



ANALYSIS OF FINANCING AND INVESTMENT

opportunities to transition Mexican
fisheries towards sustainability

Executive Summary

The importance of the fishing sector in Mexico is undeniable: more than two million people are economically dependent on it; it generates 350,000 direct jobs, and millions of Mexicans rely on the ocean for their main source of high-quality protein.

The fishing sector in Mexico –including wild capture and aquaculture- holds great potential for growth. Aquaculture, for instance, is an industry poised to grow domestically and through the placement of high-value products in the international marketplace. Small-scale artisanal fisheries also play an important role as an economic alternative for communities experiencing poverty.

However, in spite of the sector's importance, seafood producers and entrepreneurs face great challenges, such as overfishing, low added value of seafood products, lack of specialized technical support and difficulties accessing appropriate financing sources. All these constraining factors hamper the achievement of a truly profitable and sustainable future for the fishing industry in Mexico.

Through this report Environmental Defense Fund Mexico identifies and analyzes public and private financing resources, as well as different financing structures and instruments, focusing on the challenges that small and medium-scale producers face in accessing those.

The data and information analyzed within this report was compiled through the following sources and references:

a) Reports provided by the fishing industry, studies performed by the private financing sector, and interviews with decision makers; and b) the Boston Consulting Group (BCG) Matrix Methodology, which allows the visualization of current and potential market growth opportunities.

The financial sources identified in this report are grouped according to their nature as Public, Private and Philanthropic funds. Based on their characteristics and similarities, they are further collated to show how public, social impact, private investment, start-up and philanthropic funds, along with networking and capacity building organizations, support sustainable fishing projects. In addition, the report analyzes main aspects of the opportunities they offer.

The easiest funds to access are from CONAPESCA – Mexican National Commission and Fishing and Aquaculture-, with an annual fund of \$1.3 billion pesos; followed by *Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero* (National Funding of the Farming, Rural, Forestry and Fishing Development), with an annual fund of \$430 million pesos. Both funds receive the most requests from fishermen, but they are also the most limited funding sources with the lowest average annual growth (1%).

The subsidies and programs offered by CONAPESCA are primarily focused on improving the sector's competitiveness through infrastructure, equipment and capital investments. *Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero*, on the other hand, charges low interest rates for credit lines, which makes it one of the most attractive funding options for the fishing sector (in 2015 it granted loans totaling \$30.5 million pesos).

Philanthropic funds are the second best in terms of accessibility. These funds have an annual budget of \$631 million pesos and an average annual growth of 4%. Philanthropic funds are focused on social and environmental impact projects – as of 2015 there were 253 funds supporting environmental projects, an insufficient amount to serve the array of social and environmental issues in Mexico.

In third place are Social and Environmental Funds, which have an annual budget of \$380 million pesos and an annual growth of 16%. These funds look for companies with a business model able to reach financial sustainability through commercially viable and scalable projects with positive social and environmental impacts.

The FIRA funds (*Fideicomisos Instituidos en Relación con la Agricultura*, or Institute Trust for Agriculture), which has around \$6.1 billion pesos and an annual growth of 2%, requires a stronger business model, since funds are given through commercial bank intermediaries (which only take into account the business activity and profitability of the borrower).

Hence, regular commercial banking requirements must be met to access these funds.

Private investment funds -with an estimated budget of \$11 billion pesos and a 16% annual growth rate-, along with Start-up funds –which have around \$721 million pesos and an annual growth rate of 15%- are the ones with greater access barriers, because they tend to support high-performance companies with innovative business models and a structure based on proven processes and commercial models.

In summary, fishing producers, especially small ones, face several barriers to accessing funding—both private and public—with one of the primary reasons being the lack of collateral in the form of fixed or liquid assets to back up their credit's application.

To overcome this situation, this document presents a strategy and a road map for producers to access funds, and concludes that producers will benefit from developing mechanisms to establish fishing assets as collateral, so that they can gradually transform their fishing activity into a more sustainable and profitable business.