

Policy brief

Fishing at a discount? Rethinking the design of fisheries access fees in Africa

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In this article, the author first comments on the design and rationale of access fees for fishing vessels of foreign origin, providing hypothesis why these are so low in most African countries. He then illustrates his point looking at the examples of Ghana and Namibia fisheries. In the second part of the article, the author discusses under which conditions industrial fishing vessels of foreign origin should be given access, or not, to African coastal countries waters, and argues for a re-think of access fees design, making four policy considerations.

Overview

When countries started claiming their exclusive economic zones in the late 1980s and 1990s, there was an expectation that African coastal and small island states would capture substantial wealth from the foreign fishing fleets in their waters. This would either be by insisting fishing vessels landed and processed catches in their countries or that they pay handsomely for accessing their waters. For many of these countries, that optimistic scenario seems elusive. Not only has foreign industrial fishing severely depleted fish populations and often negatively impacted domestic small-scale fisheries, but the fees paid for fishing rights are considered quite low. Many foreign fishing agreements in African states make little economic sense.¹ As will be

¹ VIRDIN, John, "Opinion: Some fishing deals in West Africa make little economic sense", China Dialogue, 20 June 2022. Available at: <https://chinadialogueocean.net/en/fisheries/opinion-some-fishing-deals-in-west-africa-make-little-economic-sense/>

shown, in some countries, African states spend more managing foreign fishing companies than they receive in revenue payments.

Addressing this issue has led to a number of policy ideas, which often start with the same premise that African countries should be charging more for fishing access. Often, those making this proposal refer to the experience of Pacific Island States. By working collectively, the Parties of the Nauru Agreement launched a complex vessel day scheme over a decade ago, which saw revenues from tuna fisheries increase more than fivefold. Understanding exactly why this was successful is not straightforward. However, part of the reason seems to be the ability of Pacific Island States to negotiate collectively for setting license fees, as opposed to being coerced individually by powerful states and multinationals. Many people have, therefore, recommended that African states attempt something similar. Most recently, in an article co-authored by an economist at the World Bank, African states are advised to form a giant Fish Cartel.² According to the calculations of the Bank's economist, this would likely lead to an increase in access fee payments of 23%.

“We estimate that if Africa was to organize as a fishing cartel, the continent would stand to gain more profit (+23%), total harvest (+1.5%), and fish biomass (+16%) relative to the status quo. These gains occur because the Africa Coalition incentivizes conservation: countries earn more profit from restricting access catch, which increases the access fee as well as biomass. Creating and sustaining such an institution would require complex negotiations and regular cooperation among member states. But the fact that all African countries would benefit could make the creation of an Africa Coalition more feasible.”³

The idea that every coastal and small island state in Africa could come together and form a responsible fish cartel might be attractive. Still, it is probably wishful thinking, and the World Bank economists seem optimistic in predicting how this would pan out. There have been previous attempts by African states to develop regional approaches to managing access fees, but so far, these have failed to gain momentum. Moreover, another weakness in the Fish Cartel proposal is a narrow understanding of the problems in African countries regarding the management and design of fishing access payments. Disappointing outcomes of fisheries access payments not only originate in the profit-maximising agendas of foreign fishing firms and their governments but also in the design of access payments and the use of the resulting proceeds.

Redesigning access fees is a political choice that requires public debate. A critical starting point is whether industrial fisheries should be granted access in the first place, particularly where this threatens small-scale fisheries. There are many reasons why small-scale fisheries should be provided preferential or exclusive access to parts of the sea. However, in cases where industrial fishing is granted access,

² ENGLANDER, Gabriel, COSTELLO, Christopher, “A fish cartel for Africa”, *Nature Communications*, 14, 7124, 2023. Available at: <https://www.nature.com/articles/s41467-023-42886-z>. There are also the minimum terms of access for foreign fleets of the Sub-regional Fisheries Commission (SRFC), available in French only at: http://spcsrp.org/spcsrp/sites/default/files/csrp/documents/csrp2012/csrp-CMA_version_originale_juin_2012_fr.pdf. Also, countries of the South West Indian Ocean Fisheries Commission (SWIOFC/CPSOOL) adopted similar conditions in 2019. Available at: <https://www.fao.org/fi/static-media/MeetingDocuments/SWIOFC/WPCCTF/Inf.5e.pdf>. Finally, the African Union took some steps to move towards guidelines for negotiating access arrangements. See GOREZ, Beatrice, “African countries to develop guidelines for the negotiation of fair and transparent fisheries agreements”, CFFA-CAPE website, News blog, 31 October 2023. Available at: <https://www.cffacape.org/news-blog/african-countries-to-develop-guidelines-for-the-negotiation-of-fair-and-transparent-fisheries-agreements>

