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REPORT OF TRAVEL
TO
HONDURAS .

Mission executed at the request of
The United Nations Industrial Development Organisation
(UNIDO)
Vienna, Austria

by
G. Cooklin
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Fishery Industries Development Service
Fishery Industries Division
Food and Agriculture Organisation of the United Nations
(FAO)

Rome

9 March 1978

1. Description and Purpose of Travel

Job Identification: DP/HON/76/003/11-02/L

The undersigned FAO Fishery Industry Officer was given the following terms of reference in relation to the subject consultancy in Honduras:

"The consultant will be assigned to the National Investment Corporation and, under the supervision of the chief expert and in collaboration with the technical personnel of CONADI, will specifically be expected to:

1. Advise on and evaluate a feasibility study prepared by the interested parties.
2. Participate in further negotiations to be undertaken with the private entrepreneurs for the formation of the enterprise".

It was indicated that the expert would also be expected to prepare a final report, setting out the findings of his mission and his recommendations to the Government on further action which might be taken.

2. Itinerary and Persons Contacted

Please refer to Annex 1 attached.

3. Summary of Activities and Findings

The objective of the consultancy requested and executed for UNIDO was fully complied with. It related to a tuna venture in the San Lorenzo area (Bay of Fomesca) on the Pacific Ocean coast.

A complete analysis was made of 4 studies presented by the entrepreneur. A visit was made not only to the proposed site of the project, but to the region as a whole, to be able to appraise related conditions and future inputs that would be required in an operation such as the one proposed.

Written evaluations were prepared for the National Investment Corporation (CONADI) as the work progressed. Hereunder some of the considerations that arose during the course of the work.

Mr. William H. Brownyard throughout this report is referred to as the promoter, and is the person offering CONADI participation in a tuna venture. The latter's involvement would include the building of a plant on the Southern (Pacific) coast of Honduras for trans-shipping, butchering, loining and producing by-products based on tuna landings by US-owned and operated vessels.

The first written project was prepared by the promoter and presented to CONADI on 11 January 1977, and differed considerably from the last one that was presented 13 months later, that is on 16 February 1978. These changes did not entail only updating of the original projection, but it showed a basically different approach, particularly in respect to the tonnage to be processed,

disposal of offal as well as other operational details. It should be mentioned here that the latest proposal, as projected, is much more in line with a realistic tuna operation; however, as pointed out later on, there is no evidence of the intention of any canner to enter into a firm agreement with the National Investment Corporation of Honduras (CONADI) and, in this context there exists no interest on the part of CONADI either to enter into any association if certain sine qua non conditions are not met.

It was therefore a case of analyzing certain assumptions rather than concrete proposals, and perhaps the visit was timely because it contributed towards:

- (a) analyzing the material already presented (in 4 studies); but principally,
- (b) defining the conditions under which negotiations could continue or, failing this, the decision to conclude these by both parties.

A letter was written by CONADI to the promoter when the consultancy was being concluded in the field, which is referred to further on and is attached as Annex 3, which indicates clearly the conditions under which a continued dialogue would be possible.

Basically, these were the failings which at the time of the consultancy did not allow to continue negotiations. In fact it is not technically correct to refer to this one way supply of proposals and two way conversations to be referred to as a true negotiation. The promoter wanted CONADI to finance entirely a fish holding and processing plant, the construction of which, according to the promoter's estimates, would cost in the neighbourhood of US\$ 3.5 million. The promoter, in my opinion, is not technically qualified in this field, but of particular importance was the fact that he did not have any form of commitment from any of the major tuna operators in the U.S. on which this proposal could be based.

The idea in itself is interesting, however, it is my feeling that it is going to be practically impossible to bring it to fruition. The concept has merit, as stated, because it goes without saying that the fishing of tuna in the Eastern Pacific will go through a period of change in view of the universal declaration of the 200 mile exclusive economic zones, the negotiation of catch quotas and the resulting yields of the overall yellowfin fishery in this region. Honduras could be one of the countries, because of its geographical location and its access to both coasts, to be considered as a future location for carrying out activities similar to those proposed by the promoter. Incidentally, the proposal is not an original approach, and CONADI itself had been presented with a similar alternative more than 2 years ago as a result of a previous proposal.

The mission was therefore undertaken with this concept in mind, that is, considering that such a venture, if real, would have been of interest to CONADI, and consequently to Honduras; however, the way the situation evolved until the time of concluding the

consultancy, indicated that many aspects of the proposal had not been thought through in sufficient depth.

For instance, the site selected was a tentative one and situated close to the turning basin of the new San Lorenzo port, but the entire area is within a mangrove and it would not only be difficult but very costly to build on this marshland. In fact, on consulting with the contractors building the new San Lorenzo port (Consortio Columbus), the promoter, the representatives of CONADI and the consultant were told that certain warehouses had not been built as originally planned because of the difficult terrain. Filling in alone was not sufficient to obtain a solid permanent surface on which to build.

