INDONESIAN BLUE SWIMMING CRAB

Lessons Learned from Lead Firm Initiative

May 2016 - May 2017
Presentation Outline

- Wilderness Markets Background
- Theory of Change
- Focus and Goals, May 2016-2017
- Lessons Learned
Wilderness Markets Background

- Investing in agricultural value chain financing
- Assessed two US and four emerging market fisheries from 2013-2016
  - Indonesia: BSC, snapper, tuna
- Worked with the World Bank to identify approaches to increase investments in sustainable fisheries
  - This work lead to the creation of the three investment-development models:
    - Serial, Parallel and Consolidated
Theory of Change

Which comes first?

Enterprise

Infrastructure

Sustainable Fishery Investments

Data

Management

Lessons Learned from Lead Firm Initiative  May 2016-May 2017
Theory of Change

Three Potential Models

- Serial Approach
- Consolidated Approach
- Parallel Approach
The establishment of strong governance, data collection, and management of a fishery in advance of infrastructure & enterprise.
A single private sector entity or cooperative invests in all elements simultaneously.
Theory of Change

Parallel Approach

- Range of investors and other stakeholders take on different components over time
Parallel Model + Lead Firm Approach

- Emerging Markets ~> “Parallel”
  - Lead firm involvement increases durability and improves implementation

- Lead firms have a role in data, management, infrastructure, and enterprise investment

Theory of Change

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Focus and Goals

Our Tasks

- Engage **lead firm** to secure “change on the water”
  - Define measures and costs associated with sustainable fisheries management with a lead firm
- Develop an **investment model** for sustainable BSC management in Lampung
  - Address investment risk to attract impact capital
- Support **APRI** to identify fundraising and support opportunities
- Coordinate with private bank on a **lending package** to for fishers and processors
Focus and Goals

Lead Firm Context

- Poor scientific data to support harvest control
- Lack of demonstrated triple-bottom line models in emerging market fisheries
- Lack of good information about how much management initiatives will cost and the capacity for implementation
- Mis-aligned economic incentives
- Weak enabling environment
Focus and Goals

Lead Firm

☑ Defined measures and costs needed for sustainability and used these to create a long-term business plan, based on financial modeling

- Indicated support needed is in the 25¢ per lb range
- CEO and COO approve of the model and numbers behind it – now need to work with their stakeholders

- Currently collecting data
- Comprehensive management requires support from the government and the local management team (IPPRB team)
Focus and Goals

Lead Firm

Key inputs to modelling costs:
1. Gear Change from Gillnets
2. Traceability Investments
3. Data Collection
4. Harvester Organization
5. Internal Monitoring and Enforcement
**Focus and Goals**

**Investment Model**

- **Investment model** building off the lead-firm model used in Lampung
- Addresses investment risk through demonstration of efforts to mitigate overfishing and implement traceability
Focus and Goals

APRI

- APRI business plan has been completed that includes estimates of financial support needed to hire additional personnel
  - Has buy-in from chair and executive director, but needs additional support from the rest of APRI

- APRI could legitimately play the role of data manager
  - Sustained presence in the communities through processor affiliates
  - Trusted by industry (represents 76% of processors)
  - Historic knowledge of the fishery (since 2006)
Focus and Goals

APRI Context

- Lack of capacity
  - Need more personnel & funding to support their goals
  - Need more infrastructure to support data collection, management and analysis
- Overreliance on the NFI Crab Council
- Member focus on MSC, but:
  - Poor scientific data to support harvest control rules
  - Uncertain “roadmap to MSC” or alignment with management measures
- Poorly aligned economic incentives
- Weak enabling environment
Bank Lending Challenges

Significant market exists – there are many fishermen and groups with credit needs – but most have very little financial history needed by banks to assess their credit risk.

The majority of potential clients are usually far from a bank office and sometimes even mobile phone reception for mobile banking.

Cheaper, lower risk and more profitable to service urban markets.

Focus and Goals

Lessons Learned from Lead Firm Initiative May 2016-May 2017
Bank Lending

- BTPN and Rabobank (including the commercial arm, the Rural Fund, and the Foundation) are interested
  - Hard for them to assess risks and therefore impossible to make loans due to:
    - Lack of transaction data, compounded by:
      - Lack of producer organization
      - Lack of registered harvesters
- Rabobank Foundation have agreed to assess the new cooperative in Lampung
- The new data collection initiative at Blue Star will address these data gaps and be shared with the banks
Recurring Themes

- The role of the **producer organization** is more multifaceted than we realized.