³ ENGLANDER, Gabriel, COSTELLO, Christopher, “A fish cartel for Africa”, *op. cit.*

several issues on the design of access fees need to be considered. This includes taking the issue of “cost recovery” more seriously, as well as the potential benefits of removing the responsibility for managing access fees from fisheries management authorities. It would seem important to get these things right before entertaining the idea of a fish cartel.⁴

1. Understanding the design of access fees

If we consider global experiences, then the payments charged by governments for the right to fish are not always easy to understand. Why do these payments exist, and how do governments decide what to charge? To simplify, we can consider five elements that influence the design of access fees.

A) THE CONCEPT OF A PUBLIC DIVIDEND

Access fees are often considered “rent” paid to the resource owners. In most countries, this owner is the state, although it might also be the monarchy or tribal authority.⁵ Usually, the owner manages fish resources on behalf of its people—being common goods as opposed to private ones—so the resource rent is a public dividend. This concept establishes the idea that all citizens own public resources and have the right to benefit from their exploitation. However, many countries, including most in Europe, the USA, Canada, Australia, New Zealand, and China, do not charge resource rents in their fisheries. Only a few Northern countries have introduced fees that are designed to create a surplus for governments to spend, which includes Iceland, Greenland, and the Faroe Islands.

An important question is why do some governments decide not to seek a resource rent whereas others do? There appear to be two plausible explanations, both of which may coexist:

- First, governments may believe that fishing firms are not sufficiently profitable to afford them. Although a resource rent might be desired, it is considered impossible to achieve because the profit margins within the fishing industry are too small.
- Second, they may be considered unnecessary because commercial fisheries distribute benefits widely within society, such as employing many people and providing fish for people to eat. The fishing industry is, therefore, not expected to provide a public dividend as it already provides public goods.

Taking these two reasons why governments might not seek a resource rent, it follows that the pressure to introduce a resource rent increases where fishing firms are experiencing rising profitability or where the benefits from the fishing industry are not being shared widely in society. Historical analysis of the increase in access fees

⁴ This paper has focused on the design of access fees for industrial fishing in Africa, dominated by foreign-owned companies. The design of access fees necessarily requires a distinction between the industrial and artisanal sectors. However, the subject of access fees is also an important, if overlooked, issue for small-scale fisheries. Yet what fees should the artisanal sector pay, if any? There is surprisingly little written on what types of fees, and how much they are, small-scale fishers pay to local and national government authorities. Redesigning the access fees for industrial fisheries should be used as an opportunity to discuss the access fees of small-scale fishing as well.

⁵ In New Zealand, for example, the Te Ohu Kaimoana (Te Ohu) was established by the Māori Fisheries Act 2004, which has the responsibility to receive revenues from fisheries access agreements. See: <https://teohu.maori.nz/maori-fisheries-act-2004/#:~:text=The%20Maori%20Fisheries%20Act%202004,voting%20shareholder%2C%20Te%20Ohu%20Kaimoana>.

in Iceland's fisheries suggests this logic occurred there.⁶ However, there are still many countries, such as the UK, where the fishing industry is “gifted” free access to fisheries when the conditions seem appropriate to charge them for this privilege. This suggests that governments are either not paying attention to developments in their fisheries sector, or other forces are at play, such as industry lobbying or conflicts of interest. Failing to charge such fees is considered by some as an indirect subsidy.

Government attitudes towards fisheries resource rents differ in developing and small island states from those of other industrialised countries. Although many do not charge resource rents on their coastal small-scale fisheries (for the reasons cited above), we should expect that governments will seek to charge a resource rent on industrial fishing firms. There are, however, significant variations in how much governments charge. While there are likely many reasons for this, decisions are influenced by the extent to which fishing firms are embedded in the local economy or the extent to which they provide other economic benefits, such as employment or the supply of fish for local processing. With a high degree of embeddedness and value-added, the political interest in a resource rent may be lower. The resource rent becomes particularly important in countries where fishing firms in territorial waters are foreign-flagged and are not landing catches in domestic ports, which is the case in some African coastal and small island states.

