

# *Fishy Currency*

## *How International Finance Institutions Fund Shrimp Farms*

A report by Public Citizen



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## FISHY CURRENCY:

### How International Finance Institutions Fund Shrimp Farms

A special report by Public Citizen's  
Food Program

This is Part 5 of a series that documents  
the dangers of shrimp aquaculture.

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Public Citizen, founded in 1971, is a non-profit research, lobbying and litigation organization based in Washington, D.C. Public Citizen advocates for consumer protection and for government and corporate accountability, and is supported by over 150,000 members throughout the United States.

#### Appendix 1 Key:

ADB Asian Development Bank  
AFDB African Development Bank  
CDC (UK) Commonwealth Development Corporation  
EIB European Investment Bank  
IADB Inter-American Development Bank  
UNDP United Nations Development Bank  
WB World Bank

**Appendix 1 Source:** FAO FIPIS database from 1974 to 1996, showing nearly \$1.3 billion dollars - primarily from WB/Regional Banks tallied on May 12, 2004  
Fisheries Project Information System (FIPIS) records of commitments to provide loans to aquaculture projects worldwide from 1974 through 1996



## Appendix 1

Fisheries Project Information System (FIPIS) records of commitments to aquaculture projects worldwide from 1974 through 1996			
Year	Donor	Recipient country	Loan Amount
1974	ADB	Vietnam	6,000,000
1976	WB	Bangladesh	20,000
1976	WB	Philippines	12,000,000
1977	WB	Mexico	500,000
1977	IADB	Columbia	800,000
1977	ADB	Bangladesh	18,000,000
1978	ADB	Thailand	14,000,000
1978	ADB	Myanmar	24,880,000
1979	WB/IFC	Costa Rica	2,100,000
1980	IADB	Peru	8,200,000
1981	WB	Bangladesh	300,000
1982	WB	Mexico	200,000
1982	ADB	Indonesia	23,000,000
1983	IADB	Panama	13,200,000
1984	ADB	Philippines	21,840,000
1985	WB	Philippines	4,800,000
1985	IADB	Mexico	4,500,000
1986	WB/UNDP	Bangladesh	25,285,000
1987	WB	Indonesia	24,500,000
1987	ADB	Thailand	11,100,000
1988	ADB	Bangladesh	36,074,000
1988	WB	China	36,200,000
1988	WB	China	67,900,000
1988	WB	Belize	600,000
1990	WB	Bangladesh	35,800,000
1990	WB	China	9,300,000
1990	WB	China	39,800,000
1990	ADB	Indonesia	12,000,000
1991	AFDB	Guinea	28,000,000
1991	EIB	Madagascar	6,500,000
1992	WB	Indonesia	106,100,000
1992	WB	India	85,000,000
1992	WB	China	121,000,000
1993	CDC (UK)	Nicaragua	1,000,000
1994	WB	India	90,000,000
1995	AFDB	Madagascar	6,000,000
1995	WB	Mexico	100,000,000
1996	EIB	Madagascar	300,000
1996	WB	China	70,000,000
1996	WB	Indonesia	150,000,000
<b>TOTAL</b>			<b>\$1,272,299,000</b>

## Introduction



Aquaculture is the farming of aquatic organisms, including fish, mollusks, crustaceans and aquatic plants. Like all farming, it involves some form of intervention in the rearing process to enhance production, such as regular stocking, feeding, and protection from predators.

As a result of uncontrolled and destructive expansion of shrimp farming over the past two decades in Asia and Latin America, entire rural communities that depend on local natural resources are being denied their means of livelihood, economic production and sovereignty. Millions have been severely affected. This has taken place either through the direct appropriation of land for shrimp farm development, or by the degradation of the environment, such as by clear cutting vast mangrove forests to make room for shrimp farms, from which shrimp will be exported to the U.S., Europe and Japan.

As shrimp aquaculture has soared, shrimp has held the Number 1 seafood choice in the United States since 2001. Meanwhile, no international institution has fully accepted the responsibility to ensure that shrimp aquaculture does not have detrimental impacts on the environment or coastal communities in the producing nations. A few declarations and conventions have evolved to protect the environment and surrounding communities, but they are unenforceable at the national level. Other international bodies, such as international finance institutions, have focuses on promoting the expansion of shrimp farms and trade of farm-raised shrimp to consumers in wealthy countries.



## How did it start?

The big push to modernize fisheries production during the 1970s was targeted to increase output in the “underdeveloped” coastal countries of the Global South, and was to a great extent fostered by the international finance institutions (IFIs) that promote development in the form of either loans or direct development “aid.” This development assistance included support for the negotiation, funding, research, design, and implementation of projects to modernize and “develop” coastal countries of Asia, Africa and Latin America to produce high-valued species, such as tuna and shrimp, for export to lucrative markets in the industrialized Global North. Thousands of millions of dollars were on offer as loans and direct aid to build bigger and more efficient ports, develop large aquaculture complexes, as well as post-harvest processing facilities. During the course of less than two decades, this modernization and expansion has created a shift in the pattern of global seafood trade characterized by a dramatic increase in high-value marine protein products from the South to the North.<sup>1</sup>



### The “Development” Trilogy

Development assistance loans and direct aid for aquaculture expansion came from three sources: international development banks, bilateral aid agencies, and multilateral development assistance agencies (see Chart 1 on pages 4-5). The first source, The World Bank Group, especially the International Bank for Reconstruction and Development (IBRD), played a central role along with various regional development banks such as the Asian Development Bank (ADB), the Inter-American Development Bank (IADB), and the African Development Bank (AFDB).

