

Strategies for fishery subsidy reform



*Fisheries
Economics
Research
Unit*



The Nippon Foundation - University of British Columbia

NEREUS PROGRAM

Predicting Future Oceans

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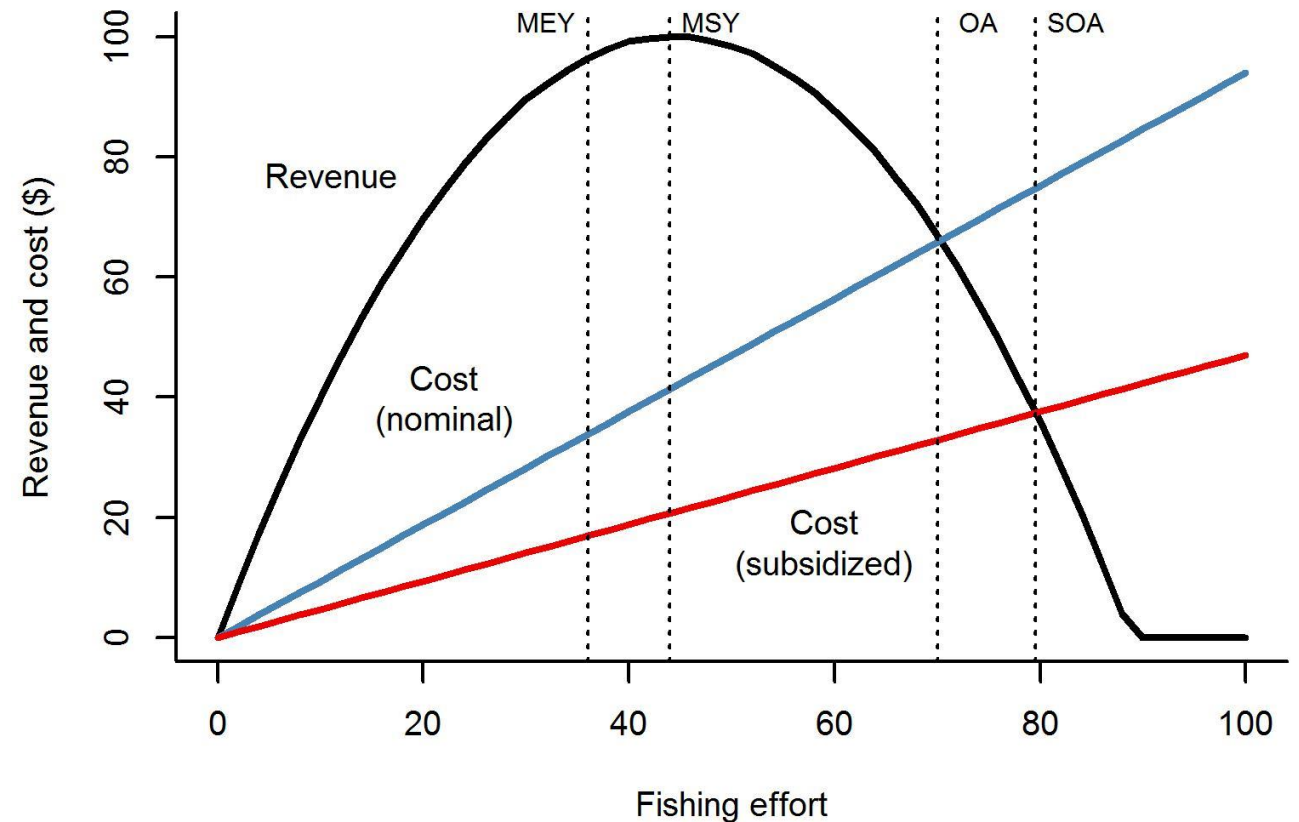
- The case for fishery subsidy reform;
- Review of applied subsidy reform strategies;
- Key messages: Reorienting and conditioning subsidies have best success rate, buybacks the worst.
- Cisneros-Montemayor, Sanjurjo, Munro, Hernández-Trejo, Sumaila (2016) *Marine Policy* 69: 229-236

A fishing subsidy is a financial contribution from the public sector that grants private benefits to the fishery sector

World Bank (2009)

Why do fishery subsidies need reform?

- Renewable resource management attempts to maximize sustainable benefits;
- Open access equilibrium could be a (questionable) policy choice;
- But, subsidies in an overexploited system *only* decrease benefits and jeopardize sustainability.