B) DECIDING ON A FEE

Where governments recognise the need to generate a public dividend, then how is this calculated? Again, this is not easy to understand. It may be assumed that in developing countries, states have the ambition to maximise the amount of money they can get from fishing firms. However, most often, the decision on what to charge is a compromise based on fair benefit sharing. Usually, prices are based on a negotiation between governments and the fishing industry. In many cases, access fees are determined as a formula related to the value of the fish or the profits of fishing firms. However, there is no consensus on what a fair benefit-sharing formula looks like.⁷ In 2019, the South West Indian Ocean Fisheries Commission produced guidelines on minimal terms and conditions for foreign fisheries access, which stated that African countries should receive at least 12% of the average market value of fish caught.⁸

One of the problems in deciding on a rate of benefit sharing is that coastal governments might have limited insight into how much profit the fishing industry is

⁶ The history of Iceland's fisheries management illustrates these points well. The government and the fishing industry resisted resource rent for many years while fisheries were being rescued from intense overfishing in the 1970s and 80s. During this era, the industry suffered from low levels of profit and poor levels of remuneration for employees. After introducing individual transferable quotas in the early 1990s, combined with success in rebuilding fish stocks, a resource rent was introduced in 2004, but was kept at a very low level. Although politically contested, the decision to increase the resource rent was made later when the industry's profits were considered high, and the economic benefits of fisheries reforms had been concentrated among fewer firms. Between 2012 and 2017, the government's 'fishing fee' was increased and provided at least 1.5% of all government revenues. See GUNNLAUGSSON, Stefan, et al., "Resource Rent and its Distribution in Iceland's Fisheries", *Marine Resource Economics*, 35, 2020. Available at: <https://www.journals.uchicago.edu/doi/abs/10.1086/708507?journalCode=mre#:~:text=The%20figure%20reveals%20that%20the,17%25%20of%20the%20export%20value>.

⁷ See for example: BARNES, Colin, "Market price evaluations of tuna fisheries in West Indian Ocean", Report to WWF, 2014. Available at: https://www.researchgate.net/publication/306066228_Market_price_evaluation_of_tuna_fisheries_in_the_Western_Indian_Ocean_Kwame_Mfodwo_and_Colin_Barnes_Report_to_WWF. A problem of this analysis was the failure to distinguish between the resource rent and cost recovery charges.

⁸ See the "Final Approval on the minimum terms and conditions for foreign fisheries access in the SWIOFC region", 2019. Available at: <https://www.fao.org/fi/static-media/MeetingDocuments/SWIOFC/WPCCTF/Inf.5e.pdf>

making, and they may also lack reliable information on the value of the fish in their waters. It may also be extremely difficult for states to collate information on precisely what the fishing industry has caught. Charging fishing vessels' fees on how much they catch incentivises dishonesty, or it requires much to be spent on monitoring. To get around these problems, some fishing authorities—and many in Africa—administer a flat license fee determined by vessel characteristics, which is charged irrespective of what the fishing vessel catches. This method is used in EU fisheries agreements: countries receive an upfront payment from the EU based on expected catches only, which is known as the “reference tonnage”. A further payment is made if vessels catch more than this. One of the benefits for coastal states of this approach is that if EU vessels fail to catch the reference tonnage, they can be paid for fishing that never takes place.

In contrast to a fair benefit-sharing formula are auctions, where access fees are not based on negotiation but on selling to the highest bidder. An auction-based system for determining access fees is used in countries such as Chile, Estonia, and Russia. Namibia is the first African country to experiment with this approach (to be discussed below). The benefit is it removes the problem of coastal states not knowing the profitability of fishing firms. Essentially, the value of fishing access is revealed through competitive bidding.

C) COST RECOVERY

Some countries design access fee payments to generate income to contribute to the costs of fisheries management and development, which includes costs such as scientific research, paying for monitoring, control, and surveillance (MCS) of fishing vessels or simply general administrative charges for fishing authorities. The usual term for this is a “cost recovery charge”.

