Ocean Partnership Project (OPP): Catalyze Private Investment in Fisheries Reform

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NAAFE Forum – Special Session

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Ocean Partnership for Sustainable Fisheries and Biodiversity Conservation – Models for Innovation and Reform (OPP)

OPP Project Development Objective (PDO):

Catalyze pilot investment into selected transformational public-private partnerships that mainstream the sustainable management of highly migratory fish stocks spanning areas within and beyond national jurisdictions.

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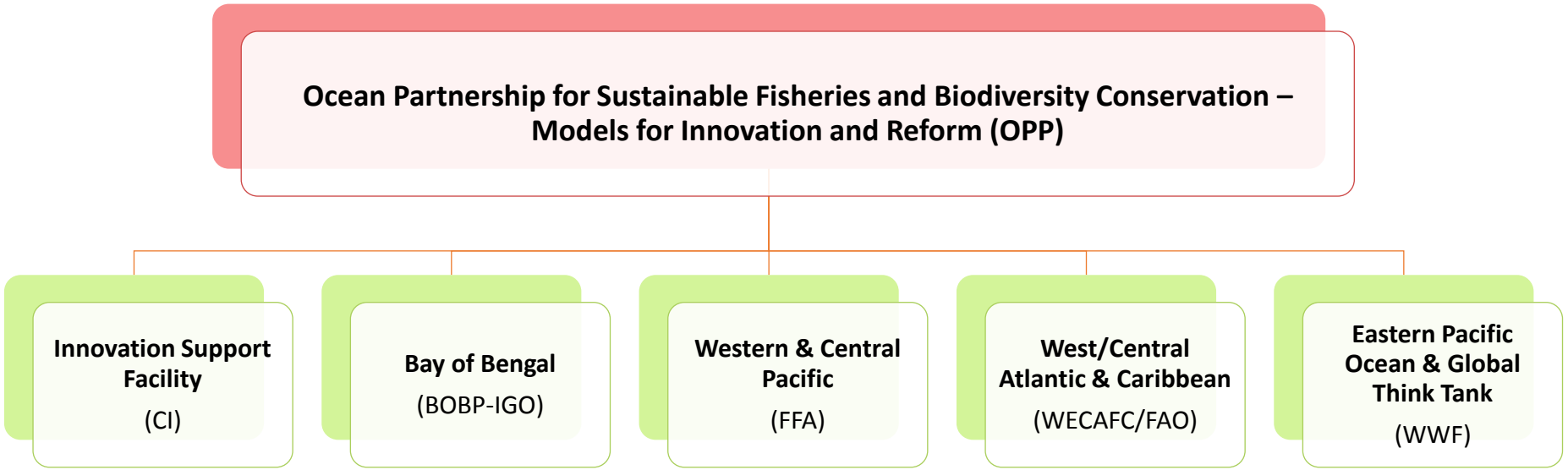

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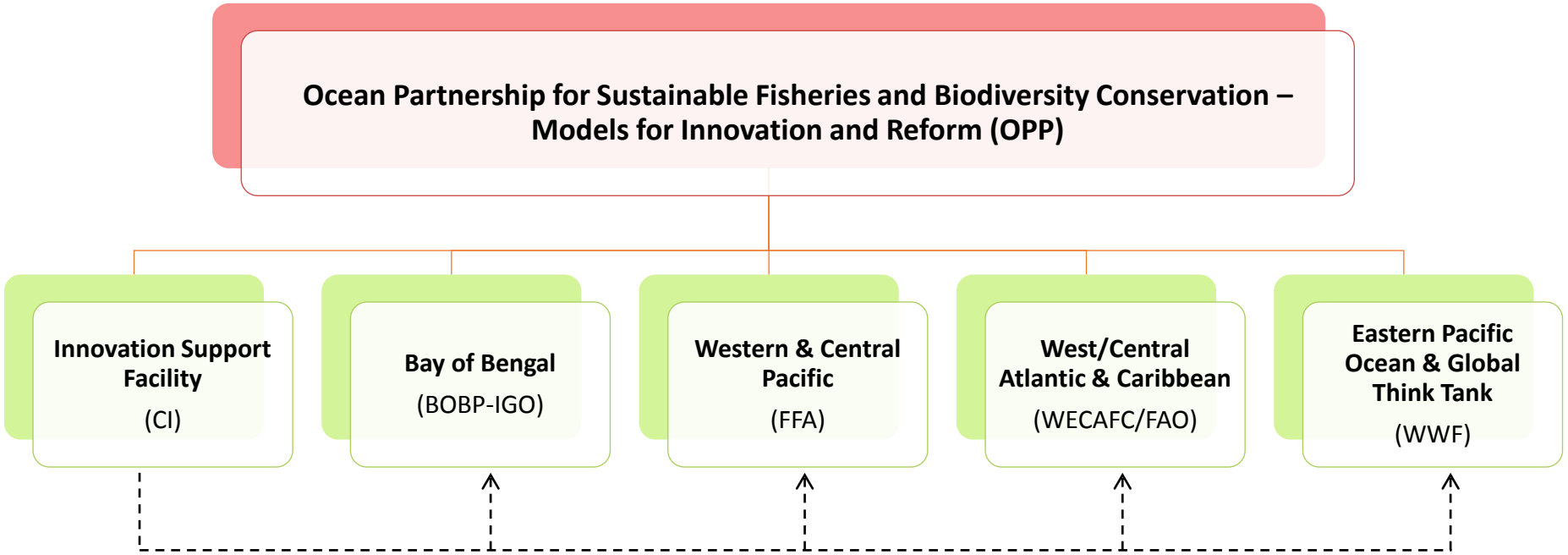


Conservation International is tasked with supporting a range of activities focused on improved management of shared highly migratory fisheries that contribute to the development of business cases for fisheries recovery.

What is a fisheries business case?

Vibrant Oceans - Investment Blueprints

*"At the heart of each Blueprint lies a proposed set of **fishery management improvements** and **profitable investments** that seek to have **positive ecological and social impacts**".*

Returns

"Driven primarily by increased volumes linked to **stock recoveries, improvements in supply chain efficiency, access to higher-value markets, and reductions in raw material supply volatility**".

Examples from Vibrant Oceans 'Investment Blueprints':

FIGURE 3: Small-Scale Fisheries Investment Blueprint Summaries

What?

	THE MARISCOS STRATEGY	THE MANGUE STRATEGY	THE ISDA STRATEGY
Country	Chile	Brazil	The Philippines
Proposed Investment Amount[16]	$7.0 million	$15.0 million	$11.7 million
Investment Term	5 Years	9 Years	10 Years
Fishery/Species Focus	Multispecies, benthic focus on razor clams, scallops, stone crab, king crab, nylon shrimp, abalone, and mussels	Mangrove crab	At least 20 species, including tuna, mahi mahi, snapper, trevally, mackerel, lobster, octopus, squid, crab, and sea urchin
Core Investments	• Fishery management improvements • Seafood company	• Fishery management improvements • Seafood company	• Fishery management improvements • Seafood company

FIGURE 3: Small-Scale Fisheries Investment Blueprint Summaries

Why?