Good (beneficial) subsidies include investments in management, implementation, research, marketing, and product innovation.

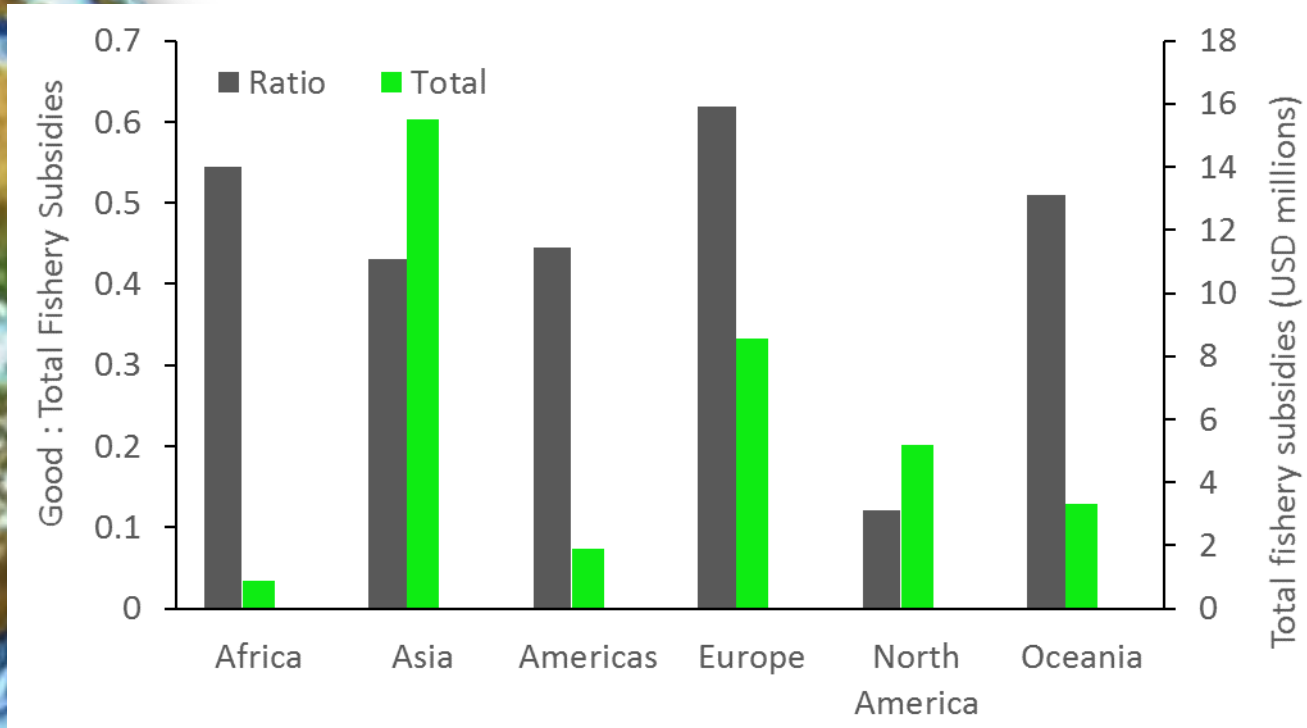


Bad (capacity-enhancing) subsidies directly or indirectly increase fishing capacity.

