

Executive Summary

The ingredients of successful fisheries management have been known for many years. Well-defined access and use rights, a sound scientific basis for decisions of catch and effort levels, effective enforcement, and stakeholder involvement in decision-making form the core attributes of effective fisheries management regimes. While much has been done to improve fisheries management performance across OECD countries, the scope, depth and timing of reform towards profitable and sustainable fisheries has varied considerably. There is broad consensus that further reform in the fishing sector is necessary to respond to the ongoing problems of over-fishing, overcapacity and poor economic performance that persist in many parts of the sector and in many OECD countries. However, there is less analysis and guidance on the process by which reforms can be undertaken and sustained.

This study focuses on the factors that hinder or assist the process of reform in the fisheries sector in a number of OECD countries. Focusing on the political economy issues underlying fisheries policy, the reform experiences of Norway, Mexico, Iceland, New Zealand, and Korea are reviewed. The purpose of the case studies is to provide an overview of domestic reform experiences in the fisheries sector of these countries and to highlight the lessons learned from the experiences. While the reform experiences reflect a range of national resource endowments, political systems, economic, social and cultural backgrounds, and fisheries policy objectives, and highlight the different challenges and approaches in the countries' experiences, there are sufficient common elements that enable a structured review of the ingredients that underlie successful reform.

The case studies

The case studies focus on: the policy context in which reform is undertaken; the drivers for reform (including the role of different groups in developing and implementing reform); key features of the policy reform and impacts on the sector; the sustainability of the reforms; and key lessons learned from the reform experiences.

The case study of *Norway* reviews the process of introducing market-based reforms to manage over-capacity in the Norwegian fisheries sector. The fisheries sector is a politically important sector in Norway due in large part to the high regional concentration of the industry and the organised influence of the fishers' organisations. These factors played a significant role when it was decided to introduce market-based management reforms into the sector to help address the problems of overcapacity, low profitability and depleted stocks. The process of reform, which essentially began in the 1990s, was strongly influenced by distributional considerations, a fear of privatisation of the commons through the use of ITQs, and the diverse views of the different fleet segments. The establishment of the vessel-based quota system was a reaction to this and issues surrounding the system's design, allocation keys for the quota and the longevity of the system were strongly debated. The Norwegian case study highlights the important role of strong stakeholder involvement, varied compensation strategies, and the demonstration effect in contributing to successful reform.

Mexico underwent a period of reform in the decade prior to 2006, although of more limited ambition and scope. The key reform challenges facing the Mexican fishing sector were the lack of institutional stability, a degree of legal uncertainty surrounding the sector, the highly disparate nature of the industry (ranging from modernised commercial tuna and shrimp fleets to artisanal subsistence fleets), and conflict between resource users. The reforms were successful in improving the institutional structure of the governance arrangements for the sector, coordination amongst government agencies, and strengthening the legal framework surrounding the access of commercial fishers. Factors which helped to underpin the reform process included the decentralisation of decision making which, while limited, represented a fundamental shift in the relationship between government and the industry. Better targeting of support programmes and the use of vessel decommissioning payments helped to facilitate support for reforms in key segments of the industry.

The process of fisheries policy reform in *Korea* has been driven by depletion of commercially important stocks and poor economic performance of the country's fishing industry due to a continuous decline of inshore and offshore fisheries catches since the mid-1980s and, at the same time, an increase of costs. Korea has developed a number of policy responses to address the challenges. A permit system has been used as a framework to control fishing effort and ceilings of the number of permits have been gradually established for different fishing types since the 1980s. Other policy measures include area/time closures and mesh size and gear restrictions, and the introduction of the Total Allowable Catch to control catches of important species. There has also been a broad implementation of a community-based fisheries management scheme. High level political support from the President's office was a key factor in driving the reforms forward. The use of financial incentives to facilitate support for reforms and to compensate the potential losers from policy changes also played a key role. The demonstration effect helped to engender a momentum for reform from fleet segments outside the initial reform push.

The case of *Iceland* as one of the leading countries to adopt Individual Transferable Quotas (ITQs) provides good insights for fisheries policy reforms at the national level. While the Iceland experience is often characterised as having been a revolution in fisheries management, it was in fact, more of an evolution with an emphasis on continuous improvement in the design and application of ITQs. Driven by economic and environmental crisis, the introduction of ITQs has had to address stakeholder concerns over distributional issues, by catch management, and the more fundamental question of the use of exclusive access rights to manage common property resources. The endurance and strengthening of the ITQ system over time reflects an open and transparent institutional structure governing the sector, and the strong profitability in the ITQ managed fisheries which generates considerable support for sustaining and building upon the initial policy initiative.

Finally, the case of *New Zealand* represents a “big bang” approach to the introduction of ITQs to the sector. While there was a dawning economic crisis in the sector, the introduction of market based reforms was primarily driven by a more general, economy-wide reform agenda to modernise New Zealand's economy. While the top-down introduction of ITQs occurred fairly rapidly, the New Zealand experience highlights the important role of continuous improvement in ensuring that the reforms were fine-tuned and adjusted in order to maximise economic efficiency in the sector. Time-limited and targeted structural adjustment assistance helped to facilitate the reform process, and the pay-off to those who stayed in the industry was in the form of strong rights-based

management instruments coupled with a high degree of meaningful stakeholder involvement built into the governance arrangements for the sector.