	THE MARISCOS STRATEGY	THE MANGUE STRATEGY	THE ISDA STRATEGY
Targeted Impact Returns: Protecting and Restoring Fish Stocks	• Protect existing biomass from overfishing with potential upside increase of 10%	• Protect existing biomass from overfishing with potential upside increase of 10%	• Protect existing biomass from overfishing with potential upside increase of 20%
Targeted Impact Returns: Supporting Fishing Livelihoods	• Pay a premium of 25% to market prices for raw materials sourced, increasing aggregate fisher income by $1.8 million[17] over the investment period • Establish and fund a Fishing Community Trust • Empower fishing communities as long-term commercial	• Pay a premium of 33% to market prices for raw materials sourced, increasing aggregate fisher income by $1.2 million[18] over the investment period • Establish and fund a Fishing Community Trust • Empower fishing communities as long-term commercial	• Pay a premium of 15% to market prices for raw materials sourced, increasing aggregate fisher income by $11.9 million[19] over the investment period • Establish and fund a Fishing Community Trust • Empower fishing communities as long-term commercial
Targeted Impact Returns: Feeding More People	• Safeguards the supply of 5 million seafood meals annually • Increases meals to market through 13.5% reduction in spoilage, delivering an additional 150,000 seafood meals to consumers annually	• Safeguards the supply of 6.5 million seafood meals annually • Increases meals to market through 90% reduction in spoilage, delivering an additional 2.4 million seafood meals to consumers annually	• Safeguards the supply of 6.7 million seafood meals annually • Increases meals to market through a 13% reduction in spoilage in the supply chain, delivering an additional 800,000 meals to consumers annually
Projected Financial Returns	• Targets 11.1% unlevered equity return with exit sale to strategic buyer	• Targets 12.0% levered equity return with exit sale to strategic buyer	• Targets 20.7% unlevered equity return with exit sale to strategic buyer

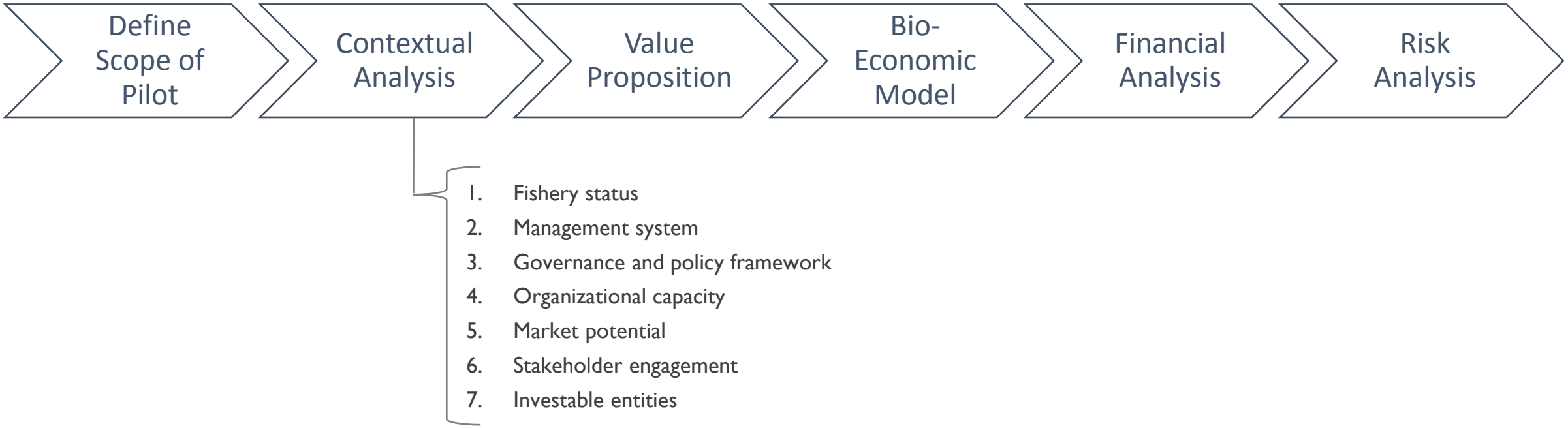
What is a fisheries business case?

- *CI/Instiglio: Methodology for Business Case Development*
- *Encourage Capital: Investment Blueprints and Reports*
- *CFI Challenge Fund: Investment Criteria & Fishery Assessment process*
- *Manta Consulting Group: Financing Fisheries Change – Case Studies*
- *EDF/50in10: Towards Investment in Sustainable Fisheries*
- *Business Model Canvas applied to fisheries business cases*

CI – OPP Fisheries Business Case Development

Instiglio/CI	Encourage Capital	CFI-Challenge Fund	Business Model Canvas	EDF/50in10
Context Analysis	Steps 1 – 4	Step 1: Assess Fishery Status & Management	• Key Resources • Key Partners • Channels • Customer Segments • Customer Relationships	General background in Chapters 1-3
Fishery Improvement Project	Step 5	-	• Key Activities • Cost Structure	-
Bio-economic and Financial Model	Steps 6 – 8	Step 2: Assess Fishery Economics	• Value Proposition • Revenue Streams	General background in Chapter 4
Innovative Financial Structures & Risk Analysis	Steps 9 - 10	Step 3: Assess Business Environment Step 4: Assess Enterprise Readiness		Chapter 4: Investable Entities, Capturing Returns, Sources of Capital, Risk Management & Scoring Matrix

Bankable Business Case Guidelines (BBC-G)

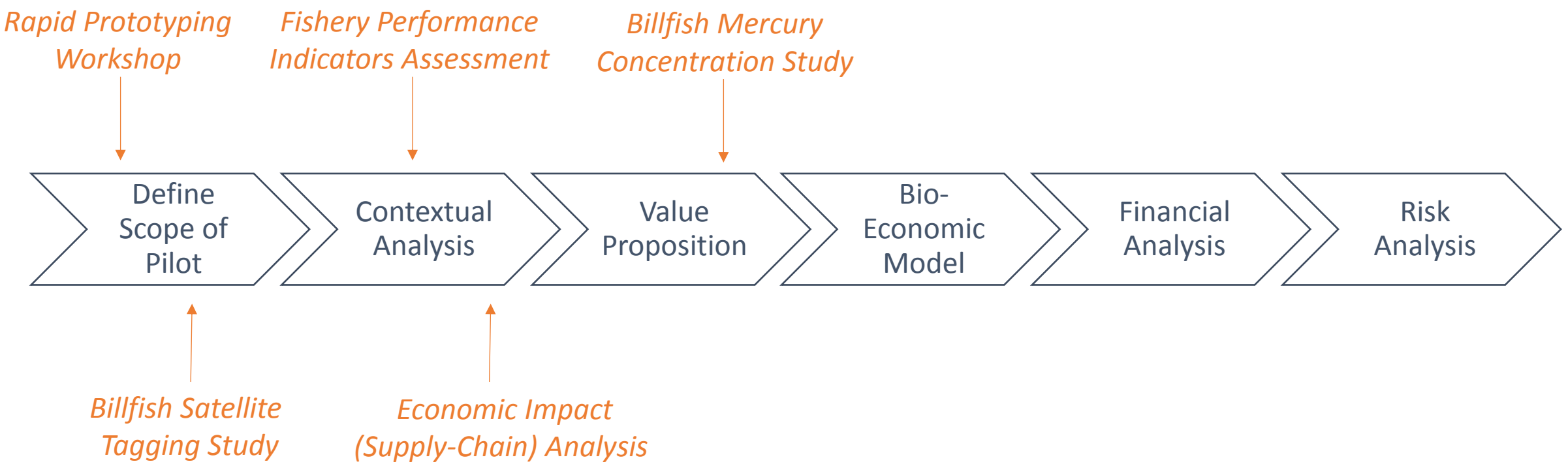


CI's on-going OPP work:

- Defining what a fisheries business case looks like, and 'ground-truthing' BBC-G with OPP case studies.
- Identifying value-creation/business opportunities throughout fisheries supply-chain.
- Identifying and mitigating areas of risk and/or uncertainty
- CI activities should ultimately help de-risk the OPP business cases, thereby making these more attractive to return-seeking investors.

