

Financing Fisheries and Aquaculture Development: the Bank's Viewpoint

The author is Chief of the Fishery and Forestry Development Section of the Inter-American Development Bank (IADB), which has been a pioneer in promoting fisheries and aquaculture projects in Latin America. The Bank has carefully selected areas and projects that present clear advantages. IADB has so far supported 80 fishery projects, both for investments and technical assistance, including eight investment programs and 10 technical assistance grants in aquaculture, since commencing operations in 1969.

Development

Development is a process of pursuing targets that generate physical or intellectual development over the prevailing situation. The targets may be purely financial or socioeconomic, or a combination of the two. If the goals are financial the development project seeks to maximize returns from capital invested in the exploitation of the resource in question. The socioeconomic goal has the twin targets of (a) improvement of physical and intellectual quality of life of the people directly or indirectly related to the project, and (b) better utilization of the human and food resources in harmony with environmental conservation.

The criteria applied by a development bank in taking investment or financing decisions rely basically upon the socioeconomic merits of the investment project.

A Modern Framework

For a long time the easy excuse to explain hunger on earth was excessive

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population growth. Today, there is more than adequate caloric food (cereals, etc.) to feed this planet's 4.4 billion persons; yet some 25% are malnourished. The reason lies in unequal distribution of resources and of income—many people do not have the purchasing power to buy enough food.

There is another factor aggravating the situation which I call the "food chain of affluence", the increasing demand for animal (protein) products by middle and high income groups in all countries. To satisfy this demand, 30% of total world fishery production of about 74 million tonnes/year, is used for animal feed rather than human nutrition.* Some 41% of the world's annual cereal crop is likewise devoted to animal feeding.

Nevertheless the "food chain of affluence" is not necessarily bad. It is only a form of converting cheap cereals into more expensive meat that can be sold in the market. What we have to do is to create parallel "food chains of

*Another aspect of this problem is the post-harvest migration of fish from the more needy to the less needy. See George Kent's "Pattern of Fish Trade" ICLARM Newsletter, April 1983.

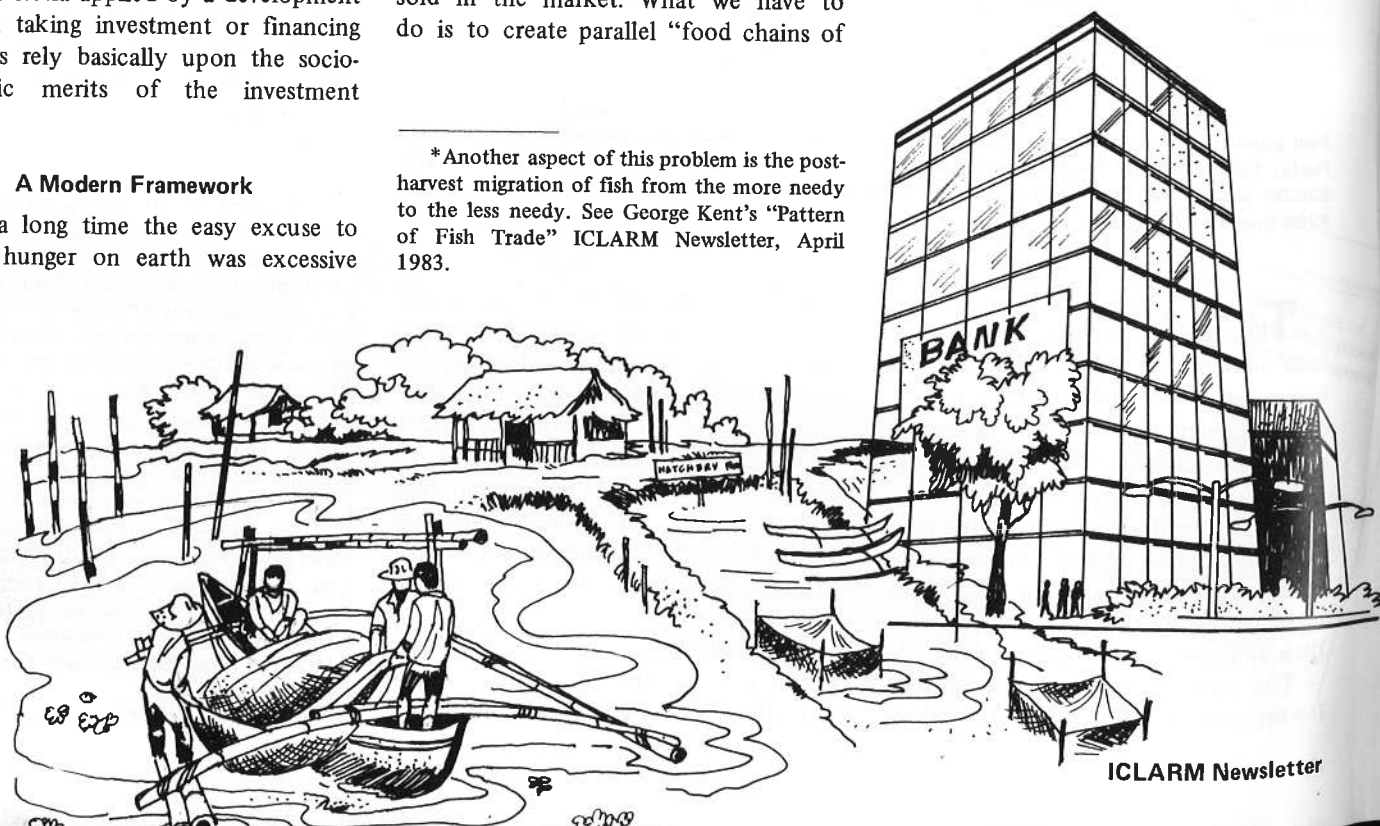
austerity" under the socioeconomic criteria of development, trying to satisfy the needs of those outside the economic market.

