

# **Financial Services for SME Aquaculture Producers**

## **Vietnam Case study**

### **Final Report**

**December 2010**

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**This report is an output from a project funded by the German Agency for Technical Cooperation (GTZ) for the benefit of developing countries. The views expressed here are not necessarily those of GTZ.**



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## Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ASC	Aquaculture Stewardship Council
ASEAN	Association of Southeast Asian Nations
AUMS	Aquaculture Underwriting and Management Services
BAP	Best Aquaculture Practice
BIDV	Bank for Investment and Development of Vietnam
BMP	Best Management Practice
BOP	Bottom of the Pyramid
BWTP	Banking with the Poor
DARD	Department of Agriculture and Rural Development
DFID	Department for International Development
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FSPS	Fisheries Sector Programme Support
GDP	Gross Domestic Product
GSO	General Statistics Office of Vietnam
GTZ	German Agency for Technical Cooperation/Deutsche Gesellschaft fuer Technische Zusammenarbeit GmbH
Ha	Hectare
HACCP	Hazard Analysis Critical Control Point
HCMC	Ho Chi Minh City
IDA	International Development Association
JSCB	Joint Stock Commercial Bank
LUC	Land Use Certificate
MARD	Ministry of Agriculture and Rural Development
MoF	Ministry of Finance
NAFIQAD	National Agro-Forestry and Fisheries Quality Assurance Directorate
NEPAD	New Partnership for Africa's Development
NRI	Natural Resources Institute, University of Greenwich
OECD	Organisation for Economic Co-operation and Development
POSMA	Post-Harvest and Marketing Component (of FSPS)
SME	Small and Medium-scale Enterprise
SOCB	State-owned Commercial Bank
SBV	State Bank of Vietnam
SSC	State Securities Commission
UK	United Kingdom
UNDP	United Nations Development Programme
USD	United States Dollar
VASEP	Vietnam Association of Seafood Exporters and Producers
VBARD	Vietnam Bank for Agriculture and Rural Development
VDB	Vietnam Development Bank
VND	Vietnamese Dong
WB	World Bank
WTO	World Trade Organization

Exchange rate (November 2010): 1 USD = 19,500 VND (*Vietnamese Dong*)

## **Acknowledgements**

The authors would like to thank all those who have contributed to this study in one way or another. In particular, thanks are due to the aquaculture producers, traders, and processors in Ho Chi Minh City and Ben Tre province, who gave freely of their time and information.

The authors are also grateful to the directors and staff of the following Government organizations: Research Institute for Aquaculture No 2, MARD; Southern Sub-Institute of Fisheries Planning, MARD; Programme Management Unit of Fisheries - Ben Tre Sector Programme Support (Phase II).

Last but not least we would like to thank GTZ for providing the funds for this project. The views expressed here are not necessarily those of GTZ.

## Summary

Vietnam's fisheries and aquaculture sector has undergone rapid development during the last two decades. It is estimated that the sector accounts for approximately 3% of the GDP and that it provides employment for up to four million people.

In 2009, Vietnam exported USD 4.6 billion worth of seafood and fisheries products. Shrimp (about 40%) and pangasius (about 30%) are the two principal export products, followed by molluscs and tuna. Whilst part of shrimp production is aquaculture based (roughly two thirds) and part from wild catch (about one third), all of pangasius production is aquaculture based (traditionally in cages, but now increasingly in ponds).

This case study, fieldwork for which has been carried out during the last week of October 2010, focuses on shrimp and pangasius aquaculture. In addition to Ho Chi Minh City, Ben Tre has been visited because both shrimp and pangasius aquaculture takes place in that province.

Whilst shrimp production appears lucrative for aquaculture farmers as long as they do not face problems with diseases, pangasius farmers are struggling and some have gone out of business due to low margins. At the same time, pangasius producer prices have reportedly somewhat increased during the last two months.

### VN Shrimp – some key findings

- The two main elements of production where capital is required include investment in pond construction and feed costs. At present, it is difficult for SME investors to obtain bank credit for capital costs. This is due to recent shrimp market conditions and low producer and export prices. However, improving market conditions are expected to improve access to credit (and possibly lead to higher interest rates). Calculations based on cost and price information obtained in October 2010 indicate that shrimp production is a highly profitable business, assuming that production will not be hampered by diseases.
- Given that estimates vary widely, it is assumed that pond construction in a semi-intensive production system is of the order of VND 100 – 200 million (USD 5,128 – 10,256) per hectare. Construction costs in an extensive production system are relatively low (e.g. VND 45 million/hectare), whilst they can be as high as VND 700 million in an intensive system.
- Many aquaculture producers prefer to rent land rather than buy it, because this is cheaper and also in line with Government policy which discourages the sale of land.
- There is no problem if an aquaculture farmer wants to save money (interest rates are about 11% p.a. depending on the type of savings account).
- There used to be insurance schemes in place for aquaculture, which were provided by Government insurance companies (e.g. Bao Minh) and a private company (Groupama). However, it was reported that these insurance

schemes have stopped operating a few years ago due to losses (e.g. shrimp farmers had problems with diseases).

- Feed costs account for well over half of shrimp production costs.
- SME type aquaculture producers can obtain credit through the following channels (based on discussions with shrimp producers and other stakeholders):
  - Credit from bank (e.g. BIDV), if “red certificate” (i.e. title deeds) for house or land is available and can be handed over to the bank as collateral (mortgage type credit); commercial interest rate: 12% - 13% p.a.
  - Credit from bank if farmer is member of a group or cooperative (so-called trust loan);
  - Supply of inputs on credit (e.g. feed, in particular once the first 80 days of production have passed; cash price for shrimp feed is VND 27,000/kg or VND 28,500 if it is on credit);
  - Credit provided by processing company (e.g. Minh Phu can provide loan for 50% or 100% of working capital, provided the same proportion of the harvest is sold to the company);
  - Traders, other farmers, or money-lenders – they usually charge high interest rate (e.g. 3 – 5% per month);

### **VN Pangasius – some key findings**

- According to industry sources, pangasius (tra catfish) production is undergoing a rapid process of integration whereby large processing companies either buy or rent land for pond aquaculture.
- In addition to an imbalance between supply and demand, “the situation was exacerbated by the US imposing an anti-dumping tariff of 130 per cent in Vietnamese tra fish, and several other markets had also set up technical barriers to limit imports” (Source: Vietnam News, 21/11/2010).
- Due to a controversy related to the environmental sustainability of production methods, Vietnamese pangasius was placed on a ‘red list’ by the WWF. It is expected that certification of pangasius production by the WWF backed Aquaculture Stewardship Council (ASC) will start in 2011.
- Construction costs for pangasius ponds are of the order of VND 400 – 700 million per hectare (land costs not included). Pangasius production is a capital intensive business in that, according to producers interviewed in Ben Tre, operating costs for pangasius production are VND 5 – 5.2 billion (USD 256,410 – 266,667) per hectare per season. The season lasts seven months and the yield is 300 tonnes of fish per hectare per season.
- Operating costs are split as follows: feed 80%, labour 6%, fingerlings 8%, and chemicals / bio-products 6%.
- Sources of credit (based on interview with pangasius farmer in Ben Tre, who operates 3 ha of pangasius ponds; 3 crops in 2 years; 300 tonnes/hectare/crop):

- Fixed costs: he covers these himself, no credit. This seems to be in line with Government policy to limit the expansion of pangasius production. Nonetheless, likely as part of longer-term plans, it is understood that a feasibility study is being undertaken for a potential project, which would include credit for aquaculture producers (at relatively low interest rates).
- Working capital
  - Half of this can be obtained from banks (interest rates of 1% to 1.5% per month; e.g. one charges 1.35%/month);
  - A quarter is covered by the feed supplier. At the beginning of production, feed has to be paid cash. However, when the feed supplier sees that production is going to plan, then the farmer can get feed on credit, in particular during the last two months of production. Price of feed: VND 8,000/kg (if no credit) and VND 8,100/kg (if on credit).
  - The farmer has to cover the remaining quarter of the working capital (e.g. from friends).
- The situation for other producers is expected to be similar, in that they rely on a range of credit sources, although the proportions and amounts of credit obtained per source may somewhat differ. For further details see overview table on Page 22.