Analyses
1. Bankable Business Case Guidelines & Investment Criteria
2. Global Review of Governance Structures for Recreational Fisheries
3. Economic Impact Analysis of Commercial and Recreational Billfish Fisheries
4. Modeling the Impacts of Climate Change on Tuna Stocks*
5. Identifying the Spatial Structure of Tropical Pacific Tuna Stocks*
6. Evaluate Caribbean Fisheries using Fishery Performance Indicators (FPIs)
7. Impact of MPAs on EBFM / Tuna Stocks (PIPA/Global)
8. Assess the contribution of ABNJ to ecosystem services
9. Fisheries Manager Support
10. Technical Reviews in support of Caribbean Billfish Project
11. Galapagos Tuna Business Case
12. Investment Market Mapping and Landscape Analysis
Field Tests
FT.1 Satellite Tagging of Caribbean Billfish to determine Migration Patterns
FT.2 Caribbean Billfish Mercury Study
Workshops / Trainings / Seminars
W.1 High Hopes for High Seas Workshop
W.2 Regional Workshop on Issues and Innovation Options in the Management of Shared Tuna and Tuna-like Species Stocks in the Bay of Bengal
W.3 Business Case Development Workshop 1 (Contextual Analysis and Define the Scope of the Pilot)
W.4 Business Case Development Workshop 2 (Business Case co-writing by ‘Task Force’)
W.5 NAFFE Meeting Knowledge-Exchange Event

Caribbean Example: WECAFC/FAO



Thank you

Questions?

Special Session: Investing in Fisheries Recovery

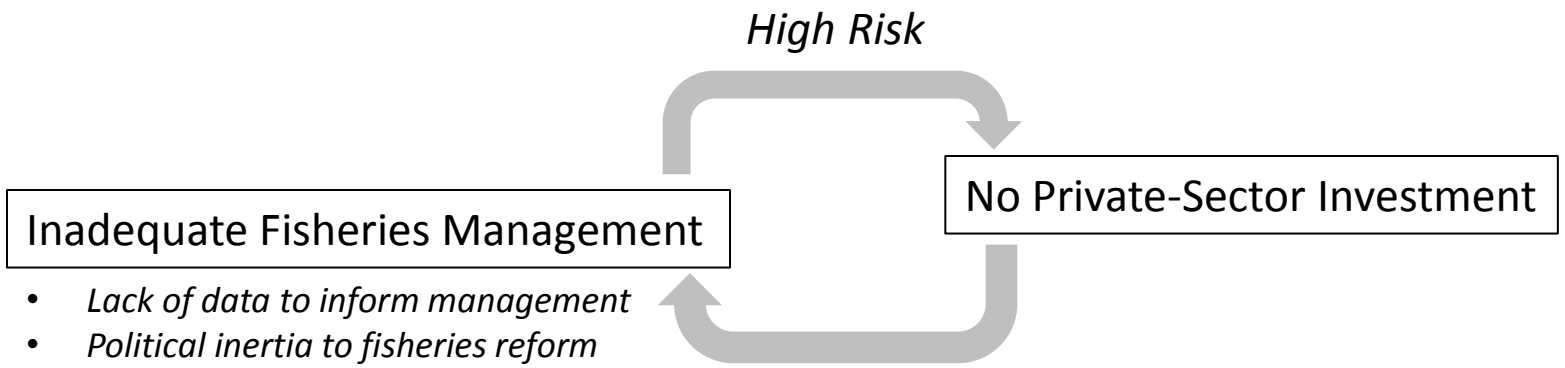
The aim for this special session is to focus on:

- lessons learned from current and prior examples of how private investment has been used to enable fisheries recovery.
- Our goal is to share and discuss success and shortcomings using insight from real cases that presenters are actively engaged in, with the intention of generating new ideas and thought around overcoming remaining or emerging barriers to the expansion of private investment in fisheries recoveries.
- Ultimately, this session will offer participants interested from various institutional platforms, valuable insight into how they might improve investment structures and portfolios in ways that might attract greater engagement from private capital in the recovery of fisheries.

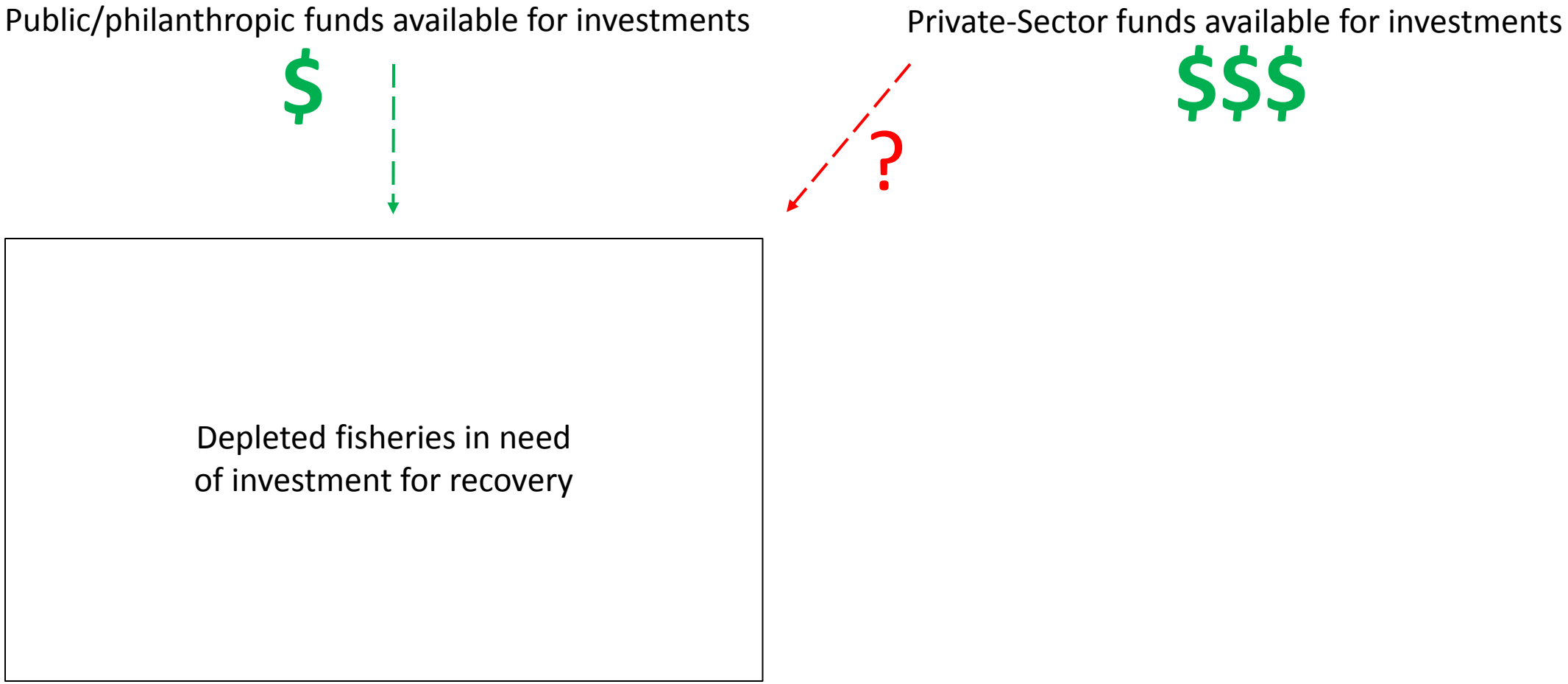
Why are we developing business plans for sustainable fisheries?