- <sup>33</sup> Consortium Program 2001 (Draft report). *Shrimp farming and the environment: A consortium program to analyse and share experiences on the better management of shrimp aquaculture in coastal areas* (Draft). Prepared by: World Bank, Network of Aquaculture Centres in Asia-Pacific, World Wildlife Fund and Food and Agriculture Organization of the United Nations. Retrieved on 1 May 2004 from [www.enaca.org/Shrimp/Publications/DraftSynthesisReport-21-June.pdf](http://www.enaca.org/Shrimp/Publications/DraftSynthesisReport-21-June.pdf)
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- <sup>37</sup> M. Wackernagal, et al., “Tracking the ecological overshoot of the human economy.” Proceedings of the National Academy of Sciences of the United States of America (PNAS). 99:14 (2002), 9266-9271. Retrieved on June 1, 2004 from [www.pnas.org/cgi/content/abstract/99/14/9266](http://www.pnas.org/cgi/content/abstract/99/14/9266)
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- <sup>39</sup> D. Pauly, V. Christensen, J. Dalsgaard, R. Froese, and F. Torres Jr., “Fishing Down Marine Food Webs” *Science*, 279:5352 (1998), 860-863.



Administration. National Marine Fisheries Service. *World Shrimp Culture*, Vol.2, Pt.3, *South America*. (Washington. D.C.:U.S. Government Printing Office), 1992.

<sup>21</sup> G.J Gencianos, and D.K. Batker, *International Public Finance and Support for Shrimp Aquaculture*. (Unpublished report to Greenpeace International by the Asia Pacific Environmental Exchange), 2001.

<sup>22</sup> G.J Gencianos, and D.K. Batker, *International Public Finance and Support for Shrimp Aquaculture*. (Unpublished report to Greenpeace International by the Asia Pacific Environmental Exchange), 2001.

<sup>23</sup> G.J Gencianos, and D.K. Batker, *International Public Finance and Support for Shrimp Aquaculture*. (Unpublished report to Greenpeace International by the Asia Pacific Environmental Exchange), 2001.

<sup>24</sup> Inter-American Investment Corporation. *Press Release: Ecuadorian Aquaculture Project to Receive IFC Funding*. December 13, 2000.

<sup>25</sup> Inter-American Investment Corporation. *Annual Report 2000*. 2001.

<sup>26</sup> Inter-American Development Bank. *Honduras Recent Economic Developments* Tegucigalpa, Honduras 7-8 February, 2000.

<sup>27</sup> Environmental Justice Foundation. *Smash & Grab: Conflict, corruption and human rights abuses in the shrimp farming industry*. London, UK. 20003. pgs. 13, 18, 23

<sup>28</sup> USAID. *Shrimp Quality control Key to Bangladesh Export Rise in Frontlines*. April 2003.

<sup>29</sup> USAID. *Press Release: USAID-Shell strategic Partnership: USAID and Shell form partnership to launch \$20 million Nigerian Development Program*. November 14, 2003.

<sup>30</sup> FAO Country Report: Thailand: 15 March 2005. [ftp://ftp.fao.org/FI/DOCUMENT/tsunamis\\_05/thailand/latestFAOAgencyReport/FAOAgencyReport-Thailand.pdf](ftp://ftp.fao.org/FI/DOCUMENT/tsunamis_05/thailand/latestFAOAgencyReport/FAOAgencyReport-Thailand.pdf)

<sup>31</sup> FAO Press Release. *New Plans to Retrieve Aceh's Tsunami-Hit Aquaculture Industry*. 16 March 2005.

<sup>32</sup> S. Stonich, and C.Bailey, "Resisting the Blue Revolution: Contending Coalitions Surrounding Shrimp Farming." *Human Organization*, 59:1 (2000), 23-36.



Their influence was matched by financial support from the second source: "aid" from the northern countries' bilateral development assistance agencies, with Japan (The Overseas Economic Cooperation Fund (OECF) / the Japan International Cooperation Agency (JICA)) and some European countries at the lead of a pack, also including Norway (Norwegian Agency for Development Cooperation), the United Kingdom (UK Commonwealth Development Corporation), the US Agency for International Development (USAID), the Canadian International Development Agency (CIDA) and others.

They were supported and guided by advice and technical assistance, as well as some financial support, from the third source: various multilateral development assistance organizations, including the United Nations Food and Agriculture Organization (FAO) the UN Development Program (UNDP), and the Commission of the European Community (CEC).



