

NATIONAL POLICIES AND SUPPORTS IN THE PHILIPPINE FISHERY INDUSTRY*

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ABSTRACT

This paper discusses the different national policies formulated and promulgated by the Philippine government affecting the fishing industry in general. Chronologically stated, the policies and changes in the organization of the Bureau of Fisheries and Aquatic Resources as the implementing agency for the national fishery development program are described. Major supports to the industry are also discussed in this paper. The various technical as well as financial assistance to small-scale fishermen are given emphasis.

BACKGROUND

The Philippines is primarily an agricultural country blessed with abundant fertile land and resources. As an important sector of agriculture, fisheries has always been a major source of livelihood for the majority of the populace. National statistics for 1970 showed that from the total Philippine population of 36.7 million, 12% or 710,740 of them, directly depended on fishing for livelihood. Being very much aware of the role of fisheries in the country's economy, the national administration, way back in the Commonwealth Government,¹ had formulated fishery policies and regulations to conserve and protect the resources.

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

NATIONAL POLICIES AND ITS SOURCES

The first major policy in Philippine fisheries was embodied in Fisheries Act No. 4003 of 1932. It was an act to amend and compile the laws related to fish and other aquatic resources. Various amendments had been made in the Act to attune its provisions to the changing conditions of Philippine fisheries.

On March 20, 1963, Republic Act No. 3512 was promulgated by the Fifth Congress of the Republic of the Philippines. The Act declared it the national policy to encourage, promote and conserve national fishery resources to insure a steady and sufficient supply of fish, and other fishery products for the increasing population and to minimize fish importations and help stabilize the national economy. Pursuant to the policy, the Philippine Fisheries Commission was created (to replace the then Bureau of Fisheries) under the direct control and supervision of the Secretary of Agriculture and Natural Resources. The enlarged office was designed to take charge of the development, improvement, management and conservation of Philippine fishery resources.

Under the Integrated Reorganization Plan of the national government, the Philippine Fisheries Commission was again reverted to the Bureau of Fisheries carrying among other things, the duties and functions embodied in Republic Act No. 3512.

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

The Decree declared the state's policy to accelerate the integrated development of the fishery resources of the country, and that the government shall:

- a. Promote, encourage, and hasten organization of, provide assistance to, and help integrate the activities of all persons, associations, cooperatives and corporations engaged in the industry so that the nation may achieve self-sufficiency in fish and fishery products, and to achieve such purposes, the industry shall be considered as a Board of Investment (BOI) pioneer project;
- b. Encourage and promote diversification of export products and markets to enable the fishery industry to contribute

positively to the development and growth of the national economy;

- c. Provide financing, training, extension services, technical assistance and infrastructures for production, storage, processing, transportation, marketing and distribution of fish and fishery products.

To effect and implement the above-cited state policies on fishery development, the Fishery Industry Development Council (FIDC) was created as the policy-making body with this 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 Deepsea Fishing Association	— members

The council has the following functions, powers, and duties:

- a. 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;
- b. 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 to bring about fair returns to producers and reasonable prices for the benefit of the consumers;

- c. To promote the establishment of infrastructure and other physical facilities geared towards the development of the fishing industry;
- d. To encourage the improvement and modernization of the fishing fleet of the country and the expansion of its operation;
- e. To provide guidelines to protect fish habitats, marine parks, and other fishery resources from pollution;
- f. To draw up a comprehensive financial program for the industry indicating the sources, either domestic or foreign, allocating the funds thereof under a system of priority;
- g. 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 program in coordination with other agencies.

Some of the major functions of the Bureau of Fisheries under the decree are:

- a. To exercise the powers, duties and functions provided for under Republic Act No. 3512;
- b. To take charge of the development, improvement, management and/or conservation of fish and fishery resources; declare, establish and enforce close seasons for the catching and selling of specified species of fish or the operation of fishing gear within the Philippine territorial waters;
- c. To grant and prescribe fees for fishpond cases, concession for gathering, taking, culturing, processing fish and fishery products; issue permits for the importation and exportation of fish and fishery products, scientific and educational purposes; issue licenses to fishermen and to commercial fishing vessels of more than three gross tons;
- d. 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; conduct and supervise importation of fish and fishery products for exports, imports or for domestic use;

- e. To promote organization of small fishermen's associations and cooperatives in cooperation with other agencies; determine and designate fish landing points and promote development of viable fish meal industry.