↳ *Why are we trying to attract private-sector investment in fisheries?*

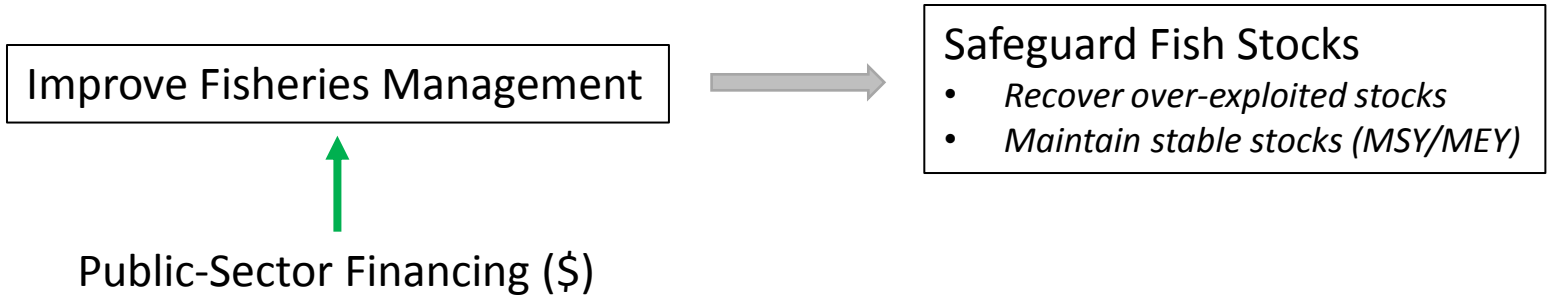
Where is Private-Sector Capital Stuck?



Currently over-exploited stocks are underperforming due to inadequate fisheries management, resulting in ‘sunken billions’



Current Investment Landscape



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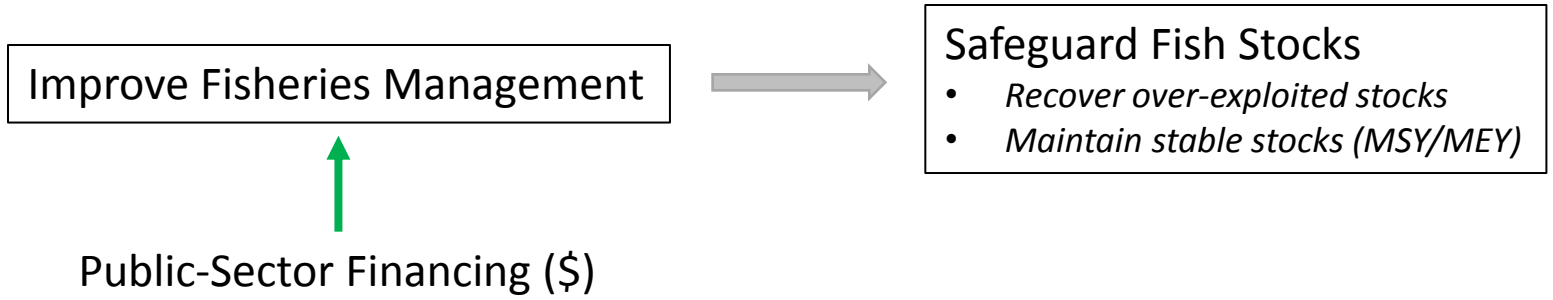
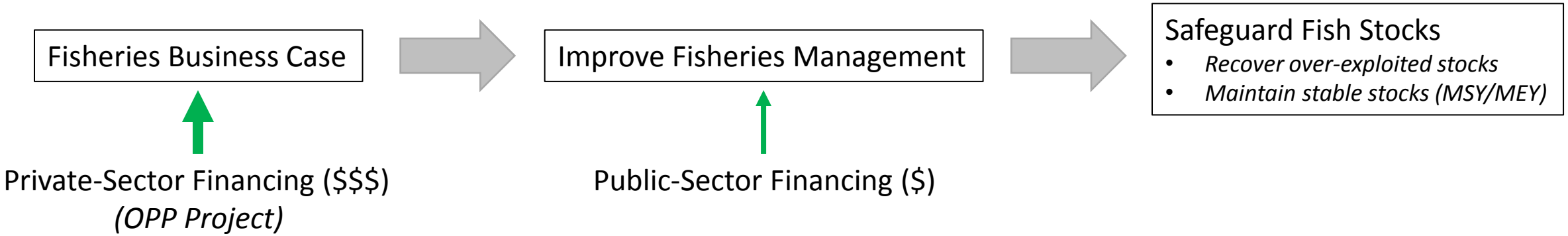


Proposed Investment Landscape



Supplemental Information

Fisheries Finance Project Landscape

Preparing Fisheries Projects For Investment	Funding Business Cases / Financing scaling-up
OPP-ABNJ Project *Provides funding and technical assistance to support business case development* *Regions: Eastern Pacific, Western Central Pacific, Bay of Bengal and Caribbean*	**Althelia - Sustainable Ocean Fund** *Provides private capital to fast-track fisheries management improvements in coastal fisheries, sustainable aquaculture projects, supply-chain improvements, and other select coastal projects.*
EDF / Credit Suisse *Provides funding to develop a fisheries finance toolkit*	
CFI-Challenge Fund *Provides technical assistance to support business case development* *Countries: Indonesia, Ecuador, Peru, Cabo Verde, Ivory Coast, and Senegal*	**Meloy Fund** *Financing (loans) to scale-up fisheries business* *Countries: Philippines and Indonesia*
Kelly Wachowitz – Walton Grant *Creating a professionalized 'Project Development' (PD) organization that creates investment blueprints. Intends to function as a service provider to CI and others, in order to fill (PD) gaps.* *Countries: Chile, Peru, Mexico, and Indonesia*	**Walton Foundation - Chile** *Implementation of Encourage Capital Investment Blueprints – Some variation of the "Merluza Strategy".*

CI - OPP business case efforts:

As coastal fisheries in Galapagos are increasingly over-exploited (i.e. bacalao, brujo, etc…), fishing pressure has shifted toward pelagic species, without many accompanying fisheries management interventions (i.e. no catch limits, no species-specific licenses, limited data collection, etc…). There has also been significant lobbying by fishermen to allow 'palangre'/longline within the Galapagos Marine Reserve, a gear-type that has previously been shown to generate a significant amount of bycatch. As a result, there is a dire need to ensure that proper ecosystem-based fisheries management is in-place for this fishery, and to explore different interventions that could help achieve the former goal.

