

Chapter 8

Insights for the process of policy reform in the fisheries sector

The case studies presented in this report provide a review of the process of reform in selected OECD countries. The case studies are not necessarily representative of the experiences of all OECD countries, but they do illustrate the variety of reform experiences that have occurred. The economic, environmental, social and political situations in the countries covered in this report vary widely. Yet each of the countries has undergone significant reforms in recent years. 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 many non-OECD, countries. The purpose of this chapter is to draw out those common elements from the case studies and provide a number of policy lessons that may assist governments in their current and future reform efforts. The chapter focuses on four key stages of the reform process: identifying the need for reform; the processes driving reform; building support for reform; and sustaining reform.

Identifying the need for reform

Before reform can take place, it is necessary for there to be a demonstrated need for some form of 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. While governments sometimes undertake general interest reforms, the norm is for reform efforts to be triggered by economic crisis.

In the case of the fisheries sector, 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. In the case of Norway, it was not until increasing resource pressure on stocks was translated into severe impacts on the profitability of key fleet segments that the inertia to undertake significant reform was overcome. Similarly, the poor economic situation of the large parts of the fleets in Korea, Iceland and New Zealand created the impetus for their respective reform processes.

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. The nature of the fishing sector is such that fishers will generally only need to cover the marginal costs of operations in order to stay in the business. In many cases, this can continue for quite some time as the resource base deteriorates until the economic pressure is sufficient to generate calls for policy changes to address more fundamental problems.

The costs of delaying action can be significant, as witnessed the economic fallout from high profile stock collapses in the 1990s.

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. Such early warning systems can help to reduce the costs associated with waiting for the “right” conditions for change, but must also be weighed up against the likely benefits from policy intervention.

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. In most OECD countries, and certainly in the case studies presented in this report, there is a need to inject a greater emphasis on economic information in the process underpinning decisions on management options. For example, data on the costs and earnings of fleets are rarely collected on a consistent basis (with Australia, the United Kingdom and Norway being notable exceptions). Yet such data is 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.

Driving reform

Identifying the need for reform is only the first step. The process of putting reform on the political agenda and driving it forward comes next. As noted above, the key driving force is generally economic crisis affecting the fishing sector. However, 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. In the case of New Zealand, for example, there was a general shift in the political agenda towards an increased use of economic instruments in managing a whole range of sectors, including the fishing sector (as well as telecommunications, electricity, agriculture, etc). The introduction of ITQs and cost recovery exemplified this general philosophical ground shift in the political landscape. However, the shift came at an opportune time for the fishing sector as it had been suffering from overfishing and poor economic profitability for some years and the pressure for change had been steadily building. Similarly, there was a broader political push in Norway to reduce the extensive use of subsidies in the fishing sector which helped to trigger the reform efforts to introduce economic instruments into the management of fishing fleets in order to provide a policy environment that would enable the industry to survive without government subsidies.

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 can generate pressure for changes within the sector to accommodate the changed economic landscape facing the sector. International environmental commitments are another example of an external driver. This is exemplified in the case of Mexico with respect to the tuna-dolphin dispute which generated considerable policy reforms within the Mexican tuna fishing industry.

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. This was demonstrated in the case of the commercial shrimp sector in Mexico which successfully pushed for a vessel decommissioning in 2005 and 2006 in order to improve the profitability of the sector. Although the policy initiative did not solve the key underlying cause of poor profitability – conflicts over resource use between the commercial and artisanal sectors – it did engender a momentum for reform and may lead on to further reform efforts in the future. In a similar fashion, individual fleet segments within the Norwegian, Korean and Icelandic fleets pushed 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 was demonstrated in the case of Korea where the personal attention of the President of Korea played a central role in the reforms to combat IUU fishing and the introduction and extension of community-based fisheries management. Similarly, the strength of stakeholder involvement can generate enormous political pressure for change, but generally still requires forceful personalities within the industry groups to provide the catalyst and focal point for promoting a reform agenda within both industry and government.

While these driving forces are all clearly helpful in driving reform, they are largely dependent on circumstances where they may come together. A lesson from the case studies is that there may be a large degree of good fortune in a number of driving forces coming together to generate the critical initial momentum for reform. For example, without the general push for reduced government intervention in the New Zealand economy, it is conceivable that the extensive and successful reforms to the fishing sector may not have occurred until much later, if at all. So, does reform rely on serendipity and the perfect confluence of drivers, personalities and pressures? The answer to this is both yes and no, otherwise reform would rarely occur or be successful. Rather, it points to the need to ensure that the basic conditions that may provide a fertile ground for reform efforts to take hold exist and are entrenched. The case studies highlight the role of transparency, accountability and responsibility in the institutional structures governing the sector in ensuring that stakeholders in the sector have an input to any reform initiatives, either general interest or special interest reforms.