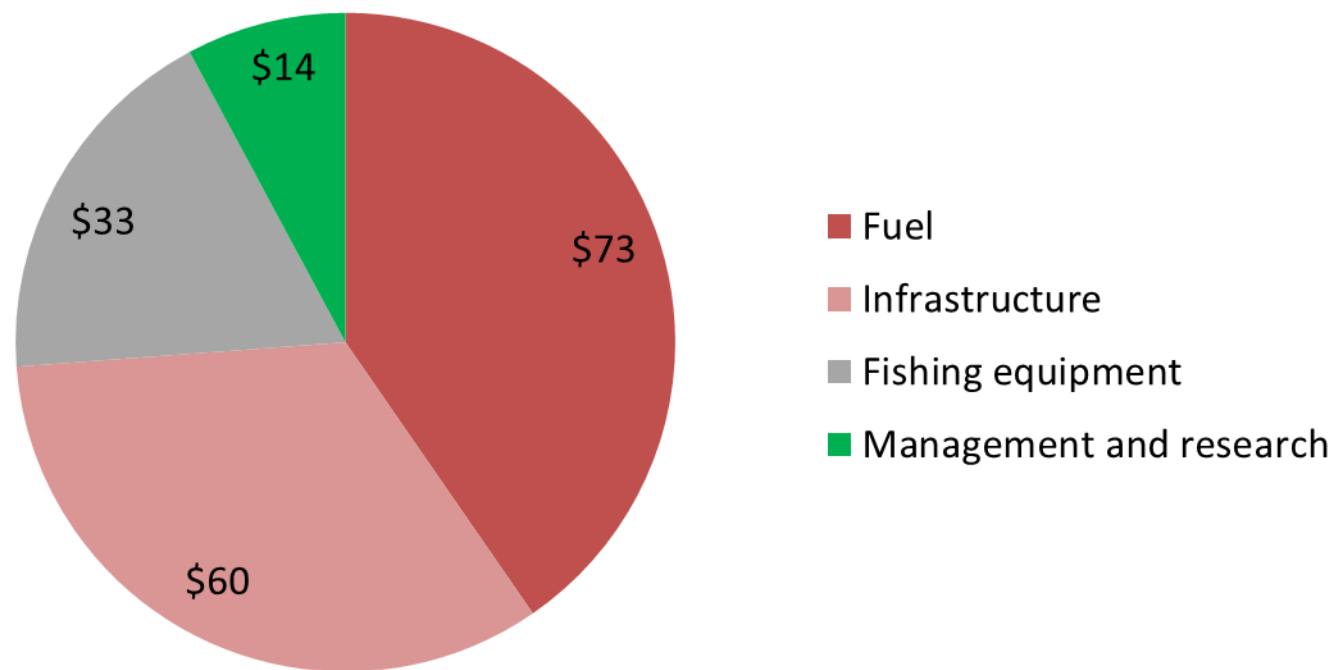


Ugly (ambiguous) subsidies are not necessarily bad, but their potential benefits hinge on careful implementation.

~60% of global subsidies are 'bad'
(capacity-enhancing)



About those 'bad' subsidies ...



... in México, ~90% of current subsidies are 'bad'.

Fisheries are different...



...and must be treated differently.

- What **subsidy reform strategies** have been applied?
- Where they **successful** given **context** and **objectives**?
- What can we **learn** about these applications with regard to **theory**?



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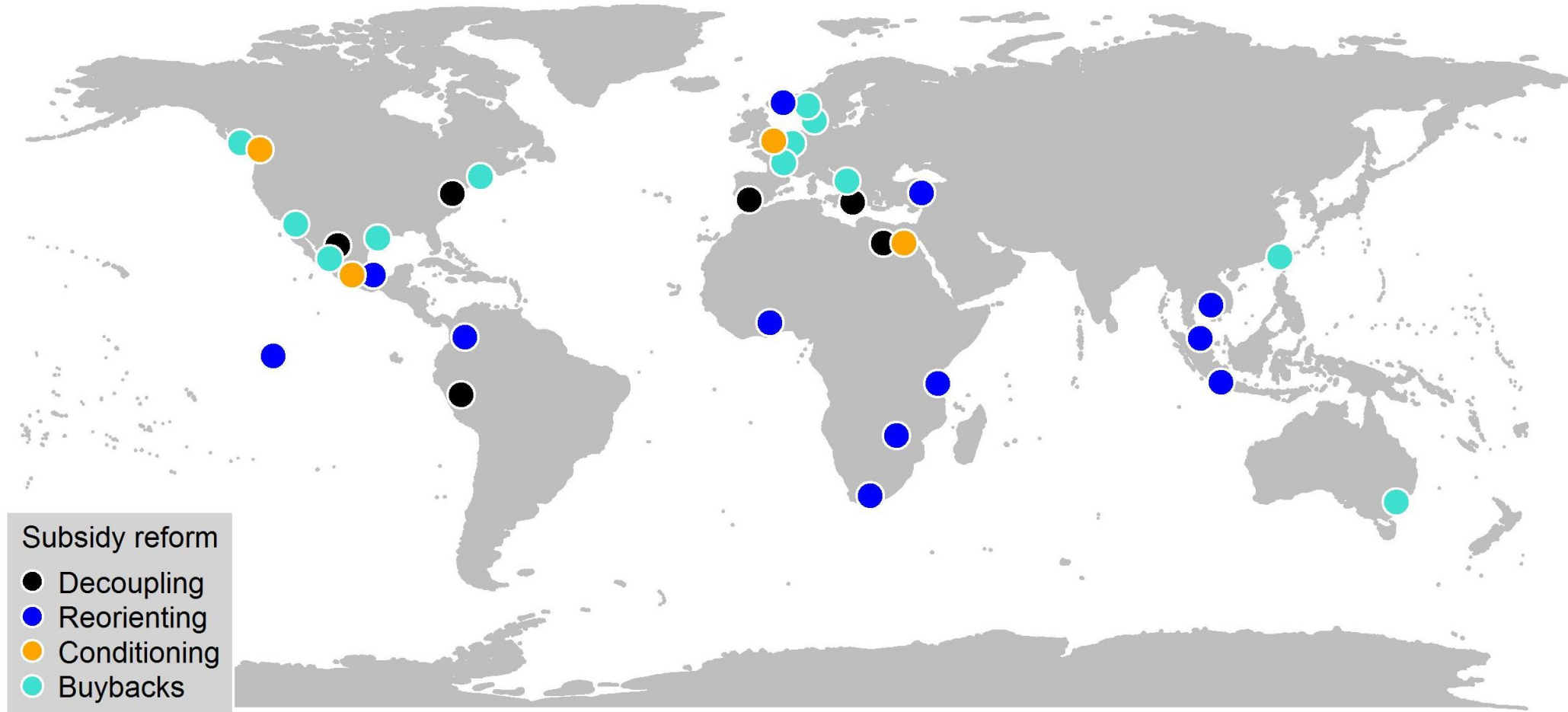


