

Social Impact Investing for Sustainable Fishing Communities

Workshop Report

Ecology Action Centre

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Ecology Action Centre

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Summary and Recommendations

The workshop entitled “Social Impact Investing for Sustainable Fishing Communities” was hosted by the Ecology Action Centre and organized in partnership with members of the Canadian Independent Fish Harvesters’ Movement. Presenters from across the Atlantic Provinces shared details of community tools designed to support the long-term sustainability of fisheries. Innovators from other sectors and experts in the field of social finance and community investment collaborated to identify strategies to finance fleet managed initiatives and improve economic viability.

The presentations and discussions reaffirmed that Atlantic Canada’s owner-operator fisheries are key economic drivers of coastal communities. There are 10,000 independent fishing enterprises active in the four Atlantic Provinces and Quebec, which together produced \$1.8 billion in landed value in 2011. Of this value, 75% goes directly to independent rural fishing enterprises. This wealth allows owner-operator fisheries to function as the economic engines of coastal communities and as Atlantic Canada’s largest private sector employer.

Independent community fisheries have remained an important part of the Atlantic economy largely as a result of the existing policy framework. However, this community wealth generation is threatened by a global trend towards fishery corporatization and resource concentration. Loss of community ownership and access to fisheries would devastate Atlantic Canada, and a growing population of fishermen nearing retirement age also means that succession planning and financing must be addressed. New ways of thinking about how to finance community fisheries are needed, and Atlantic Canada’s unique policy framework can help provide an economic and social model that ensures fisheries resources contribute the maximum benefit to coastal communities and the public.

Recommendations

Four major important recommendations emerged after two days of discussions:

- 1.** New and existing financial mechanisms that support community investment can be used to ensure community ownership and access to fisheries resources. Nova Scotia’s Community Economic Development Investment Fund (CEDIF) program provides significant opportunities for financing sustainable fishing communities and other Atlantic provinces should support similar tools to enable community investment.
- 2.** Collaboration between groups like community-based fishermen, farmers, foresters and investment experts should continue as a means to share lessons about community resource management and the evolution of natural resource-based industries. Actors should work towards developing a community of practice of social finance and community control of productive resources.
- 3.** Fishing associations must be involved in planning financial options to support the future of community fisheries. With increased responsibilities continually going to fishing association, this means that it is essential to increase the capacity and expertise of organizations that represent independent community-based fishermen.
- 4.** Fishermen must become more actively engaged in marketing and market building in order to increase the value of community fisheries and to support fishery business planning.

Next Steps

Develop financial modelling tools for community fisheries – Ecology Action Centre

The Ecology Action Centre will develop user-friendly financial modelling tools to demonstrate how social finance solutions might work in specific owner-operated fisheries. This step arose in response to uncertainties related to fishing license costs and business plans. This type of model could be used to help identify some potential social finance structures that could be adapted to different cases.

Expected Timeframe – Summer 2013

Present case studies of solutions in fisheries – Ecology Action Centre and Fishing Association Partners

As fishing associations present the information gained at this workshop to their membership, it would be useful to have a list of existing case studies like license banks to be able to demonstrate how they work in practice. Ecology Action Centre will develop this resource and disseminate it with assistance.

Expected Timeframe – Summer 2013

Participate in social finance community of practice – All

Collaboration between the different groups involved in this conversation was very valuable and should continue. Understanding social finance as a means to support community control of productive resources may provide useful opportunities in the future.

Expected Timeframe – ongoing, including the Food Farms Fish and Finance Forum in May 2013

Promote the contribution of independent community fisheries to rural economic development – All

A major theme that consistently emerged was the economic importance of owner-operator fisheries. Participants agreed that it was important to celebrate these fisheries and their economic contributions.

Expected Timeframe – ongoing, with research possibilities to be explored in Summer 2013.

Explore opportunities to increase the value of community fisheries – All

It was mentioned several times that fishermen must become more engaged in marketing and market building in order to increase the value of community fisheries and support fishery business planning. In an effort to help move away from the 'price taker' situation, the Ecology Action Centre will host a conference to discuss increasing seafood value in local, regional and direct markets.

Expected Timeframe – ongoing, with workshop in September 2013

Identify potential pilot projects – Ecology Action Centre and Partners

As financial models and structure ideas are explored and refined, we will be able to determine some areas and situations where potential 'pilot' projects to test how appropriate social finance solutions are to addressing community fishery issues.

Explore the possibilities for graduated license transfers – Fishing Associations

One major theme that emerged in conversations was the difficulties faced by individuals required to raise large amount of capital upfront. The possibility of graduated transfer of ownership was discussed, but it the policy and regulatory barriers are uncertain.