Building support for reform

The case studies have also demonstrated that reforms are generally a long-term process and that building and maintaining support for policy initiatives 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. As has been noted earlier in this report, 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.

The process of identifying costs and benefits of policy change requires a comprehensive *ex ante* and systematic analysis of the likely impacts the change across the sector. In practice, it may be difficult to fully account for the full range of impacts due to a lack of data or an incomplete understanding of the economic system underpinning the industry. This underscores the need identified earlier to provide a greater focus on the regular collection of economic data on the fishing sector. Such data are essential to gaining a better understanding the likely economic consequences of policy changes. Trying to develop such data on an ad hoc basis, or in response to particular policy initiatives, may be more costly and inefficient than maintaining a regular program of economic data collection.

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. First, the use of adjustment payments facilitated the transition phase following the introduction of reforms in all the countries studied. These generally took the form of vessel decommissioning and license buyback programmes, allowing those who wished to leave the industry, or were forced to leave, to exit with some financial assistance. Adjustment payments also provided a mechanism for restructuring the fleet segments to provide for a more profitable and sustainable future (provided management actions reinforced the reforms). The use of temporary and targeted social support schemes also proved helpful in facilitating reform in fisheries-dependent communities.

Second, compensation also took the form of the provision of a stronger rights-based management regime for those who remained in the sector, especially in the cases of New Zealand, Norway and Iceland. In general, this led to more profitable and sustainable industries in these countries. Critical to such compensation was the development of an explicit or implicit pact between governments and the industry to ensure the long-term durability, flexibility and security of the rights. Credibility and trust is central to the success of such compensation strategies as they rely to a large extent on the ability of key actors to agree on the long-term strategic direction of the industry. The benefits from stronger rights based approaches to management are longer term and so they may not accrue to the beneficiaries for some years, potentially creating a situation where there is a “wait-and-see” attitude to the outcome of policy changes.

The organisation and representation of fishers’ interests is a key to gaining support for reform. In the cases of Korea and Norway, it was 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. This was less of an issue in the case of New Zealand where the top-down nature of the reforms did not provide much scope for fishing industry input during the initial “big bang” reform of the sector. However, the trade-off for the New Zealand fishing industry was a greater involvement in fisheries management decisions following the reform process, together with the implementation of cost recovery which provided a vehicle for greater industry say in the directions of research.

Finally, 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 studied. In Norway, for example, the reduction of subsidies occurred quite rapidly, but the introduction of the new

rights based fisheries management systems was undertaken in a gradual approach. It started with a key coastal cod fleet and then was gradually introduced into other fleet segments. The advantage of this approach was that it enabled the positive effects of the policy reform to become evident to other segments of the sector. In the end, there was a general clamour for these segments to be brought into the new management regimes in order to reap the benefits. In Korea, the introduction of community based fisheries management was started as a pilot project, but quickly became the subject of increased demand from fishing communities as the benefits became apparent.

Several factors underpin the success of the demonstration effect. First, and most obviously, the policy change has to be effective in meeting its objectives. Second, the government has to demonstrate a willingness to be flexible about the way in which the policy initiatives might be applied to successive fleet segments. Third, there must also be a demonstrated willingness to fine-tune policy instruments to ensure that they are applied in an effective manner. All of these factors point to the need to ensure that there are appropriate mechanisms in place within the institutional structures governing the sector to enable opportunities and needs for fine-tuning and policy adjustments to be recognised and acted upon.

Sustaining reform

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).

More generally, 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. This is most evident in the cases of Iceland and New Zealand where the introduction of ITQs, while revolutionary in many respects, actually marked the beginning of a long period of learning, refinement and improvement to the ways in which the policy instruments were used in each country.

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. The reforms undertaken in New Zealand, Iceland, Norway and Korea focused heavily on providing an enabling environment for the industry with strong, secure and long term access rights, meaningful stakeholder involvement, and well-structured enforcement mechanisms as the central features of a responsive policy framework for the sector.

At the same time, the case studies demonstrate 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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