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Strategies for subsidy reform

Four main strategies for subsidy reform were analyzed: **decoupling**, **reorienting**, **conditioning** and **buybacks**. Simple elimination of subsidies was also considered, but no cases were found.

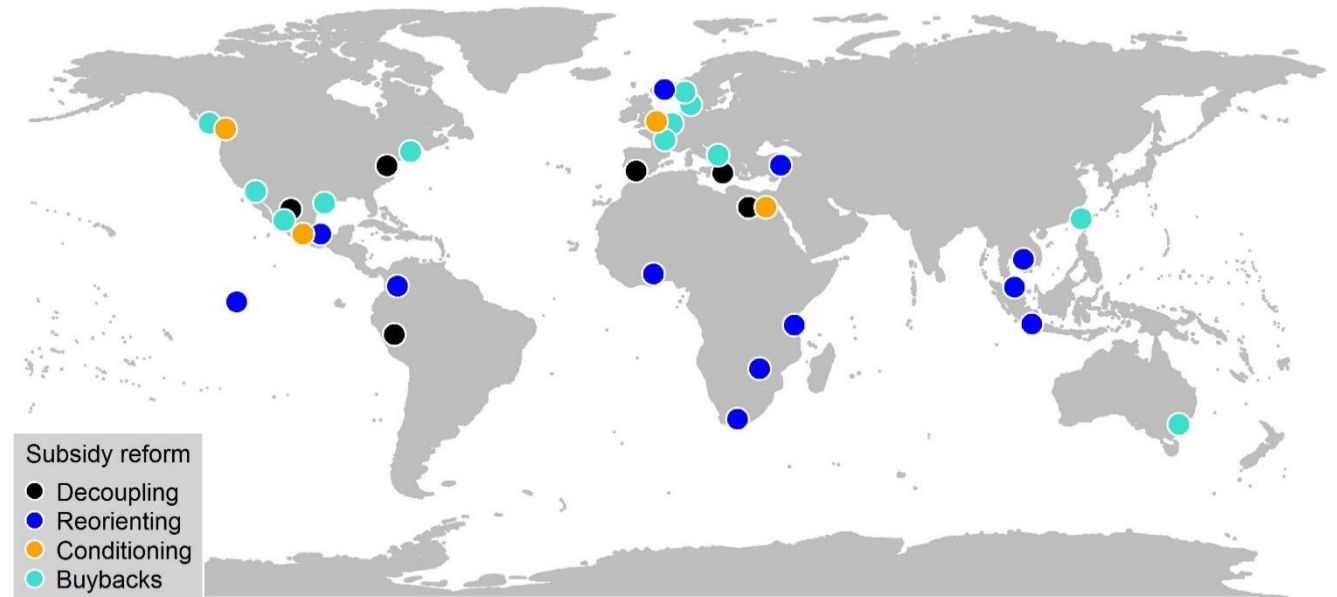


A **decoupled** subsidy is an income transfer without conditions or specific intended uses, or for goods and services that are not related to production.

