investment and the first harvest, making it difficult to apply shorter payment cycles and the same terms of the loan.

Also, the susceptibility to product failure is higher in primary production compared to downstream value addition and processing chains.

The fact above clearly indicates that, there has been an urgent need to devise and institutionalize a mechanism that enables the aqua producers and the fisheries value chain actors to access required financial capital that is in harmony with the aquaculture production, processing, and marketing/trading systems.

Therefore, the SCMFP management has launched this consultancy services for piloting designing and piloting a functional and conducive mechanism for easy access to finance by the fisher communities and the aquaculture value chain actors.

One of the tasks under this assignment is to contract 3 PFIs (Participating Financial Institution) one each for Khulna, Barisal, and Cox's Bazar to participate in the process of developing aqu-finance products and implementation of the product to ensure easy and effective access of aquaculture producers/fishers and all other aquaculture value chain actors to enable them to improve their farming and business as appropriate.

## 2. Purpose of contracting the PFIs:

The selected PFIs (participating financial institutions) will collaborate with TMSS as consultant, in developing the aqua-finance products upon consultation with relevant stakeholders including financial institutions and NGOs, aqua producers, aqua value chain actors, traders, exporters and the DoF personnel, and will pilot implementation of the developed aqua-finance products in their respective areas with selected beneficiaries which will include the aquaculture producers, fishers, aquaculture value chain actors like input traders, processors, whole sellers, exporters etc. Therefore, the objectives of contracting the PFIs are:

- Pilot the implementation of the aqua-finance products among the selected loan seekers to ensure easy access to financial services by the fisheries and aquaculture producers and value chain actors etc.
- During the pilot phase each of the PFI (NGO/MFI/NBFI/Bank) will serve 100 participants involved in Aqua SME/MSMEs of varying sizes within the allocated provisions of funds for pilot testing the developed Aqua-finance model in each of the PFIs assigned districts (Barisal, Coxs Bazar and Khulna).

## 3. Expected Role of the PFIs

The selected PFIs will closely work with the Consultants assigned for designing, consulting, and testing mechanisms for access to finance as well as with the respective DoF officials of their respective districts. However, since the entire task is being implemented under the overall managerial, administrative, and technical guidance of the Project Director (PD), Project Management Unit (PMU), of the Department of Fisheries under, the PFI's also be reportable to the Project Director of SCMFP and the Project Management Unit (PMU) as well.

The specific role of the PFI will include, but not necessarily limited to the following:

- Developing a credit scoring tool and operationalize credit screening mechanism to be used for implementation of Access to Finance Mechanism.
- Develop business support services to fisheries and aqua-SME/MSMEs with funding programs and financial schemes for Aqua-producers and Value Chain Actors.



- Actively participate in seminars, workshops, trainings, and capacity building events including required mobilization to popularize the mechanism.
- Select the beneficiaries, from among the fisheries clusters in each of the districts, and various value chain actors who are interested to be the part of pilot testing of the developed financial products.
- Contract with the selected fish farmers and value chain actors/Aqua SME /MSMEs for disbursement of loans according to the procedures determined by the “developed” financial products.
- Impart training/awareness to the selected fish farmers and value chain on developed financial model.
- Reimburse loan as per the procedures of approved access to finance mechanisms by the SCMFP authority.
- Collaborate with the TMSS, and respective officials of DoF to identify target markets – prospective producers and value chain actors – for credit products to be delivered by PFI.
- Expand the target and profitability through value chain mapping, market research, and aqua-finance product development.