## Chart 1: The “Development” Trilogy that fund shrimp aquaculture throughout the world.

Lending Institution	Acronym	Claimed Purpose
<i>First Source: International Development Banks</i>		
World Bank Group	WB	Provides loans, policy advice, technical assistance and knowledge-sharing services to low and middle income countries to reduce poverty.
International Monetary Fund	IMF	An organization of 184 member countries established to promote international monetary cooperation, exchange stability, foster economic growth and high levels of employment; and provide temporary financial assistance
International Finance Corporation	IFC	Promotes sustainable private sector investment in developing countries and is the largest multilateral source of loan and equity financing for private sector projects in the developing world
International Bank for Reconstruction and Development	IBRD	Provides low-interest loans, interest-free credit, and grants to developing countries, raises almost all its money in the world's financial markets
Asian Development Bank	ADB	Headquartered in Manila, a multilateral development finance institution dedicated to reducing poverty in Asia and the Pacific
African Development Bank	AFDB	Regional multilateral development bank, engaged in promoting the economic development and social progress of its Regional Member Countries (RMCs) in Africa
Inter-American Development Bank	IADB	The oldest and largest regional development bank, it's the main source of multilateral financing for development projects as well as trade and regional integration programs in Latin America and the Caribbean.

and commodity chains in the shrimp industry.” in McMichael, P., (Ed.) *Food and agrarian orders in the world-economy*. (Westport, CT: Greenwood Press 1995), 169-191

<sup>13</sup> W. D. Heffernan, “Constraints in the U.S. Poultry Industry.” *Rural Sociology* 49:1 (1984), 237-60.

J. Wilson, “The Political Economy of Contract Farming.” *Review of Radical Political Economics* 18:4 (1985), 47-40.

<sup>14</sup> M. Skladany, and C.K. Harris, “On global pond: International development and commodity chains in the shrimp industry.” in McMichael, P., (Ed.) *Food and Agrarian Orders in the World Economy*. (Westport, CT: Greenwood Press 1995), 169-191

<sup>15</sup> K. Bundell, and E. Maybin. “After the prawn rush—the human and environmental costs of commercial prawn farming.” *Christian Aid* Retrieved on April 07, 2001 at [www.christian-aid.org.uk](http://www.christian-aid.org.uk).

<sup>16</sup> K. Bundell, and E. Maybin. “After the prawn rush—the human and environmental costs of commercial prawn farming.” *Christian Aid* Retrieved on April 07, 2001 at [www.christian-aid.org.uk](http://www.christian-aid.org.uk)

<sup>17</sup> K. Bundell, and E. Maybin. “After the prawn rush—the human and environmental costs of commercial prawn farming.” *Christian Aid* Retrieved on April 07, 2001 at [www.christian-aid.org.uk](http://www.christian-aid.org.uk)

<sup>18</sup> Consortium Program 2001 (Draft report). *Shrimp farming and the environment: A consortium program to analyse and share experiences on the better management of shrimp aquaculture in coastal areas* (Draft). Prepared by: World Bank, Network of Aquaculture Centres in Asia-Pacific, World Wildlife Fund and Food and Agriculture Organization of the United Nations. Retrieved on 1 May 2004 from [www.enaca.org/Shrimp/Publications/DraftSynthesisReport-21-June.pdf](http://www.enaca.org/Shrimp/Publications/DraftSynthesisReport-21-June.pdf)

<sup>19</sup> G.J. Gencianos, and D.K. Batker, *International Public Finance and Support for Shrimp Aquaculture*. (Unpublished report to Greenpeace International by the Asia Pacific Environmental Exchange), 2001.

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**ENDNOTES:**

- <sup>1</sup> C.J. Carr, “The legacy and challenge of international aid in marine resource development.” in J. Van Dyke, D. Zaelke and G. Hewison, (Eds.) *Freedom for the Seas in the 21st Century*. (Washington, D.C.: Island Press, 1993), 340-374.
- <sup>2</sup> C.J. Carr, “The legacy and challenge of international aid in marine resource development.” in J. Van Dyke, D. Zaelke and G. Hewison, (Eds.) *Freedom for the Seas in the 21st Century*. (Washington, D.C.: Island Press, 1993), 340-374.
- <sup>3</sup> H. Josupeit, “A Survey of External Assistance to the Fisheries Sector in Developing Countries, 1978-1984,” *U.N. Food and Agriculture Organization Fisheries Circular 755*: 1. (Rome: FAO), 1985.
- <sup>4</sup> D. Insull, and J. Orzeszko, “A Survey of External Assistance to the Fishery Sectors of Developing Countries.” *U.N. Food and Agriculture Organization Fisheries Circular 744*: 3 (Rome: FAO), 1991.
- <sup>5</sup> D. Insull, and J. Orzeszko, “A Survey of External Assistance to the Fishery Sectors of Developing Countries.” *U.N. Food and Agriculture Organization Fisheries Circular 744*: 3 (Rome: FAO), 1991.
- <sup>6</sup> C.J. Carr, “The legacy and challenge of international aid in marine resource development.” in J. Van Dyke, D. Zaelke and G. Hewison, (Eds.) *Freedom for the Seas in the 21st Century*. (Washington, D.C.: Island Press, 1993), 340-374.
- <sup>7</sup> FAO 1997. Review of the state of World Aquaculture. *FAO Fisheries Circular No. 886 FIRI/C886(Rev.1)*. Rome: FAO.
- <sup>8</sup> C.J. Carr, “The legacy and challenge of international aid in marine resource development.” in J. Van Dyke, D. Zaelke and G. Hewison, (Eds.) *Freedom for the Seas in the 21st Century*. (Washington, D.C.: Island Press, 1993), 340-374.
- <sup>9</sup> P. McMichael, “Global food politics” *Monthly Review* 50:3 (1998), 97-112.
- <sup>10</sup> K. Chong, “Asian shrimp aquaculture at – At crossroads.” *Infofish International* 5: 90 (1990), 40-47.
- <sup>11</sup> M. Skladany, and C.K. Harris, “On global pond: International development and commodity chains in the shrimp industry.” in McMichael, P., (Ed.) *Food and Agrarian Orders in the World Economy*. (Westport, CT: Greenwood Press 1995), 169-191
- <sup>12</sup> M. Skladany, and C.K. Harris, “On global pond: International development