Pros | Targets social needs

Cons | Incentives for system gaming; Difficult to segregate target population

Key requirements | Creative design; Joint long-term policies

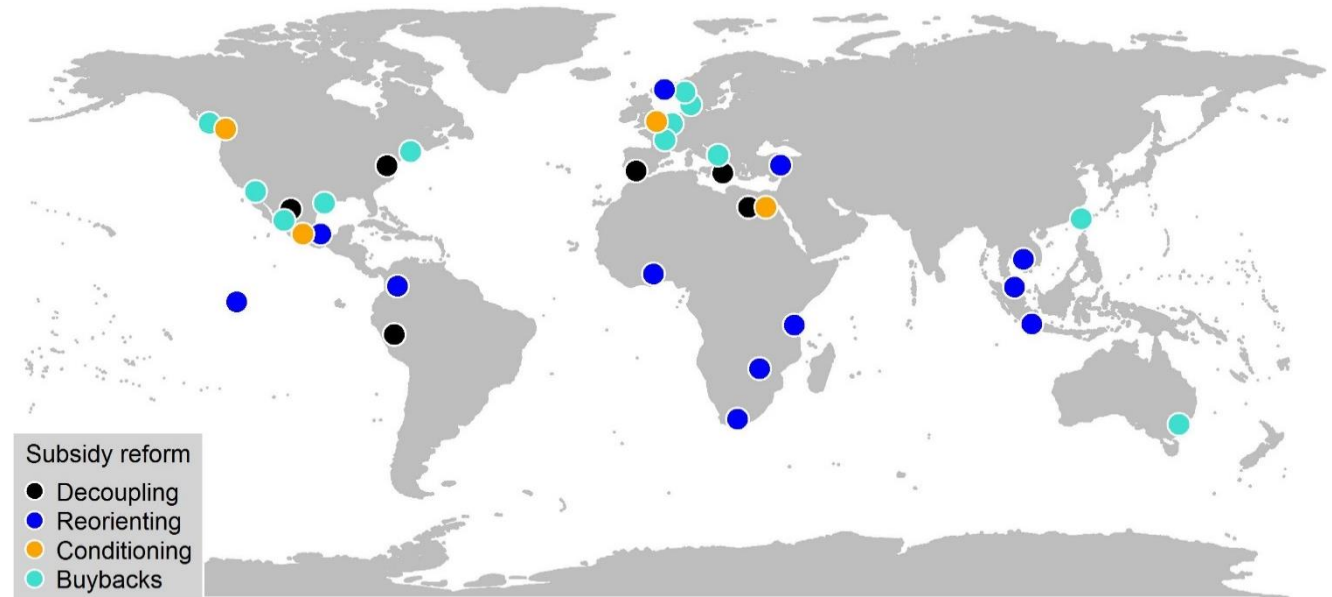


Subsidies can be **reoriented** toward investments in transitions to economically and ecologically sustainable fisheries; these investments include applied research, monitoring, and implementation of management policies, instead of fishing capacity.

Pros | Directly addresses conservation;
Incentivizes stakeholder cooperation

Cons | Benefits can take time to materialize

Key requirements | Clear objectives; Detailed evaluation plan; Incentive for industry to engage