In addition to this, if the tuna vessels were to come alongside the pier, as envisioned by the promoter, a substantial amount of dredging would be necessary which would entail a further considerable initial expense, plus ongoing maintenance.

I also felt that it would be difficult to get two or more U.S. cannerys working together in a venture such as the one proposed, particularly in view of the fact that one of the major tuna cannerys would have to operate the plant, and it was unlikely to expect that one plant would process fish for another. Besides, the tonnages to be processed, the types of boats, the seasonality of the catches, all made this proposal very unclear.

There was in this entire proposal another disquieting element, and that was that there was very little or no reference made to the benefits that such an operation would yield to CONADI (and Honduras), and rather the proposal was put in such a way that it pointed at the benefits that would accrue to cannerys and/or boat owners in the U.S.A. This, to me, indicated that the write-ups, or studies, were aimed at the prospective users of those facilities rather than at CONADI, which in turn indicated that the promoter wished to have CONADI agree to putting up these installations, and with this promise in hand then try to sell the project in the U.S.A.

I must say here that I do not think that the promoter was acting in bad faith. There was evidence that he had contacted some operators, but it is my opinion that not only is he misled by a lack of knowledge of the tuna business, but by misjudging the ability of CONADI and the U.S. cannerys in conducting meaningful negotiations, that is finding a more concrete starting point.

The first paper that I wrote in the field and sent to UNIDO Headquarters with a covering letter on 21 February 1978 concluded by indicating that the analysis made related only to the technical considerations in respect to this idea, as CONADI themselves had strong reservations of their own in respect to the financing of such an operation, and particularly of the participation in equity of the promoter in recognition of his input.

In the second paper prepared, which was also sent to Vienna, a general review was made of the world tuna situation and following this an outline was given of the pros and cons of the proposed operation and its effects on CONADI. The venture, as outlined, was reviewed from the "outside partner's" point of view, and a list of major issues was given looking at it from this same perspective.

A basic drawback from any canners' point of view was the fact that with the adoption of the 200 mile EEZ, it was practically impossible for them to help finance bases for the fishery operations all over the world, and therefore, it was deemed unlikely that, in the case of Honduras, any of the larger canners would contribute with financial help. There were, in addition to this, several other questions that remained unanswered at the time of the consultancy as, for instance, why would canners prefer Honduras over Panama and Costa Rica, for example, where this type of activity was more developed: what was the price of fuel for tuna vessels: was there any repair and other facilities to take care of the boats? Within this exercise, the answers that arose were mostly negative and it was stated very clearly that what the canners were looking for (in preference to all else) was acquiring extra tonnage of tuna rather than trying to find a place for processing or transferring fish which already belonged to them.

A third paper prepared and sent to UNIDO contained what CONADI would expect from an operation similar to the one proposed by the promoter, but its opening statement stressed the lack of a defined proposal, indicating that at the time of my visit this National Investment Corporation did not have:

- (a) a firm offer
- (b) a defined operation in respect to the technology to be used
- (c) a firm commitment by the packers and/or boat owners of their interest in such an operation
- (d) and perhaps what was most important, there was a complete lack of an action programme stop-by-step which would either make those plans materialise or have the opposite effect of cutting off negotiations so that CONADI could, even for the time being, turn away from such a proposal.

A fourth and last paper was written in Spanish in the field attached herewith as Annex 2, which was also left with CONADI, in which an analysis is attempted in respect to what the promoter was pursuing in presenting this offer.

I participated not only in the conversations between CONADI and the promoter, but also visited the sites, as indicated earlier in this report, with people representing both sides in this negotiation. San Lorenzo, the new port area, Cholutepec and Coyolito were visited to appraise the viability of the operation, the possibility of obtaining manpower and basic services, the larger market for spare parts and other inputs and alternative sites respectively.

As the final outcome of this mission, a letter was written to the promoter by CONADI (see Annex 3 mentioned before) which spells out the basic contents of this report as far as the limitations of the proposal are concerned, and granting a limited amount of time to the promoter to produce a tangible offer; failing this, the negotiations will be severed.

All this background information and the papers that I wrote in Spanish referred to above, which were forwarded to UNIDO, Vienna from the field (see Annex 4) were also left with the UNDP representative, Mr. L. Mattson, as well as with the Project Coordinator, in addition to the set left with the National Investment Corporation (CONADI) who expressed their appreciation for the consultancy carried out. There is therefore no need to send CONADI a further report.