This is the broad framework for modern fisheries and aquaculture: to supply on one hand, sophisticated foods for those who have more money than they can eat and, on the other hand, to offer inexpensive food for those who have no purchasing power.

Financing Projects

For a development bank, high financial returns and solid warranty, therefore, are not decisive factors to lend money. Socio-economic impact is the most important element and the following project aspects should be examined:

- Capital/output ratio versus salaries/output ratio; type of technology and manpower intensity; new employ-



ment and socioeconomic level of the direct beneficiaries.

- Final market of the product: is it for high-, middle- or low-income domestic consumers, or is it going to export markets, producing foreign exchange for the country?
- Substitution or competition with fishery products from the natural environment.
- Competition with food for humans or with agriculture land.
- Skilled personnel and/or need for training.

In the case of aquaculture, various other factors are also carefully considered, including:

- Legal property or *de facto* situation of land tenure and water rights.
- Leases or licenses for coastal installations and public waters.
- Environment considerations, e.g., pollution, diseases, predators.
- Environmental regulations.
- Protection and insurance coverage.

Financing Mechanisms

An investment project for any fishery development should address at least the following elements:

- Strategy of the project—what and why and when.
- Disposition of basic resources—natural, human, institutional.
- Market study.
- Description of technologies, civil works, administration, costs.
- Execution—timing of execution and investment; technical assistance needed.
- Justification—technical, economic, legal and institutional feasibility.

In terms of financial execution and the procurement system for goods and services, there are three forms of development projects:

- Specific Projects—investment and operations integrated under centralized execution by one entity.
- Global Credit Lines—financial execution under one or more intermediate agencies, which lend money to beneficiaries who individually execute sub-projects.
- Multiple Works Projects—different units execute independent components of the project.



Fields of Financing

The areas of investment eligible for financial support from development banks include:

- Pre-investment activities—feasibility studies, designs and project preparation.
- Physical infrastructure—ports, terminals.
- Production units—hatcheries, boats, trucks.
- Technical assistance for projects or institutional strengthening of the sector.
- Exceptionally, for acquisition of inputs or working capital.

Conditions

Depending on the level of development of the country and on the final beneficiaries of the investment project, financing from international sources could have two main forms:

(1) *Soft loans*, which means a long term for repayment (30 to 40 years), wide period of grace (5 to 10 years) and low interest rate (1 to 2%). Sometimes these conditions are directly transferred to the final beneficiary; in others the loan could be part of a fund which is used to give credits to the final beneficiaries at favorable conditions but rather close to much of the financial market.

(ii) *Ordinary loans*, in which rates of interest are rather close to the prevailing conditions existing in the international market. However, these loans can offer longer terms for repayment and convenient periods of grace.

A project for culture of tilapia by low-income villagers in rural areas of a less developed country may be eligible for a soft loan. On the other hand, projects for intensive shrimp culture for export by middle-scale farmers will surely be eligible for ordinary financing. ●

Review of the Year Competition

Remember ICLARM is offering a \$500 prize again for the best scientific review in the fisheries sciences for 1984. The October 1983 issue has details—or write to the Editor, ICLARM for more information. Entries close at the end of September.