Presentations and Panels

The workshop was primarily structured to connect two groups: fishing associations and social finance practitioners. Through a series of presentations and panel discussions, the workshop explored the issues being faced in different industries and drew out useful lessons for potentially applying social finance solutions to Atlantic Canadian owner-operated fisheries. The cases are each presented here, along with a summary of important points that may prove instrumental when designing or adapting new solutions.

Part One: Fishing Industry Cases

Fédération régionale acadienne des pêcheurs professionnels.

The Fédération régionale acadienne des pêcheurs professionnels (FRAPP) includes L'Association des crevettiers acadiens du Golfe (ACAG), a fleet of shrimp vessels over 65' that each employ up to five crew members. From 2006 to 2009, fleet profits dropped dramatically due to rising fuel prices and competition from farm-raised shrimp products. With concerns being raised by financial institutions, the fleet embarked on a restructuring program designed to rationalize operations while keeping the benefits of the shrimp quota in the community.

After lengthy discussions with fishermen, processors and community members about the vision for the fishery, FFRAP was able to put together a financing package that included support from the provincial government, the local cooperative processor and fishermen. A jointly owned corporation was set up with the stipulation that the processor (Lamèque Coop) be able to secure supplier agreements but not have any direct involvement in the corporation's management.

Once the structure of the solution was identified, fishermen were faced with a decision about whether or not to

continue in the fleet. Five allocations were purchased by the corporation and an additional five fishermen left the fishery. Only one was sold outside of the community.

There was difficulty obtaining financing for the approximately \$5 million needed to purchase the five enterprises, but the result has been that four million lbs of quota, 20 direct fishing jobs and an additional 100 seasonal processing jobs in the community have been retained. The major challenge identified in the financing stage was uncertainty caused by market dynamics, fuel costs, as well as ambiguous federal policies. Financing institutions were reluctant to lend to an enterprise that was so exposed to regulatory changes and interference from Fisheries and Oceans Canada.

Highlights

- Re-structuring into a jointly owned-cooperative enabled the community to maintain quotas and to retain fishing and processing jobs.
- Uncertainty in the fishing business and regulatory ambiguity can be major barriers to finding conventional investment.

Community Quotas and Eastern Shore Fishermen's Protective Association

Inshore groundfish fishing fleets from Nova Scotia's Eastern Shore communities were devastated by the groundfish collapse in the early 1990s and marginalized by the government policy decision to assign 85% of the groundfish quota to offshore, corporate fleets. Fishermen in the area observed that working on offshore vessels was not a very well-paying job but that depletion of the groundfish resource was making it more and more difficult for independent fishermen to remain active in the fishery.

Fishermen decided to get together and try to do something about the loss of independently owned and operated fisheries and help to sustain the community and resource. Eventually the groups settled on the concept of 'community quotas' as a potential solution to the removal of quota from specific areas. The definition of 'community' and precise ownership structures proved very difficult to establish, but core companies were created with agreements about how to get into the fishery, who owns the resource, adjacency, fleet separation, and how the group operates by introducing a shareholders' agreement. They found that as governments and ideology and power structure changes, it was better to be structured as business so as to be governed by law instead of by policy.

Fishermen agreed that 'community quota' meant that the quotas should stay in the community and not go to big outside companies. One of the key lessons has been that with groundfish, community quotas work well once ownership is established. Once it is recognized that a community will own the asset indefinitely, community members, fishermen and processors begin to invest in it. However the initial establishment of this ownership is difficult.

Highlights

- Community quotas can help to enable independent fisherman to continue to fish.
- Establishing ownership is an important first step before allocating quota.
- A business model with a shareholders agreement can help establish the laws by which a group operates outside of policy change fluctuations.

Maritime Fishermen's Union

The Maritime Fishermen's Union was founded in 1977 in the Province of New Brunswick and today represents over 1,300 owner-operator harvesters in New Brunswick and Nova Scotia. The MFU is committed to a resilient and sustainable

fishing industry and members harvest lobster, herring, scallop, mackerel, snow crab, and groundfish (cod, hake, flounder, plaice and turbot). All MFU harvesters operate with vessels under 15 meters in length.

On the East Coast of New Brunswick, the MFU is the official representative of inshore fishers in accordance to the Inshore Fisheries Representation Act of New Brunswick. Nova Scotia members may voluntarily join the association. The organization's strength and capacity has allowed them to spearhead a number of important initiatives including the Homarus lobster enhancement project as well as a number of scientific studies focused on the lobster resource.