2. Itinerary and Persons Contacted

2.1 Itinerary

	<u>Arrival</u>	<u>Departure</u>
Mexico (continuation of trip that began in Rome on 7.1.78)		15.2.78
Honduras (Tegucigalpa)	15.2.78	20.2.78
San Lorenzo/Choluteca/		
Coyolito (by car)	20.2.78	20.2.78
Tegucigalpa	20.2.78	25.2.78
Rome (arrival and report writing)	27.2.78	8.3.78

2.2 Persons Contacted

Lennart Mattsson	UNDP Resident Representative
Luis Enriquez	UNDP Programme Officer
Margaret Fuge	UNDP (Adm.) Asst. Res. Rep.
Renzo Truffello	Principal Expert, UNIDO Project HON/76/003
José Tassaert	Junior P.O. UNIDO
David Mead	Agricultural Engineer, UNIDO

CONADI (National Investment Corporation)

Ing. Augusto C. Coello	Executive Vice-President
Ing. Norman Garcia	Manager, Promotion Dept.
Alberto Agarcia	Promotion Officer
Several staff members	

Others

William H. Brownyard	Promotor of Tuna Project
Richard Joint	Director, CODASA, Acctnts.
John Newton	Executive President, Amapala Marine, S.A.
Sec. Claudio Borsato	Superintendent for San Lorenzo Port Project, Consorcio Columbus, I.L.P.C.
Lic. Sigfrido Burgos Flores	Director General of Recursos Naturales Renovables
Miguel Maldonado	UNDP Officer. Working mainly with Consejo Superior de Planificacion Economica (CONSUPLANE).

22/2/78

ANEX 2 (UNPIO Report)

Que espera el "Promotor" Sr. William H. Brownyard del proyecto del
Atun - Una apreciación

Tal vez sea injusto y un poco ingenuo hacerse esta pregunta, pero una evaluación primaria indica lo siguiente:

- a) Es mi parecer que el Promotor actúa de buena fé.
- b) Es una forma de ocupar su tiempo en una actividad que ha atraído su atención al estar alejado - por una razón u otra - de su trabajo como contratista de obras de construcción.
- c) Por nuestro contacto creo básicamente que el Promotor es un profano en este campo, particularmente en la parte técnica y en el trato con las grandes empresas pesqueras de U.S.A.
- d) Espera, sin lugar a dudas, una expresión por escrito de CCNADI, por la cual se le diga; o el grado de interés, o una respuesta que le permita dar sus próximos pasos - si es que la contestación lo amerite.
- e) Aunque la edad de una persona no debiera influir mayormente en una operación específica, las proyecciones a bastante largo plazo de esta actividad en general hace pensar que tal vez no se haya meditado en las consecuencias de su intervención en una forma u otra, o tal vez sí.
- f) Espera recibir un honorario por su mediación más una participación en el accionariado de cualquier sociedad mixta que emerja a raíz de esta operación.
- g) Desconozco, naturalmente, si era su intención actuar como contratista en cualquier obra civil, que, como sabemos, parece haber sido su línea de actividad usual, y su selección de una parcela de terreno en especial puede implicar algún interés implícito.

Pero en vez de tratar de listar más apreciaciones a este respecto, tal vez en forma narrativa expliquemos, que si bien se me ha mencionado de que al Promotor se le ha indicado verbalmente de que su posición (y propuesta) no es clara, pienso que es necesario que él sepa, sin lugar a dudas, lo que se ha podido avanzar, y que se espera de él, todo lo cual se ha mencionado en nota aparte.

El Consultor está plenamente de acuerdo con la Corporación de que sin pérdida de tiempo se prepare una carta, aparte de indicarle verbalmente al Promotor, lo que a través de todos estos pasos se ha descrito.

Ha mencionado el Promotor que espera noticias de CONADI porque requiere ocupar su tiempo en otros asuntos, entre los cuales necesita hacer ciertos viajes.

Sería muy satisfactorio si antes de la partida del Consultor se podría dejar este aspecto resuelto.

Quisiera de que se tomara nota antes de concluir sobre este tema de lo siguiente:

- 1) El Promotor no podría manejar la operación que se propone y consecuentemente no podría responsabilizarse ante CONADI en forma alguna.
- 2) No es una persona técnica en el campo pesquero y por lo tanto no está en condiciones de presentar y eventualmente implementar ciertas alternativas, como ser el proceso de sub-productos, la conveniencia de elaborar alimentos indirectos, como compensar económicamente la muy corta temporada de pesca, y otros que no viene al caso mencionar aquí.
- 3) Tampoco podría, durante la vida de la eventual operación, poder supervisar aspectos de proceso o calidad, y menos introducir nuevas técnicas que pudieran ser de provecho colectivo.

