

NATIONAL POLICIES AND SUPPORT TO THE PHILIPPINE FISHING INDUSTRY

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Summary

The paper reviews the different national policies formulated and promulgated by the Philippine Government affecting the fishing industry in general, and describes the changes in the organization of the Bureau of Fisheries and Aquatic Resources as the implementing agency for the national fishery development programme.

The principal forms of support to the industry are also considered. The technical as well as financial assistance given to small-scale fishermen is especially emphasised.

1. BACKGROUND

The Philippines is primarily an agricultural country blessed with abundant fertile land and resources. Among these abundant natural resources is the fisheries, traditional a major source of living for many of the populace. National statistics for 1970 showed that of the total Philippine population of 36.7 million, 710,740 (12%) were directly dependent on fishing for livelihood. Being aware of the important role of fisheries in the country's economy, successive national administrations of the Commonwealth Government had formulated fishery policies and regulations, to conserve and protect the resources.

2. NATIONAL POLICIES AND THEIR SOURCES

The first major policy for Philippine fisheries was embodied in Fisheries Act No. 40 of 1932, an act designed to amend and bring together the existing laws relating to fish and other aquatic resources of the Philippine Islands. Various amendments have subsequently been made in the Act to adapt its provisions to changing conditions in the fisheries.

On March 20, 1963, the Republic Act (R.A.) No. 3512 was promulgated under the Fifth Congress of the Republic of the Philippines. The Act declared that the national policy was to encourage, promote and conserve national fishing resources in order to ensure a steady and sufficient supply of fish, and other fishery products for the increasing population and to reduce to a minimum level fish imports and help stabilize the national economy. Pursuant to the policy, the Philippine Fisheries Commission was created (to replace the existing Bureau of Fisheries) under the direct control and supervision of the Secretary of Agriculture and Natural Resources. The enlarged fishery administration was designed to take charge of the development, improvement, management and conservation of the Philippine fishery resources.

Under the Integrated Reorganization Plan of the National Government, the Philippine Fisheries Commission again reverted to a Bureau of Fisheries carrying among others the duties and functions embodied in R.A. 3512.

On 9 November 1972 Presidential Decree No. 43, better known as the Fishery Industry Development Decree of 1972, was promulgated by the President of the Philippines as one of various means of achieving the desired economic advancement with emphasis on fisheries development.

The Decree declared the State's intention to accelerate the integrated development of the fishery resources of the country, and that the Government would:

- (i) Promote, encourage, and hasten organization of, provide assistance to, and help integrate the activities of all persons, associations, co-operatives and corporations engaged in the industry so that the nation may achieve self-sufficiency in fish supply and fishery products, and to achieve such purpose, the industry shall be considered as a Board of Investment (BOI) pioneer project;
- (ii) Also encourage and promote diversification of export products and markets to enable the fishery industry to contribute positively in the development and growth of national economy;
- (iii) Provide financing, training, extension services, technical assistance and infrastructures for production, storage, processing, transportation, marketing and distribution of fish and fishery products.

^{1/} Transitional form of government from 1935 to 1946 to determine the Philippine capability for independence from the United States of America.

To implement the above State policies for fishery development, the Fishery Industry Development Council (FIDC) was created as the policy-making body with the following composition:

Secretary of Agriculture and Natural Resources	- Chairman
Director of Fisheries	- Vice-Chairman and Executive Officer
Chairman of the Development Bank of the Philippines	- Member
President of the Philippine National Bank	- Member
Chairman of the Board of Investments	- Member
Two Private Sector Representatives from the Fishpond Operators and Fishing Association	- Members

The Council has the following functions, powers and duties:

