



SHILAT



AQUACULTURE DEVELOPMENT IN SISTAN-BALUCHESTAN 2005 - 2008

*Project financed by Italian Cooperation
Italian Ministry of Foreign Affairs*

**TECHNICAL REPORT
RELATIONS BETWEEN THE ISLAMIC REPUBLIC OF IRAN AND ITALY**

Executed by CIRSPE, Italy

ROME, OCTOBER 2006

Aquaculture Development in Sistan-Baluchestan 2005-2008

Project financed by

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**Italian Cooperation
(General Directorate Development Cooperation)**

UNDP

United Nation Development Programme

SHILAT

Iranian Fisheries Organisation

CIRSPE

Italian Research and Study Centre for the Fishery

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ABSTRACT

This document provides a brief description of the connections between the Islamic Republic of Iran and Italy as Countries involved in the project “Aquaculture Development in Sistan-Baluchestan”. Starting from an overview on the current economical framework and its trends in Iran, this report describes the relations actually running between the two Countries concerning the agro-food sector, the development cooperation, the cultural cooperation, and the activities which are being carrying out under specific programmes. The last section provides a summary of the main aims of the Aquaculture Development in Sistan Baluchestan and points out commercial opportunities to be caught by both Countries.

FOREWORD

The project and the reason of it goes back to 2000, and the origins are strictly connected to the effort of the Italian Government aiming at reinforcing political and economic relations with the Islamic Republic of Iran, in consideration of the reciprocal interest in the exploitation of Iran's raw materials and for the exporting of Italian technology, industrial products and consumer goods.

Apart from that, Italy has always considered the importance of Iran in the context of Middle East such as crucial regional Country.

The Italian Government has always planned projects and initiatives with the purpose to develop the peace process in the Middle East area and, for this reason, is promoting development projects and investing in local human resources in the area, supporting the civil society and economic productive processes.

Institutional capacity building for Ministry of Jihad Agriculture and professional growth on the part of the SHILAT-Iranian Fisheries Organisation are also crucial. In fact the development of the sector is strictly connected to the improving of the capacity of the public service; the reinforcement of the extension service has the aim to disseminate the technologies prepared during the project activities.

1. ECONOMICAL TREND

Iran is one of the most populous Countries of the Meddle-east, hosting almost 70 millions of inhabitants. It is the second OPEC patrol producer having about the 10% of the world stocks of unrefined oil. Iran is also the second Country in the world for natural gas reserves. The Islamic Republic of Iran, since 2000 had a great economical development mainly due to the oil value raising; due to this great resources which the Country can count on, the average growth rate of the GDP for the last years is about 5%.

Centrality of the State, and oil dependence are the main features of the Iranian economy: the oil incomes are about the 80% of the export value and the main financing source for the Public Service borrowing requirements. Over the last decade the contribution of the oil industry to the building of the GDP has been around 10-20% also due to the Government target to reach a positive diversification of the economy.

The significant economical development has been pulled by the raising of oil and gas incomes. This has enabled an expansive fiscal and monetary policy with multiplier effects on consumptions and investments. This has turned out in an improvement of the actual monetary item, a raising in the reserve currency and more liquidity for the public accounts.

The balance of trades has improved due to the high price of the oil over the last years. The export value was highest in 2004 (since the time of the Revolution in 1979) and it is expected to increase in the next years. The ex President Khatami (1987-2005) started a process aiming at the privatization of several Iranian bodies and at the opening of the Iranian economy to abroad Countries. That caused an increasing of the presence of Italian companies operating in Iran in sectors on which local Authorities award a strategic role and that are therefore controlled and managed by Public Organizations. So nowadays the majority of Italian undertakings which established branches in Iran, operate in sectors such as: oil and gas, electricity, telecommunication industry, chemistry and petrochemical industry, steel industry, industrial plant engineering, monitoring and engineering, drilling of land.

On the political side, the WTO (World Trade Organization) enabled Iran to have access to the negotiations in order to join the Organization after the retreat of the opposition of the USA.

- Iran has been trying to join the WTO since 1996, but the USA veto always blocked its entry. The reduction of the foreign debt has enabled, over the past years to decrease the restrictions concerning the export. In 2004 Iran reached the highest import rate since the Revolution in 1979.