The Maritime Fishermen's Union presented a unique allocation system used to distribute a quota allocation for snow crab. The MFU has quota of crab but not enough to give each member a viable portion. Instead of selling the quota outright, MFU holds a lottery to allow each interested fisherman the opportunity to fish during a season, but disallows repeat participation until everyone has had the opportunity. Additional quota can be bid on for approximately \$2.50/lb. The proceeds from this fee are used to provide extended health care for fishermen and their families.

Highlights

- Organizational capacity in fishing associations is required to provide support and expertise towards community financing and management of productive resources.
- Community control over fishing resources allows them to meaningfully reinvest proceeds of the resource back into communities.

Snow Crab Quota Consolidation on Nova Scotia's Eastern Shore

One example was presented of an approach to management that did not support community ownership and control of the resource – the case of snow crab abundance growth and quota allocation along Nova Scotia's Eastern Shore. When quota for snow crab became available, there was no strong association like the Maritime Fishermen's Union in the area that could organize a community-based method of allocation or of ensuring that the quota was used to the community's benefit. Instead, Fisheries and Oceans Canada suggested that fishermen organize themselves into 'core companies' of four or more individuals that would each receive separate allocations.

The group established core companies with quota attached where "buy in" and sell price was based on return on investment and capacity to earn a living. However, unlike the case of Eastern Shore groundfish community quota management boards, the communities did not have protection from the self-interest of members of these private corporations. In practice, it was difficult for individuals not to seek the largest quota shares possible during allocation. This experience demonstrated how important it is to determine ownership and to clearly structure terms and practices in documents such as shareholder agreements. Questions of ownership, as well as conditions, residency requirements, adjacency, fleet separation, etc. must all be answered in a shareholders agreement.

Reflecting on the case of snow crab over time showed that in practice, most of these questions were not properly addressed in the formation of core companies. Some snow crab quota has been sold to corporate fisheries and no longer employs people in the Eastern Shore. Other quota allocations are being leased to fishermen who are active in the fishery. This introduces additional costs that must be paid simply to access the fishery. While this allows community-based fisheries to

operate, it also means that Fisheries and Oceans Canada has created an asset that is privately owned, increases the cost of fishing and diverts wealth away from active fishermen and fishing communities.

Highlights

- Without proper policy protections, fishing quota can easily become concentrated and privately owned, with potentially destructive impacts on active fishermen and fishing communities.
- Market-based solutions do not always result in the most economically efficient or beneficial solutions for communities.



Part Two: Social Finance

What is Social Finance?

Joanna Reynolds from the MaRS Centre for Impact Investing introduced the conception of social finance as a means to an end and **a way to solve social or environmental challenges while generating financial return.**

Using grants, debts, loan guarantees, deposits and equity investments, social finance practitioners direct investment into vehicles like Community Development Corporations, Community Loan Funds, Local Investment Clubs, Alternative Financial Intermediaries, Local Exchanges, and Sustainable Tax Credits. Social finance can be seen as a means to address complex problems, with the understanding that this requires engaging a whole system of interconnected actors, committing to long-term investments, and making a cultural shift in how we work together and value success.

It is important to caution that social finance should not be seen as a 'free money' solution. Many people think of social finance and immediately ask where money will be coming from. It is critical to think first about the problem being addressed and to decide: What changes are you seeking? Who needs to be involved? Starting with these two questions, appropriate finance and business models can be designed. However without that foundation, social finance solutions are unlikely to succeed.

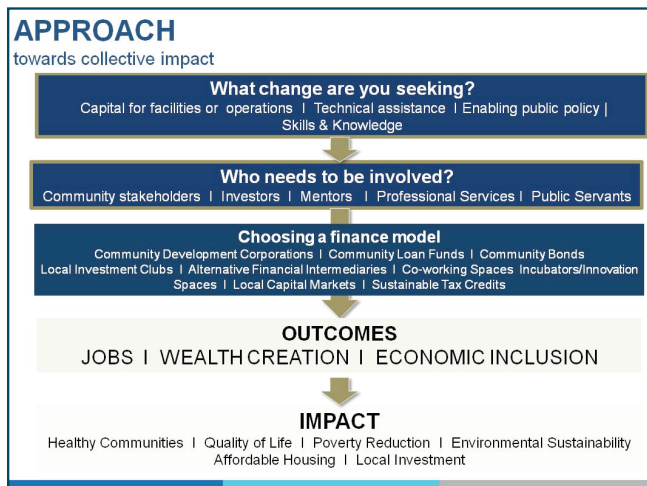


Figure 1: Schematic presented to guide the process of developing social finance solutions.