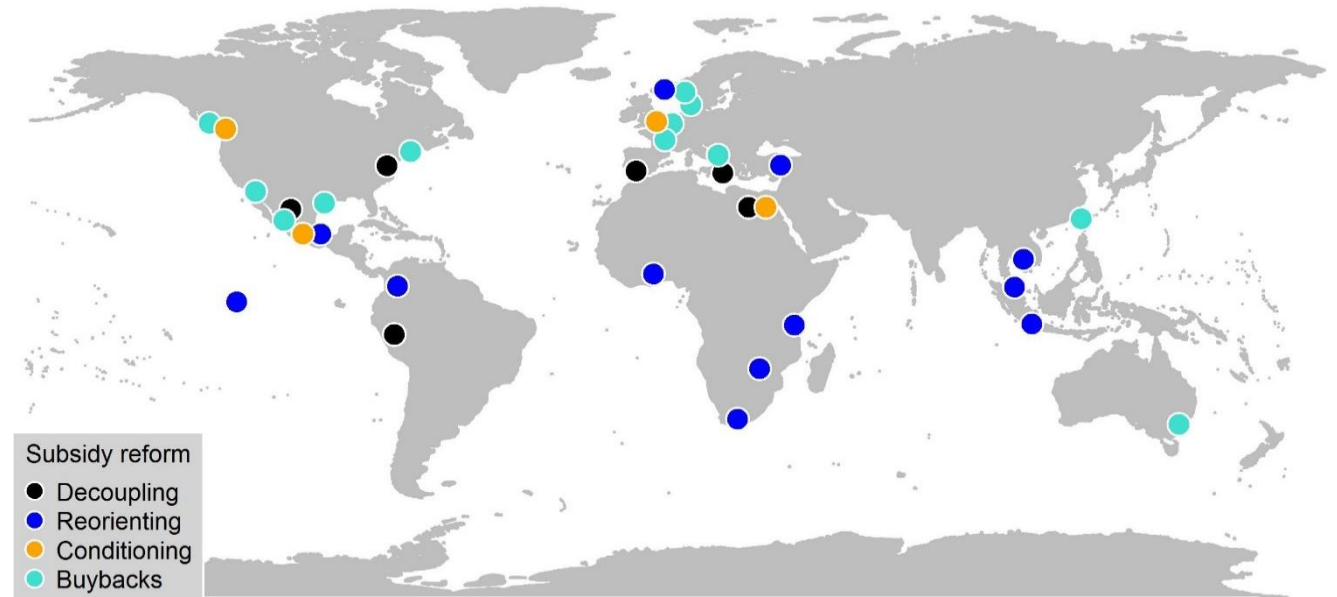


Under **conditioning**, fishers or firms would access subsidy types and amounts depending on specific performance criteria designed to incentivize good management.

Pros | Directly creates positive incentives

Cons | Complicated to define and evaluate progress

Key requirements | Strict and transparent implementation

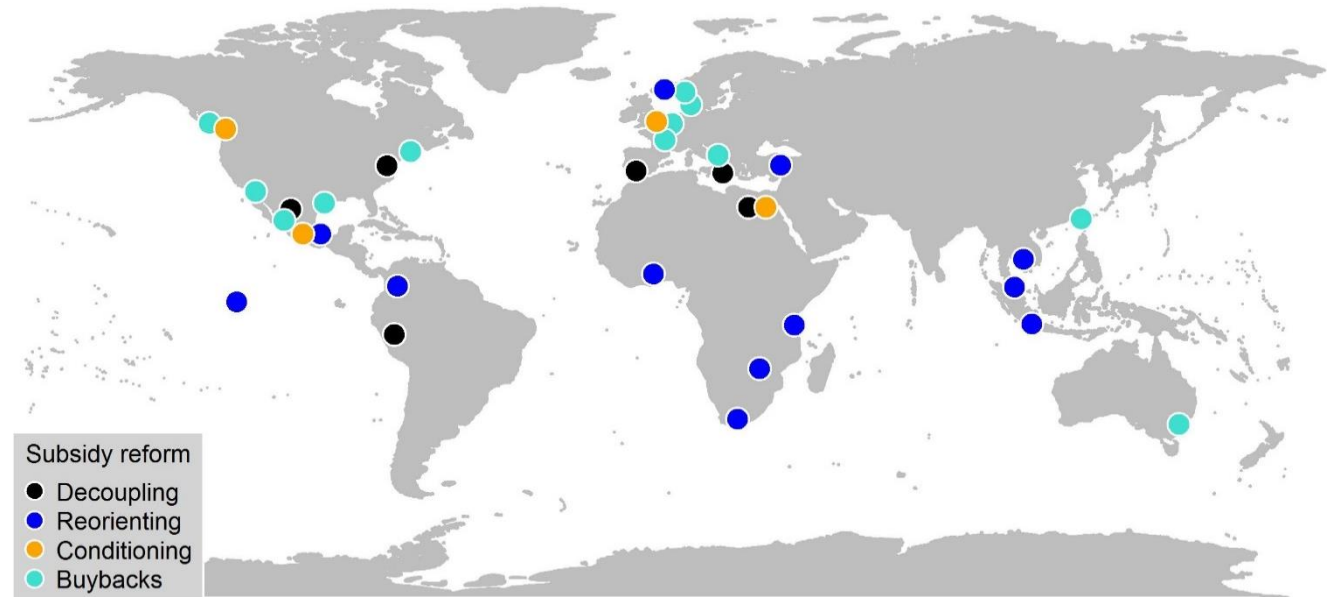


Buybacks of vessels (and/or fishing licenses) use public funds to compensate fishers and directly reduce excess fishing capacity.