## Methodology

This GTZ funded case study “Financial services for SME aquaculture producers in Vietnam” was carried out as part of a wider initiative entitled “Establishing a Fisheries and Aquaculture Investment Partnership”, which is being prepared by the Development Bank of South Africa, in partnership with the Natural Resources Institute (NRI), for NEPAD (New Partnership for Africa’s Development).

The field survey for this case study took place during the last week of October 2010. The focus was on the following:

- Aquaculture in South Vietnam, with emphasis on shrimp and pangasius, which are the two main export products;
- Semi-structured interviews and discussions were held in Ho Chi Minh City and Ben Tre Province, where both shrimp and pangasius are produced;
- As for financial services, the emphasis was on credit (loan requirements and sources of credit), savings, and insurance.

## Background to the Economy

Vietnam is one of the fastest-growing economies in the world. It is going through a far-reaching transformation from an inward-looking planned economy to one that is globalized and market-based.

Real income has grown 7.3 percent per year over the last 10 years. When the World Bank reengaged with Vietnam in 1993, income per capita was UD\$170. In 2008, gross domestic product (GDP) per capita crossed the US\$1,000 threshold. The poverty rate has fallen from 58 percent in 1993 to 14.5 percent in 2008. Vietnam can reach most of the Millennium Development Goals. (Source: IDA at work – Vietnam: laying the foundation for sustainable, inclusive growth. <http://www.worldbank.org/ida>; Last updated September 2010).

In 1986, the Government of Vietnam launched a renovation process (*Doi Moi*, or national renewal), with the goal of adopting market mechanisms wherever possible while preserving social inclusion. Since then, the country has transformed to an open and internationally integrated economy governed by socialist principles with an increasing orientation towards a market economy.

## The Financial Sector

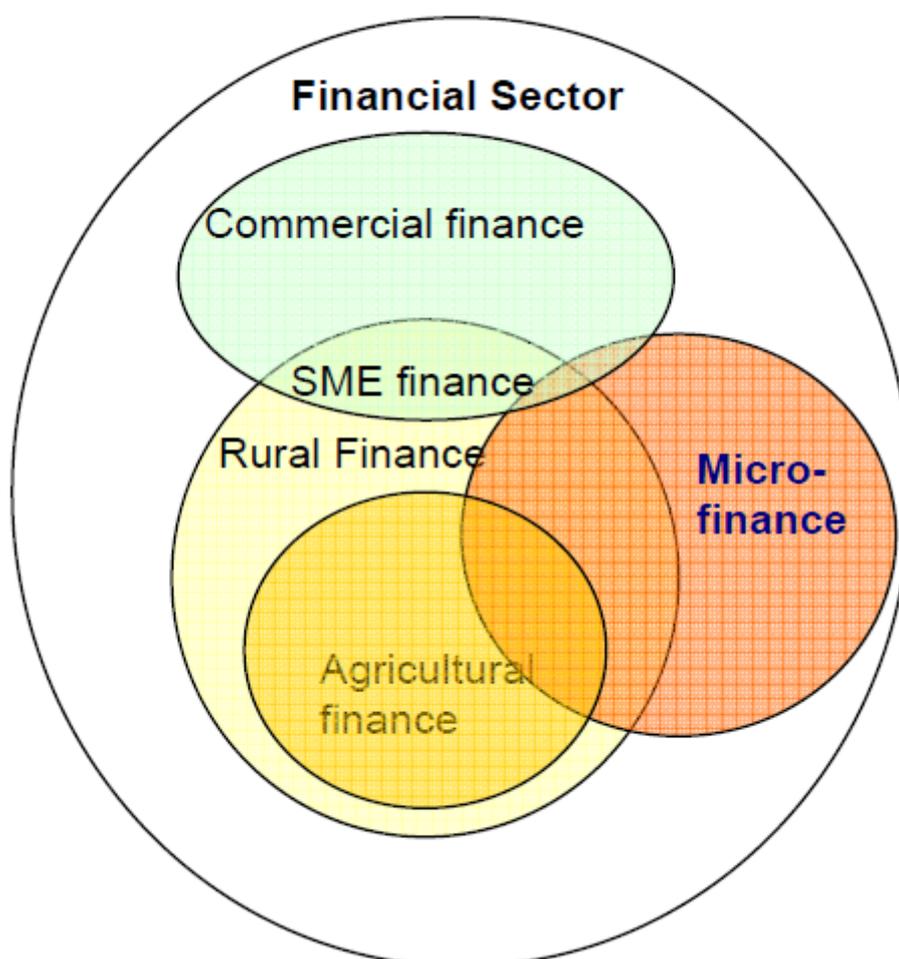
### Banking legislation and regulations

Since the introduction of its "*doi moi*" and in order to promote domestic and foreign investment, Vietnam has gradually developed its banking and finance regulatory framework. Nevertheless, despite a number of reforms in response to the entry into WTO, Vietnam's banking and finance sector remains tightly controlled. The responsibility for regulation of the financial services sector is delegated to various Government bodies. The State Bank of Vietnam (SBV) regulates the banking and finance industry, and is responsible for monetary policy. The MoF is responsible for fiscal policy and also regulates the insurance sector. The State Securities

Commission (SSC) regulates the securities sector - the SSC was originally established as a stand-alone entity, but it was transferred into the MoF in 2004 (DCA et al, 2007).

Within the financial sector of Vietnam, commercial finance (corporate, private, personal and large enterprise finance) dominates, and is offered by the state owned commercial banks, foreign banks, joint venture banks and urban joint-stock banks, which also to some extent offer financial services to SMEs – the market segment currently most intensively supported by donor agencies as the engine for economic growth in Vietnam.

SME finance covers financial services to enterprises employing 10-300 staff with total assets not exceeding VND 10 billion (USD 640,000) (Source: DFC et al, 2007).



**Figure 1:** Vietnam's Financial Sector (Source: DFC et al, 2007)

Around 2005/2006, the four main (and one smaller) State-Owned Commercial Banks (SOCBs) dominated the financial sector (Source: DFC et al, 2007). According to the same source, "the SOCBs account for more than 70 % of all bank deposits and hold approximately 75% of outstanding bank credit. More than 26 foreign bank branches and 34 semiprivate joint stock banks (JSBs) have operations on a limited local scale, serving niche markets, together supplying around 17% of the commercial credit

market. The non-state sector, which includes private companies, households and individuals is clearly the core market for the 36 Joint Stock Commercial Banks (JSCBs) in Vietnam. Lending to the private sector accounted for 73% of the total JSCB loan outstanding (2003) and was provided as consumer loans (35%) and commercial loans to SMEs”.