#### **4. Support to be provided to the selected PFIs.**

- Provide support to the selected PFIs to identify target markets (prospective fisheries and aquaculture producers and value chain operators) for piloting financial services (credit products).
- The PFIs will be assisted to develop business support services to fisheries and aquaculture SME/MSMEs with funding programs and financial schemes for aqua producers and value chain actors by TMSS.
- The PFIs will be assisted to develop credit scoring tool with the available data (including mobile network operators (MNOs) and bank-sector historical data. for instance), and design and operationalize an efficient and effective credit screening mechanism for use and adoption by PFIs and suited to the SMEs in the Bangladesh's fisheries and aquaculture sector.
- PFI will be assisted in managing the project-supported loan portfolio according to best risk management practices through providing on-the-job training.
- PFIs will be provided technical supports to adopt innovative management of the credit products e.g. develop channels to digitize payments to aqua producers (e.g., through the usage of a bank-to-wallet channel)
- Capacity of the PFIs will be developed to identify and manage risks in operating Aqua-finance services to the Aqua-SMEs/Producers/Value chain actors.
- Provided support to the selected PFIs to build capacity of the borrowers (Aqua-SMEs/value chain actors and/or aqua-producers.
- Assist the PFIs to develop and implement e-learning modules and methods to develop knowledge and skills of the borrowers on managing their credit with the PFI.



- PFIs will be supported to conduct marketing activities, including preparing, updating, and disseminating marketing materials that outline the structure of the pilot AFM facility, and organizing workshops, seminars, and other promotional events.
- The Consultant (TMSS) develops a website on Aqua-Finance facilities for wider dissemination, marketing and learning by all relevant stakeholders.
- Supports will also be provided to conduct a launch event of the Pilot Aqua-Finance Product

## 5. Eligibility

The eligibility of the financial institutes for applying to become PFI to the SCMFP are as follows:

- 1) The entity should be a registered with the joint stock company or NGOAB, capable of operating microfinance or commercial banking with provisions of small and medium sized lending, having required approval from MRA and/or Bangladesh Bank, as appropriate.
- 2) The entity should have at least 5 Years of experience of providing financial services to a wide range of clients e.g. small and medium sized farmers, preferably fish farmers and aquaculture value chain actors.
- 3) Should have registered offices, including field offices at the upazila/union level in the targeted project areas (Khulna, Barisal, and Cox's Bazar)
- 4) The entity should be financially solvent and should be capable of pre-financing the activities including lending to the targeted beneficiaries.
- 5) On entity will have to be applied for only one project site e.g. anyone districts from among the Khulna, Barisal, and Cox's Bazar District.

## 6. Evaluation

Sl	Criteria/Qualifications	Max Score
1	Understanding of the assignment	10
2	Appropriateness of the Methodology and detailing the activity	20
3	Overall experience of financing in SME/MSME	20
4	Presence and coverage in the targeted location (Barisal, Khulna, and Cox's Bazar)	20
5	Experience of managing loan funds for SME/MSMEs	10
6	Financial strength and capacity	20

- (a) Proven abilities MSME financing
- (b) Presence in the respective coastal districts – Khulna/Barisal/Cox's Bazar
- (c) 5 years of experience in providing SME/MSME financing,
- (d) Registered with Microcredit Regulatory Authority
- (e) Experience of managing loan funds for SME/MSMEs



## 7. Application Deadline and Process

One original and copy of the Expression of Interest including necessary annexes are to be submitted to the address below (in person or by courier) on or before 12 June 2024

### **TMSS**

**Program Domain, Sustainable Coastal and Marine Fisheries Project**

**Head Office, TMSS Bhaban, 631/5 West Kazipara, Mirpur 10, Dhaka-1216**

The interested PFIs are requested to submit the following documents in support of the above-mentioned criteria:

1. Cover letter
2. Understanding of the assignment
3. Methodology
4. Activity Gantt chart
5. Annexes:
  - (a) Proof of legal entity e.g. license from Bangladesh Bank, certificate of MRA, registration of Registrar of Joint Stock Companies and Firms (RJSC) and/or NGO Affairs Bureau/Social Welfare Department etc.)
  - (b) The existence of the proposed districts mentioning office addresses with contact details, human resources, list of projects and beneficiary coverage etc.
  - (c) Proof of experience – project agreement, loan agreement, project completion certificate, external evaluation report, credit rating report etc.
  - (d) Latest Annual Report
  - (e) Audited financial reports for last three years.

**Any queries or clarifications can be obtained from following address, not later than 08 June 2024 at [program1@tmss-bd.org](mailto:program1@tmss-bd.org)**