Lending institution	Acronym	Claimed Purpose
<i>Second Source: Bilateral Aid Agencies</i>		
The Overseas Economic Cooperation Fund	OECF	The Japanese government's development financing arm that extends low-interest, long-term funds to support developing countries.
Japan International Cooperation Agency	JICA	Part of the Japan's Official Development Assistance agency, it supports socio-economic and human resources development to facilitate autonomous, sustainable development.
US Agency for International Development	US AID	An independent U.S. government agency that supports long-term and equitable economic growth and advances U.S. foreign policy objectives by supporting economic growth; agriculture and trade; global health; and, democracy, conflict prevention and humanitarian assistance.
Canadian International Development Agency	CIDA	Supports sustainable development in developing countries in order to reduce poverty, work is concentrated in the poorest countries in Africa, Asia, and Latin America
Commission of the European Community	CEC	The EU's executive body, it manages policies and negotiates international trade and cooperation agreements
UK Commonwealth Development Corporation	CDC	Provides assistance to commercial enterprises in some 54 developing countries
Norwegian Agency for Development Cooperation	NORAD	Assists developing countries in their efforts to achieve lasting improvements in political, economic and social conditions
European Investment Bank	EIB	The EU's financing institution, it contributes towards the integration, balanced development and economic and social cohesion of the member Countries
<i>Third Source: Multilateral Development Assistance Agencies</i>		
United Nations Development Program	UNDP	UN's global development network, helps developing countries attract and use aid effectively.
United Nations Food and Agriculture Organization	UN FAO	Helps developing countries, and countries in transition, modernize and improve agriculture, forestry and fisheries practices and ensure good nutrition.

## Aquaculture Development Begins

Aid and loans for aquaculture development and expansion began around the middle of the 1970s and then started to increase significantly. The impetus for the involvement of the international finance institutions (IFIs), such as the World Bank Group, bilateral aid agencies - such as US AID - and the UN FAO, in supporting aquaculture, was ostensibly to support food security and provide alternative sources of social and economic well-being in impoverished rural coastal areas of the world. From 1978 to 1984, the aggregate assistance in loans and direct aid from the development banks, bilateral and multilateral development assistance agencies to the aquaculture sector increased fourfold.<sup>2</sup>

During the late 1970s and early 1980s, bilateral aid agencies provided nearly half of the development assistance to aquaculture expansion initiatives. The regional development banks, such as the Asian Development Bank, the Inter-American Development Bank and the African Development Bank provided more than a third, while support from development banks, such as the World Bank Group, lagged at the rear at about 15%.<sup>3</sup> Between 1985 and 1989 all forms of external assistance to the fisheries and the aquaculture sectors of developing countries averaged 500 million US dollars a year, according to FAO figures, distributed as indicated in Chart 2.<sup>4</sup> And it was during this period that the role of the World Bank and the regional development banks, particularly the Asian Development Bank, took on much greater importance.

During the second half of the 1980s, the World Bank Group and the regional development banks lending to the development, modernization and expansion of aquaculture came to prominence. Eighty percent of all external assistance to the Asian fisheries sector during this period came as loans from the development banks,

food and other goods, together with the absorption of associated wastes, may well have exceeded the biosphere's regenerative capacity since the 1980s.<sup>37</sup> Indeed, the balance of evidence with respect to fisheries, for example, indicates that the carrying capacity of our planet's marine ecosystems to sustain current levels of fisheries production has already been breached. The UN FAO<sup>38</sup> says that 72-78% of major global fisheries are fully exploited, over exploited or depleted and that most of the world's marine ecosystems are "...close to full exploitation." More worrisome are scientific studies indicating the profound changes to ocean and coastal ecosystems as a result of overfishing.<sup>39</sup> Coastal ecosystems that are now dominated by the monoculture production of shrimp over vast stretches of coastline will suffer a similar fate. The global development assistance establishment, and particularly the World Bank Group and other regional development banks, will share responsibility as causal agents, if that happens.