Considered the engine for economic growth in Viet Nam, the small- and medium-sized enterprises (SMEs) consistently state that insufficient access to finance is the most important obstacle to business growth, and the share of firms that see it as a “severe” or “major” constraint to their development is significantly higher than in other Asian countries. (Source: World Bank: Doing Business. Vietnam Country profile/survey, 2005; quoted in DFC et al, 2007).

Reasons for this include a market mismatch, especially for credit. For more sizeable micro- and small businesses (MSEs) using the formal financial providers, collateral is required, which is valued in a very conservative way. Delays in the issuance of Land Use Certificates and in the general implementation of regulations for secured transactions further limit access to credit. Heavy reliance on collateral is the flip side of the current limited (capacity for) risk assessment by the dominant formal sector lenders. (DFC et al, 2007).

Given that a full analysis of the Vietnamese banking sector is beyond the scope of this study, only three banking institutions will be presented in more detail here. All three, VBARD, VietinBank and VDB have been indicated as credit sources for aquaculture producers.

The Vietnam Bank for Agriculture and Rural Development (VBARD) was established in 1988 with the reform of the financial system and the reintroduction of commercial banks in Vietnam. VBARD is a state 'policy' bank, responsible for 'directed' lending to the agricultural and rural sector. It enjoys government subsidies and access to central bank credits. By the end of 2001, VBARD had become the leading commercial bank in Vietnam, with the most extensive network of branches in rural areas. It has banking relationships with 702 correspondent banks in more than 90 countries throughout the world. VBARD is member of APRACA and the Confederation International du Credit Agricole (CICA). (BWTP, 2010).

According to BWTP (2010), VBARD utilizes three different credit methodologies, namely:

- First, it provides individual loans to rural farmers and entrepreneurs, with collateral requirement. A land use certificate is commonly used as collateral.
- Second, VBARD lends to individuals through joint liability groups. The group lending methodology is used by VBARD to increase its coverage of rural households, as well as to reduce transaction costs associated with making and collecting many small loans. Although there are no savings requirements in groups formed by the VBARD, the savings component remains important to the bank. Group lending requires full repayment of all group loans before a new round of loans can be initiated. Loan repayment is the responsibility of all group members.
- Third, VBARD uses brokerage services of mass organizations (e.g. Vietnam Farmers' Union, Women Union, Youth Union, Veterans' Association), which targets borrowers unable to provide collateral. Under this system, loans are channelled through 'guarantee groups' composed by members of mass organizations, which are responsible for their organisation. Collaterals are not required as the sponsoring mass organization provides guarantees to VBARD

for loan repayment. Moreover, group members are jointly liable for repayments.

As an agricultural bank, VBARD has specialized in lending to rural households and SMEs involved in agriculture or off-farm enterprises. VBARD reported a total credit portfolio of 9 million loans at a value of \$ 11.8 billion as of mid 2006 (average balance US\$ 1,320), of which 68% was allocated to rural households, of which 47% were considered poor households. (DFC et al, 2007).

VietinBank (Vietnam Joint Stock Commercial Bank for Industry and Trade; formerly Industrial and Commercial Bank of Vietnam or Incombank) was established in March 1988, upon the separation from the State Bank of Vietnam. Following its change of name from Incombank to VietinBank in April 2008, the successful IPO (initial public offering) of the bank at Ho Chi Minh Stock Exchange took place in December 2008 (VietinBank, Annual Report 2009).

VietinBank prefers investing in stable, economic sectors such as the processing industry and commerce, accounting for 26% and 21% of the loan portfolio respectively, followed by other sectors such as construction, manufacturing, and distribution of electricity, gas and water. The sector “agriculture, forestry, and aquaculture” figures less prominently (i.e. 4% of loan portfolio), although it is possible that some related investments have been classified under other sectors such as trade or processing. Table 1 shows VietinBank’s loan classification by type of industrial sector.

**Table 1: VietinBank’s loan classification by industrial sector**

Manufacturing and processing	26%
Wholesale and retail trade	21%
Construction	11%
Electricity, petroleum and water	10%
Transport, warehouse and communications	9%
Community, social, and personal service activities	6%
Agriculture, forestry, and aquaculture	4%
Hospitality services	3%
Mining and quarrying	2%
Others	8%

**Source:** VietinBank, Annual Report 2009.

The Vietnam Development Bank (VDB) is the successor to the Development Assistance Fund and has been established by a decision of the Prime Minister in May 2006. VDB is a non-profit, policy lending institution and has a chartered capital of VND 5 trillion. Together with the Vietnam Bank for Social Policy, VDB is expected to contribute to poverty reduction through providing financing for construction of irrigation and rural transport works, traditional village infrastructure, socio-economic infrastructure in remote areas, and export financing.

(Source: <http://www.business.gov.vn/asmed.aspx?id=63&LangType=1033>)

According to DFC et al (2007), for commercial loans, VBARD and the other conventional banks will require immovable collateral (land, real estate, LUC) and lend up to a maximum of 85% of the secured value over the medium term to individuals and SMEs. VBARD offers loans below VND 10 million (US\$ 625) to poor farmers and rural households, which are formally collateral-free, but in practice borrowers must

often leave their Land Use Certificate (LUC) with the bank until the loan is repaid, or be sponsored (guaranteed) by a Mass Organization. The loan repayment structure varies from balloon lump sums (which would suit seasonal crop producers) to monthly repayments.

Loans for agricultural households are generally small and usually for short to medium terms, and are for production purposes and usually not for investment reasons (Marsh et al, 2007)<sup>1</sup>. Survey work in Ha Tay province conducted in 2001 showed that the average rental price for cultivated land was VND500/m<sup>2</sup> (i.e. VND 5 million per hectare), and the average buying price was VND5000/m<sup>2</sup> (i.e. VND 50 million per hectare). The value of a land use right for '*tin chap*' or 'trusted mortgage' collateral is limited to VND10 million. At the same time, one must bear in mind that rental and land transfer values often do not reflect true market prices, but rather are established through a pricing system set by the central government, with the actual prices fixed by the provincial or municipal authorities. A new land law in 2004 made it mandatory for all Land Tenure Certificates to include the names of both husbands and wives, thereby allowing women to use the certificates as collateral for bank credits. The World Bank supported pilot projects in this regard.

In October 2010, according to stakeholders interviewed it proved more difficult for aquaculture producers to obtain credit, in particular for capital costs. This appears to reflect the policy of the Government, which seems to try to limit the expansion of aquaculture production, in particular that of tra catfish. Nonetheless, a feasibility study is reportedly being carried out for a new project, which would further stimulate aquaculture production (e.g. basa catfish, *Penaeus vannamei*) including through credit channelled through the Bank for Investment and Development of Vietnam (BIDV). The latter would provide long-term credit to producers at a lower interest rate (e.g. 5% p.a.).