- (i) To provide comprehensive policy guidance and create a healthy investment climate for the development of the industry in all its aspects and delineate and coordinate the various activities of the participating agencies of the industry;
- (ii) To encourage persons, associations, cooperatives and corporations engaged or who will engage in the production, storage, processing, marketing and distribution phases of the industry to adopt such systems and practices which will reduce costs and improve the quality of fish and fishery products in order to bring about fair returns to producers and reasonable prices for the benefit of the consumers;
- (iii) To promote the establishment of infrastructure and other physical facilities geared towards the development of the fishing industry;
- (iv) To encourage the improvement and modernization of the fishing fleet of the country and the expansion of its operations;
- (v) To provide guidelines to protect fish habitats, marine parks, and other fishery resources from pollution;
- (vi) To draw up a comprehensive financial programme for the industry indicating therein the sources, either domestic or foreign, allocating the funds thereof under a system of priority;
- (vii) To devise a feasible system of insurance which will meet the needs of the industry.

The Bureau of Fisheries as the research, advisory and executive arm of the Council is primarily and directly responsible for implementing the fishery industry development programme in coordination with other agencies.

Some of the major functions of the Bureau of Fisheries under the Decree are the following:

- (i) To exercise the powers, duties and functions provided for under R.A. 3512;
- (ii) To be in charge of the development, improvement, management and/or conservation of fish and fishery resources; to declare, establish and enforce closed seasons for the catching and selling of a specified species of fish or the operation of fishing gear within the Philippine territorial waters;

- (iii) To grant and prescribe fees for fishpond activities, concessions for gathering, taking, culturing, processing fish and fishery products; to issue permits for the import and export of fish and fishery products; to give attention to scientific and educational matters; to issue licences to fishermen and to commercial fishing vessels of more than 3 gross tons;
- (iv) To coordinate with other agencies and undertake applied research for increasing the efficiency and effectiveness of the methods/techniques of production and utilization of fish and fishery products; to conduct and supervise the importation of fish and fishery products whether for re-export or for domestic use;
- (v) To promote the organization of small fishermen's associations and cooperatives in collaboration with other agencies; to determine and designate fish landing points and promote the development of a viable fish meal industry.

In view of the complex and vast problems involved in developing and managing the agricultural and natural resources of the country, a Presidential Decree No. 461 was issued on 17 May, 1974 reorganizing the Department of Agriculture and Department of Natural Resources. The objective of the Decree is to attain, as soon as possible, the national goal of increased production and self-sufficiency in basic food and the completion of an up-dated inventory and assessment of the nation's natural resources for ensuring conservation, optimal utilization, programmed exploitation and replacement. Under the Decree, the Bureau of Fisheries was renamed the Bureau of Fisheries and Aquatic Resources (BFAR) under the Department of Natural Resources carrying with it all the functions, powers and duties embodied in R.A. 3512 and P.D. 43.

Other measures relevant to the industry also emanate from the Office of the Secretary, Department of Agriculture and Natural Resources, issued through a series of Fisheries Administrative Orders based on the recommendations of the Director of the Bureau of Fisheries. To date, 112 Fisheries Administrative Orders have already been issued regulating various aspects of fishery activities in the country.

At the Bureau level, the major policies of the Director of Fisheries are embodied in the Expanded Fish Production Programme. Based on national policies, the Programme is a rolling 4-year plan, which defines the objectives, programmes, production targets and the funding requirements needed by the Bureau of Fisheries and Aquatic Resources to develop the fishery industry.

3. NATIONAL SUPPORT

To achieve the national policies embodied in the Decree, various forms of support and assistance are extended to the fishery industry.

The Bureau of Fisheries and Aquatic Resources as the executing agency of the fishery development programme of the Philippines operates from national funds approved through Presidential Decree. The amount of appropriation granted is based on the programmes and projects presented by the Bureau. The use of the funds is controlled by the Budget Commission.

For purposes of budgetary appropriations, operations by the Bureau of Fisheries and Aquatic Resources are presented in two major areas, namely, conservation and development of aquatic resources 1/ and construction of permanent improvements 2/. For FY 1973, to

1/ Includes fishery research, management, freshwater and marine fishery developments, administration.