Community Economic Development Investment Funds

Nova Scotia has an Equity Tax Credit to encourage local residents to invest in Nova Scotia small businesses. The success of the Equity Tax Credit led the Province to develop an enhancement to the program, Community Economic Development Investment Funds (CEDIFs). A CEDIF is a pool of capital, formed through the sale of shares within a community, created to operate or invest in local business.

The CEDIF program was developed based on data that showed approximately \$600 million was contributed to RRSPs by Nova Scotia taxpayers, but less than 2% was re-invested in the Province. This is a problem for communities in two ways: first, it is often difficult to attract venture capital to invest away from their home location, and second, each investment dollar spent in a community circulates through the economy.

A CEDIF must develop within the community and be used to finance economic development. The province provides incentives to investors in the form of Nova Scotia personal income tax credits. There are now 48 CEDIFs, with an average CEDIF fund of \$500,000. Nova Scotia CEDIFs collectively manage more than \$50 million in assets and have more than 6,000 investors; 9 pay annual dividends. A CEDIF can be structured either as an investment in a single company or enterprise or as a blind pool to raise capital without knowing the exact investments in advance. Based on the workload involved in managing a CEDIF, the identified financing gap most appropriate is the range of \$100,000 to \$1,000,000.

Part Three: Social Finance at Work

New Dawn Enterprises

New Dawn Enterprises is a Cape Breton-based Community Development Corporation established in 1976. The purpose of New Dawn is to engage Cape Breton communities to create and support the development of a culture of self-reliance. As a Community Development Corporation, New Dawn does not have shareholders and is instead operated as a business dedicated to community building. There are three primary divisions: real estate (commercial and residential), healthcare (guest home and more), training operation (welding school, community college division).

Using Nova Scotia's CEDIF program, New Dawn has raised money from approximately 400 individual investors. Over the past ten years, it has also paid over \$8 million in investment dividends in the community. The CEDIF allows communities to retain some of the wealth that would otherwise leave the area in the form of RRSP investments.

New Dawn employs over 175 people from the Cape Breton community and reaches 600 Cape Bretoners each day through its companies and projects. While the CEDIF model has provided an excellent opportunity to support decentralized economic development initiatives like New Dawn, one important observation made was that New Dawn's success is partly a result of trial and error and community involvement. There is no 'one size fits all' model for community economic development and local participation and iteration are important elements of any successful approach.

Highlights

- The CEDIF vehicle provides excellent opportunities for community investments to support local economic development.
- Even relatively small investments can make powerful contributions in rural areas.

- A diverse range of projects might be needed to find the approach that will work in a community.

Farmworks Investment Co-op

Farmworks Investment Co-op is a "blind pool" investment fund that raises capital through the CEDIF program and provides equity and subordinated debt financing for farms, farm-based secondary processing, and value-added food products. The Farmworks mission of is to support food production in Nova Scotia, and investment in secondary processing and value-added products provides important market opportunities for Nova Scotia farmers.

Farmworks was established in 2011 to address the perceived trend of fewer and fewer active Nova Scotia farms and food producers. The co-op currently offers loans to primary and secondary food producers in the province ranging up to \$25,000. Loans in 2012 ranged from \$5,000 to \$25,000 at an annual rate of 6% with a payback in two to five years. Interest rates are established annually by the Board. The first CEDIF offer closed at the end of February 2012 and raised \$223,500 while the second in February 2013 raised \$225,300. By the end of the fifth year it is anticipated that at least \$6 million will be invested in farms and food-related enterprises across the Province.

Community involvement, advising and mentoring are major parts of the Farmworks Investment program. Prospective borrowers must undergo a rigorous screening and comprehensive evaluation process, but during the process they are provided with business planning assistance. They

¹ A blind pool investment fund is a fund that pools investments made by individuals. The fund then invests in projects/business ventures. It is "blind" in the sense that individual investors do not know what business they are investing in, as these decisions are made by the Fund managers.

also benefit from meeting opportunities with the Farmworks Board of (Industry) Advisors.

One feature of the mentoring provided by Farmworks is the 'Gentle Dragons' advisory process, which provides an opportunity for prospective borrowers to present their ideas in a public venue and receive productive feedback from a panel of advisors. Not only does this assist the borrowers in developing their business, it also helps showcase the variety of food businesses in the province to the public and introduces them to this investment opportunity.