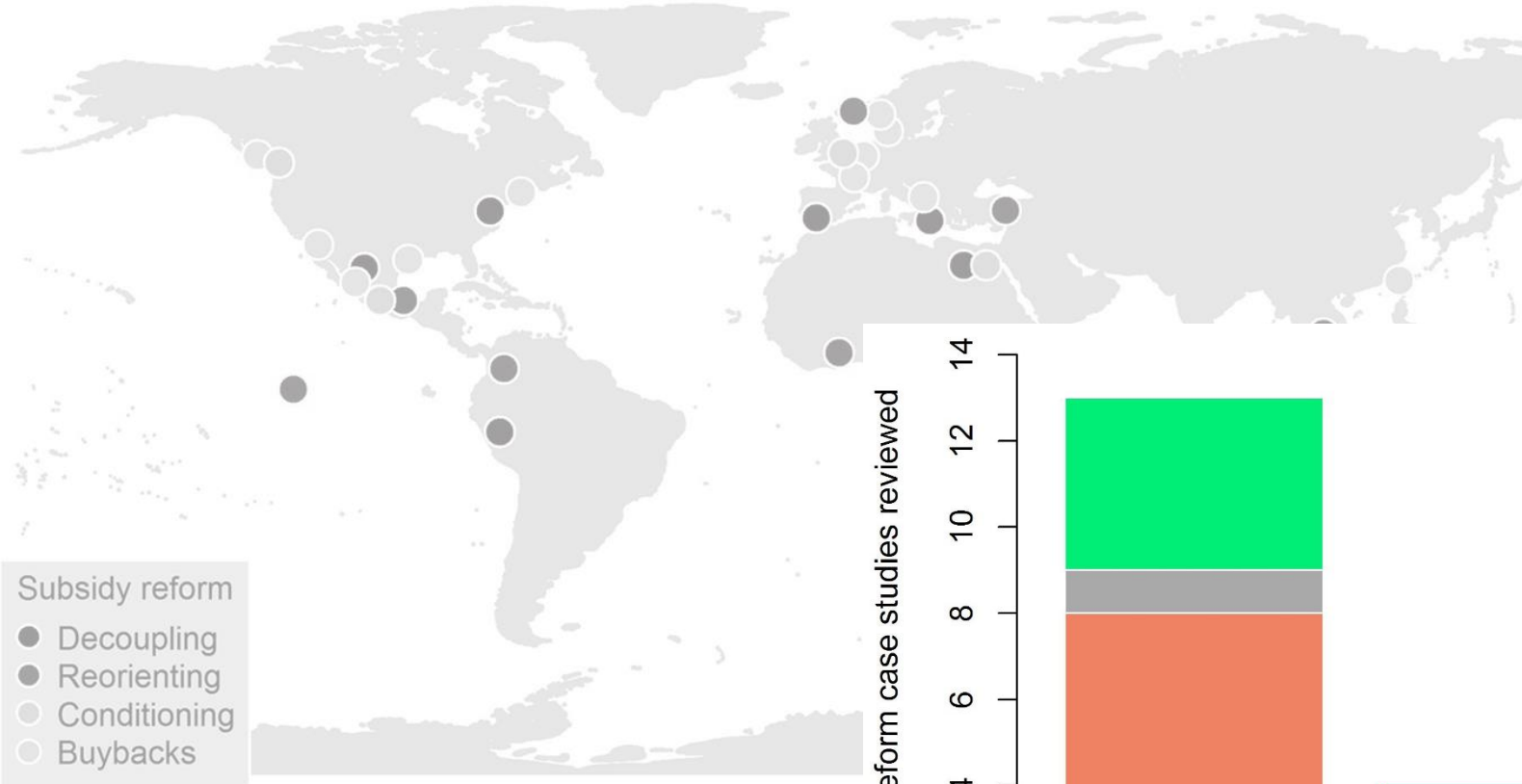
Pros | Socially and politically accepted