Key insights

The case studies in this report provide a review of the process of reform in selected OECD countries. While the ambition, effectiveness and sustainability of the reforms differs from country to country, there are sufficient common insights that can be generalized to the process of policy reform in all OECD, and indeed many non-OECD, countries. The key insights focus on: identifying the need for reform; the factors driving reform; building support for reform; and sustaining reform.

Before reform can take place, it is necessary to *identify the need for reform* to take place. Without such a trigger, there is unlikely to be any support amongst key actors (fishers, politicians, even the general public) for policy change from the status quo to take place, nor any agreement on what the policy change should even be addressing. The experience from the case studies demonstrates that poor environmental performance is not generally sufficient to prompt governments to undertake significant reform efforts. In each of the case studies, it was economic crisis rather than environmental crisis that provided the key trigger for reforms to be contemplated and acted upon.

One of the consequences of this observation is that the economic costs to the fishing sector, and to society more generally, that result from poor environmental performance will tend to be larger than would be the case if reform efforts had been started earlier. It is, therefore, necessary to ensure that the institutional frameworks governing fisheries provide greater scope for an “early warning” system to forestall environmental and economic crisis, thereby supplying the necessary information and risk analysis to trigger changes in policy or course corrections to management arrangements. A greater focus on the economic consequences of policy and management decisions than is currently the case is a central ingredient in such an early warning system. Such data are fundamental to determining the economic and, in conjunction with biological data, the environmental health of a fishery and can provide important signals to decision makers about the need to undertake policy reform.

The *driving forces behind reform* help to raise pressure to place the reform needs on the political agenda. While the key driving force is generally economic crisis affecting the fishing sector, the case studies have demonstrated that there are other drivers, both external and internal to the sector, which can also be harnessed to help drive the process of reform. First, there are often policy reforms that occur more generally within the economy that have a flow-on effect to the fishing sector. Such general policy reforms can often bolster and accelerate existing pressure for reform in the sector. Second, pressure for reform can be driven by events outside the domestic economy altogether (for example, commitments under the GATT or the WTO to liberalise trade restrictions or under international environmental commitments).

Third, pressure for reform can be driven by groups within the fishing sector. This may be the result of a perception that the returns to particular groups can be increased from a change in some aspect(s) of government policy (classical “rent-seeking” behaviour). The potential beneficiaries of policy change have a strong interest in seeing particular reform agendas pursued. Individual fleet segments in the countries studied lobbied for reforms that had been introduced in other fleet segments, largely as a result of the demonstration effect of the benefits of specific policy changes. Finally, a fundamental ingredient for driving reform is political will. Strong and effective leadership is essential to seeing

reform initiatives be developed and implemented. Often, this is the outcome of key personalities in leadership positions in the government or in the fishing industry. This will also be influenced by the strength of stakeholder involvement.

The case studies have also demonstrated that reforms are generally a long-term process and that careful *building support for policy reform* is essential to the eventual success of the reform. Central to achieving this is the identification of the costs and benefits of reform both between groups and over time. The costs of fisheries policy reform are generally highly concentrated in specific groups while the benefits are diffused across the community as a whole. In addition, the benefits of reform may accrue over the longer term (for example, through stock rebuilding or responses to changes in management policies), creating a transitional burden that may reduce support for change. Identifying the potential winners and losers from reform enables the government to better target compensation and transitional measures, and to build support for reform.

Compensation strategies to address distributional concerns arising from policy reform proposals plays a central role in building and maintaining support for reform amongst key stakeholders. The case studies highlight the fact that there is a range of forms that the compensation can take: the use of adjustment payments (such as vessel decommissioning and license buyback programmes, temporary and targeted social support schemes); and stronger rights-based management regime for those who remained in the sector, in order to provide for more profitable and sustainable sectors.

The organisation and representation of fishers' interests is a key to gaining support for reform. It is clear that the reforms would have been much more difficult to implement if there had not been a strong institutionalised approach to ensuring stakeholder involvement in decision-making. In addition, the demonstration effect proved to be a major factor in ensuring that there was a steady build-up of support for reforms in the countries studies.

One of the major challenges in all policy reform efforts, not just in fisheries, is ensuring that *reforms are sustained over time*. The pressure to wind back reforms can be significant, especially if particular interest groups have retained sufficient power or cohesiveness following the reforms to influence the future course of policy. Withstanding such pressure can require significant political commitment and may need to be coupled with further measures to gain the support of remaining disaffected groups (through, for example, compensation strategies).

The case studies have demonstrated the fact that successful reform is generally not a one-off event, but is actually a result of a process of continuous improvement over time that fine-tunes and adapts policies to evolving policy realities and external circumstances. Reform can also be made more sustainable by ensuring that the policy settings in place provide for autonomous adjustment that improves the flexibility and adaptability of the sector to changing natural and economic circumstances.

Finally, the study demonstrates that there is no “one size fits all” approach to policy reform in the OECD fishing sector. The reform experiences reviewed in this study reflect a range of national resource endowments, political systems, economic, social and cultural backgrounds, and fisheries policy objectives. The case studies also highlight the fact that successful reform is possible and can create a profitable and sustainable fishing industry. However, reforms must be underpinned by strong political commitment, sound economic analysis, appropriate distributional and compensation strategies, and a high degree of stakeholder involvement in the institutional framework within which reforms are developed and implemented.



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