A Government decree entered in force from the 8th of July 1999 and enables the foreign companies to establish an Iranian branch out of the hypothesis of a signed contract with a Governmental Body but limited to certain activities: after selling services, executive work regarding contracts signed with Iranian companies, studies and run-up targeted to investments in Iran, promotion of non-oil products, banking and marketing services, cooperation agreements with Iranian engineering companies for the implementation of works in third Countries. Practically this decree should allow an optimal distribution of the Italian companies operating in Iran and aiming at a stable structure in this Country.

The law for the protection of the foreign investments (FIIPA, Foreign Investment Protection and Promotion Act) approved in May 2002, defines the conditions for foreign investments. In particular foreign investors in order to cooperate with Iran, are required to:

- Contribute to the economical, technical and qualitative growth of the Iranian production, furthermore to increase the exports rate and the occupation;
- Not to damage the economy and the environment, as well as the security and National investments;
- Not to allow the landing of monopolies or special concessions.

In particular the actual trend of the Authorities aims at improving the buying of technology, avoiding the mistakes incurred in the past such as importing machinery and equipment which haven't been used because of the lack of expertise and know-how. It is therefore essential not to leave out training activities as a strategic tool for any activity planned to be started using foreign technology.

2. AGRO-FOOD SECTOR

In recent years the Iranian government has given priority to the development of non-oil industry. This policy has given impulse to the development of sectors such as textile, cement production, construction materials, food processing machinery and metal transformation.

Iran has invested about 500 millions USD in over 300 plants for food processing. Food processing industry is relatively new in Iran and the government is trying to promote the development of agribusiness, offering investors low rate loans. There is still considerable room for further development of the food processing industry. In fact, the major food processing plants operations dates back to 15 years ago.

New investments in the processing industry are those related to date packaging, production of concentrated juices and French fried potatoes. In addition to this there are many other investment opportunities in different processing sectors such as automation, packaging, environmental protection, food engineering and prevention of post-harvest food losses. Italian technology is particularly present in the above-mentioned sectors: Italian companies provide machinery for fruit and vegetable processing, fruit concentrate, fruit juice and jams, flour production, olive oil production, industrial and non-industrial ice creams.

3. ITALIAN DEVELOPMENT COOPERATION

Framework

According to OECD classification, the Islamic Republic of Iran is placed within the group of Countries carrying average-low incomes and therefore it is entitled to benefit from public aid for development. The economic planning in Iran is based on Five-Year Development Plans.

The Third and latest Five-Year Development Plan indicated agriculture and agro-industry as priority sectors. The interventions of Italian cooperation, addresses sectors in the following economic framework: in 2003 Iran showed a 6.8% growth; the unemployment rate (according to official figures) was 15.7%; the balance of payments registered a surplus of 3.2 billion US\$.

Activities

The Italian cooperation intervention in Iran follows both the bilateral and multilateral channels (through UNDP, UNHCR, UNDCP, IFAD, FAO and WFP). Apart from that, Italy also financed UNHCR with approximately 5 million Euro to improve the assistance to Afghan refugees in Iran.

Moreover, Italy operated through its emergency channels to meet the urgent requests of the Iranian Government to help fight drought in June 2000 contributing with 1.8 million US\$ through its General Directorate for Development Cooperation (D.G.C.S.) to purchase water tank trucks for the transportation of drinking water to the residents of Sistan-Baluchestan.

In August 2001, following the floods that hit Northern Iran, the Italian Cooperation financed activities implemented by UNDP aiming at the rehabilitation of a number of villages with a donation of 560.000 Euro.

4. CULTURAL COOPERATION

4.1. Scholarships

According to the objectives of the Cultural Agreement, signed on March 2000 between the Italian Republic and the Islamic Republic of Iran, the Italian Government awards 64 scholarships annually to Iranian citizens which every scholarship is granted for one month. Generally the scholarships will be granted to attend study and research programs. In order to study the Italian language, scholarship holders shall refer to specialized Italian institutions such as Perugia and Siena Universities. In addition, scholarship holders who are interested in studying Arts must only refer to accredited Schools of Fine Arts and Academies of Music.

4.2. Running Programmes (2005-2006)

Support to the structures of the National Museum of Teheran (former Archaeological Museum)

This activity, aiming at the modernization of the Museum, is being implemented by experts of the Italian D.G.C.S. with a donation of approximately 700.000 € The objective is to classify and redistribute the rich material of the Museum (most of which is not shown to the public) following expressly studied paths using modern means (show-cases, lights, plinths, panels, paths, labels, etc.). The project is currently being implemented.

