Investing in the sustainability of the Pacific Islands tuna sector

Summary of IFC's proposed investment in the rehabilitation and expansion of SolTuna's tuna processing plant, Noro, Western Province, Solomon Islands: update to stakeholders, February 2013

1. Context

In recognition of the global importance of the world's oceans for food security and livelihoods, and the threats they currently face, the World Bank Group recently convened the Global Partnership for Oceans. The alliance aims to coalesce and support worldwide efforts to manage global ocean resources in a sustainable manner. The first focus of the GPO will be the Pacific islands region, where the Bank is developing its Pacific islands Regional Ocean Investment Package.

IFC, the member of the World Bank Group focused exclusively on private sector development, has identified the Pacific Islands tuna sector as a priority for its services. By investing and providing expert advice, IFC aims to help companies and Pacific Island governments increase revenue, create jobs, and grow local involvement in the sector while promoting the long-term sustainability of the tuna fisheries.

Pacific tuna fisheries are facing serious and complex challenges. Tuna resources are under pressure from increasing fishing effort, overcapacity in fishing fleets, the impacts of onshore development and population growth, and changes in coastal and oceanic systems, including the effects of climate change. A 2009 study by the World Bank and FAO, *The Sunken Billions*, estimates that the 'lost wealth' of Pacific Islands' tuna fisheries through overcapacity and open access amounts to US$3.4 billion. To ensure the people of the Pacific benefit from their resource for future generations to come, there is real and growing need to improve governance, develop a globally competitive private sector, and to enhance Pacific Islands' participation in the value chain.

2. Solomon Islands tuna fishery

The Solomon Islands Exclusive Economic zone (EEZ), 1.34 million km^2 in extent, is about half the size of the adjacent PNG EEZ. The mean annual catch of tuna in Solomon Islands waters between 2008 and 2011 was 156,102 tonnes with an estimated value of US$180 million. Annual catch fluctuates from year to year. Since 2000 however, the annual catch has increased considerably and peaked in 2010 at 186,260 tonnes.

Tuna taken in Solomon Islands accounts for around seven percent of the total catch from the Western and Central Pacific Ocean, which is about equal to the catch from Federated States of Micronesia, but well below the most productive Pacific island zones of Kiribati at 14 percent and Papua New Guinea at 18 percent. Foreign fishing vessels (Korean, Taiwanese, Japanese, Chinese and others) catch the bulk of the Solomon Islands catch with the majority of the fish processed elsewhere.

Solomon Islands charges foreign fleets fees to access their waters, but these benefits have represented only about five percent of the landed value of the catch.

Solomon Islands is moving to a licensing regime that is restricting access and fishing effort (where this is required). To promote local industry, the government is also providing preferential licensing to domestic fleets and those that land fish in country for local processing.

Such recently implemented management measures, along with those proposed in the Solomon Islands Tuna Management and Development Plan indicate that total catch is unlikely to substantially increase and is more likely to be stable over the medium term. For example, the 2011 catch was ~10,000 tonnes below the 2010 peak.

3. Project Profile

The Company

SolTuna Limited is the Solomon Islands' sole tuna loining and canning processor, based in Noro, Western Province. The company commenced operations in 1973 as Solomon Taiyo Limited, a 100 percent pole and line tuna fishing operation. Since then it has grown to become exclusively a tuna processing operation comprising a cannery, loining and cold storage facility. The company's total workforce covering all activities consists of approximately 1,500 workers.

The Project

IFC investment in SolTuna would support the expansion and upgrade of SolTuna's tuna processing plant and to increase capacity from its current 90 tonnes/day to150 tonnes/day.

Assessment to date and next steps

IFC conducted an on-site appraisal of SolTuna's operations in November 2012. During the appraisal, IFC met with Solomon Island-based NGOs and other stakeholders. IFC also contacted other stakeholders by email and invited them to provide feedback on the project (see section below on issues identified during the appraisal).

An Environmental and Social Review Summary will shortly be released for public disclosure.

SolTuna's environmental and social management

- *Significant investment in local community*: SolTuna has made, and will continue to make, significant investments in the local community. SolTuna employees are provided with housing or housing subsidies, education subsidies for their children, electricity, transportation, and other benefits in Noro and Munda. Furthermore, Western Province has grown considerably along with the tuna industry, and a large number of local small and medium size enterprises (such as hospitality and food service establishments) have been launched in recent years;

- *Largest employer in Noro*: With 1,500 employees, SolTuna is the largest employer in Noro and provides jobs and training to people living in a rural area where employment is scarce.

SolTuna offers a wide variety of positions and training for non-entry level positions. The plant has almost 1,200 workers with specialized skill sets;

- *High female employment*: Of SolTuna's approximately 1,500 employees, about 62 percent are female. SolTuna helps provide jobs for women throughout Western Province, representing almost 20 percent of total paid female positions. The plant has the potential to develop new career options for women, beyond the current 15 higher-level female professional positions;

- *Solomon Islands' major domestic fishing fleet:* Close to 100 percent of SolTuna's tuna is supplied by National Fisheries Development (NFD), a subsidiary of Tri Marine International. NFD operates five purse seine vessels and two pole and line vessels (two more to be re-commissioned in 2013) that fish entirely within Solomon Island waters, with ~95 percent of the catch taken in the waters of the Main Group Archipelago. This area can only be accessed by subsistence, artisanal, and domestic commercial fishing vessels that land their fish for local processing. NFD's vessels are almost entirely crewed by Solomon Islanders, with only four foreign fishing masters/captains;