Estos puntos se mencionan porque en realidad al Señor Brownyard hay que tomarlo únicamente como a un Promotor, calificación que se le ha dado a través de este ejercicio. El término Promotor no se usa despectivamente, hay que valorizar sus servicios, si se materializa cualquier convenio, exclusivamente sobre esa base.

GC/abs

CORPORACION NACIONAL DE INVERSIONES

Tegucigalpa, D. C.
February 24, 1978

Mr. William H. Brownyard
Fonseca Pacific
4a Avenida, Número 611
Tegucigalpa, D. C.

Dear Mr. Brownyard:

As you know, on March 7, 1977 your proposed tuna processing and transshipment plant was declared eligible for financing by our corporation. At that time you were informed that this action on our part did not bind our corporation for eventual participation in your project. However, our declaration of eligibility did express interest on our part in the project and encouraged you to submit a complete feasibility study for our evaluation.

We have recently completed a thorough analysis of all the studies you presented, particularly the study prepared by the consulting firm of Forbes, Stevenson and Baldrige of California and the financial study prepared by the Compañía de Asesoría y Servicios Administrativos, S. A., of Honduras. In addition, as you know, we have requested and received the consulting services of Mr. Gerald Cooklin, a Senior Fishery Advisor presently representing the United Nations Industrial Development Organization.

The studies submitted have proved quite satisfactory in our analysis of the project to date. However, as perhaps you are aware, there have surfaced serious questions on the matter which we require to be answered in order for us to proceed further on this proposal.

- 1) Firm letters of intent by the American canning companies to either process the product for their account or showing an outright interest in equity participation in the project are absolutely indispensable at this time. Without commitments of this kind by the industry, we find that our participation in the project would be clearly impossible.
- 2) We understand that you would not be personally managing the proposed processing facility. Considering the complex technology involved in the project, particularly in view of the lack of skilled technicians in

CONADI

- 2 -

the field in Honduras, we require a thorough review of the subject and submission to us of a final program for the plant's operation.

- 3) It is our impression that although a tentative site has been selected for the plant, there exist alternative ones that could prove to be more feasible. It is important that all site location investigations be completed as soon as possible in order to establish a final location for the plant.
- 4) Although you first proposed the project to us well over one year ago we have yet to receive a concrete proposal from you concerning what exactly would be CONADI's participation in the project. We must conclude at this time therefore, that your financial expectations of CONADI's participation are contained in the financial study prepared by CODASA. We find these figures subject to modification. In what concerns a loan in the amount of L. 3,500,000 for a ten year period, in the near future we can only offer funds for five years at an interest rate of twelve and one-half percent (12 1/2%). CONADI's participation in equity is also considered excessive, although we will make every effort to interest local private investors in your project.

We appreciate your enthusiasm and your strong interest in this project, particularly considering all the time you spent promoting the project during the last year. In addition, we are very grateful for your availability during the recent visit of our United Nations fishery expert and for accompanying us on our trip to the Golfo de Fonseca area earlier this week. We must impress upon you however, that our Corporation cannot pursue the project any further if the basic matters listed above are not solved in the immediate future.

Sincerely,

Alberto Agurcia
Project Officer

AG/abs

CONADI

cc: L. Mattson (Tegucigalpa)
R. Truffello (Tegucigalpa)
N. Kojima (FAO-Rome)

ANNEX 4 (UNIDO Report)

Tegucigalpa, D. C.
February 21, 1978

Mr. S. Hable-Selassie
Acting Head
Feasibility Studies Section
Industrial Operations Division
Lerchenfelder Strasse 1, A-1070
P. O. Box 707, A-1011
Vienna, Austria

REF.: DP/HON/76/003/11-02/L

Dear Sir:

To-day, 21 February, 1978, I received your letter of 12 December, 1977 through the United Nations office in Tegucigalpa, Honduras, together with attachments.

I am sure you realize that this is a short term consultancy, however, I will comply as far as possible with what you indicate.

I arrived in Tegucigalpa on February 15 at 16:00 o'clock. I immediately contacted the UNDP Resident Representative, Mr. Lennart Mattson, and have been working very closely with him ever since. Since the date of my arrival, I have also met Mr. Renzo Truffello, the Project Coordinator as well as José Tassaert a Unido JPO.

I have prepared several papers (in Spanish) for the Corporation requesting the assistance, and I am sure these will serve as your preliminary report. They gave an appraisal of the situation in general and those prepared on 21/2/78 a clearer view after visiting the proposed area for the operation.

I will keep you fully posted on developments and will mail my final report after arrival at my FAO Headquarters in Rome.

Yours sincerely,

Glecks

Gerald Cooklin
Senior Fishery Industry Officer
Fishery Industries Development
Service
Department of Fisheries - FAO

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79. 11. 15