According to a study published by the FAO in 2004 (Lem et al), "credit is widely used for financing marine capture fisheries, particularly offshore fishing and export-oriented fish culture, processing and marketing. State-owned financial institutions play a major role in financing capital expenditure while working capital requirements are mainly met by informal sources of credit. Future investment requirements and credit needs are greater than current availability. In particular, the domestic fish marketing sector, i.e. wholesalers and retailers, so far have only a limited access to credit and this is perceived as an obstacle to the growth and improvement of the sector. In the case of offshore fisheries, the findings suggest that there should not be any further expansion of credit, and future credit support should focus on making the fleet more efficient and sustainable".

According to the same study (Lem et al, 2004), the majority of fish farmers interviewed found it difficult or very difficult to access credit from financial institutions for fish farming. These were probably the poorer fish farmers, who could not meet the collateral and documentation requirements of financial institutions and for whom special microfinance programmes would need to be introduced.

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<sup>1</sup> Marsh S.P., MacAulay T.G. and Hung P.V. (eds) 2007. Agricultural development and land policy in Vietnam: policy briefs. ACIAR Monograph No. 126, 72p.

## Savings

Although the supply of savings products in Vietnam may be limited to a few standardised products, these are widely available. As a result, access to savings services may be more constrained by the lack of trust among customers in large and impersonal institutions than by the actual availability of products or access to institutions.

Interest rates on both business and personal savings accounts with a term of more than one month are of the order of 11% - 12% p.a., compared to an annual inflation rate of 7% - 8% (Source: [www.vbard.com](http://www.vbard.com)). According to the General Statistics Office of Vietnam (GSO) the consumer price index (CPI) rose by 1.05% in October 2010 against the previous month and by 7.58% in comparison with the end of 2009.

### **Box 1: Example of World Bank funded Rural Finance Project in Vietnam**

As part of the second Rural Finance Project, the International Development Association (IDA) funded about US\$235 million through 25 financial institutions (with Bank for Investment and Development of Vietnam in the lead) to lend to the poor in the rural areas of 60 cities and provinces. The Loan Credit Agreement, which was signed in September 2002, has sponsored 445,000 small loans to families and MSMEs, generating 274,000 additional jobs across the country between 2003 and 2009. Also, 275,000 microfinance loans were issued of which 37 percent were to women. The general objective of this project was to assist Vietnam in economic development, hunger elimination and poverty reduction in rural areas through strengthening banking capacity and improving the poor's access to financial services.

IDA's approach to these challenges was to support the provision of a line of credit and the strengthening of an apex lending institution, the Bank for Investment and Development of Vietnam (BIDV), and participating financial institutions (PFIs). The line of credit fed two funds that were wholesaled by the apex institution. The Rural Development Fund II (RDF II) provided resources for PFIs to on-lend at market-determined interest rates to households and MSMEs (micro, small, and medium-scale enterprises) for investments in agriculture and rural-based businesses. The Microfinance Loan Fund (MLF) was channelled through accredited microfinance institutions (MFIs) to individuals and microenterprises, with loan amount ceilings set at a relatively low level to ensure that the rural poor were the beneficiaries. The BIDV and the PFIs all prepared Institutional Development Plans, the implementation of which was supported by the project through technical assistance and training (World Bank website, Nov. 2011).

In 2010, the World Bank has approved a credit worth US\$200 million for the third Rural Finance Project (RFP). (Source: VBARD website, 25/6/2010).

## Insurance

The global aquaculture insurance market has increased considerably since the mid-1970s; the premium paid by aquaculture producers has grown from around US\$100,000 in 1974 to an estimated USD 50 million in 2002 (AUMS, 2003; quoted in van Anrooy et al, 2006).

According to van Anrooy et al (2006), the benefits of aquaculture stock mortality insurance to producers can be large. Amongst others, aquaculture insurance should provide the following benefits:

- some "peace of mind";
- protection against a variety of natural hazards beyond their control, which affect their health and personal security, assets and harvests;
- basic compensation for the loss of harvests;
- more secure incomes, greater stability and social and economic welfare in the farming community;
- improved access to investment capital and to formal credit, by reducing the risk of non-payment of loans for the lending financial institutions.
- increased incentives to invest in the development of their farms and the adoption of new technologies;
- improved market supply quality, consistency and reliability;
- increased opportunities for mutual assistance and cooperation among aquaculturists;
- access to additional sources of information on risk management.

According to Hotta (1999) the combination of large investments in fisheries and aquaculture in Vietnam and the risky nature of the business justify the establishment of adequate insurance systems for the fisheries sector. However, when the study was produced in the late 1990s, the constraints appeared to be the level of efficiency of the programmes and inadequate institutional networks of the system. In addition, the fishermen and fish-farmers generally lacked any understanding of, or familiarity with, insurance principles and benefits. At the same time, staff of insurance companies were not familiar with the fisheries sector and did not understand its specific needs. However, according to the same source (Hotta, 1999), there were plans to establish a pilot project for aquaculture insurance in Nghe An Province.

According to Roberts (2005), a pilot insurance programme for aquaculture enterprises was offered by a local subsidiary of the large French insurer, Groupama, in 15 of Vietnam's Mekong River delta provinces. However, after two years, the scheme was discontinued, with a loss ratio of nearly 2. (Roberts, 2005). Also, during the field survey in October 2010 it was reported that Bao Minh has provided aquaculture insurance, which was equally discontinued (see below).

Vietnam's insurance industry has only recently begun expanding, and a series of policy and market changes have taken place over the past few years fostered by increased competition. Starting from a very low base, growth rates of mainly life insurance are high. While microinsurance products are under-developed in the young industry in Vietnam, the Government is providing social insurance and low-cost medical insurance to low-income households. It is to note that several life, agricultural (crop, livestock) and accident insurance products are being/have been

piloted in collaborations between JSBs, MFPs and the insurance industry (DFC et al, 2007).

It appears, the demand for insurance services among BOP households, including agricultural insurance, is potentially huge and largely unmet. On the demand-side, awareness is low and perceived pricing of premiums is higher than actual costs. On the supply-side, the potential size and profitability of the BOP market segment is not fully recognized and the process of designing and testing cost-effective services and delivery systems accessible to BOP has only recently begun. According to DFC et al (2007), examples of rural/agricultural insurance schemes include the following:

- Groupama provides livestock insurance in Can Tho, but has faced significant difficulties with the profitability of the product and is trying to diversify its activities beyond agricultural insurance;
- Bao Viet tried rice crop insurance in the past and was not very successful, but it still offers industrial crop insurance (for cashew nuts and coffee, for example);
- GRET in Vinh Phuc has developed a livestock insurance scheme for pig farmers, insuring porkers and sows against 4 common deceases and providing free veterinary advise against a small premium.

It is assumed that the vast majority of the rural farming households would also benefit significantly from access to appropriate micro-insurance services, including in particular medical, life, property, livestock and crop (price index) insurances. Microinsurance products are not simply downscaled conventional insurance products where “one product fits all”. Microinsurance is a subset of insurance that provides financial protection to the poor for certain risks in a way that reflects their cash constraints and coverage requirements. (DFC et al, 2007).

## **Overview of Aquaculture Export Sector**

Vietnam’s fisheries and aquaculture sectors has undergone rapid development during the last two decades. It is estimated that the sector accounts for approximately 3% of the GDP and that it provides employment for up to four million people (FAO/World Bank, 2005).

