



## Local Fish Fund

### *Bridging the financing gap to build the next generation of local fishery leaders*

Alaska accounts for more than 60% of U.S. seafood production – and thanks to a history of involved, local fisher leadership and sound sustainability policies implemented more than 30 years ago, fisheries there remain healthy and productive. Alaska pioneered the use of “rights-based management” for its high-value fisheries, a policy that allocates harvesting rights (known as quota shares or IFQ’s) that can be bought and sold, providing the holder with a dedicated portion of the allowable harvest and a financial stake in the fishery. This type of management has been applied all over the world, and while it’s proven to align economic incentives with sustainability objectives, it has also resulted in poor socioeconomic outcomes in fishing communities whose livelihoods rely upon well-managed fish stocks.

Because quota shares are often traded, over time they tend to transfer to businesses with greater access to capital, creating consolidated ownership and diminished fishing opportunities for local fishing businesses that have limited access to capital. In turn, places like Alaska that have led the nation in sustainable fisheries management are at risk of losing local fisher leaders that support and maintain conservation – particularly in rural and indigenous communities where there are few alternative livelihoods. Furthermore, these unintended negative socioeconomic consequences reduce the global constituency for rights-based management practices, limiting their application by policy makers and managers around the world.

To address these challenges, the Nature Conservancy’s Alaska program, Global Oceans team, and NatureVest conservation investing unit are collaborating with the Alaska Sustainable Fisheries Trust and Craft3 to establish the Local Fish Fund (LFF). LFF aims to address these challenges by providing a source of capital that creates opportunities for first-time entrants and capital constrained community-based vessel owners to purchase quota shares. The LFF expects to incentivize conservation and encourage the next generation of local resource stewards to continue industry support for sustainable management policies.

### **A Tailored Loan Product that Meets the Needs of Stakeholders**

The LFF will aim to extend tailored loans to conservation-oriented new entrants and community-based vessel owners seeking to finance quota share acquisition and enable ownership for those not otherwise able to access capital. Traditional commercial fish loans are repaid on a fixed monthly basis, like a home loan. This presents substantial risk to entry-level businesses as their allowable catch can vary dramatically based on seasonal catch abundance. LFF shifts this risk paradigm by calculating loan principal and interest repayment as a variable percentage of catch, thereby aligning revenues and debt service obligations.

In addition to providing this flexible amortization, LFF will also seek to take advantage of the Alaska Sustainable Fisheries Trust’s strong community ties to the local fishing industry: existing local fishery leaders will vet loan applicants, walking through business plans and interviewing the applicant’s existing network to ensure that the loan would be an appropriate fit.

With this flexible capital and support to conservation-oriented fishing businesses, LFF could provide new entrants and community-based vessel owners access to fisheries, while building their business acumen. Over time, this will support their ability to build the equity necessary to pursue traditional commercial loans. In this way, the LFF loan program is designed as a “bridge” for new local conservation-oriented entrants.

## A Strong Partnership to Drive Scalable Conservation Outcomes

The Local Fish Fund will be the result of a collaboration between mission-aligned organizations: The Nature Conservancy (TNC), the Alaska Sustainable Fisheries Trust (ASFT), and Craft3.

TNC is the world’s largest environmental NGO, operating in 72 countries and working locally in Alaska since 1988. With a primary focus in the structuring phase, TNC will assist LFF by bringing its conservation expertise and its Alaska-specific knowledge to the program, working to identify and track conservation covenants to be attached to loans that are aimed at advancing on-the-water conservation efforts and building local stewardship and leadership capacity.

ASFT is an Alaskan 501c3 organization working to ensure resilient communities and engage community based fishermen in programs that promote healthy fisheries. ASFT created and tested the loan model which LFF plans to scale via a pooled fund format. As part of the transaction, ASFT will be responsible for sourcing fisher applicants, conducting applicant fitness evaluations, and working with TNC to integrate appropriate conservation covenants into the loan structures.

Founded in 1994, Craft3 is a Pacific-Northwest based nonprofit community development financial institution (CDFI) that makes loans in Oregon and Washington that strengthen the resilience of businesses, families and nonprofits, including those without access to traditional financing. Craft3 will be responsible for LFF’s loan underwriting and servicing activities under a fund management service agreement.

## The Impact

**Improving access for local communities.** The goal of the LFF is to reduce barriers to securing and increasing local ownership of Alaskan fisheries access rights (quota).

**Building the next generation of marine stewardship.** At the same time, the LFF aims to incentivize participation in sustainable fishing programs and policy engagement in order to increase local stewardship and leadership capacity around these practices.

**Maintaining sustainable fishing stocks.** As part of the loan covenants, borrowers would agree to participate in a collaborative fisheries research program that provides data to help develop new solutions for protecting ocean health and achieving and maintaining sustainable fisheries.

**Demonstrating a replicable model.** The LFF intends to show how this innovative, replicable model could be applied nationwide to promote ocean conservation and support resilient communities by addressing the socioeconomic challenges of limited-entry or rights-based managed fisheries.

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