Some possible scenarios/interventions include:

- Field test new gear-types as sustainable alternatives to traditional longline, and explore commercialization strategies for eco-friendly Galapagos tuna in higher value eco-markets. Explore additional supply-chain improvements that lead to greater efficiency and waste reduction.
- Assess effectiveness of monitoring, controlling and surveillance (MCS) for the pelagic fishery, with a particular focus on ensuring that all landings are caught with low-impact legal gears, and that no discarding (of endangered species) takes place.
- Buy-back of fishing licenses to adjust effort over-capacity, exploring potential transition of fishermen toward ecotourism and/or low-impact aquaculture concessions (i.e. sea-cucumber).

Any investment in supply chain improvements for instance must be tied to investments in sustainable fisheries management that protect fish stocks and ecosystem health. The Galapagos tuna fishery does not currently have any limits on catch, so part of the management interventions of the business case would be to institute a management plan that actually helps ensure the long-term sustainable exploitation of tuna within the Galapagos Marine Reserve (and with adequate gear-types).

FFA - OPP business case efforts:

- Supporting PNG's National Fisheries Authority in scoping the physical and financial feasibility of establishing a new tuna port close to the tuna processing plant cluster near Lae and, potentially through a PPP model – this in collaboration with IFC. NFA has been receptive and signed an MOU on this last week:
    - Scope what infrastructure and operational processes the port will require to achieve best practice catch documentation, sanitary and phytosanitary, and IUU monitoring and compliance standards. FFA and IFC have agreed that once this work is completed we'll be better positioned to advised NFA on the project's PPP potential, including concessional financing options.

- Supporting PNA in exploring the logistical and business potential of developing a FAD-tracking buoy leasing and management scheme.

WWF - OPP business case efforts:

- **Abstract:** A hot topic for purse seine tuna fisheries in the Eastern and Western Central Pacific regions is the management of incidentally caught tuna species that are overfished or undergoing overfishing. In the Eastern Tropical Pacific managing the mortality of small bigeye and yellowfin tunas caught in the pursuit of skipjack tuna is a priority for stakeholders in the purse seine sector. This paper explores incentive-based solutions for addressing these fishing mortality issues as alternatives to seasonal closures. A business case that utilizes outputs from a producer surplus type cost benefit analysis is under development. The most effective ways to scale up monitoring for quota based regimes is explored in this developing business plan. The analytical framework, key data and assumptions will be discussed under different pathways to reform that include a number of second best solutions.

FAO - OPP business case efforts:

- **Abstract:** Billfish have greater value as living targets for non-consumptive, or minimally consumptive, recreational fisheries than they do as either directed catch or by-catch species in commercial fleets. The pilot projects seek a Coasian solution to this problem through private funding mechanisms. The angler sector has a high willingness to pay for access to the billfish resource and the plan is to develop a mechanism to generate self-sustaining private investment in the sustainable management of highly migratory billfish stocks in the areas within and beyond national jurisdictions. These investments will include improved monitoring, control and surveillance as well as investments in education and gear modifications for the small scale fleets that harvest billfish. It is hoped that these investments in billfish friendly gear modifications will pay livelihood dividends through improved catch rates for billfish in the recreational fishery, improved commercial fish quality and access to high value supply chains for harvest other than billfish and reduced congestion and conflict between sectors. It is also hoped that the project will address the increase in fishing capacity brought by an explosion anchored FADs in the region and their use in a new and growing fishery that targets billfish. As the MCS and governance capacity in the region grows, it is hoped that the same types of policies can be expanded to the distant water longline fleets that have substantial billfish bycatch.

BoBP - OPP business case efforts:

Abstract: The Bay of Bengal Ocean Partnership Project (OPP-BOB) region comprises Exclusive Economic Zones (EEZ) of Bangladesh, India, Maldives and Sri Lanka and the ABNJ waters encircling them. Together, the OPP-BOB countries contributed 6 percent of global tuna (including true tunas and tuna-like species and billfishes) landings and 26 percent of regional (Indian Ocean) tuna landings, on an average during 2010-15. Set in the above backdrop, the OPP-BOB is primarily focused on building a conducive institutional framework to facilitate transition towards right-based fisheries management and incorporation of market-based instruments (e.g. certification). Owing to the absence of adequate business intelligence, the OPP-BOB started with a regional scoping exercise leading to identification of six possible areas of intervention:

- The first significant development in this respect is to bring the OPP-BOB countries together to a conceptual 'Regional Tuna Fisheries Consortium', which will host players from the national governments, harvesters and processors to ensure a coordinated and accountable governance process in the region.
- The other identified areas include development of fisheries management plans for 'Longtail Tuna in Gujarat, India' and 'Skipjack tuna in Lakshadweep, India';
- 'Improving Fisheries Monitoring, Control and Surveillance in the region with possibility of implementing AIS in India';
- 'Strengthening catch quality through improved on-board preservation technology in India'
- 'Setting up of fisheries co-Management system in Puducherry, India'.
- These cases were developed following a thorough characterization of the sector and national and regional policy analysis. Simultaneously, capacity building activities at different levels and knowledge management is being implemented to develop the project synapse. As of now, lack of socio-economic information, insufficient resolution of biological data and stakeholder inertia have been the major challenges faced. The OPP-BOB design allows both exploring these cases independently and then integrating them into a larger model – which is the work-plan for the next two years.