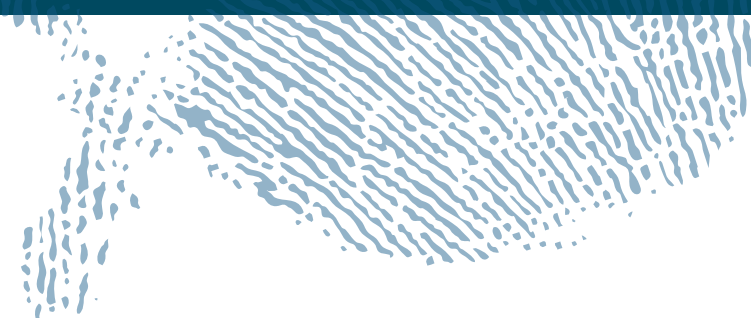
Highlights

- Farmworks has been able to raise significant capital through the CEDIF program and provide small loans that can be used to leverage larger investment. This has been instrumental in the success of a number of Nova Scotia food businesses.
- Mentoring and advisory services are critical aspects of the ensuring loan repayment and supporting borrowers' long-term success.

The Future of Fish

The Future of Fish initiative has a unique focus on the 'middle' of the supply chain, and was built after observing a host of sustainability interventions focused on fishery reform or retailer commitments. The Future of Fish projects showed that challenges and fragmentation in the processing and distribution steps of the value chain preclude most fishermen from being able to realize higher value from socially and environmentally responsible fishing practices.

Research performed by the Future of Fish team showed that most major seafood distributors operated very fragmented supply chains, with some products being over sold, some under sold, and most orders being filled through substitution based on daily catches. These fragmented supply chains result in the establishment of what are primarily 'transactional' relationships



where money is made by negotiating individual orders. Under these circumstances investment in quality, traceability and storytelling about fishing practices will not generate meaningful returns. Since sales are made after fish are landed, there is a constant pressure to move perishable products.

Fragmentation in supply chains combined with the constant negotiation to align supply and demand results in resistance to technology and an inability to increase value by 'storifying' fish. The Future of Fish works with supply chain entrepreneurs to bring together multiple players to build alternative supply chains. Over the past 2 years, the program has worked with 20 entrepreneurs in different positions in the seafood chain.

Project Profiles

- Tom Kraft, Norpac Fisheries Export – has developed a process to track fish coming into distribution center. Barcoded products are able to move through the distribution centre faster and with more regularity, and more products are received at 'peak freshness'. The business has cut overtime costs and increased annual revenue by \$50,000 per year.
- Sean Dimin, Sea to Table – connects small-scale fishermen with markets through third-party logistics. By building traceability and transparency into their system, Sea to Table allows chefs to know exactly where the fish came from, how it was caught, and by whom. Instead of being subject to an arcane market distribution system, fishermen can go directly to high-end users.
- Jared Auerbach, Red's Best – set out with a goal to efficiently distribute a large quantity of fish from small boats. Using proprietary software, Red's Best builds the supply side

ability to meet the increasing demand for local, traceable, sustainable, top-quality seafood.

Highlights

- Improving market opportunities through value chain building and innovative use of technology can double the income received from fish.
- Data collection and technology can allow for more effective business management, but requires trust in the supply chain as it reduces opportunities to aggressively negotiate zero-sum transactional deals.

The Cape Cod Fisheries Trust

The Cape Cod Fisheries Trust (CCFT) was formed in 2005 to support Cape Cod fishermen in the transition from competitive to 'individual transferable quota' fisheries in scallop and groundfish fleets. The Trust buys quota opportunistically and leases it to fishermen who would lack the capital to be able to purchase their own. Part of the Trust's success has come from its early entry into quota markets; while early purchases carried significant risks from the unpredictability of the quota system's development, they allowed it to capture quota at relatively low prices.

The Trust is funded by a combination of grants, loans and program-related foundation investments. So far, the Trust has successfully raised nearly \$3 million for the quota purchases and operates a Revolving Loan Fund that allows fishermen participants to reinvest in additional quota purchases. The Trust currently owns and leases approximately 160,000 pounds worth of scallop quota each season and leases it for approximately 50% of the cost on the competitive market. A major strength of the Trust is its ability to operate with a much longer time horizon a more diversified portfolio than an individual can.

The Trust has partnered with a development bank to offer business planning services to members, and has found that

once initial barriers to entry are overcome, smaller vessels are able to compete with large ones because of their efficiencies from low vessel costs and fuel consumption.

The major challenge identified by Cape Cod Fisheries Trust managers is in the regular and ongoing decisions surrounding allocation and program participation. One of the lessons of the Trust is that with a clear business plan and identified participants, raising funds has been relatively straightforward. There is an evident need to be very clear upfront about how, under what guidelines and to what purpose the Trust will choose fishermen to receive quota leases. Even with clear guidelines, there is need for ongoing work needed in fishing communities to ensure that a quota bank continues to serve community needs and does not inadvertently end up raising prices or contributing to barriers to entry for new fishermen.