2/ Includes establishment or improvement of fish farms, ice plants and cold storage, fi

actual expenditures of the Bureau of Fisheries and Aquatic Resources was ₱23.5 million, equivalent to US\$ 3,507,463 ^{1/}. The majority of the expenditures (₱22.6 million or US\$ 3,373,134) came from the General Fund ^{2/}, the balances from the Receipts Automatically Appropriated (RAA) ^{3/} and Special Funds ^{4/}.

The private sector in part contributes to the industry through the various fees they pay for their fishery operations. These fees are the boat and fishermen's licences, gathering fees, permit fees for fishery imports and exports, etc. For 1973, the Bureau of Fisheries had a total income from such sources of ₱2,595,000. From this income, a part of the Bureau's expenditure is allotted under the so-called special funds and RAA.

Co-ordination with other government and non-governmental agencies is also undertaken for greater effectiveness in programme implementation. Among these agencies are the Departments of Education and Culture, Foreign Affairs, Justice, National Defence, Local Government and Community Development, Public Works and Transportation, etc. including the different bureaus under each; educational institutions such as the University of the Philippines, Mindanao State University, Central Luzon State University, etc., financing institutions such as the Asian Development Bank, Philippine National Bank, Veterans Bank, Development Bank of the Philippines, Rural Banks, private fisheries organization and associations, etc.

In addition to the Bureau of Fisheries which is wholly supported by national funds to oversee the management and conservation of the fishery resources, other major forms of assistance to the fishing industry include the Investment Incentive Act, the Rural Credit Project, the Fishery Industry Loan and other schemes described in detail in the remainder of this paper.

3.1 The Investment Incentive Act Under Republic Act No. 5186 as Amended by Presidential Decree No. 92 (Business Incentives and Reforms)

The act was enacted with the following two-fold objectives:

- (i) To encourage Filipino and foreign investments in projects to develop agricultural, mining and manufacturing industries which increase the national income with the least cost, increase exports, bring about greater economic stability, provide more opportunities for employment, raise the standards of living of the people and provide an equitable distribution of wealth;
- (ii) To welcome and encourage foreign capital to establish pioneer enterprises that are capital intensive and would otherwise utilize a substantial Filipino capital.

To implement the provisions of the Act, the Board of Investment (BOI) was created to carry out the above objectives through the designed Investment Priorities Plan ^{5/}.

Fishing is considered by the Board as a pioneering industry and classified in the sixth priority for investment. Presently, three aspects of fisheries are included in the plan, namely, Deep Sea Fishing, Inland Fishing, and Shrimp and Crustacean Fisheries.

^{1/} ₱6.7 equals US\$ 1.

^{2/} Includes fixed expenses for the general operation and administration of the Bureau.

^{3/} Income of the Bureau derived from the various licences, permits and clearances issued.

^{4/} Income of the Bureau from sales of fish caught and produced by its own vessels and in its own ponds; ice produced from ice plants and cold storage operated by the Bureau.

^{5/} Prescribes that different activities in the agricultural, mining and manufacturing sectors be accorded preferred status as fields of investment on the basis of analysis, synthesis and projections by the BOI of data from private and public sources.

The investors and enterprises are given basic rights and incentives under the Act. These basic rights are:

- (i) Freedom from expropriation and requisition without just compensation for all investors and enterprises, whether registered or not;
- (ii) Right for registered enterprises and investors to repatriate investment and to remit earnings as well as foreign loans and obligations arising from technical assistance contracts at foreign exchange rates prevailing at the time of remittance, but, however, with a limit up to the extent of their foreign equity participation.

The incentives given are:

- (i) Deduction of organizational and pre-operational expenses;
- (ii) Accelerated depreciation;
- (iii) Net operating loss carry over;
- (iv) Tax exemption on imported capital equipment;
- (v) Tax credit for withholding tax on interest;
- (vi) Employment of foreign nationals;
- (vii) Deduction for expansion of re-investment;
- (viii) Tax credit on domestic capital equipment to user;
- (ix) Anti-dumping protection;
- (x) Protection from government competition;
- (xi) Exemption from all taxes under the Internal Revenue Code except income tax on a gradually diminishing percentage from registration up to December 31, 1981;
- (xii) Post-operation tariff protection;
- (xiii) Deduction for labour training expenses.