In 2009, Vietnam exported USD 4.6 billion worth of seafood and fisheries products. Shrimp (about 40%) and pangasius (about 30%) are the two principal export products, followed by molluscs and tuna. Whilst part of shrimp production is aquaculture based (roughly two thirds) and part from wild catch (about one third), all of pangasius production is aquaculture based (traditionally in cages, but now increasingly in ponds). At the same time, one must bear in mind that the bulk of fish and seafood production is consumed locally.

The case study focused on shrimp and pangasius aquaculture. In addition to HCMC, Ben Tre has been visited because both shrimp and pangasius aquaculture takes place in that province.

Whilst shrimp production appears lucrative for aquaculture farmers as long as they don’t have problems with diseases, pangasius farmers are struggling (also see

below). Tables 2 and 3 indicate export quantities and volumes for both shrimp and pangasius.

**Table 2: Shrimp exports, 2009**

	2009	Change compared to 2008
Quantity of processed shrimp exported	209,567 tonnes	+ 9.4%
Value of shrimp exports	USD 1.675 billion	+ 3.04%

Source: RIA 2, based on VASEP Magazine and Vietnam Customs

Shrimp exports have seen rapid expansion during the first nine months of 2010, compared to the previous year. According to VASEP (2010), the quantity of shrimp exported between January and September 2010 was 167,170 tonnes, valued at over USD 1.4 billion. This represents an increase of 14.2% in volume and 22.1% compared to the same period in 2009. Naturally, the growing demand is leading to price increases for raw material.

**Table 3: Pangasius exports, 2009**

	2009	Change compared to 2008
Quantity of processed pangasius exported (mostly IQF fillets)	607,000 tonnes	-5.2%
Value of pangasius exports	USD 1.343 billion	-7.6%

Source: RIA2, based on VASEP Magazine and Vietnam Customs

As for pangasius exports in 2010, VASEP paint a more positive picture, in that in the first 9 months of 2010, the country has exported 474,800 tonnes of pangasius, worth over USD 1 billion, up 6.4% in volume and 2.1% in value compared to the same period in 2009. (VASEP, 2010). In addition, due to lower production and some producers having abandoned pangasius farming, processors appear to fear a raw material shortage towards the end of 2010 and in 2011. According to VASEP (ibid), recent pond prices for pangasius in An Giang Province have gone up to VND 17,000 – 18,000 per kg of white meat, and VND 16,500 – 17,000 per kg of yellow meat, up by nearly VND 1000 per kg compared to the previous month.

Pangasius export prices depend on the destination. While the average unit value of Vietnamese pangasius exports over the whole of 2009 was USD 2.20/kg (of fillet), the US market offered the highest prices (USD 3.20/kg in 2009), values were lowest in the Russian and Ukrainian market (USD 1.65/kg) (Source: FAO Globefish – Pangasius, March 2010). Prices of fish exported to the EU, which is the largest market, are somewhere in between. At the same time, the same source points out that value-added products (e.g. breaded fillets) are destined for the US market, while

the former USSR countries import fillets with little value addition, which makes price comparisons difficult.

Towards the end of 2010 a controversy started related to the environmental sustainability of pangasius production. As a result, Vietnamese pangasius was placed on a 'red list' by the WWF, a measure which affected overseas sales.<sup>2</sup> It is expected that certification of pangasius production by the WWF backed Aquaculture Stewardship Council (ASC) will start later in 2011.

It should be noted that Vietnam is exporting increasing quantities of seafood (e.g. different types of shrimp and pangasius) to Africa. Egypt is by far the largest market with 29,600 tonnes of seafood imported in 2009 (valued at USD 60.4 million), followed by Algeria (2,800 tonnes), South Africa (767 tonnes), Libya (620 tonnes), and Morocco (364 tonnes in 2009). Nigeria has imported 1,300 tonnes in 2007.

## Shrimp – credit requirements and sources

Shrimp is mainly produced by small-scale producers, although intensive production is on the increase, in particular for *Penaeus vannamei* (i.e. white-leg shrimp). There are three shrimp production systems in place, which have characteristics as outlined in Table 4.

**Table 4: Shrimp (*P. monodon*) production systems in Ben Tre**

Production system	Construction costs (VND/ha)	Density (shrimp/m <sup>2</sup> )	Yield (tonnes/hectare/season)
Improved Extensive	about 45 million	4 – 7 pieces	0.3 – 0.7
Semi-intensive	100 – 200 million	7 – 10 pieces	1.5 – 2.5
Intensive	up to 700 million	25 – 40 pieces	5 – 6

Source: Field survey with shrimp farmers in Ben Tre province, Oct 2010.

The two main elements of production where capital is required include investment in pond construction and feed costs (for details see below).

Many aquaculture producers prefer to rent land rather than buy it, because this is cheaper and also in line with Government policy which discourages the sale of land. The annual value of renting land differs according to when the deal has been made. Current rental values in Ben Tre Province are of the order of VND 18 – 20 million (approximately USD 1,000) per hectare per annum. If the deal has been struck several years ago (e.g. 2003), then the agreed rental value would be about VND 7 million per hectare per annum over a ten-year period.

Given that estimates vary widely, it is assumed that construction of a pond for semi-intensive shrimp production costs VND 100 – 200 million (USD 5,128 – 10,256) per hectare.<sup>3</sup> This includes pond construction, including water inlets and outlets, plus aeration system. One hectare of land leads to about 0.6 hectares of pond, the rest being taken up by perimeter or area for water treatment. Construction costs also

<sup>2</sup> Source: <http://www.seafoodsource.com/newsarticledetail.aspx?id=10064>

<sup>3</sup> Exchange rate: USD 1 = Vietnamese Dong (VND) 19,500

depend on whether a shrimp production system is intensive or extensive. The latter system is likely to cost less than the aforementioned sums, whilst construction of an intensive system can cost as much as VND 700 million per hectare.

As for operating capital, feed costs account for well over half of shrimp production costs. Other variable costs include, labour, seed, fuel, chemicals and bio-products. Calculations based on cost and price information obtained in October 2010 indicate that shrimp production is a highly profitable business, provided that production is not hampered by diseases which can wipe out a whole harvest (see Table 5 below).

SME type aquaculture producers can obtain credit through the following channels (based on discussions with shrimp producer and other sources):

- Credit from bank (e.g. BIDV), if “red certificate” (i.e. title deeds) for house or land is available and can be handed over to the bank as collateral (mortgage type credit); commercial interest rate is 12% - 13% p.a. If the land is rented then the aquaculture farmer needs to use title deeds for the house as collateral, since no land use certificate is available in this case.
- Credit from bank if farmer is member of a cooperative (so-called trust loan);
- Supply of inputs on credit (e.g. feed, in particular once the first 80 days of *P. monodon* production have passed; cash price for shrimp feed is VND 27,000/kg or VND 28,500/kg if feed is on credit);
- Credit provided by processing company, depending on arrangement (e.g. 50% of working capital; producer will be expected to sell share of the production to processor in line with amount of credit obtained, e.g. loan for 50% of working capital means 50% of production has to be supplied to processor);
- Traders, other farmers, or money-lenders – they usually charge high interest rate (e.g. 3 – 5% per month). Also, traders will expect aquaculture farmers to supply to them if they have given them credit.