- *SolTuna is the only domestic tuna processor*: NFD's catch supplied to SolTuna fluctuates from year to year. NFD's 2011 catch (63% skipjack and 37% yellowfin) represents ~14% and 30% of the 2011 Solomon Islands catch of skipjack and yellowfin respectively;

- *SolTuna's proposed upgrade and increased throughput will largely rely on new landings of albacore sourced from longline vessels*: the additional volume of tuna required to increase throughput, from 90 tonnes/day to 150 tonnes/day by 2019, will come from albacore caught by longline vessels licensed by Solomon Islands to fish within its EEZ, and potentially also from skipjack and yellowfin caught by NFD's fleet that is currently exported. In 2012, NFD was allocated 50 longline licenses and has attracted longline vessels fishing on its license and other vessels to land their catch at Noro. The overall number of licenses has decreased under new local regulations, however NFD was able to increase its share of the available licenses;

- *SolTuna's upgrade and increased throughput is consistent with the Solomon Islands government's strategy to increase landing and processing of tuna in country with the aim of capturing more value from its tuna resources*: consistent with the government's plans of limiting fishing effort and increasing local processing, SolTuna will be seeking to secure a greater percentage of the total albacore catch, which is tuna that would otherwise, as was previously the case, been landed and processed in another country;

- *Local landing of longline catch provides opportunity to improve integrity of catch data*: NFD is seeking to provide ancillary services to longline vessels (bunkering, supplies etc) as a way of attracting vessels to land and unload all their catch at Noro. Given the current low levels of observer coverage (< 5 percent), under-reporting of catch and bycatch is believed to be widespread across longline fleets. Increasing the landing of longline catch in country will enable improved catch estimates and assessment of impacts. It also potentially provides greater leverage for improvements in practices such as bycatch mitigation through gear modification and improved handling and release.

Expected Development Impact

The Project's key development impacts include:

- *Sustainability of the Pacific Tuna Fishery:* The Project is expected to contribute to the sustainability and improved management of the Pacific tuna fishery through compliance with the principles of engagement (see Appendix 1), the IFC Performance Standards, and enabling better compliance with regional tuna management measures;
- *Capturing More Value In-country:* IFC's support is expected to substantially increase the amount of tuna that is processed onshore in Solomon Islands, thereby helping the country retain greater value-add from its own tuna resources and thus further benefitting the local economy;
- *Domestic Food Security:* IFC's involvement in the Project is expected to help contribute to domestic food security;
- *Job Creation:* The Project is expected to help create additional jobs and skills training in the broader fisheries and fish processing supply chain;
- *Generation of Tax Revenues:* The Project is expected to generate additional tax revenue for the Solomon Islands government.

Sustainability issues identified during the appraisal

A number of sustainability and environmental issues were identified during the appraisal including those raised during stakeholder consultation. The key issues identified are:

- The robustness of regional and national measures to conserve tuna stocks and the level of coordination between Pacific Island countries to sustainably manage a highly migratory stock. A number of stakeholders raised the importance of restricting effort and overall catch, and as a priority, the implementation of reference points and harvest control rules;
- Different access and management arrangements within the Solomon Island waters, that adds an additional level of complexity for management authorities to implement consistent and equitable stock management measures;
- Integrity of catch and bycatch data, particularly for the longline fishery where observer coverage is currently < 5 percent;
- Bycatch of non-target species by the longline fishery,(some of the bycatch is retained) and to a lesser extent, bycatch of non-target species by the purse seine fleet (i.e. sharks, rays, turtles);
- Overfishing of bigeye and the challenge of a coordinated regional response to reduce bigeye mortality by at least 30 percent;
- Purse seine fishing on fish aggregating devices (FADs) and the higher rate of juvenile bigeye and yellowfin mortality than for free school fishing;
- Management of bait fish stocks (essential for the pole and line fishing); and
- The importance of Marine Protected Areas (MPAs) and that some areas should be off limits to fishing.

Appendix 1

Principles for engagement in wild catch fisheries

In view of the complexity and challenges facing the Pacific tuna fisheries, the project team developed a set of principles to guide its engagement with the Pacific Islands tuna sector where the intent is to support projects that will contribute to improving economic benefit to Pacific Island Countries and the long-term sustainability of the tuna resource. The principles for engagement are:

- IFC engagement will do no harm, particularly in regard to use of fish species for which there are sustainability concerns. IFC will only support projects that do not further threaten sustainability and do not increase adverse eco-system impacts. In practice this means that IFC will not support activities that increase the harvest of species of concern, but may instead support activities that see new players, particularly resource owners, enter fisheries; the adoption of new or more environmentally responsible fishing practices; or the capturing of increased value from the present tuna harvest by resource owners;

- IFC will only support projects that increase national content and have local development impacts, such as national income, livelihood creation and enhanced nutrition and food security. This might include support for joint-ventures between established tuna firms and Pacific island interests; the establishment of processing plants onshore in the Pacific islands; and the establishment of enabling infrastructure that has wider public benefit;

- All investment will be predicated on full value chain analysis to ensure complete understanding of how an investment may impact the entire supply chain, including resource sustainability;

- All investment will require ensured traceability and that primary suppliers are compliant with all relevant international and regional fisheries management, trade and phyto-sanitary laws, agreements and treaties and, where applicable, so certified; and

- All investment must have demonstrable links and relationships to existing sustainability initiatives involving improved governance and better management of fisheries. The existence of such initiatives will thus be a pre-condition for investment consideration, as will demonstration of how investment may further support sustainability initiatives.

Beyond these principles, all IFC investments are expected to meet applicable IFC Performance Standards on Environmental and Social Sustainability, including the expectations for (1) Sustainable Management of Living Natural Resources and (2) Supply Chain as described in PS6.