## Conclusion

Public Citizen calls on the international finance institutions to stop financing further shrimp aquaculture expansion or maintenance. Only a few wealthy companies see any profits, not the people of the producing nations. Furthermore, the lending institutions must not slyly route shrimp aquaculture funding through "emergency disaster aid." Instead, the fishing communities once protected by mangroves and other natural coastal barriers, now are left vulnerable to natural disasters due to international finance institution loans. Countries of the Global South must be given their own sovereignty to maintain their communities as they see fit without the interference of bank loans that only benefit the few.



identify better management strategies for sustainable shrimp aquaculture.<sup>33</sup> The consortium claims the study was commissioned to analyze and discuss “objectively” the issues of controversy surrounding the sustainability of shrimp farming. In addition, they planned on developing preliminary guidance for the World Bank and other multilateral and bilateral agencies for future shrimp farming that would be conducted in a more “sustainable” way.<sup>34</sup>

Pointing to what the Consortium calls “much controversy in recent years about the sustainability of shrimp farming,” the final report of its investigation excludes the role of two of its key members – the World Bank and FAO – as factors driving the rapid expansion of destructive shrimp aquaculture, claiming:

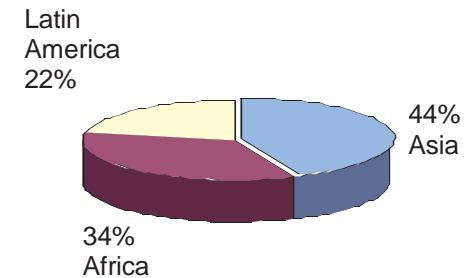
*The driving forces behind the rapid expansion of shrimp aquaculture include potentially high profitability, buoyant demand for high-quality seafood, increasing demand for farmed shrimp due to limitations and fluctuations in supply from capture fisheries, and its capacity to generate foreign exchange and employment in poor coastal areas.<sup>35</sup>*

In similar fashion, the Consortium has this to say in response to one of the fundamental questions it had set out to answer in its study. “Can shrimp farming be undertaken sustainably?”

*It is impossible to answer this question in absolute terms, because sustainability itself involves a wide range of different-and in some cases contradictory-elements, which are given greater or lesser weight according to cultural values and stage of development in any given country. However, the question may be answered in relative terms. There is no technical reason why raising shrimp should not be as sustainable, or in some cases more sustainable, than agriculture, fisheries, or other kinds of development.<sup>36</sup>*

The essential problem with this statement is that the sustainability of current modes of agriculture, fisheries, or other kinds of intensive development is highly questionable, at best. Human demand for

**Chart 2: Percentage of Fisheries and Aquaculture Loans Given Between 1985 and 1989**



especially the World Bank Group and Asian Development Bank. Aquaculture accounted for 70% of the World Bank’s loans portfolio for fisheries development from 1985 to 1990.<sup>5</sup> Funds to promote and expand shrimp farming were targeted primarily at Asian countries, including India, Indonesia, and Bangladesh among others, and especially China. Many of the project loans were for tens of millions of dollars, but a few exceeded the hundred million dollar mark, reflecting the high costs associated with large-scale infrastructural construction and importing of fishmeal feeds, equipment, and chemicals such as fertilizers and antibiotic.<sup>6</sup> All this was simultaneously accompanied by high levels of private investment and some national government funding.

Then, in the period from 1989 to 1995 the development banks were the prime supporters of aquaculture, particularly in Asia when they accounted for 69% of the total external funding, and supported 40% of the total projects, while bilateral aid sources’ contributions fell to just 17%, which went to only six percent of the projects. Multilateral development agency sources contributed just 7% of the funding to 34% of total projects. By the end of the period, in 1995, the development banks were dominant, supplying roughly 92% of external funding with the meager balance con-

tributed by bilateral (3%) and multilateral (5%) sources.<sup>7</sup>

Of the total number of projects from 1988 to 1995, the Asian region received the biggest share, getting 65% of dollar commitments and 38% of total projects worldwide. The majority of the loans supported shrimp aquaculture expansion, targeting Bangladesh, India, Indonesia, the Philippines, China, and Thailand. Latin America had received less support for shrimp farming expansion during this time, and there was relatively small support for shrimp aquaculture in Africa, specially Madagascar, and Mozambique.<sup>8</sup>

As the development assistance establishment was redirecting its attention to aquaculture, the International Monetary Fund (IMF) was doing its part as well. The IMF played a pivotal role in wrenching open the marine and coastal environments of the Global South for production of high-value export oriented marine products. The most dramatic move was the introduction of the IMF/World Bank/Trans-National Corporation inspired New Economic Policy of 1991 that heralded the present phase of globalization, represented by the IMF's *Structural Adjustment Programs* (SAPs) linked with *Structural Adjustment Loans* (SALs) from the World Bank.<sup>9</sup>

Already deeply in debt because of past loan commitments and desperately short of foreign exchange earning capacity, the governments of developing coastal states had no choice but to comply with IMF/WB structural adjustment programs and loans (SAPs/SALs). There were no options other than to borrow more and get deeper into debt.