Supplemental Information

FIGURE 3: Small-Scale Fisheries Investment Blueprint Summaries

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Core Investments	• Fishery management improvements • Seafood company	• Fishery management improvements • Seafood company	• Fishery management improvements • Seafood company
Number of Fishing Communities Incorporated	7	98	40 initially, up to 80
Number of Fishers Engaged	550	1,300	19,000
Targeted Impact Returns: Protecting and Restoring Fish Stocks	• Protect existing biomass from overfishing with potential upside increase of 10%	• Protect existing biomass from overfishing with potential upside increase of 10%	• Protect existing biomass from overfishing with potential upside increase of 20%
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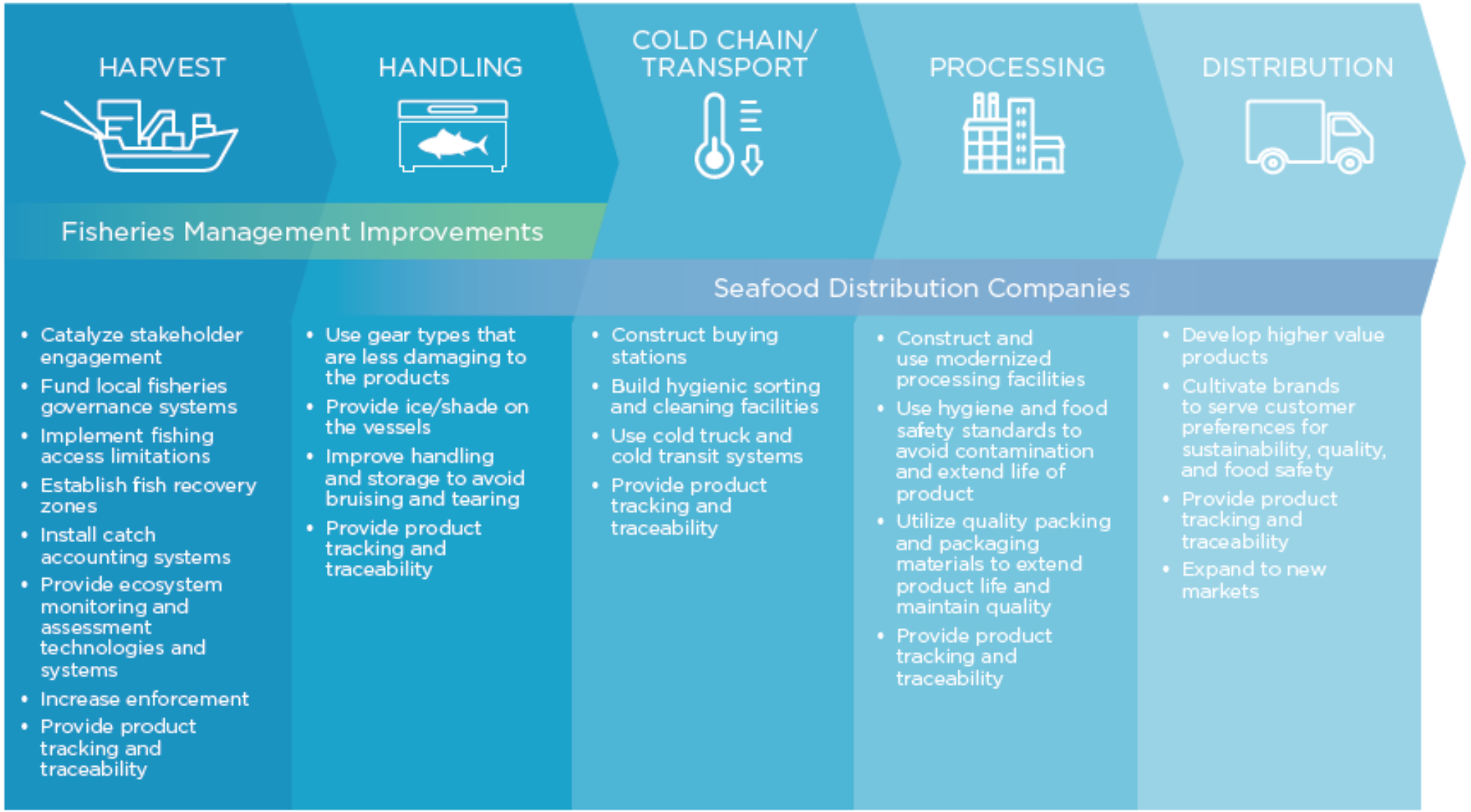
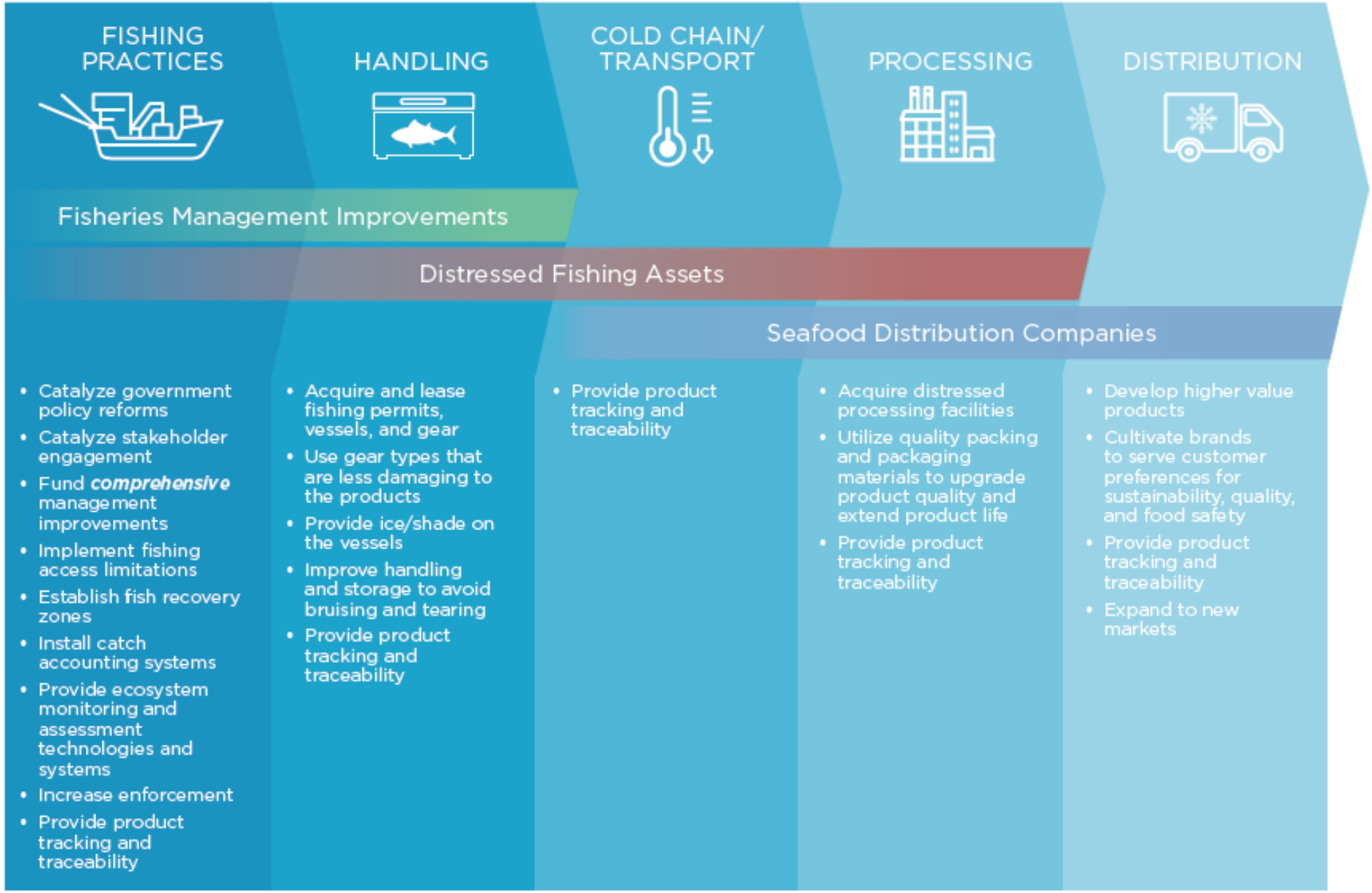
Examples from Vibrant Oceans ‘Investment Blueprints’:

SMALL-SCALE FISHERIES SEAFOOD SUPPLY CHAIN



INDUSTRIAL-SCALE FISHERY SEAFOOD SUPPLY CHAIN



10-steps to 'Investment Blueprints' - *Encourage Capital*

FIGURE 1: 10-Step Blueprint Development Process—Key Questions

1. Select Fishery and Species	• Is there commercial market demand for the species? • Does the fishery currently or will it potentially produce sufficient volume to generate commercial value? • Is the fishery in proximity to commercial markets or appropriate transport infrastructure to reach commercial markets?
2. Survey Fishery Conditions	• What is the estimated level of distress and depletion in the fishery? • What types of management improvements are required? • How large is the fishing fleet? Is it feasible to implement sustainable fishing practices sufficient to incorporate the minimum threshold necessary to affect the entirety of the stock and support stock restoration?
3. Profile Fishing Operators, Community, and History	• Which industrial fishing companies are active in the fishery? How consolidated is the existing industrial fishing fleet? • Is there existing organization, leadership, or local governance among fishers in the fishery? • What is the history of the industry and fishers' relationship with fisheries authorities and with each other? • Is the industry and/or are fishers in the given fishery interested in transitioning to sustainable fishing practices?
4. Evaluate Regulatory Framework	• How robust is the current regulatory framework? • Are there any regulatory tools that enable fishers and investors to gain tenure over the fishing resource (e.g., limited access fishing permits, Territorial Use Rights for Fishing or TURFs, Individual Transferable Quotas or ITQs, etc.)? • Are fisheries authorities willing to collaborate with private partners to implement fishery management improvements?
5. Design Fishery Management Improvements	• What management interventions are required to protect or restore the fishery? • Can project developers design a clear, viable plan to implement comprehensive fishery management improvements? • Are there effective implementation partners that can be engaged in the project? • What are the costs of the management improvements, and do the financial benefits earned by investors outweigh the costs of the improvements?