For export-oriented industries:

- (i) Double deduction of promotional expenses;
- (ii) Double deduction of shipping costs on Philippine vessels; 15% of shipping cost on foreign vessels;
- (iii) Special tax credit on raw materials.

3.2 Assistance Through Credit Projects

(i) The Rural Credit Project

The Project involves the Central Bank of the Philippines as the borrower and the International Bank for Reconstruction and Development (IBRD) as the lending bank. As a continuation of the agricultural credit programme which the Central Bank obtained from IBRD, the credit project consists of two parts - namely, the lending programme and the lending programme assessment. The former is an agricultural credit operation wherein the

Central Bank grant sub-loans to selected Rural Banks or Savings and Loan Associations. These sub-borrowers grant medium and long term credit to farmers and rural entrepreneurs to finance investments in farm mechanization, on-farm transport, farm support facilities and equipment, coastal and inland fisheries, small-scale livestock development and cotton-type agro-industries, and the refinancing of such credit by the borrower. The lending assessment programme aims at evaluating the economic impact of the lending programme.

Three rural credit projects have been obtained to date. Fisheries development was included in the second and third rural credit projects. Under the Second Rural Credit project, US\$ 2.5 million was granted for the development of fishponds and the purchase of small fishing boats and equipment. Under the third rural credit project, loans for coastal fishing boats up to 20 GT including gear and equipment, fishponds, fishpens and fish meal were also considered eligible for financing.

The amount that may be loaned to a borrower depends on the actual cost of items to be financed, his needs, his paying capacity and credit worthiness, but are limited to a maximum of 90% of the total cost of the project. Of the amount loaned by the Central Bank through the Rural Bank, it is required that 56% shall be derived from the proceeds of the IBRD loan and that balance shall come from the Central Bank and the Government agencies. A 10% participation based on the total cost of the project is borne by the borrower. On loans up to P10,000, collaterals are not required but they have to be guaranteed by the Land Bank. In the case of loans exceeding P10,000, collaterals acceptable are immovable property titled or untitled. Appraised value for titled property is up to 70%, untitled ones not more than 50%. In case of movable property, loans may not exceed 50% of the appraised value of items to be financed. For fishpond loans, production stock may also be mortgaged.

Depending on the nature of the projects, loans granted have different maturities. Fishpond loans have 10 years maturity while in the case of fishing boat loans, maturity is 5 years.

Loans to end-users are given at interest rates not exceeding 12%. Interest is not collected in advance.

(ii) Fishery Industry Loan

Another loan which was exclusively obtained for fisheries is the World Bank Loan of US\$ 11.6 million. The total loan is broken down to the following beneficiaries within the fisheries sector:

Marine Fisheries Sector -	US\$ 5,900,000
Inland Fisheries Sector -	3,900,000
Consultant Services and Fellowships Abroad -	600,000
Unallocated -	1,200,000
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	US\$ 11,600,000
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The Development Bank of the Philippines administers the loan at an interest rate of 12%. Equity required ranges from 5% to 15% in inland fisheries and 20% from the marine fisheries sector. The payment period ranges from 4 to 12 years with a period of grace of between one to four years.

The Project at full implementation is expected to result in an increment of 48,000 tons of fish per year, benefiting 1,100 borrowers and generating 2,400 jobs for skilled and semi-skilled fishermen. An additional 4,000 unskilled workers per annum will also be required during the 4-year investment period. Various industries and businesses linked

with the fishery industry will also benefit, for example fry catching, fertilizers, transport, cold storage industries and the smaller buying and selling business.