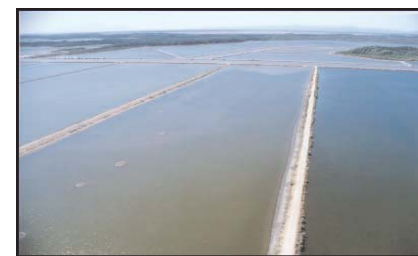
The IMF, the World Bank and other regional development banks, along with the bilateral aid agencies, acted as catalysts for private sector investment, because without public financing, or at least the promise of it, to kick off shrimp farming, private sector financing

## Resistance and Response

The latter half of the 1990s saw the proliferation of a number of local, as well as national, and international non-governmental organizations emerge in response to environmental and social costs of shrimp aquaculture stemming from the processes of globalization promoted by the IMF/World Bank.<sup>32</sup> A global resistance movement, starting at the grass roots level and working with international environmental organizations, started to inject their criticisms into high places, reaching into levels of the United Nations and other intergovernmental fora, as well as reaching the global public via the media.



Lagoon before, Honduras



Lagoon after, Honduras

Their resistance provoked significant and well-organized industry responses of denial and the simultaneous promotion of the notion that market forces can best ameliorate any environmental problems that might be occurring. Feeling the heat of the NGO critiques of its own role in the shrimp industry explosion, the World Bank seized the moment to join with the FAO, the Network of Aquaculture Centers in Asia and the Pacific (NACA), and World Wildlife Fund (WWF), to form the Consortium Program on Shrimp Farming and the Environment. With a meager fund of US\$600,000, in comparison to the thousands of millions of dollars provided to the shrimp industry to support its destructive expansion over the years, the World Bank-led consortium set out to conduct a series of case studies in order to, among other objectives,

of the farm-raised shrimp is exported to consuming nations. In response to the recent December 2004 tsunami, the UN FAO has helped throw millions of dollars into rebuilding shrimp farms that left the coastlines vulnerable to natural disasters in the first place. The FAO responded quickly and has conducted analysis of the tsunami's impact. According to the FAO country report for Thailand, approximately 74 acres of shrimp farms were devastated. Together with the tsunami's blow on the wild shrimp habitat, shrimp exports from Thailand are expected to decrease by 75,000-80,000 million tons this year. The FAO is assisting in the distribution of more than \$440,000 to help rebuild the fisheries sector, some of which will go to rebuild the shrimp farms.<sup>30</sup> In addition, some of the \$2.6 million loans that the FAO is coordinating from the Italian government for Indonesia's tsunami recovery will go to the re-development of shrimp farms.<sup>31</sup> Meanwhile, the fishing communities are being re-located to inland villages, too far from the ocean upon which they depend.



*Activists from the Philippines*

International finance institutions have had a quarter of a century to examine shrimp aquaculture's impact on developing countries' fight with poverty. In those 25 years, the IFIs refuse to acknowledge that shrimp farming contributes to the export-oriented economic model that drives countries into further poverty and creates larger divides between the rich and the poor. Nor have they realized that shrimp aquaculture is not a solution for communities that deserve the right to determine what is best for their own lives and livelihoods. Instead, IFIs continue the charade that funding this devastating industry benefits people in the Global South.

was often reluctant to get involved. In the initial phases of development, public sector finance from development assistance agencies (including the development banks) helped "get the ball rolling," often securing private lending with the inducement of co-financing, concessionary lending, and guarantees. Public sector finance also provided expensive research for the development of technical and feasibility requirements in big projects. IMF SAPs and World Bank SALs provided the policy lubricant that multi- and trans-national corporate players needed to push their way into dominating the new global shrimp production industry. Thus, over the course of a decade, from 1985 to 1995 some of the world's largest agri-industry players gained direct, and to an even greater extent, indirect control over all phases of the shrimp commodity chain.<sup>10</sup>



Transnational giants, such as Japan's Mitsubishi, British Petroleum-Aquastar, Thailand's Ralston Purina in the U.S., and others, were consolidating market shares in numerous Asian and Latin American coastal countries.<sup>11</sup> The evolution of the "world shrimp commodity system," the pinnacle of the Blue Revolution's achievements, had begun.<sup>12</sup> It became a system defined and dominated by corporate control and organizational forms, much as they had come to dominate in the poultry and vegetable commodities sectors during the preceding Green Revolution.<sup>13</sup> What had previously been a simple pattern of shrimp captured in-the-wild at sea and taken to market was transformed within the space of a decade into a globalized factory farming system requiring massive inputs of feed, fertilizers and chemicals with the product - shrimp - being directed into a world consumption system.<sup>14</sup> The epitome of this evolution occurred in 1993 when the U.S.-based Minneapolis Grain Exchange (MGE) began trading in futures for farmed white shrimp and expanded to black tiger shrimp in 1994. The activity

on the MGE was so substantial that the Thai government opened a Trade Office in Minneapolis.