Recognizing the complexity and vastness of developing and managing the agriculture and natural resources of the country, Presidential Decree No. 461, reorganizing the Department of Agriculture and Natural Resources into two departments — namely, the Department of Agriculture and the Department of Natural Resources — was signed on May 17, 1974.

Its objective is to increase production, attain self-sufficiency in basic food and complete an up-dated inventory and assessment of the nation's natural resources to insure conservation, optimal utilization, programmed exploitation and replacement. Under the decree, the Bureau of Fisheries was renamed as 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 Republic Act No. 3512 and Presidential Decree No. 43.

Other policies relevant to the industry also emanate from the Office of the Secretaries of Agriculture and Natural Resources, issued through a series of Fisheries Administrative Orders as recommended by the Director of Fisheries. To date, 112 Fisheries Administrative Orders have been issued to regulate various aspects of fishery activities.

On the Bureau level, the major policies of the Director of Fisheries are embodied in the Expanded Fish Production Program. Based on national policies, the program is a rolling four-year plan which defines the objectives, programs, production targets and increment and funding requirements of the Bureau of Fisheries and Aquatic Resources to develop the fishery industry.

NATIONAL SUPPORTS

To realize the national policies embodied in the decree, varied supports and assistance are extended to the fishery industry.

The Bureau of Fisheries and Aquatic Resources, as the implementing/executing agency of the fishery development program, operates on national funds appropriated through presidential decrees. The funds granted are based on the programs and projects presented

by the Bureau. Releases of funds are controlled by the Budget Commission.

For budgetary appropriations, the operation of the bureau is categorized into two major projects, namely, conservation and development of aquatic resources² and construction of permanent improvements.³ For FY 1973, total actual expenditures of the Bureau of Fisheries and Aquatic Resources was ₱23.5 million, equivalent to \$3,507,463.⁴ The expenditures came from the General Fund⁵, ₱22.6 million (\$3,373,134); receipts automatically appropriated (RAA);⁶ and special funds,⁷ ₱0.8 million (\$119,403).

The private sector contributes to the industry through the various fees paid for fishery operations. These fees include boat and fishermen's license fees, gathering fees, permit fees for fishery imports and exports, etc. For 1973, the bureau had an income of ₱2,595,000. Part of this income is used to cover the bureau's expenditure and is allotted under the so-called special funds and RAA.

Coordination with other government and non-government agencies is also undertaken for greater effectiveness in the program implementation. Some of these agencies are the Departments of Education and Culture, Foreign Affairs, Justice, National Defense, Local Governments and Community Development, and Public Works and Transportation, including the different bureaus under them; educational institutions such as the University of the Philippines, Mindanao State University and Central Luzon State University, financing institutions such as the Asian Development Bank, Philippine National Bank, Philippine Veterans Bank, Development Bank of the Philippines, rural banks, private fisheries organizations and associations, and many others.

² Includes fishery research, management, freshwater and marine fishery development and general administration.

³ Includes establishment or improvement of fish farms, ice plants and cold storages, fishery stations, etc.

⁴ ₱6.7 equals U.S.\$1.

⁵ Includes fixed expenses for the general operation and administration of the Bureau.

⁶ Income of the Bureau derived from various licenses and permits, clearances issued.

⁷ Income of the Bureau from the sale of fish caught and produced by its vessels and its ponds; ice produced from ice plants and cold storages operated by the Bureau.

Aside from the Bureau which is supported with national funds to oversee the nationwide management and conservation of fishery resources, other major national supports extended to the fishery industry include:

1. *The Investment Incentive Act (Republic Act No. 5186) as amended by Presidential Decree No. 92 entitled Business Incentives and Reforms*

The act was enacted with the following objectives:

- a. 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 for an equitable distribution of wealth;
- b. To welcome and encourage foreign capital to establish pioneer enterprises that are capital intensive and would use substantial Filipino capital, whenever available.