3.3 The Fisheries Commodity Loan from the Danish Government

Another support to the fishery is the establishment of a cold chain consisting of 14 plants (three 40-ton refrigerating facilities and eleven 5-ton ice plants) obtained through a commodity loan agreement with Denmark. The loan is estimated to provide ₱7.4 million plus the local component of ₱11.4 million payable over 18 years amortization with 7 years grace without interest.

The Project aims at increasing ice production and at improving storage and freezing facilities. Ultimately, it will reduce wastage in fish production, facilitate effective fish distribution to the hinterlands of the country and help to promote exports, especially of tuna and shrimps. The units will provide an estimated daily ice production of 175 tons supplying 19% of the total ice requirements of the industry. The facilities will be installed in strategic places throughout the Philippines.

3.4 Small Fishermen's Special Credit Fund

In response to requests from small fishermen for financial aid to help them acquire their own vessels and fishing equipment, the National Food and Agriculture Council of the Department of Agriculture and Natural Resources created the Small Fishermen's Special Credit Fund with an initial capitalization of ₱3.5 million. Being aware of the poor conditions of such fishermen, who rarely can avail themselves of conventional loans from an ordinary lending institution for lack of the required collateral, the Fund was placed under Central Bank administration through Rural Banks under the "Supervised Credit Scheme". A liberalized credit plan waiving any real estate collateral requirement was agreed upon by the Central Bank and the Bureau of Fisheries. The scheme has the following salient features:

- (i) The fisherman must, first of all, be a bona fide member of a fisheries cooperative;
- (ii) The fisherman is entitled to a maximum loan of ₱5,000; the object of his loan must be confined to a fishing craft of not more than 3 tons gross, powered by a petrol driven engine, with spare parts and fishing nets, all of which must be all brand new;
- (iii) The scheme incorporates a marketing agreement to the effect that all catches of fishermen members must be sold by the cooperative;
- (iv) 30% of the net proceed of daily catch must be deposited by the cooperative for and in the account of the member; and that withdrawals must be made by members concerned at the end of the month to provide for the monthly loan amortization;
- (v) In view of the real estate collateral, 50% of the value of the objects of the loan must be pledged to the Rural Banks which granted the loan and the other half has to be guaranteed by two co-workers;
- (vi) The loan is repayable over three years at 12% interest in equal monthly instalments.

^{1/} Implies that end-user-borrowers must agree to abide with such technical recommendation that may be imposed on them from time to time by the Central Bank agricultural credit technician. The system applies throughout the entire life of the loan.

As part of the loan application process, assistance in the preparation of feasibility study is given by a fishery technologist (Bureau of Fisheries personnel outposted to the Rural Bank). From time to time, operational assistance including the use of improved fishing methods is also given to the fishermen.

3.5 Construction of the Navotas Fishing Port and Harbour

The Navotas Fishing Port and Harbour Project, which should be completed by June 1975 aims at providing Manila and its suburbs with modern fleet servicing and facilities with ice plant and cold storage facilities for use by the fishing industry. At present, approximately 60% of fish caught by commercial fishing boats are discharged at the Navotas Fish Landing. However, the commercial fishing vessels have to anchor about 500 metres away from the point of landing on account of shallow water and the catch has to be ferried by amphibians from the fishing boats to the fish jetty entailing more handling tasks, costs and time.

The port project is situated at Navotas (Rozal) about 10 km from Manila. It consists of some 67 hectares reclaimed foreshore area, with four finger piers, one fuel supply pier and a concrete slab pier for small boats, complete with quays, concrete bulkheads, break-water and a fish market building.

The total cost of the project will be about ₱53 million, US\$ 5.5 million of which was obtained as a loan from the Asian Development Bank. Peso counterpart is about ₱25 million.

When completed and operational, a substantial increase in fish production, higher fish values, reduced costs of fishing operations and other less tangible benefits are anticipated.