Although no complete record exists of all lending to support shrimp aquaculture's growth from the mid-1970s, the best attempt to record support to the aquaculture sector, is found in the FAO's Fisheries Project Information System (FIPIS). An examination of records contained in the FAO FIPIS data has shown that commitments to provide loans to aquaculture projects worldwide, most involving shrimp farming components, were in excess of 1,100 million dollars from 1974 through 1996 (Appendix 1). Yet, the FIPIS data is deficient; having recorded what appears under closer scrutiny to be a fraction of what was made available from the mid-70s to the mid-90s by all development assistance agencies, including the development banks.

Researchers from the UK based non-governmental organization (NGO), Christian Aid,<sup>15</sup> determined from the data that the World Bank had made several loans to China amounting to \$600 million in 1986, \$670 million in 1988, \$430 million in 1989 and \$210 million in 1990. Furthermore, Brazil received \$683 million in 1987 and India received \$85 million for aquaculture in 1992. In 1991 the World Bank Group provided \$1.78 billion, and in 1992 a further a total of \$1.68 billion for all types of aquaculture worldwide.<sup>16</sup>

The World Bank denies that it was "biggest promoter and funder among the international agencies"<sup>17</sup> that supplied public sector money to shrimp farming. Bank officials claim, instead, that the World Bank Group loaned 890 million US dollars to finance shrimp aquaculture projects over two decades, an amount that it calls "relatively small" because it represents only ten per cent (10%) of all public sector assistance to the industry during that period.<sup>18</sup> Assuming this, it would mean that public sector assistance to the

a total of \$8 million to support two different shrimp farms in Ecuador.<sup>24 25</sup> Because of the increased opposition and criticism, the banks have found inventive ways to hide shrimp funding; as was the case when Hurricane Mitch devastated Honduras and El Salvador in December of 1998. Through the National Housing and Production Fund (FONAPROVI) in Honduras, the IADB funneled \$53 million to rebuild the agricultural sector and much of that went to rebuild the shrimp farms.<sup>26</sup>

The other two arms of the "Development Trilogy" are also still active in promoting shrimp aquaculture, although not as much as during 1975. Of the Bilateral Aid Agencies, the U.S. Agency for International Development (USAID) continues to support the expansion of shrimp aquaculture. For example, in Bangladesh, farm-raised shrimp is the second largest export commodity for that country. Between 2001 and 2002, Bangladesh's shrimp exports fell by 28% due to quality control problems. Despite Bangladesh's documented shrimp aquaculture-related human rights abuses and environmental degradation,<sup>27</sup> the USAID contributed to the privatization of quality control, as well as to the development of an industry-led Aquaculture Certification Council in order to ensure the constant flow of cheap farm-raised shrimp into the United States from Bangladesh.<sup>28</sup> Such certification programs are simply industry greenwashing to increase niche market access across Europe, United States and Japan. More recently, in 2003, USAID partnered with Shell Oil on a \$20 million development program for shrimp aquaculture expansion in the Niger Delta in Nigeria, as well as for cassava production, all for export. The U.S. contributed \$5 million, and Shell footed the rest of the bill.<sup>29</sup>

The UN FAO continues to support shrimp farm development and expansion, claiming it is a means to feed millions, yet most

groves by shrimp farms in the region. They blamed World Bank/IFC for assisting in the destruction, and also claimed that the IFC shares responsibility for the violent conflict between local communities, the shrimp companies and the police in February 2001.

There are more IFC funded shrimp aquaculture projects in the pipeline, looking to Africa, for example, where African-based shrimp farming entrepreneurs want to replicate the sensational investment returns that were made in Asian and Latin American countries, as Table 2 indicates. Unfortunately, past mistakes are not learned, so the environmental and social costs of this devastating industry are not factored in to this new investment.

**Table 2: Active International Finance Corporation Funded Shrimp Aquaculture Projects**

Project Name	Country	Approval Date
Inter Sea Farms De Venezuela, C.A.	Venezuela	Feb 9, 2005
Les Gambas De L'ankarana	Madagascar	Jan. 16, 2004
Aquaculture De Crevettes De Besalampy	Madagascar	May 17, 2001
Inter Sea Farms De Venezuela, C.A.	Venezuela	June 5, 2000
Grupo Granjas Marinas S.A. De C.V.	Honduras	May 13, 1999
La Universal, S.A.	Ecuador	Jan. 8, 1999
Nova Companies (Belize) Ltd. and Ambergris Aquaculture Ltd.	Belize	May 6, 1998
Empesca S.A. - Holding	Brazil	Oct. 14, 1997
SEF Companhia De Pescas Da Zambezia, Lda	Mozambique	June 20, 1997

Source: IFC Projects, World Bank

Not only does the IFC still have its hand in the shrimp aquaculture pot, but so do the other International Development Banks, such as the Inter-American Development Bank. In December of 2000, the Inter-American Investment Corporation, an arm of the IADB, lent