Cons | Incentives for corruption and system gaming

Key requirements | Primary policies;
Transparent and strict implementation



Reform strategy summary

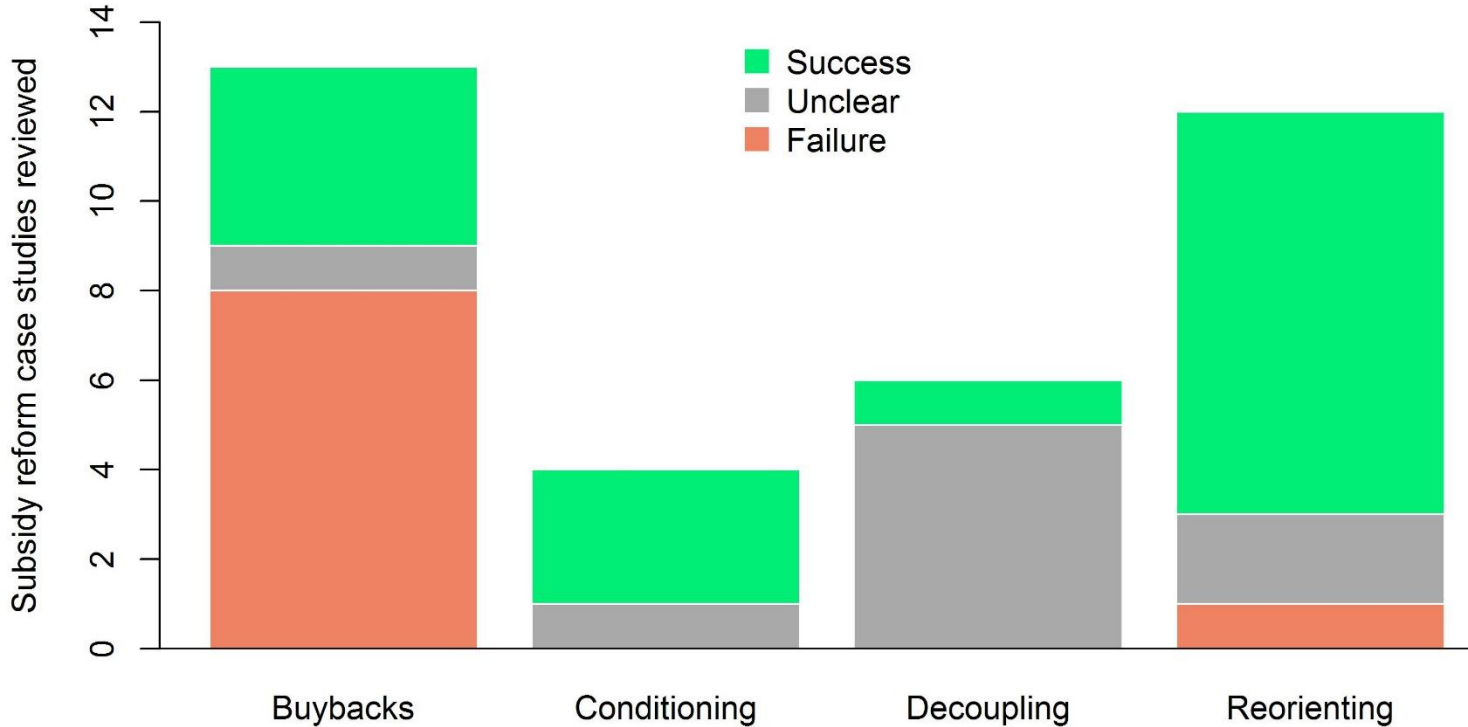


Subsidy reform

- Decoupling
- Reorienting
- Conditioning
- Buybacks

Reorienting has the best success rate and incentivizes stakeholder cooperation

Buybacks have been used the most but have the highest failure rate



- There are many existing strategies to reform fishery subsidies and incentivize sustainable fisheries;
- Any strategy must be designed and applied in a manner appropriate to the ecological, social, and political **context**;
- In every case, the key requirements are **clear objectives, creative and transparent design and implementation**, and **strong will** from stakeholders.

¡Gracias!

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