Summary

- A longer time horizon and ability to diversify has allowed the Trust to secure quota positions that individual fishermen would not have. Financing challenges can be overcome once a plan and structure are in place.
- Small vessel fisheries have economic efficiencies and can compete with larger vessels if they can access capital.
- It is critical to have purpose and structure established before allocation discussions begin.



Pacific Coast Fishing Conservation Company and Ecotrust Canada

The Pacific Coast Fishing Conservation Company is a license bank founded by a group of fishermen and Ecotrust Canada. A licence bank is a cooperative ownership structure that allows fishermen or communities to pool licences and quotas that is then leased back to members, at reduced or fair trade cost, improving the economic viability and securing access for members.

The PCFCC was founded in 2006 with seven hook and line dogfish fishermen who collectively borrowed to purchase additional quota for their enterprises. The company established a fair trade policy that included real time trading with an agreed-upon lease rate formula and clearly defined shareholder responsibilities and consequences. The company also established a conservation covenant and code of conduct for fishing as well as an entrance and exit strategy to enable new entrants. By establishing these important agreements before the license bank was operational, the company has been able to avoid controversial disagreements and/or premature dissolution because of diverging priorities.

Tasha Sutcliffe identified seven key steps in the formation of this license bank:

- Organize – identifying the objectives and capacity needs of a license bank in order to identify potential partners and key considerations such as group size and membership goals.
- Prioritize – agree on the license bank goals and priorities and define principles for its operation.
- Structure – decisions about the structure of a license bank are highly dependent on regulatory environments, the needs of individual / group members and potential sources of capital. Any structure will have advantages and disadvantages.
- Capitalize – sources of capital might include existing assets of members, government funding, foundation grants, or different types of loans.

- Planning – business plans must be developed to show expected leasing costs and revenue, operating costs, and long-term growth strategies. The variable and often unpredictable nature of fisheries – and regulatory uncertainty – makes business planning difficult in some cases. It is critical not to rely on best-case scenarios and unrealistic expectations though.
- Procedures – will allow the license bank to operate and stay true to its goals and purposes. This should include shareholder agreements, operations manuals and evaluation frameworks.
- Operations – putting a licence bank into operation will involve transferring assets with the help of a lawyer, an accountant, and a business manager. Sourcing expertise will help to establish the licence bank on a firm footing.

Highlights

- Following the Ecotrust Canada guidelines for the establishment of license bank ensures that the necessary steps are followed in an appropriate order.
- It is critical to establish formal agreements that plan for different circumstances before launching this type of project.



Major Breakout Themes

Succession Planning

Several fishing associations and people working in food systems identified succession planning as a major issue that social finance can address. While owner-operator policies in Atlantic Canada help protect individual license transfers, in practice many fishermen have had trouble leaving and accessing the fishery. There are a limited number of people able to acquire licenses because of capital barriers to entry and a lack of confidence in long-term enterprise viability.

Challenges Identified

- Fishermen rely on sale of license to finance their retirement. In some identified areas (Newfoundland) there are no new entrants able to pay what retiring fishermen believe they need for retirement. This has led in some cases to increased corporatization and decreased employment in the fishery.
- There is a need to establish a better understanding of license costs as related to enterprise viability. Government managed buybacks were identified as an important driver of license price inflation, with Employment Insurance programs also potentially playing a role. License costs must reflect potential enterprise profits for social finance to be effective.
- Fishery regulations hinder creative and simple solutions to problems. Graduated enterprise sales where a portion of traps are sold over time could facilitate new entrance and retirement without relying on lump-sum payments upfront.
- There is always a tension between people who have been in the fishery for years who want to exit at a high price and young people who want to get in at a low price. Conversations about fairness and the equity of different approaches are necessary.

Possible Solutions

- A fund to assist new entry might be promising; it is important to first establish a business plan and guiding

principles for this type of fund and distinguish it from existing sources of capital such as Fisheries Loan Board. Some basic principles were discussed:

- Community orientation: Structure the fund so that it would strengthen the organization and fortifying against people who break down owner-operator protections
- Sources of capital would follow structure, but might include foundations, patient and long-term investors and / or governments.
- Trust agreements that are not controlling ones may provide the security that business plans need to secure funding.
- The framework about succession planning means planning the future of rural Nova Scotia and rural Atlantic Canada. Market development and value chain cooperation are needed. The importance of working on multiple issues at the same time presents a challenge.
- The Farmworks experience has demonstrated that food production enterprises can be viable but still not able to receive money from conventional sources.