According to shrimp producers, in late 2010 banks are more reluctant to give credit to producers compared to three years ago. To some extent this may also be the result of the global financial crisis and its repercussions (e.g. less demand for shrimp on the international markets, and falling prices at some point). For example, whilst three years ago banks (e.g. BIDV, VietinBank) may have provided loans for 50 – 60% of fixed and working capital requirements, this proportion is much lower nowadays. According to one shrimp producer, banks provide loans for only 10 – 15% of requirement, with emphasis on working capital.

According to a Local Government official, a few years ago when the shrimp market was booming almost all farmers were able to obtain credit. Now, due to the recent crisis, only about 60% of producers have credit – i.e. about 20% have debt from previous years, and 40% have new debt. However, there is hope that access to credit will ease in the near future, given that the market is improving again (and interest rates have been going up as well).

On the other hand, there is no problem if an aquaculture farmer wants to save money (interest rate 11%). Banks are willing to open savings accounts for SME aquaculture producers.

As for insurance, there used to be insurance schemes in place for aquaculture between 2003 and 2006, which were provided by a Government insurance company (Bao Minh) and a private company (Groupama). However, it was reported that these

insurance schemes have stopped operating due to losses (e.g. shrimp farmers had problems with diseases).

Some suppliers of good quality shrimp seed give a guarantee on the PL (post larvae) they have supplied, i.e. if the survival rate is 80% then the shrimp farmer has to pay the full price (VND 80/piece); if the survival rate is 60% then the price decreases to VND 60 per piece; and the seed is free if the survival rate is only 40%. Traditional seed suppliers would charge seed at VND 50 per piece but without guarantee. Banks may request producers to use good quality seed to ensure that production and the ability to reimburse a loan are not jeopardised.

**Table 5: Shrimp production costs and profitability (intensive system)**

Items (production per season)	<i>P. Monodon</i> (Black Tiger)	<i>P. Vannamei</i> (White shrimp)
Area (m <sup>2</sup> )	10,000	10,000
Density (pieces per m <sup>2</sup> )	30/m <sup>2</sup>	100/m <sup>2</sup>
Seed	300,000	1,000,000
Price of seed (VND/PL)	60	60
Survival rate	80%	80%
Shrimp size at harvest	40 pieces/kg	80 pieces/kg
FCR (Feed conversion ratio)	1.5	1
Production (kg/hectare)	6,000	10,000
Total of feed (kg/hectare)	9,000	10,000
Feed price (VND/kg)	30,000	27,000
<b>Total production costs (VND/hectare/season)</b>		
<b>Fixed costs</b>		
Depreciation/season	35,000,000	23,340,000
Land rental/season	10,000,000	6,666,667
<b>Variable costs</b>		
Seed	18,000,000	60,000,000
Feed	270,000,000	270,000,000
Chemicals / bio-products	135,000,000	90,000,000
Other costs (salary, fuel)	20,000,000	20,000,000
<b>Capital costs/season (13% interest per annum)</b>	31,720,000	20,366,956
<b>Total production costs (VND/hectare/season)</b>	519,720,000	490,373,622
Total costs (VND/kg of shrimp)	86,620	49,037
Sales value (VND/kg of shrimp)	120,000	85,000
<b>Profit (VND/kg of shrimp)</b>	<b>33,380</b>	<b>35,963</b>
<b>Rate of return (Profit / production costs)</b>	<b>38.5%</b>	<b>73.3%</b>

**NB.** Capital costs are based on a commercial interest rate of 13% p.a., which has been applied to both fixed and variable production costs. Three crops of *P. Vannamei* can be harvested in one year from one pond whilst it is two crops p.a. in the case of *P. Monodon*.

**Source:** DARD Ben Tre and field survey (October 2010)

## **Pangasius – credit requirements and sources**

According to industry sources, pangasius (tra catfish) production is undergoing a rapid process of integration whereby large processing companies either buy or rent land for pond aquaculture. The alternative is that companies work with a number of family operated pangasius enterprises. For example, a recently started processing company in South Vietnam is planning to source 180,000 tonnes of pangasius from an area of 700 hectares of land (i.e. 450 hectares of ponds). 70 family enterprises owning 5 – 20 hectares will operate these ponds. In addition, the company also owns 30 hectares of ponds.

According to the management of a South Vietnamese pangasius processing factory, the investment costs for pangasius aquaculture is VND 600 – 800 million per hectare of land, and an additional VND 600 – 800 million/hectare for pond construction. As a result, the total investment costs for pangasius aquaculture are of the order of VND 1.4 billion per hectare (i.e. for purchase of land and construction).

If producers require land from the Government, they have two options: (a) to rent, concluding a deal over a period of 15 – 50 years, or (b) to buy the land from the Government, whereby a bank can give a credit of 70% of the land value (against land use title as collateral), and the farmer has to contribute the remaining funds in the form of equity.

SME type pangasius farmers face difficulties in that sales prices are barely covering production costs. In addition to an imbalance between supply and demand, “the situation was exacerbated by the US imposing an anti-dumping tariff of 130 per cent on Vietnamese tra fish, and several other markets had also set up technical barriers to limit imports” (Source: Vietnam News, 21/10/2010). According to the same source, the purchase price (farmgate) of tra fish was VND 18,500 per kilogram in October and there are plans to establish a floor price of VND 20,000 per kg in 2011. According to newspaper articles, there has been some upward pressure on pangasius prices in November 2010. The extent to which this is a long-term phenomenon beyond the end-of-year season, when global demand goes up, remains to be seen.

According to a pangasius producer interviewed in Ben Tre (who operates 3 ha of pangasius ponds; 3 crops in 2 years; 300 tonnes/ha/crop), he is renting land from another farmer at VND 20 million/hectare. Given that the rental deal was made several years ago, he pays a lower rate. Someone signing a rental deal in 2010 would have to pay VND 50 – 70 million per hectare. This is due to the fact that land prices are higher in areas where pangasius is produced (i.e. freshwater areas).

According to the same farmer, the construction of a pond for semi-intensive pangasius production would currently cost about VND 300 million/hectare plus other fixed costs of VND 100 million (i.e. for water supply, store, feeding equipment, and electricity connection). As a result, the total investment cost is VND 400 million per hectare of land.

Operating costs for pangasius production are VND 5 – 5.2 billion (USD 256,410 – 266,667) per hectare per season. The season lasts seven months and the yield is 300 tonnes of fish per hectare. In October 2010, the production costs were about

VND 17,000/kg of fish (USD 0.87), and sales prices were about VND 18,000 per kg of whole fish (USD 0.92).

Operating costs are split as follows: feed 80%, labour 6%, fingerlings 8%, and chemicals / bio-products 6%.