Cost recovery is important in fisheries as it is an expensive sector to manage. Furthermore, one of the causes of fisheries management failures has been inadequate spending on its management.

Expenditures on fisheries management are monitored by the OECD. Their data shows that there are quite substantial variations of expenditures each year, however, on average, OECD member states spend between 8.5% and 11% of the value of fisheries production (the value of fish at the first point of sale) on fisheries management. However, this masks considerable variation between countries. According to the OECD, in 2021 Sweden had the highest reported expenditures on fisheries management, which was reported to be 62.5% of the value of its fisheries production.⁹ In Norway, that amount was 5.6%.¹⁰ One of the countries with the lowest spending on fisheries management in Europe is the UK, at 2.2% in 2021.¹¹ The OECD collects some data for non-OECD countries. Chile, for example, spent only 0.7% in 2021.¹² Generally, the OECD data shows that developing or emerging economies spend far less on fisheries management than industrial countries.

⁹ The OECD country report for Sweden in 2021 is available at: https://www.oecd.org/agriculture/topics/fisheries-and-aquaculture/documents/report_cn_fish_swe.pdf

¹⁰ The OECD country report for Norway in 2021 is available at: https://www.oecd.org/agriculture/topics/fisheries-and-aquaculture/documents/report_cn_fish_nor.pdf

¹¹ The OECD report on the UK is available at: https://www.oecd.org/agriculture/topics/fisheries-and-aquaculture/documents/report_cn_fish_gbr.pdf

¹² The OECD country report on Chile is available at: https://www.oecd.org/agriculture/topics/fisheries-and-aquaculture/documents/report_cn_fish_chl.pdf

A cost recovery charge is therefore used by some governments to get the industry to contribute to management costs, often justified on the grounds that public expenditures on fisheries management benefit the industry's profitability. The USA, for example, applies a cost recovery charge for individual vessels in some commercial fisheries, based on estimates of costs and profitability.¹³ However, federal regulations ensure that fishing vessels pay no more than 3% of the value of catches in cost recovery. Within some US catch share programmes, a proportion of the quota for fisheries is set aside to be sold by fisheries management authorities to generate income for research purposes. China has a similar system. There are no fees charged to Chinese fishing companies for fishing. However, provincial governments administer a "fisheries resource and enhancement" fee instead. National legislation limits this to being no more than 5% of the value of the catch.

D) ACCESS FEES AS A DEVELOPMENT TOOL

While access fees might be designed to achieve a public dividend and partially cover the cost of fisheries management, another dimension to the design of access fees is where variable fees are used to transform the social and economic outcomes of the fishing sector. There are multiple variations on how this is done:

- Fees may be used to incentivise value addition to the economy. Thus, access fees may be lowered for fishing firms that land catches in national ports for domestic processing, as opposed to those that land fish elsewhere. Additionally, fees for fishing may be lowered for firms with vertical integration in the domestic seafood industry, such as those that have invested in fish processing factories.
- Fees may be used to promote national food security policies. They can be lowered for companies that provide fish for direct human consumption, as opposed to those companies producing fishmeal for aquaculture. This is an important consideration given the growing competition between fishing for reduction industries and domestic demand for fish to support local food security.
- Fees may be used to encourage foreign firms to embed in local economies. Thus, access fees may be lowered for nationally owned fishing firms as opposed to foreign-owned firms, or they may be differentiated for firms that are set up as joint ventures with a proportion of shareholders who are citizens. Fees may also be lowered or waived for firms that commit to other social or developmental investments.
- In theory, fees may be used to incentivise environmental benefits or compensate for externalities. Fees may be increased for fishing vessels using fishing techniques that increase pollution or other negative environmental impacts (or offered at a discount for those demonstrating low-impact methods). It is difficult to find examples in the fisheries sector, although in Iceland, fishing vessels pay a carbon tax. Increasing fees for more

¹³ USA regulations on cost recovery charges in the fishing sector are explained on this webpage: <https://www.fisheries.noaa.gov/alaska/commercial-fishing/cost-recovery-programs-fee-collection-and-fee-payment-alaska>

environmentally damaging fisheries have also been discussed in Mozambique, although there have been no legislative results so far.¹⁴

