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FISHERY INSURANCE NEEDS IN VIETNAM

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Abstract

The fisheries of Vietnam have been growing at a rate of between four and six percent annually and now produce over 1.3 million tons of fish per annum. Government targets for the year 2000 envisage the production of 1 million tons of fish from marine fisheries and 600,000 tons from aquaculture. The heavy investments required to meet these objectives and the risky nature of fisheries underline the need for adequate insurance systems for the sector. However, although a government-owned and operated insurance company, BAOVIET provides country-wide insurance services for such important activities as transport, medical needs, schools, social welfare, etc, agriculture and fisheries have not yet benefitted from these services. The main constraint in this respect appears to be the limited efficiency and inadequate institutional networks of the present system. Moreover, the fishermen and fish farmers generally lack any understanding or familiarity with insurance principles and benefits; the staff of BAOVIET similarly lack knowledge and experience of the very specialized needs of the fisheries sector. The author suggests that, as a first step to overcome these problems, a small-scale pilot project be operated and presents a project proposal to this end.

PRESENT STATUS OF FISHERIES IN VEITNAM

Vietnam is considered to have good potential for fishery development. With 3,260 km of coastline and 1.4 million ha of water surface suitable for aquaculture activities, the catch is estimated to have reached some 1,300,000 tons of fish in 1995. Amongst the sectors having a meaningful role in the economy of the country, fisheries is are considered as very important, contributing 6.3% to the GDP in 1994. The fishery sector last year exported about 130,000 tons of fish products worth \$550 million, becoming the second largest hard currency earning sector after the oil industry. Annual growth rate of the fisheries sector ranges from four to six percent.

Presently, nearly 500,000 ha of water surface are used for aquaculture purposes, of which more than 230,000 ha are in the brackishwater sector. Last year the aquaculture production was about 440,000 tons of which the brackishwater sector contributed about 30%.

The country has a total of 93,600 vessels including 31,500 non-mechanized artisanal fishing boats, 62,000 mechanized wooden vessels for trawling and gillnetting in seabed areas and about 100 offshore vessels for highsea fishing exploitation. In 1995, landings were 903,000 tons, 24,500 tons greater than production in 1994.

Presently, the country has more than 350 plants producing items for domestic markets (mainly fish sauce) and 204 plants for processing fish for export. The total annual processing capacity of all factories is estimated at more than 200,000 tons.

Total employment in the fishery sector is estimated to be 1.8 million, of which 1.1 million are directly involved with fisheries and the remainder indirectly employed by fishery industries and services. The total number of people dependent on the fisheries sector is estimated to be as high as 8 million.

Development strategies for the sector have been clearly stated by the Ministry of Fisheries in the context of Government development planning. The target indicators of the development plan are: total fish production: 1.6 million tons by the year 2000, of which 1.0 million tons is from fishing and 0.6 million from aquaculture; export value : \$1,000 million; and per capita fish production of 15.3 kg compared with 11.8 kg in 1993.

To achieve the above-mentioned targets, the government has promulgated a policy highlighting a number of principles, some of which are listed below:

- sustainable development and environmental protection;
- strengthening investment in all fishery fields and increasing saving rates, improve revolving capability and efficient mobilization of the financial resources;
- an export - oriented trade and commodity production.

INSURANCE IN VIETNAM

Insurance activities are quite new in Vietnam. Presently, only BAOVIET, the insurance company owned by the government, is operational throughout the country. BAOVIET was founded in the middle eighties. Since then it has established branches in all provinces and covers insurance activities in important fields such as transportation, medicine, education, social welfare, etc. The insurance in social welfare and medicine is mostly purchased by government staff or government agencies. The fees in such cases are automatically transferred monthly or quarterly from the government agencies to the local insurance company under the BAOVIET. The insurance fees for transportation facilities are automatically included in fuel prices. However, in the case of fishing boats or machines in agriculture and aquaculture using fuel, the owners of the boats or facilities have to buy the fuel with a price that includes the insurance fees. Nevertheless, these owners are not considered as the customers by the insurance company.