To implement the provisions of the act, the Board of Investment (BOI) was directed to carry out the above objectives through the designed investment priorities plan.⁸

Fishing is considered by the BOI as a pioneering industry and classified in the sixth priority for investment. There are now three areas in fisheries included in the plan, namely, deep sea fishing, inland fishing, and shrimp and crustacean fisheries.

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

- a. Freedom from expropriation and requisition without just compensation for all investors and enterprises, whether registered or not;
- b. Right for registered enterprises and investors to repatriate investment and to remit earnings as well as foreign exchange to service foreign loans and obligations arising from tech-

⁸ Sets forth different activities in the agricultural, mining, and manufacturing sectors to be accorded preferred status as field of investment per analysis, synthesis and projections of data by the BOI from private and public sources.

nical assistance contracts at foreign exchange rates prevailing at time of remittance, but, limited up to the extent of their foreign equity participation.

The incentives given are:

- a. Deduction of organizational and pre-operational expenses;
- b. Accelerated depreciation;
- c. Net operating loss carry over;
- d. Tax exemption on imported capital equipment;
- e. Tax credit for withholding tax on interest;
- f. Employment of foreign nationals;
- g. Deduction for expansion of re-investment;
- h. Tax credit on domestic capital equipment to user;
- i. Anti-dumping protection;
- j. Protection from government competition;
- k. Exemption from all taxes under the Internal Revenue Code except income tax on a gradually diminishing percentage from registration up to December 31, 1981;
 1. Post operation tariff protection;
- m. Deduction of labor training expenses.

For export-oriented industries:

- a. Double deduction of promotional expenses;
- b. Double deduction of shipping costs on Philippine vessels; 15 percent of shipping cost on foreign vessels;
- c. Special tax credit on raw materials.

2. Assistance through credit projects

a. The Rural Credit Projects

The projects involve the Central Bank of the Philippines as the borrower and the International Bank for Reconstruction and Development (IBRD) as the lender. As a continuation of the agricultural credit program which the Central Bank obtained from IBRD, the credit project consists of two parts, namely, the lending program and the lending program assessment.

The lending program is an agricultural credit operation wherein the Central Bank grants 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 transportation, farm support facilities and equipment, coastal and inland fisheries, small-scale livestock development and cotton-scale agro-industries, and the refinancing of such credit by the borrower. The lending assessment program aims to assess the economic impact of the lending program.

Three rural credit projects had been obtained to date. Fisheries development was included in the second and third rural credit projects. On the second rural credit project, \$2.5 million was granted for the development of fishponds and the purchase of small fishing boats and equipment. On the third rural credit project, loan for coastal fishing boats up to 20 gross tons including gear and equipment, fishponds, fishpens and fish meal were also considered eligible for financing. They were accommodated as they came without set limitations.

Loans that may be granted to a borrower depend on the actual cost of items to be financed, his needs, his paying capacity and credit worthiness but shall not exceed 90 percent of the total cost of the project. From the amount loaned out by the Central Bank through a rural bank, 56 percent shall be derived from the proceeds of the IBRD loan and the balance from the Central Bank and government agencies.

A 10-percent participation based on total cost of project shall be borne by the borrower. Loans up to ₱10,000 do not require collaterals, but have to be guaranteed by the Land Bank. For loans over ₱10,000, the collaterals acceptable are immovable property, titled or untitled. Appraised value for titled property is up to 70 percent; for untitled ones, not more than 50 percent. In case of movable property, loan shall not exceed 50 percent of the appraised value of items to be financed. For fishpond loans, the pond's production stock may also be mortgaged.

Depending on the nature of the project, loans have different maturities. Fishpond loans have 10 years maturity while fishing boat loans have five years.

Loans to end-users are given at interests not exceeding 12 percent. Interests are not collected in advance.

b. *Fishery Industry Loan*

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

Marine fisheries	\$ 5,900,000
Inland fisheries	3,900,000
Consultant services and fellowships abroad	600,000
Unallocated	1,200,000
	<hr/>
	\$11,600,000

The Development Bank of the Philippines administers the loan at an interest rate of 12 percent. Equity required ranges from five to 15 percent for inland fisheries and 20 percent for the marine fisheries sector. The payment period ranges from four to 12 years with grace period of one to four years.