Important Next Steps

- Community fisheries financing is a critical part of any rural economic development strategy. Research about the economic impacts of fisheries ownership policies would be useful.
- It may be possible to structure trust agreements to provide benefits of supply certainty and financing without taking on controlling elements. Examining the details of trust agreements and impacts of different structures might be valuable.
- Associations must determine the viability and basic long-term business cases in individual fisheries in individual communities. This would help address some financial illiteracy

problems and show how retirement costs can be worked into business planning.

- Graduated license transition may be an effective solution to retirement costs issues, but it is unclear how this could be allowed in the current regulatory environment.

Community License Banks

Community license banks were identified as a potential solution to address problems of outmigration of fishing enterprises from geographic communities, with Grand Manan emerging as the most distinct area of interest for this type of solution in the short-term.

In Grand Manan there are currently ~150 lobster licenses being fished, and fishing and fishing-related activity is the social and economic backbone of the community. However, licenses are not geographically limited, and there is no formal mechanism to prevent them from being purchased by outside interests and moved off of the island. While there is significant community support for retaining licenses, there is little government support for policy protection.

Understanding license transfers as a new type of pension fund is crucial to understanding Grand Manan's situation. Today, new entrants to the fishery are being asked to provide the retirement benefits of the retiring fisher. In some cases an individual will be in "the right place at the right time" to be able to do so, but more often than not, an individual wants to retire and has trouble finding someone in the community to sell to. Replacing this up-front purchase with some sort of eased transitions or gradient may be one important solution.

Possible Solutions

- A community bond or CEDIF-funded licence bank could be established to purchase the 5 or 6 lobster licenses that are in danger currently as people are nearing retirement. Almost \$1.5 million would need to be raised to secure licenses that are in immediate threat.

- Buying licenses through a license bank or other community organization would require change in DFO, provincial government and industry policies.
- It is important to make sure that debt is manageable. Steps outlined above may help develop business cases, and community license banks should be linked to marketing work to help 'storify' community ownership of production in the actual product.
- The CEDIF program offers significant opportunities to raise patient capital form within communities.

Important Next Steps

- The Ecology Action Centre will develop a guide to existing license banks to share with fishing groups in order to clarify how they work, how they get set up and what they could look like in Atlantic Canada. This will help get from concept to building of the model.
- Financial illiteracy and economic viability questions need to be addressed. Ecology Action Centre will lead a research project examining the financial model in a specific community, looking at new entrant costs, business plan viability, and retirement costs and financing options.
- Research into the bigger question of owner-operator fisheries and the research into the underpinnings of rural economies – analytical work that needs to be done to understand and make the case for fisheries and rural economies.



Value Chain Improvement

Value chain cooperation and market development were identified as two challenges that social finance could help to address. Financing could help owner-operator fisheries that are seeking to market and sell their fish for higher prices and would also assist with long-term business planning.

Challenges Identified

- Owner-operated fishers need to be able to secure better prices to make fishing more economically viable and to support community food security and prosperity.
- There is a lack of traceability in the supply chain from harvesting to point of sale.
- There is little trust in the supply chain between fishermen, brokers, processors and consumers.

Possible Solutions

- Consumer education and chef advocates can help create more transparency in the supply chain. Fishermen can get a higher price for their fish by promoting health, certification, quality, origin, taste and sustainability.
- Alternative logistics in the supply chain can change market access for fishermen.
- Regional branding of seafood products according to species, quality and taste can help increase the price for fishermen.
- Fishermen should consider recruiting buyers who want small boat local fish. These new distributors can use small-scale fisheries attributes to sell fish and make their brand.

Important Next Steps

- Ecology Action Centre will continue to conduct and disseminate value chain research in the fisheries and identify market demand for high quality, sustainable seafood.
- Owner-operator fishermen should continue to explore alternative relationships and logistics to get more value for their fish.
- Fishermen should explore potential regulation change to have better access to docks(?) and direct fisheries sales.



Appendix A: Workshop Invitation

A working conference on Social Impact Investing for Sustainable Fishing Communities

April 10 and 11, 2013 – Atlantica Hotel, Halifax, Nova Scotia

Objectives

- Share information/experiences and build relationships between leaders of Canada's owner-operated fleets, the social finance sector, governments and ENGOs.
- Develop strategies on generating capital to finance fleet managed initiatives aimed at improving economic viability and harvester incomes.
- Generate concrete follow-up initiatives.
- Enhance and support the owner-operator policy framework.