- More **facilitation** needed - just because there are meetings doesn’t mean there’s communication.

- **Data** is very important in a parallel model but still challenging in this fragmented environment.

  - Need more formalized cooperation – groups that are in the best position to collect time-series data (industry and APRI) may not be the ones who can do the best comprehensive analysis (KKP, NGOs) or ongoing data management (APRI, KKP).
Lessons Learned

Producer Organizations

- Provides multi-level legal recognition of harvesters
  - Government recognition means they are eligible for government programs
- Secure access to technical assistance
- Facilitates access to financing
  - Banks find it more cost-effective and less risky to coordinate with cooperatives than individual fishermen
- Improve economies of scale for purchasing & financing

Fisherman receiving Kartu Nelayan (Fisherman’s Card)
Lessons Learned

Facilitation

- Negotiate data constraints
  - Ensure that all groups are working towards better data
  - Need one person or group providing oversight for all Indonesian BSC data initiatives and an additional person or group for each local management body
- Address confidentiality and industry “trade secret” concerns
  - Provide bridge between the industry, government and NGOs
- Provide independent monitoring and evaluation
  - Work with industry to ensure they are following best practices for data collection
  - Work with NGOs to ensure they are providing what they have agreed to do
Lessons Learned

Data

- No single group seems to be taking on the role of data management
  - Planning for coordinated data collection, analysis and management is either not happening or happening in an ad hoc manner
  - It’s difficult to get buy-in or even input on data practices
- Requires clearly communicated agreements on confidentiality between all parties and MUST include the government...possibly multiple departments
## Lessons Learned

### Data

<table>
<thead>
<tr>
<th>Activity</th>
<th>Fisher Impact</th>
<th>Applicable Government Entities</th>
<th>Management Implications</th>
<th>Resultant Data Points</th>
<th>Data Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kartu Nelayan</td>
<td>Legal recognition</td>
<td>Livestock and Fisheries Service (LFS)-dinas, KKP</td>
<td>Address harvest strategy related to:</td>
<td># of harvesters</td>
<td>Fishing sites</td>
</tr>
<tr>
<td></td>
<td>Life insurance</td>
<td>KKP</td>
<td>• gear use;</td>
<td>Town (location of residence)</td>
<td>Landings by harvester, including:</td>
</tr>
<tr>
<td></td>
<td>Banking services</td>
<td>N/A</td>
<td>• size;</td>
<td>Individual transactions over time</td>
<td>volume; value;</td>
</tr>
<tr>
<td></td>
<td>Eligible services &amp; access to</td>
<td>LFS-dinas, KKP</td>
<td>• sex;</td>
<td></td>
<td>size; sex</td>
</tr>
<tr>
<td></td>
<td>fishing permit</td>
<td>LFS-dinas</td>
<td>• geography</td>
<td></td>
<td>Species being targeted by harvesters</td>
</tr>
<tr>
<td></td>
<td>Fishing permit</td>
<td>LFS-dinas, fishing port authority</td>
<td></td>
<td></td>
<td>Effort</td>
</tr>
<tr>
<td>Cooperative/Producer Organization</td>
<td>Legal recognition</td>
<td>Cooperative Service (Dinas)</td>
<td>Address harvest strategy related to:</td>
<td>Active fishermen</td>
<td>Aggregate fishing sites</td>
</tr>
<tr>
<td></td>
<td>Economies of scale</td>
<td>N/A</td>
<td>• gear use;</td>
<td></td>
<td>Aggregate effort</td>
</tr>
<tr>
<td></td>
<td>Collective bargaining</td>
<td>KKP, Fisheries (Dinas), Transportation (Dinas)</td>
<td>• size;</td>
<td></td>
<td>Aggregate volume &amp; value of landings</td>
</tr>
<tr>
<td></td>
<td>Eligible for govt grants</td>
<td>KKP/ Cooperative Service</td>
<td>• sex;</td>
<td></td>
<td>Vessel ownership &amp; registration</td>
</tr>
<tr>
<td></td>
<td>(gear, ice, etc.)</td>
<td></td>
<td>• geography</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• seasonality</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• access</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Thank you

- Blue Star Foods & subsidiaries
- Mini-plants owners & operators
- Harvester cooperative - Karya Muda Bahari
- APRI
- SFP
- PDS
- KKP
- IPPRB

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