3.6 Fisheries Research

The Philippine Council for Agricultural Research (PCAR) was especially created by virtue of Presidential Decree No. 48 to establish a systematic approach to the planning, coordination, direction and conduct of the national research programme for agriculture, forestry and fisheries. The PCAR has a special division for fisheries research responsible for promoting the rational management, protection, development and utilization of the aquatic resources of the Philippines by means of cooperative research. It is further charged with giving support to the expanded fish production programme of the Bureau of Fisheries and Aquatic Resources so as to accelerate the pace of fish production sufficient to meet the demand for fish by 1980, thus contributing to the overall economic development of the country.

3.7 Financial Support

Financial support to the fishing industry is given by various government and private financing institutions. On the government side, these institutions are the Development Banks of the Philippines, Philippine National Bank, Central Bank, Rural Bank, Veterans Bank and the Land Bank and, in a special category, the Asian Development Bank. Private financing institutions include the Private Development Corporation of the Philippines, BANCORP, Commercial Banks, etc. Governmental non-banking institutions also extend financial assistance to the industry, for example the Agricultural Credit Administration and the National Food and Agriculture Council, under the Department of Agriculture.

These institutions have given loans and other financial assistance for the development of commercial deep sea fishing, small deep sea (tuna catching), seaweeds marine farming, foreshore and river fishing, brackish and freshwater fishponds (for milkfish, catfish, eel carp, etc.). In 1972, total loans granted by the various financing institutions amounted to ₱98 million.

3.8 External Support

In addition to the support extended by the national government, external assistance to the fishery industry was also obtained from various foreign international organizations and countries, for example the United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), United States International Agency for Development (USAID), the South East Asian Fisheries Development Council (SEAFDEC), World Health Organization (WHO), etc. Currently there are two externally-assisted projects in the Philippines.

(i) The Inland Fisheries Project

Under this Project the United States Agency for International Development (USAID) is providing US\$ 165,451 for two full-time advisers (under contract by Auburn University), laboratory and operational and maintenance equipment for aquaculture stations; the Government of the Philippines, through the National Science Development Board, is financing the construction of two research stations. Total expenditures amount to ₱1,147,608 including other budgetary support.

The Project undertakes research, training and extension in fish culture activities.

(ii) The Fishermen's Training Centre

The UNDP Deep Sea Fishing Development Project in the Philippines which terminated in May 1972, identified important investment opportunities for developing the deep sea fishery sector of the industry. The major constraint to the expansion of deep sea operations is the shortage of skilled fishermen in the country; as a result entrepreneurs were reluctant to invest in expensive gear and equipment when there was a lack of trained fishermen capable of using such equipment.

To overcome the lack of skilled manpower in the industry, a Fishermen's Training Centre was established at Sangley Point, Cavite City, about 30 km from Manila. The Centre is a UNDP Project with the FAO as the executing agency and the Bureau of Fisheries and Aquatic Resources as the implementing agency. The UNDP is contributing US\$ 980,497 in the form of salaries for foreign experts, equipment, scholarships and other services. The Bureau of Fisheries and Aquatic Resources has a financial input of US\$ 827,124 representing salaries of counterpart staff and administrative personnel, building, operational expense and the maintenance and repair of two demonstration fishing vessels. The objectives of the Training Centre are the following:

1. To conduct the training of fishermen on shore and on project training vessels with the aim of upgrading methods of fish capture and of equipment and fishing gear maintenance;
2. To undertake courses of instruction so that fishermen can obtain licences as deck or engine room officers on fishing vessels. The Government will recognize courses offered by the Centre;
3. To instruct captains and engineers in fishing techniques;
4. To assist other fisheries training institutes in improving their services by giving training to a limited number of instructors or extension workers.

Training Courses are given to skippers, deckhands and engineers. Deck trainees may specialize either in trawling, purse seining or line bait pole and line fishing.

By the end of the Project, it is expected that 780 fishermen will have been trained. The national Government through the Bureau of Fisheries and Aquatic Resources will then assume total responsibility for continuing the training programme.