Sources of credit (based on interview with aforementioned pangasius farmer in Ben Tre):

- Fixed costs: he covers these himself, no credit. This reflects policy of the Government, which appears to try to limit the expansion of pangasius production. Nonetheless, likely as part of a longer-term strategy, a feasibility study is reportedly being carried out for a new potential project, which would further stimulate aquaculture production (e.g. basa catfish, *Penaeus vannamei*) including through credit channelled through the Bank for Investment and Development of Vietnam (BIDV). The latter would provide long-term credit to producers at a lower interest rate (e.g. 5% p.a.).
- Working capital:
  - Half of this can be obtained from banks (interest rates of 1% to 1.5% per month; e.g. one charges 1.35%/month);
  - A quarter is covered by the feed supplier. At the beginning of production feed has to be paid cash. However, when the feed supplier sees that production is going according to plan, then he can get feed on credit, in particular during the last two months of production. Price of feed: VND 8,000/kg if paid cash and VND 8,100/kg if on credit.
  - The farmer has to cover the remaining quarter of the working capital himself (e.g. from friends).

An article in Vietfish (March/April 2006) on the pangasius production system of An Giang Province shows to what extent aquaculture producers are linked with processing companies and how this facilitates access to bank credit. The described farmer, who has started pangasius production in 2000, is member of an association which has 200 members, who sell their entire output to a company that processes and exports. The company has tied up with the province's Agriculture and Rural Development Bank to provide credit to the association members. Farmers who sign contracts to supply fish to the processor get credit equivalent to 70% of their working capital.

Other examples include cases where processing companies provide pangasius producers with fingerlings on credit. Also, reportedly banks are not keen on dealing with a large number of small-scale farmers. As a result, some banks prefer to give a loan to a processing company, which in turn then uses the funds to provide farmers with loans for working capital (e.g. fingerlings, feed).

Companies that produce for the export market reportedly have lower interest to pay (12% p.a.) as compared to those that produce for the domestic market (14%).

According to Lem et al (2004)<sup>4</sup>, informal sources of credit such as moneylenders, fish wholesalers and processors and suppliers of inputs appear to play a certain role both

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<sup>4</sup> Lem, A.; Tietze, U.; Ruckes, E.; Anrooy, R. Van (2004), Fish marketing and credit in Viet Nam. *FAO Fisheries Technical Paper*. No. 468. Rome; 174p.

with regard to providing loans for working capital needs and to a lesser extend for capital investments. However, the same source suggests that “as in other cases and countries, most of the key informants thought that the cost of this form of credit was high due to high interest rates and unfavourable conditions attached to loans such as pre-fixed low prices on fish and other raw material.”

Traders are also a source of credit, however they reportedly charge 3% - 5% interest per month. They also provide farmers with shrimp seed or fingerlings and buy the raw material, deducting the credit from the raw material price (interest included).

At the same time, there seems to be a trend towards larger-scale production cutting out the middlemen. In particular, this is the case with pangasius. The shrimp production system is still dominated by small-scale producers, although there is also a tendency towards larger and more intensive production units.

Traders can obtain loans from banks as an example of a trader encountered in Ben Tre province illustrates. The trader collects shrimp worth VND 6 billion per month. At present, he has no loan from a bank, however he has a loan requirement of VND 200 million (USD 10,256) for working capital. He will have to pay 1.5% interest per month. The term of the credit is one year, and he will use the title deeds of his house as collateral.

Table 6 provides an overview of financial services provided and obtained by different participants in the aquaculture value chain of Vietnam, plus issues and challenges.

**Table 6:  
Overview of Financial Services in the Aquaculture Value Chain of Vietnam**

Stages in the Export Value Chain	Financial Services Used and Provided	Issues and Challenges
<p><b>Input Suppliers (e.g. feed, vet drugs, extension)</b></p> 	<p>Input suppliers (e.g. feed companies) provide producers with inputs on credit. They carefully assess production and once they have ascertained that production is going according to plan then they provide inputs on credit during the last few months of production.</p>	<p>Inputs provided on credit are more expensive than inputs provided on cash. For example, cash price for shrimp feed is VND 27,000/kg compared to VND 28,500/kg if feed is on credit. Credit is short-term and only available for part of the production.</p>
<p><b>SME Aquaculture producers (shrimp, pangasius)</b></p> 	<p>SME aquaculture producers obtain credit from a range of sources, including banks, input suppliers, processing factories, and informal sources, such as traders, friends or relatives. At present, producers appear to fund most of the capital costs through equity (own money or from friends or relatives), whilst part of working capital tends to be funded by the formal sources.</p>	<p>Although the feasibility of a potential project is being assessed which would include a credit element, at present little credit seems to be available for capital costs (i.e. “there are already enough ponds”). Credit access for working capital is easier. Credit from informal sources such as traders often comes with unfavourable conditions attached.</p>
<p><b>Intermediary traders / agents</b></p> 	<p>Intermediary traders have access to bank loans, in particular if they can provide collateral. Some have large turn-over (e.g. USD 300,000 per month). They provide loans to aquaculture producers (e.g. for fingerlings or post larvae), usually on the condition that the harvest will be sold to them.</p>	<p>The role of intermediary traders is diminishing in the pangasius production system which is becoming more integrated. They are more prominent in areas where small-scale shrimp production dominates. They have a reputation for unfavourable loan conditions (e.g. high interest rates, 3% – 5% per month) or low purchasing prices.</p>
<p><b>Processing factories/ exporters</b></p>	<p>Processing factories tend to be large enterprises, in particular if they produce for overseas export. As a result, they tend to have relatively easy access to bank credit. They provide aquaculture producers with credit, in particular for working capital (e.g. fingerlings or feed).</p>	<p>Some banks appear to give credit to processing companies in order to avoid dealing with large numbers of SME producers. The processing companies then use the funds for on-lending to producers. The latter are usually expected to sell to the factory in return; sometimes reflecting the proportion of loan they have received for working capital (e.g. 50%).</p>

## Annex 1: People and organisations met in Vietnam

Date	Name/Position	Organization	Location
23 & 24 Oct 2010	Travel by air from London, via Singapore, to Ho Chi Minh City, arrival on 24 Oct at noon.		
24 Oct 2010	Mr Tran Cong Ich, National Consultant	Dong A Bank Securities Company Ltd	Ho Chi Minh City (HCMC)
25 Oct 2010	Mr Nguyen Phat Quang, President	Asia Commerce Fisheries JSC; new fish processing company	HCMC
25 Oct 2010	Mr Ngo Nhon Kiet, Trading Deputy Director	Investment Commerce Fisheries Corporation (INCOMFISH Ltd), fish processing company	HCMC
25 Oct 2010	Mr Nguyen Van Trong, Deputy Director	Research Institute for Aquaculture No 2 (RIA2), Ministry of Agriculture and Rural Development (MARD)	HCMC
25 Oct 2010	Mr Tran Hoai Giang, Vice Director	Southern Sub-Institute of Fisheries Planning, MARD	HCMC
26 Oct 2010	Travel to Ben Tre Province		
26 Oct 2010	Ms Tran Thi Thu Nga, Director	Programme Management Unit of Fisheries; Ben Tre Sector Programme Support – Phase II	Ben Tre
27 Oct 2010	Shrimp farmer	Owner of SME shrimp aquaculture company	Ben Tre Province
27 Oct 2010	Pangasius farmer	Owner of SME pangasius aquaculture company	Ben Tre Province
28 Oct 2010	Visit by Mr Ich to one pangasius producer, two shrimp producers, and one trader, in Ben Tre and Mi Tho Provinces.		
29 Oct 2010	Travel from Ben Tre to Ho Chi Minh City; Tran Cong Ich – return to Hanoi; Ulrich Kleih – return to London via Singapore, arrival on 30 Oct 2010 am.		