Aquaculture development in the Sistan-Baluchestan Province

This development programme (aquaculture) has been implemented in Chabahar and Zabol in the Province of Sistan-Baluchestan (a very poor area next to the borders with Pakistan and Afghanistan). A fund of 3.034,00 million Euro was made available by the Italian Ministry of Foreign Affairs D.G.C.S. for such activity. This project will be implemented in collaboration with UNDP with whom a technical agreement was signed.

Seeds and Plants certification (Actions to support the improvement of nursery plant propagating material through the activation of a certification programme)

The project foresees the cooperation with the Institute of Plants and Seeds Certification in Karaj, north of Teheran, for the production of certified plants.

Development of crops, preservation of fruit and vegetable production in the four Provinces of Fars, Khuzestan, Lorestan and Kurdistan

The project foresees the establishment of a credit line for the provision of equipment for the transformation, preservation and packaging of the agricultural products (mainly fruits and vegetables), and technical assistance aiming at training the technicians of the sector in these four Iranian Provinces that show a high productive potentiality in the agro-industrial sector.

Contribution to UNESCO – International Red Cross project for the building of a school following the Inclusive Learning Friendly Environment model in Bam

A contribution of 100.000 Euro in UNESCO – International Red Cross project for the construction of a school following the Inclusive Learning Friendly Environment model in Bam (the city in Southern Iran was severely hit by an earthquake in December 2003 that caused over 40.000 casualties). The contribution will be used to purchase the laboratories for the technical training and multimedia material.

5. AQUACULTURE DEVELOPMENT IN SISTAN BALUCHESTAN

5.1. Country and locations

The Islamic Republic of Iran and the Italian Government are reinforcing their political and economic relations in consideration of their reciprocal interest in the exploitation of Iran's raw materials and for exporting Italian technology, industrial products and consumer goods.

In June 2000 the General Department of Development Cooperation of the Italian Ministry of Foreign Affairs and the Iranian Ministry of Foreign Affairs signed a "Meeting Memorandum" in which the Italian party expressed its intention to finance cooperation activities in the Province of Sistan Baluchestan.

The topics relevant to the cooperation program were deeply studied during technical missions carried out by the General Department of Cooperation Development. Upon examination, priority was given to the development of aquaculture. The Province of Sistan-Beluchestan borders with

Afghanistan and with Pakistan, giving it a strategic role. This province is the poorest in the Republic of Iran (UNDP, 1999 “National Human Development Report”). There are interesting prospects for the development of aquaculture in the zone of Chabahar, in the south-east of Iran, suitable for the raising of shrimp. This activity is already practiced in the internal zones, with the technical context in the area of Zahedan (Sistan), where several facilities are operating, playing a very important social, cultural and economic role. The local industry presents readily apparent, macroscopic limitations in terms of technology, service and marketplace. In short, along with the high potential, recognised by the central system, which continues to invest on structures and equipment, there are unmistakable problems of growth and consolidation that can essentially be traced to the technical-cultural isolation that the Country has experienced over the last decade.

5.2. Official approval

Technical Project proposal has been prepared on 2002; in June 2003 the General Directorate of Development Cooperation/Italian Ministry of Foreign Affairs has approved for financing the project “Aquaculture development in Sistan Baluchestan” (act n.49; 24/6/2003; N. aid 6945.01.3), identifying the UNDP as International Agency in Iran and the modality of cost-sharing agreement to allocate the project budget in the beneficiary Country.

The United Nations Development Programme (“UNDP”) and the Ministry of Foreign Affairs of Italy – General Directorate for Development Co-operation of Italy have agreed to co-operate in the implementation of a project in the Islamic Republic of Iran “Aquaculture Development in Sistan-Baluchistan”. The project budget has a fund of “3.034.000.00 EURO” by grant (25/2/2004).

The Ministry of Jihad Agriculture – SHILAT Iran has been designated as the implementing agency and CIRSPE (Italian Fishery Research and Study Centre), has been designated as the contractor for providing technical assistance and training for a total budget of 1.744.000, 00 Euro. UNDP manages the remaining budget, according the project proposal, to buy technical equipment.