Summarizing the present status and the operational mechanism of insurance in Vietnam, it is clear that limits on the capability and networking scope are the main constraints for expansion of its activities

on a larger scale.

INSURANCE NEEDS IN THE FISHERIES SECTOR

Presently, in the agriculture and fisheries sectors, the farmers and fishermen are still not familiar with insurance activities. The activities of BAOVIET and its insurance branches do not filter down to the farmer's level nor even to the state enterprises and cooperatives in terms of insurance for facilities, crop production etc.

Regarding aquaculture, a rapid development has been noted since the new government policy came into effect. It was established that recent investment in aquaculture (mainly for the brackishwater sector) reached about US\$290 million. The farmers started intensifying their pond culture in order to gain more profit. Obviously, this requires investment. In some cases, the investment is considerable and costs some hundred thousand dollars. The largest investment in the aquaculture sector focuses on cultivating valuable products for export markets (shrimp culture) or for luxury items for the domestic markets. Production cycles require high technology and management skills which are allied with the high risk in losing crops due to calamities, diseases, pollution, etc.

With regard to fishing activities, the private sector has to invest capital into ship building, fishing nets and other fishing techniques for offshore exploitation. It is estimated that for a complete set of fishing facilities and a 500 hp ship, the investment required is about \$35,000-40,000. Fishing is also threatened by cyclones or typhoons and other natural catastrophies.

Whatever funds may become available for fisheries, clearly insurance for this sector is necessary. Initially, it may not be needed for all sub-sectors but in some cases big investments are required.

FACTORS INFLUENCING INSURANCE ACTIVITIES IN THE FISHERY SECTOR

The limited efficiency of the capacity and networking system of the government-owned insurance company is the main factor restricting the expansion of insurance activities in the fishery sector.

The high risk in both aquaculture and fishing production processes, and lack of knowledge staff, also discourages the insurance company from expanding its activities. Lack of competition from other insurance companies may be another factor.

The farmers themselves have not got enough knowledge and information about insurance nor practical experiences in this matter. Most of the farmers dealing with aquaculture or fishing are facing a shortage of investment for running their farm or enterprise. Insurance would be an additional input for which, in many cases, the cash is unavailable. Interest rates charged by banks are too high for the farmers to seek loans for insurance fees. Poor quality of insurance services and complicated reimbursement procedures also have a negative impact on farmers.

GOVERNMENT POLICY

BAOVIET being a government-owned company, there is no doubt that eventually insurance activities will be expanded to other sectors including fisheries. However, time for preparation is required. At this stage, it may be better for the fishery sector if there is a pilot project operating on a small scale to support enterprise in a district. The implementation of such a pilot project will provide valuable learning experience. The following is a possible project outline:

1. Title of the project: Establishment of a pilot insurance unit insurance at an aquaculture site in Nghe an province.
2. Location: Quynh luu district, Nghe an province.

3. Objective: To develop insurance activities in the fishery sector through operations on an established pilot scale.

4. Implementation Agency: Provincial Branch of Insurance Company.

5. Rationale of the project:

Insurance activities have not been extended to the fishery sector due to a number of reasons, some of which are listed below:

- Limitations in the capacity and networking system of BAOVIET.
- Lack of experience staff dealing with fisheries may also result in lack of interest by the insurance company in the fishery sector.
- Fish farmers have insufficient knowledge and information about insurance.
- Poor quality of insurance services and complicated reimbursement procedures have a negative impact on farmers.

6. Period of Implementation: 24 months from January 1997

7. Operational Framework:

- Preparation of the workplan for implementation as well as manpower including inspectors and site office (January-February, 1997).
- Educating farmers about insurance procedures, activities, rules and principles; the use of insurance in development as well as it's benefit for the farmers (February-March, 1997).
- Organize insurance services for seed rearing, and growing out of brackishwater species for at least 100-120 farmers or 12-15 farmer groups.

8. Estimated Costs of the Project: US\$29,000 for the following activities:

- Training staff: \$5,000
- Advertising: \$2,000
- Office facilities and stationery: \$2,000
- Initial funds allocated as supporting resources: \$20,000