FIGURE 1: 10-Step Blueprint Development Process—Key Questions *continued*

6. Develop Business Plan	• Which seafood businesses or assets can generate cash flow or long-term asset value with improved fishery management? • Are there existing mission-aligned companies or social entrepreneurs capable of executing a viable business plan? • Are clear value drivers present to support a commercial business model, such as stock recovery, product certification, spoilage reduction, supply chain upgrades to increase efficiency, higher value markets, or disintermediation?
7. Quantify Fishery Restoration Potential	• What do scientific models suggest is the potential range of biomass recovery in the fishery and what is its likelihood based on the species' life cycle, fecundity, current biomass, fishing and natural mortality rates, and the proposed suite of management interventions? • What timelines for recovery do the models suggest?
8. Develop Financial Models and Scenarios	• Does the combined cost of fishery management improvements and commercial investment generate sufficient cash flow to reward fishers and repay investors? • What are the upside and downside cases of potential impact and financial performance?
9. Overlay Capital and Ownership Structures	• Based on the cash flow projections, how should the strategy be capitalized? With equity? With debt? • Are philanthropic capital or forms of credit enhancement required to generate sufficient returns to attract private capital?
10. Stress-Test Models and Evaluate Risks	• What are the primary risks that could impair the strategy's success? • Can those factors be mitigated through structuring decisions or other means?

6 Investment Blueprints

“Intended to serve as a roadmap for the growing number of investors, entrepreneurs, and fishery stakeholders seeking to attract and deploy private capital to scale and accelerate fisheries reform”.

“At the heart of each Blueprint lies a proposed set of fishery management improvements and profitable investments that seek to have positive ecological and social impacts”.

Financial Returns

“The Blueprints show that impact-oriented business models benefiting from stock stabilization or restoration can potentially generate equity returns between 5% and 35%”.

“Returns are driven primarily by increased volumes linked to stock recoveries, improvements in supply chain efficiency, access to higher-value markets, and reductions in raw material supply volatility”.

Impacts

“In each of the six Investment Blueprints, we propose to bundle investments in seafood companies and fishery assets with complementary investments that improve fishery management”.

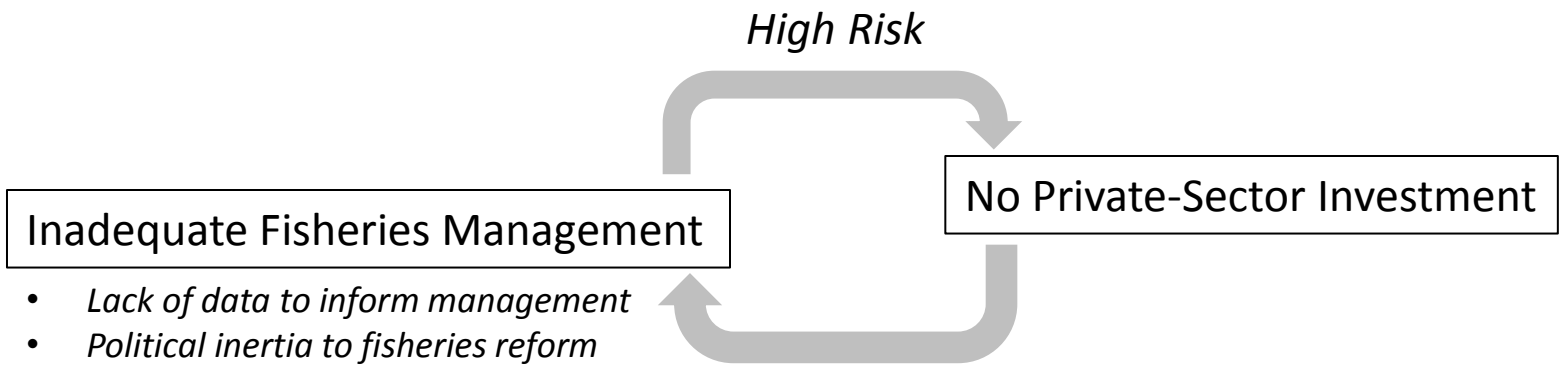
“In combination, the investments are aimed at generating positive environmental, social, and food security impacts”.

Supplemental Information
Previous Work in 'Fisheries Investment'

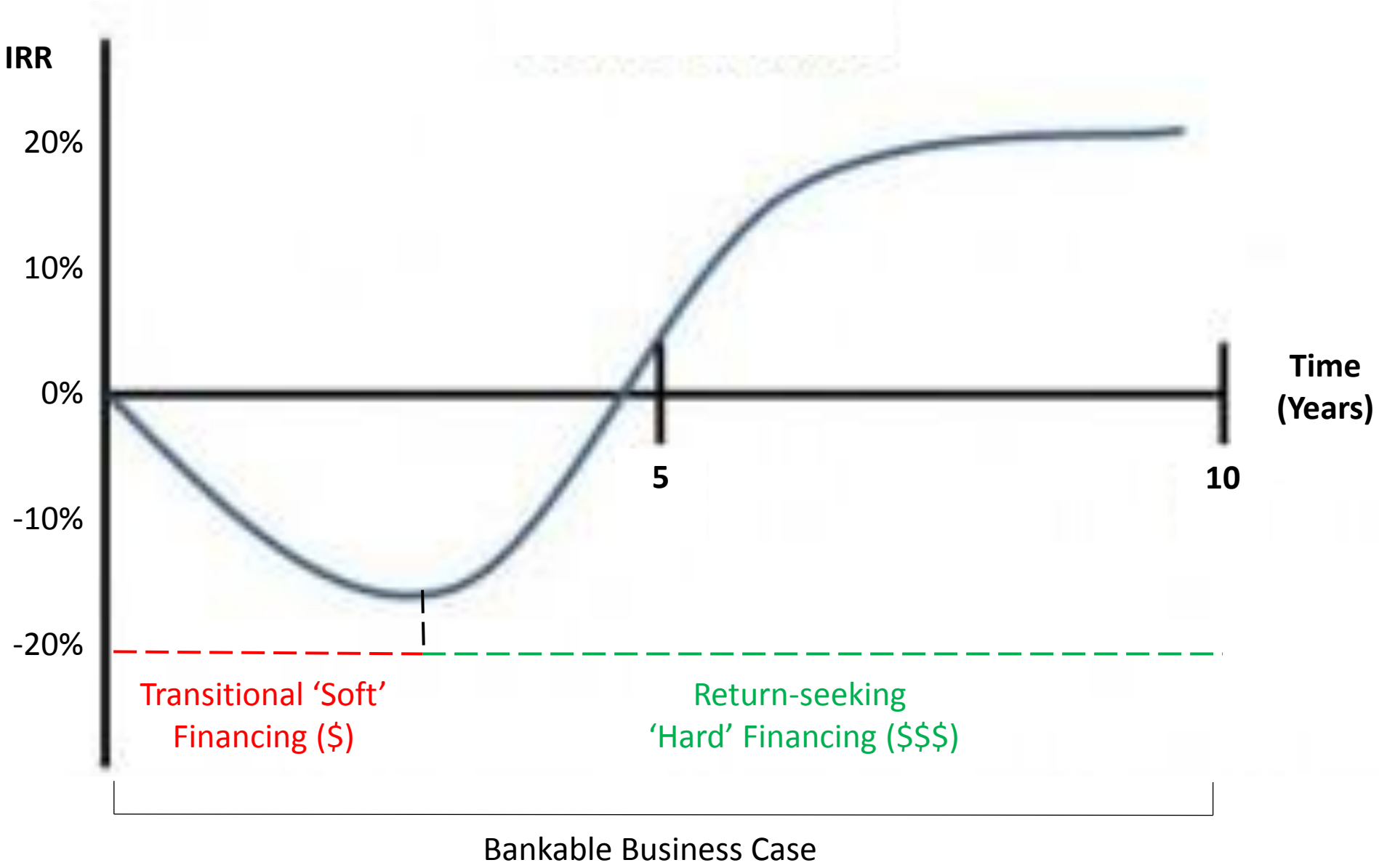
Why are we developing business plans for sustainable fisheries?