The project at full implementation is expected to put up an increment of 48,000 tons of fish per year, benefiting 1,100 borrowers and generating employment for 2,400 positions for skilled and semi-skilled fishermen. Additional 4,000 unskilled laborers per annum shall also be required during the four-year investment period. Various industries and businesses linked with the fishery industry shall likewise be improved. These include fry catching, fertilizers, transport, cold storage industries and the smaller buying and selling business.

3. *The fisheries commodity loan from the Danish Government*

Another support to Philippine fisheries is the establishment of a cold chain composed of 14 ice plants consisting of three units of 40-ton refrigerating facilities and 11 units of five-ton ice plants obtained through a commodity loan agreement with Denmark. The loan is estimated to cost ₱7.4 million plus the local component of ₱11.4 million payable in 18 years with seven years grace without interest.

The project aims to produce enough ice and provide adequate storage and freezing facilities. Furthermore, it hopes to reduce wastage in fish production, facilitate effective fish distribution to hinterlands and promote export, especially of tuna and shrimps. The units will provide an estimated daily ice production of 175 metric tons, supplying 19 percent of the national ice requirements of the

fishing industry. The facilities are planned to be installed in strategic places all over the country.

4. *Small fishermen's special credit fund*

As an answer to the assistance sought by the small fishermen for them to acquire their own fishing outfits through liberal credit terms, 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.

Knowing that poor fishermen can hardly avail themselves of the conventional loans from lending institution for lack of the required collateral, the NFAC placed the fund under Central Bank administration through rural banks under the "supervised credit scheme".⁹ A liberalized credit plan waiving the real estate collateral requirement was agreed upon by the Central Bank and the Bureau of Fisheries

The scheme has these salient features:

- a. A fisherman must be a *bona fide* member of a fisheries co-operative;
- b. A fisherman is entitled to a maximum loan of ₱5,000 and the object of his loan shall be confined to a fishing banca not more than three gross tons, gasoline-fed motor engine with spare parts and fishing nets, all of which must all be brand new;
- c. It calls for a marketing agreement that all the catch of fishermen-members must be sold by the cooperative;
- d. Thirty percent of the net proceeds of the daily catch must be deposited by the cooperative for and in the account of a member; and withdrawals must be made by members concerned at the end of the month to answer for the monthly loan amortization;
- e. In lieu of the real estate collateral, 50 percent of the value of the objects of the loan shall be pledged to the rural bank which granted the loan and the 50 percent balance guaranteed by two co-workers;

⁹ Implies that end-user-borrowers must agree to abide with the technical recommendations 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.

- f. Loan is payable within three years at 12 percent interest payable on equal monthly installments.

In the processing of loan applications, assistance is rendered by a fishery technologist (Bureau of Fisheries personnel detailed with the rural bank) in the preparation of feasibility studies. From time to time, operational assistance which includes the application or use of improved fishing methods is also extended to the fishermen.

5. *Construction of the Navotas fishing port and harbor*

Targetted for completion by June 1976, the Navotas fishing port and harbor aims to provide Manila and suburbs with sufficient and modern facilities for servicing fishing fleets, to provide marketing with ice plant and cold storage facilities associated with the fishing industry.

About 60 percent of fish caught by commercial fishing boats are landed in the Navotas fishing landing. However, commercial fishing vessels have to dock about 500 meters from the point of landing because of shallow water. The catch has to be ferried by amphibian trucks from the boats to the fish landing, entailing more handling tasks, costs and time. In case there is glut of catch, fish prices go down considerably to the detriment of the fishing boat operators.

The port is in Navotas, Rizal, about 10 km away from Manila. It consists of some 67 hectares of reclaimed foreshore area, with four finger piers, one fuel supply pier and a concrete pier for small boats, including such receiving structures as quays, concrete bulkheads, breakwater and a fish market building.

The total cost of the project is about ₱53 million, \$5.5 million of which came from the Asian Development Bank. Peso counterpart is about ₱25 million.

When made operational, substantial increase in fish production, increased fish value, reduced cost of fish handling and intangible benefits concomittant with stepped-up fishing business shall be generated.