5.3. Brief description

The objective of the project is to reduce poverty and social imbalance raising the income level of the local populations and communities in the ***Province of Sistan-Baluchestan through the reinforcement and dissemination of aquaculture activities***. The project's main target is to strengthen and expand aquaculture activities in two areas in the Sistan Baluchestan Province, in terms of production, technology and economic results, in order to increase the socio-economic level of target groups and the local communities involved. The project is expected to have significant impact on the living standards of target groups, as well as indirect socio-economic benefits for the local communities, and also generate a replication model at a provincial level. The specific objectives, therefore, are: i) Identification of valid production strategies for aquaculture in Sistan-Baluchestan; ii) Identification of appropriate technologies for both the different contexts (fresh water and sea water); iii) The Expansion of the base production and diversification of the product; iv) Institutional capacity building and professional growth of the Shilat-Iranian Fisheries Organisation . The project comprises 3 main components: technical assistance, training and supply of technology and equipment.

5.4. Time schedule

The project begun on 19th May 2005 and the activities are planned to go on for 36 months, fall under the following 3 phases. Its conclusion is scheduled to be on May 2008.

➤ **I Planning Phase**

Technical-logistical organisation. Identification of production activities and details of supplies. Three-year activity plan. Phase I lasts for 6 months.

➤ **Phase II production management**

Installation and performance testing of equipment. Start-up of production experiences at facilities. Organisation and starting up the extension service. Technical trainings both for fresh and sea water, management of dissemination (Internet/Newsletter). This phase lasts for 24 months.

➤ **Phase III Impact analysis**

Impact analysis of the project. Performance of activities (Internet, Newsletter, extension etc.) Phase III lasts for 6 months.

The project begun with the planning of the first activities in CIRSPE office in Rome, after receiving the first instalment by UNDP. The first Italian expert arrived in Teheran on the 2nd of June, with the duty to organise the logistic aspects for the project needs. During June and July, the organisation aspects have been improved, with several activities both in Italy (CIRSPE office in Rome) and in Teheran. In Rome, administrative aspects have been clarified and CIRSPE project staff is working on the project organisation. The office/guests house has been rent in Teheran and the office organisation is now working.

5.6. Technical approach

From a technical point of view, the project consists of 2 initiatives in 2 zones of the province (Sistan and Baluchestan), the efforts meet the different needs in the surrounding contexts.

The first zone of interest for the purpose of the project is the one on the border with Afghanistan, near the city of Zabol. This reality, which features facilities for the fattening of trout and carp run on a family level (250-300 tubs in operation), shows a production limitation that can be traced to the fluctuating availability of seed fingerlings, an annual uncertainty that prevents these family enterprises from properly planning their activities. SHILAT directly operates the centre for the reproduction of carps in Zahak (150 km north of Zahedan); this facility is already equipped with hatching facilities and fattening ponds.

The second zone for the project activity is in the south of the Province. A large facility for the shrimps raising (600 hectares) has been built near the location of Gowater, roughly 110 km to the east of the city of Chabahar. Inside this area there is an active perimeter of 20 hectares managed by SHILAT for pilot and demonstration projects currently underway. On the west side of Chabahar, near the Bahu Kalat river, another 4,000 hectares of ponds are being constructed for shrimps farming.

According to the Project Proposal financed by the Italian Ministry of Foreign Affairs (act n.49; 24/6/2003; N. aid 6945.01.3), the project, therefore, shall consist in:

- production initiatives in the public facilities of the SHILAT, with the results to be transferred to the private beneficiaries (the extension service of the SHILAT, seminars, Internet/Newsletter);

- training (on job training) reserved for the technicians of the SHILAT/the Ministry of Agriculture, with forecasted fall-out on the private operations, given that the individuals trained are employed in the extension service;
- supply of technology to the public facilities in order to improve their efficiency and guarantee an adequate supply to private parties, demonstrating the worth of the new production strategies and, finally, testing and proposing technical packages which are innovative but appropriate to the context.

6. TRADE OPPORTUNITIES

The cooperation established with the project “Aquaculture Development in Sistan-Baluchestan” between Italy and Iran, is a great chance for both Countries to give a significant impulse and finally improve new trade channels on the fishery and aquaculture sector. Through the dissemination of best practices for shrimps and freshwater aquaculture in the Sistan-Baluchestan Province, it is expected to have an improvement of the production base both in terms of quantity and quality. Higher values of Iranian production will call for technological supply and, at the same time the overcapacity will meet the growing of Italian consumption of aquaculture products. To catch this coming chances for both Countries is a must that can improve the already prosperous commercial relations between Italy and the Islamic Republic of Iran and it must be a common target to work on in order to reach a modern vision of reciprocal interests.

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