↳ *Why are we trying to attract private-sector investment in fisheries?*

Where is Private-Sector Capital Stuck?



Private-Sector Investment to help fund the Fisheries Recovery Gap

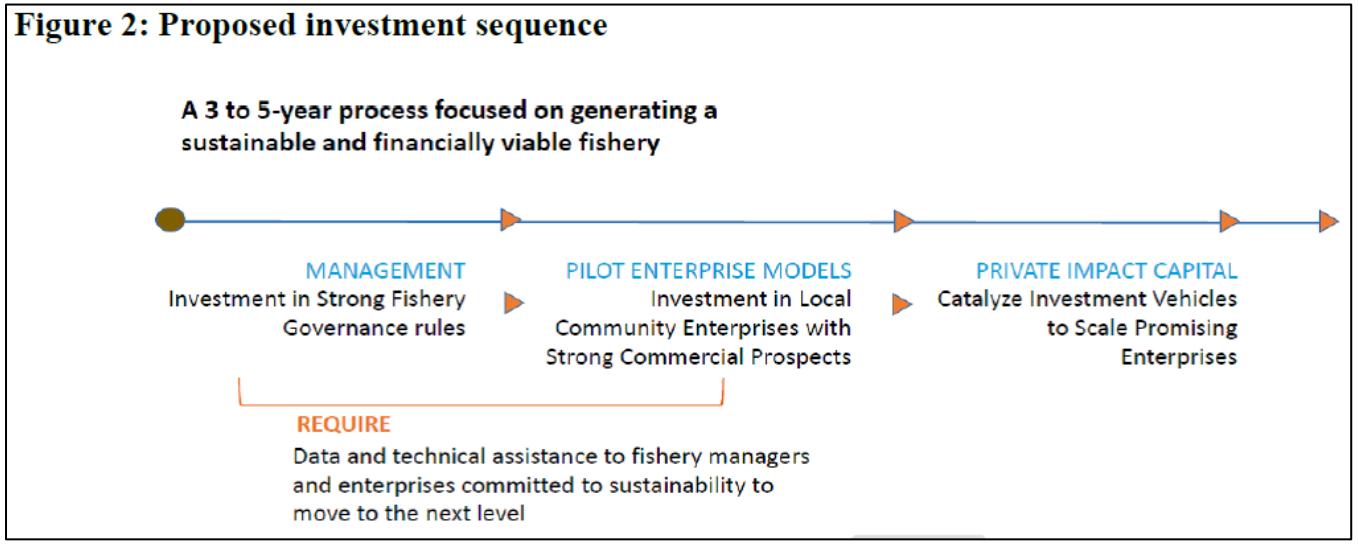


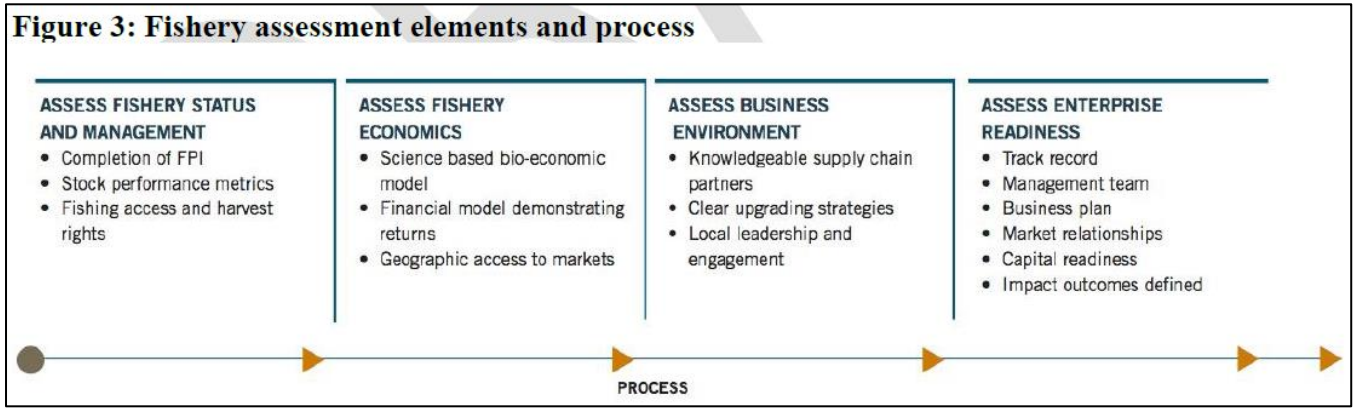
How to increase value from fisheries?

- Increase fishery yield by recovering stocks to MSY/MEY
- Increase supply-chain efficiency (reducing waste)
- Gain access to higher-value ‘eco-friendly’ markets (certification)

CFI - Challenge Fund

Investment Selection Criteria





Uses the EDF/ISU framework for financing the transition to sustainable fisheries, the Fisheries Performance Indicators, Encourage Capital's 10-Step Review, and the California Fisheries Fund selection criteria

Fisheries Business Case Development

Instiglio/CI	Encourage Capital	CFI-Challenge Fund	Business Model Canvas	EDF/50in10
Context Analysis	Steps 1 – 4	Step 1: Assess Fishery Status & Management	• Key Resources • Key Partners • Channels • Customer Segments • Customer Relationships	General background in Chapters 1-3
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Business Model Canvas

Key Partners 	Key Activities 	Value Proposition 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		

EDF/50in10

A Business Case for the Transition

Investable Entities, Capturing returns, risk management, sources of capital, and risk scoring matrix

A key starting point for any investment proposition is an analysis of the costs of intervention and the expected returns. The first step is a contextual analysis that determines the scope of the project, the key actors, the current management systems and levels of stakeholder engagement. Then, project developers can develop a bio-economic and financial analysis of the transition in order to show the following:

1. The status of the fishery in terms of its biological, social and economic functions
2. The activities – related to stock recovery, operational efficiency and market gain – required to effect the transition to sustainability, including their cost
3. The time-scale over which the fishery project will generate returns, and the actors who will are likely to receive returns
4. Key risks associated with the project and how they affect the returns
5. Based on the above, the best financial structure and investment strategy to achieve the desired outcomes