6. *Fisheries Research*

The Philippine Council for Agricultural Research (PCAR) was especially created by Presidential Decree No. 48 to establish a systematic approach to the planning, coordination, direction and con-

duct of the national research programs for agriculture, forestry, and fisheries. PCAR has a division on fisheries research to promote wise management, development and utilization of aquatic resources through cooperative research and the rapid development, protection and conservation of Philippine fisheries. It further aims to supplement the expanded fish production program of the Bureau of Fisheries and Aquatic Resources which is to accelerate the pace of fish production to meet the demand for fish by 1980 and contribute to the economic development of the country.

7. Financial support

Financial support to the industry is given by various government and private financing institutions. These government institutions are the Development Bank of the Philippines, Philippine National Bank, Central Bank, rural banks, Philippine Veterans Bank and the Land Bank, and in special category, the Asian Development Bank.

On the other hand, private financing institutions include the Private Development Corp. of the Philippines, BANCORP, and commercial banks. There are governmental non-banking institutions, too, that extend financial assistance to the industry. These include the Agricultural Credit Administration and the National Food and Agriculture Council, under the Department of Agriculture.

Loans and other financial assistance extended by these institutions have benefitted the commercial deep sea fishing, small deep sea (tuna catching) fishermen, marine seaweeds farming, foreshore and river fishing, brackish and freshwater fishponds (for milkfish, catfish, eel, and carp,) and other sectors involved in the development of the fishery industry. For 1972, total loans granted by various financing institutions amounted to ₱98 million.

8. Other External Supports

Aside from the national supports extended by the government to the fishery industry, assistance are also obtained from various foreign countries and international organizations. Some of these organizations are the United Nations Development Program (UNDP), Food and Agriculture Organization (FAO), United States Agency for International Development (USAID), the Southeast Asian Fisheries Development Council (SEAFDEC), World Health Organization (WHO), and many others.

Currently, there are two foreign-assisted projects going on in the Philippines. They are:

a) *The Inland Fisheries Project*

Involved in the project are the United States Agency for International Development (USAID) which provides \$165,451 for the two full-time advisors under contract by Auburn University and commodities (laboratory, operational and maintenance equipment for aquaculture stations); and the Philippine government which, through the National Science Development Board, finances the construction of two research stations. Total government contribution was ₱1,147,608 including other budgetary support.

The project aims to undertake research, training and extension in fish culture activities to attain fish self-sufficiency goals and develop fishery products for export.

b) *The Fishermen's Training Centre*

The UNDP Deep Sea Fishing Development Project in the Philippines which ended in May, 1972, identified important investment opportunities for improving the capacity of the deep sea fishing sector of the fishing industry. The major constraint though that limited extension and expansion of deep sea operation was the shortage of skilled fishermen in the country. This, in part, also caused timidity of capital to venture in the industry. Entrepreneurs were reluctant to invest gear and equipment for the obvious lack of trained fishermen capable of using such equipment effectively.

To offset the lack of skilled manpower in the industry, the Fishermen's Training Center was established at Sangley Point, Cavite City, Philippines, about 30 km from Manila. The center is a UNDP project with the FAO as the executing agency and the Bureau of Fisheries and Aquatic Resources as the implementing agency. Total contribution of the UNDP is \$980,497 in the form of salaries for foreign experts, equipment, scholarships and other services.

The Bureau of Fisheries and Aquatic Resources, as the implementing agency, has an input of \$827,124 representing salaries of counterpart staff and administrative personnel, building,

operational expenses for the maintenance and repair of two demonstration fishing vessels.

The objectives of the training center are the following:

- 1) To conduct the training of fishermen on shore and on project training vessels to upgrade methods of fish capture, equipment handling and fishing gear maintenance;
- 2) To prepare fishermen for obtaining licenses as deck or engine room officers on fishing vessels. The government will recognize courses offered by the center and qualify the trainees for licenses;
- 3) To teach fishing boat captains and engineers modern fishing techniques;
- 4) To assist other institutions concerned with training in the field of fisheries in improving their services by giving training to a limited number of instructors or extension workers.

Training courses will be given to skippers, deckhands and engineers. Deck trainees may specialize either in trawling, purse seining or live bait pole and line fishing.

At the end of the project, the center is expected to train a total of 780 fishermen. The national government, through the Bureau of Fisheries and Aquatic Resources, shall assume total responsibility in continuing the training program.