**Table 1: World Bank/IFC Supported Shrimp Farming Projects 1975-1995**

Country	Project	Year started	Bank funding (US\$ Millions)
Bangladesh	Shrimp Culture Project	10/30/96	22.0
China	Rural Credit Project *	11/01/84	15.0
China	Rural Credit Project II *	04/18/86	90.0
China	Rural Credit Project IV *	03/22/91	75.0
China	Coastal Lands Development Project *	12/09/88	102.6
China	Shandong Agricultural Development Project *	01/29/90	109.0
China	Hebei Agricultural Development Project *	09/21/90	150.0
China	Songliao Plain Agricultural Development Project *	06/15/94	205.0
India	Shrimp and Fish Culture Project *	05/28/92	85.0
Indonesia	Fisheries Support Services Project *	05/07/87	24.5
Indonesia	Fisheries Credit Project *	01/08/75	6.50
Madagascar	Aquaculture de la Mahajamba (Aqualma) (IFC Project) - Phase I and II	05/92-05/95	5.40

Source: World Bank (ASTEN), June 1997.  
 \* Shrimp farm and related support services and infrastructure development under these projects represented to varying degrees only a portion of the total investment for each.

shrimp industry worldwide, amounted to almost \$9 billion in the ten year period from 1987 to 1997.

However, this is not the whole story of how the World Bank and other development bank money gets into the hands of shrimp farm investors. In addition to direct lending to aquaculture, development assistance can be distributed in ways that don't directly reflect where the money ends up or what it was used for. This includes indirect loans to intermediary entities and infrastructure loans.

These loans can be, for example, loans to national intermediary banks, such as rural development loans, which can then be passed on to shrimp farmers, even though not explicitly earmarked for such purposes, and also not tallied in FIPIS. Indeed, such loans are likely to be a substantial source of funds for the shrimp industry, but difficult, if not impossible to identify. In addition, the World Bank and associated regional development banks can provide yet another type of loan - infrastructure loans - that can still contribute to support shrimp aquaculture development, but are not

documented as such (examined in the case of Ecuador, see Box 1).

By the mid-1990s, shrimp aquaculture had taken center stage as the darling of the development assistance establishment, having come from humble beginnings in the early 1970s in countries like Ecuador, Taiwan, China and Thailand. Shrimp aquaculture was viewed positively by the World Bank, as evidenced by appraisal documents, as an industry promoting exports, foreign exchange earnings, growth, and thus reducing poverty, generating employment and contributing to debt repayment.<sup>19</sup> At the same time, however, voices of concern were being raised as environmental and development NGOs began communicating with leaders of community-based activist organizations in shrimp producing countries.

Ecuador was one of these countries where the legacy of more than two decades of shrimp farming expansion had created environmental and social discord in coastal communities where vast shrimp farms dominated.

### The Current Situation

The World Bank Group's lending to shrimp farming had been directed through its International Finance Corporation (IFC) arm that makes loans to private businesses. In February 2001, Honduran fishermen in the Gulf of Fonseca protested against the expansion of a large shrimp farm which had been supported by the World Bank's International Finance Corporation. In June 1999, the IFC loaned six million US dollars to the San Bernardo Marine Farms (SBMF) shrimp company (predominantly North American owned), contradicting a World Bank statement made just one month prior that said it would never again fund fisheries projects which created ecological and social problems, including shrimp aquaculture. The Honduran fishermen in the Gulf of Fonseca had seen their communities suffer because of the destruction of man-

### Box 1: The Story of Ecuador

Ecuador was one of the early developers of shrimp farming in 1969 when shrimp farmers began developing ponds among intertidal salt flats. By 1979 this had increased to 12,500 acres under production, as the demand for shrimp in the U.S. and Japan continued to grow. As these salt flats became crowded, developers started clearing the mangrove forests. Within six years - by 1985, 12,500 acres had expanded 20-fold to 250,000 acres, and 75 per cent of this had been mangrove forests that were destroyed in order to build the farms.<sup>20</sup>

From its inception the shrimp farming industry in Ecuador had received funding from private sources provided by national elite and overseas investors. Ecuador's social elites invested in shrimp farming have been well represented in the Ecuadorian legislature, right up to the office of the president. This, coupled with the growing importance of the shrimp industry to Ecuador's overall economy, means it is probable that the shrimp industry was the recipient of scores of millions of dollars provided by the World Bank in various forms of lending to the country - loans supporting trade, finance, environmental and disaster relief dating back as far as 1980.<sup>21</sup> Such loans were made under various headings, including the following: small-scale enterprise credits, loans for rural development and other development projects, "structural adjustment loans," debt and debt service reduction loans, and various technical assistance loans in various amounts, ranging from ten million to more than 200 million dollars.

Researchers investigating World Bank loans to Ecuador during 1980-2000 concluded that some, if not most, of the US\$956 million made available in 15 separate loans to Ecuador by the International Bank for Reconstruction and Development (IBRD) were likely to have supported shrimp farm operators and export entrepreneurs.<sup>22</sup> In surveying the World Bank lending records during the 1980-2000 period for the Latin American region more broadly, the research shows that the World Bank Group loaned Ecuador, Honduras, Nicaragua, Mexico, and Brazil more than that \$1,800 million that both directly and indirectly supported the shrimp aquaculture industry.<sup>23</sup>