Summary

Owner-operator fisheries are the lifeblood of Atlantic Canada's coastal communities, but their survival is threatened by the population of fishermen nearing retirement and government policies that support fishery privatization and concentration in corporate hands. The trend towards fishery concentration and corporatization transfers the wealth of the fisheries into a select few hands and undermines the economic underpinnings of entire communities as well as their ability to assume stewardship over marine resources and pursue environmental conservation goals. We only have to look to the land to see the impact of large-scale factory farming practices on the terrestrial environment, the security of our food system and rural communities.

The Ecology Action Centre, in partnership with industry and community stakeholders, has organized this two-day workshop to explore options and opportunities for maintaining access to fisheries for communities and small-scale fishermen. Speakers from Atlantic Canada, British Columbia and New England will present their experiences

with the development of community license banks and quota trusts and other cooperative and community-oriented tools designed to support the long term sustainability of community based, owner-operator fisheries. Experts in fields of social finance, innovative management and impact investing will help explore what has worked, what hasn't, and what's needed in specific Atlantic Canadian contexts.

Appendix B: Participants

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Appendix C: Workshop Agenda

A working conference on Social Impact Investing for Sustainable Fishing Communities

April 10 and 11, 2013 – Atlantica Hotel, Halifax, Nova Scotia

Agenda

Day One: Setting the Stage

April 10, Atlantica Hotel Commons Room

8:00 – 9:00 Breakfast and Registration

9:00 – 9:30 Welcome, introduction of participants, and review of conference objectives

- Susanna Fuller, Ecology Action Centre

9:30 – 10:15 “Why are we here?”

- Marc Allain, Policy Advisor Canadian Independent Fish Harvesters Movement

The owner-operator fishery and the long term sustainability of fishing communities.

- David Decker, Fish Food and Allied Workers Union

Two decades of fleet rational initiatives in Newfoundland:

What’s worked, what hasn’t and what’s left to be done?

10:15 – 10:30 Coffee Break

10:30 – 12:00 “Alternative Models”

Panel Discussion: What are fishing organizations doing to strengthen the economic viability of the community based fishery?

- Ruth Inniss, Maritime Fishermen’s Union
- Peter Connors, Eastern Shore Fishermen’s Protective Association and Community Quota Management Boards

12:00 Lunch (provided)

1:00 – 2:00 What is “Social Finance” and what are the tools?

- Joanna Reynolds, MaRS Centre for Impact Investing
- Chris Payne, Government of Nova Scotia

2:00 – 3:15 Examples of applied social investment

- Doug Lionais, New Dawn Enterprises: Community Investment
- Ann Anderson, Farmworks Investment Co-op
- Cheryl Dahle, The Future of Fish
- Paul Parker, Cape Cod Fisheries Trust
- Tasha Sutcliffe, Eco-Trust Canada

Answering the questions:

What is the problem you are hoping to solve? Why does the problem exist? What was the change you wanted to see? What was the solution you developed? Who had to be involved?

3:15 – 3:30 Coffee Break

3:30 – 4:30 Clarifying concepts

- Jean Lanteigne, Fédération acadienne des pêcheurs professionnels (FRAPP) and the Lamèque Coop

Small group break-out sessions

What questions do you still have about social impact investing or owner-operated fisheries? What is still not clear? What would you like more information on?

4:30 – 5:00 Report back from small groups

8:00pm Museum of Natural History

April 10, Evening Reception

Cash bar and locally sourced hors d’oeuvres served in the Museum Gallery, Located at 1747 Summer Street, 7 minutes walk from the Atlantica Hotel.

Day Two: The Lived Experience of Social Finance at Work

April 11, Atlantica Hotel Commons Room

8:00 – 8:30 Breakfast (provided)

8:30 – 8:45 Synthesis of first day's discussion

- Susanna Fuller, Ecology Action Centre

8:45 – 10:30 Diving into case studies

- Moderator Joanna Reynolds, MaRS Centre for Impact Investing

Panel Discussion: Case study presenters

10:30 – 10:45 Coffee Break

10:45 – 12:00 Reflecting on Finance Models

- Afternoon Moderator Tristina Sinopoli, MaRS Centre for Impact Investing

Small Group Discussions

- What stood out about what you have heard?
- Which values and principles of the models related to you?
- Which aspects resonated?
- What is still not clear?
- What do you see as the potential for dealing with the problems the owner-operator fishery faces?

12:00 – 1:00 Lunch (provided)

1:00 Synthesis report from Small Group

1:30 – 2:30 Exploring Next Steps

Small Group Discussion

2:30 – Break

2:45 – 3:15 Report backs from small groups

3:15 – 4:00 Next steps, open discussion and concluding remarks

Susanna Fuller, Ecology Action Centre





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