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## Annex 3: Checklist for fieldwork in Vietnam

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### **Case Studies on the Role of Financial Services to Small to Medium-Scale Enterprises in Fisheries and Aquaculture**

#### **Introduction of the topic**

GTZ supported study, which forms part of a wider initiative “Establishing a Fisheries and Investment Partnership”. Six country case studies.

#### **Objective of the case studies**

Analysis of the role of financial services to SMEs in the pangasius and shrimp farming industries in the Mekong Delta. This includes functioning of the system, and constraints and solutions, including an enabling environment.

#### **Steps & tools**

**Mapping of the value chain**, including sub-chains (e.g. traditional/small-scale vs large-scale/commercial sector); percentages per type of supply; indicate values as far as possible.

#### **Semi-structured interviews with SME aquaculture producers (shrimp and pangasius) on:**

Overview of the livelihoods / production system (size of ponds, type of shrimp or pangasius produced, buyers, turnover, prices, approximate net margins, general constraints and issues)

Sources of credit (Govt banks, private banks, coops, NGOs,

Typical size of loan

Terms (duration, interest rates, etc)

Type of collateral required

Penalties if failed repayment

How has the system changed during the last 5 years (impact of financial crisis)

Role of private equity (e.g. friends or family, how does it work)

Role of input suppliers (do they provide supplies on credit, terms)

Role of intermediaries/traders (do they provide loans, type, terms)

Role of processors/exporters (do they provide loans, type, terms)

Importance of group formation (incl. coops, associations) for small-scale producers as a condition to obtain loans from banks

Constraints in relation to credit access and possible solutions

The role of Government in creating an enabling environment for investment

Other financial services used, e.g.

savings schemes (size, rates, conditions, ...)

insurance schemes (coverage, how do they operate)

### **Banks and other financial institutions**

Overview, ownership, type of financial services offered (e.g. loans, savings, insurance, etc)

Loan portfolio (total and to SME aquaculture producers)

Loan terms

Loan recovery rates

Constraints regarding financial services (loans, savings, insurance, etc)

The role of Government in creating an enabling environment for investment

Changes during the last 5 years (impact of the financial crisis)

Sustainability of the financial industry

To what extent are subsidies given; for which financial services, and in what form

### **Vietnam Association of Seafood Exporters and Producers (VASEP)**

Update on fisheries and aquaculture sector; obtain documents

The role of credit in SME shrimp and pangasius production

Who provides credit; size of loans, terms, etc

Types of credit (e.g. bank loans, input supply credit, trader credit, ...)

Other financial services used by aquaculture SMEs

Where do other stakeholders in the industry get credit from: processing factories, input suppliers (feed, drugs, etc)

Constraints regarding financial services (loans, savings, insurance, etc)

The role of Government in creating an enabling environment for investment

Changes during the last 5 years (impact of the financial crisis)

Sustainability of the financial industry

To what extent are subsidies given; for which financial services, and in what form

## **Interviews with other stakeholders in the value chain**

Processing factories – overview of company and system

do they give credit to suppliers (farmers or traders; terms);

credit related constraints (e.g. default by suppliers);

role of Government in creating enabling environment, ....

Traders – overview of company and system

do they give credit to suppliers (farmers or smaller traders; terms);

do they have equity invested in larger or smaller companies (e.g. ponds or factories)

credit related constraints (e.g. default by suppliers);

role of Government in providing enabling environment,

SME input suppliers

overview of input supply system

what financial services do they obtain

what financial services do they provide – e.g. do they supply inputs on credit -  
what are terms and conditions if they do that

issues and

Government – local or central

overview of the fisheries sector – production, issues and challenges

how does credit supply system work in the fisheries sector

other financial services available

policies in place regarding financial services for SMEs (in general and in the  
fisheries sector)

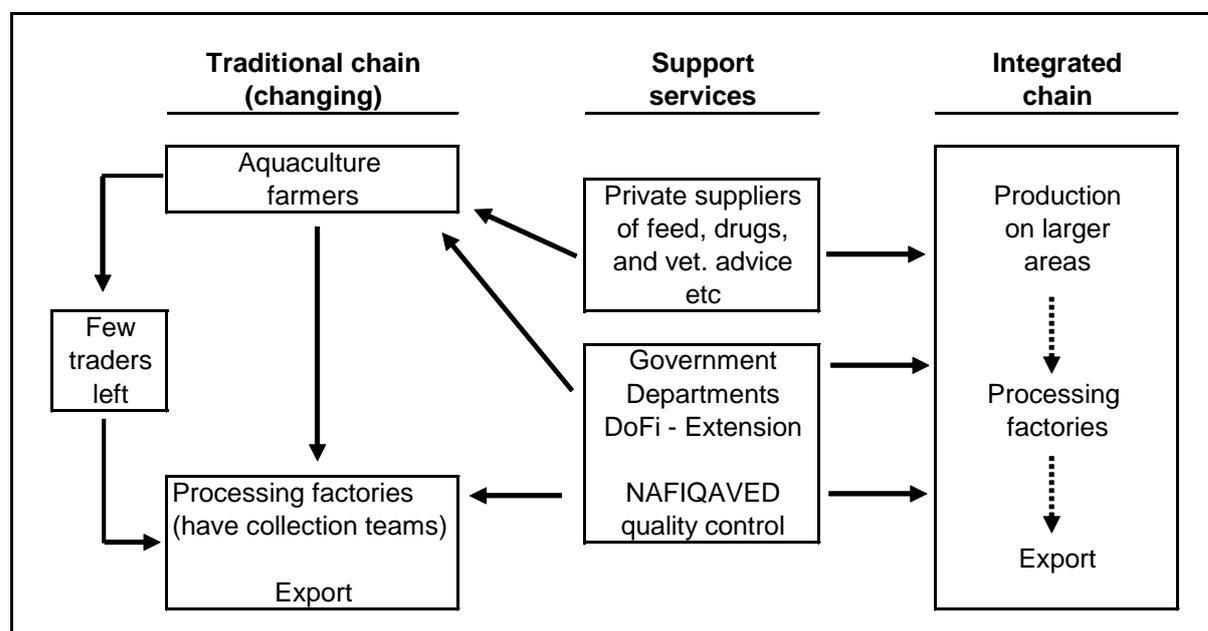
are there any financial services related schemes or projects for the fisheries  
sector

future plans

**Financial Services in the Aquaculture Value Chain - Vietnam**

Stage in the Value Chain	Financial Services Used and Provided	Issues and Challenges
<p data-bbox="224 446 779 526"><b>Input Suppliers (e.g. feed, vet drugs, extension)</b></p>  <p data-bbox="282 769 721 849"><b>SME Aquaculture producers (shrimp, pangasius)</b></p>  <p data-bbox="277 1069 725 1104"><b>Intermediary traders / agents</b></p>  <p data-bbox="259 1281 409 1353"><b>Domestic market</b></p>  <p data-bbox="483 1281 813 1353"><b>Processing factories/ export</b></p>		

**Pangasius value chain (Source: NRI and Lacoms, 2007)**



**Shrimp Value Chains (Source: NRI and Lacom, 2007)**

About two thirds of shrimp is produced by aquaculture and one third by fishery