E) THE USE OF REVENUES

The final consideration on the design of access fees is how governments use the money. In many countries, it is quite hard to know what happens at this stage because national authorities are not transparent. There are, however, several different approaches used by governments when it comes to managing access fee payments:

- All access fees are paid to the government's central budget and consumed in national expenditures.
- Access fees are paid directly to the national authority responsible for fisheries management, such as the Ministry for Fisheries, and are used for their own operating expenses. This money might be classified as “off-budget” income. This typically applies to cost recovery charges but also to other money paid simply as access fees.
- Part or all the revenue is deposited in a dedicated and ring-fenced fund. These may be called “Fisheries Development Funds”. They can have their own regulations and management structures and usually restrict spending on fisheries or marine conservation.
- Part or all of the revenues may be distributed to specific recipients, including sub-national authorities in coastal areas. One example is the 2004 Fisheries and Agriculture Law in Nicaragua, where communities, local government, regional governments, and the central treasury each receive 25% of access fee payments.¹⁵

It is worth appreciating that when it comes to natural resource revenue management, other sectors have received more attention, which has produced more elaborate policies. For example, revenues from oil and gas are often deposited in a Sovereign Wealth Fund (SWF) and are then invested, with the profits being used for government expenditures. Some of these SWFs are managed by an independent body to protect them from political interference. The mining sector in Africa is also characterised in many countries with complex benefit-sharing mechanisms, where a percentage of profits made by mining companies are ring-fenced for spending on local development in mining regions, as is the case in Ghana and Senegal.¹⁶

2. The management of access fees in practice

A) THE CASE OF GHANA

¹⁴ CALDEIRA, Adérito, “Government ponders to further increase the cost of fishing in Mozambique”, Club of Mozambique, News, 12 December 2018. Available at: <https://clubofmozambique.com/news/government-ponders-to-further-increase-the-cost-of-fishing-in-mozambique/>

¹⁵ The Nicaraguan law is available through the database on fisheries legislation provided by the FAO: <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC063171>

¹⁶ STANDING, André, “Ghana’s extractive industries and community benefit sharing: The case for cash transfers”, Resources Policy, Vol. 40, June 2014. Available at: <https://www.sciencedirect.com/science/article/abs/pii/S0301420714000270>

In Ghana, industrial fishing occurs through two main sub-sectors: tuna fisheries (which includes purse seine vessels, long liners and pole and line fishing vessels) and bottom trawling targeting various demersal and midwater species. Almost all fish derived from these two industrial sectors is exported to Europe and Asia. Local fish markets are supplied mostly by small-scale fishers and from imports.

In 2002, a new Fisheries Act created a Fisheries Commission (FC),¹⁷ a semi-autonomous corporate body responsible for fisheries management, research, and policy implementation. The Act also established a Fisheries Development Fund to finance the work of the FC, which receives all the money from issuing fishing licenses and the proceeds from any financial penalties from cases brought against fishing companies. It can also receive additional funds from the government and international donors. Controversially, this Fisheries Commission exists alongside the Ministry for Fisheries and Aquaculture Development (MoFAD) with an unclear separation of roles and responsibilities. This has resulted in bureaucratic and financial inefficiencies.

Fishing vessels are required to buy annual fishing licenses. The price of these licenses is determined by the weight of the fishing vessel. These fees are set by Ministerial decree but have been kept confidential. However, in 2011, a World Bank report described that the fee for fishing licenses for all industrial fishing vessels was US\$35 per gross registered tonnage (GRT). That was the lowest level found in West Africa, with Guinea and Guinea Bissau, for example, charging US\$315 and US\$307, respectively.¹⁸ A study on the economics of tuna fishing in Ghana published in 2013 described the absurdity of this: tuna fishing companies spent more on international travel for their staff than they did on tuna license fees in Ghana.¹⁹

Although there are no official documents that explain why Ghana's MoFAD has decided on such low licence fees, it seems likely that it is caused by its laws promoting the domestic ownership of fishing companies. In tuna fisheries, eligible companies must be 50% owned by Ghanaian citizens, while in the trawler sector, the ownership must be 100%. License fees are, therefore, kept low to benefit domestic fishing companies.

However, in practice, all fishing companies in Ghana are owned and controlled by foreign companies. The trawler sector is now entirely made up of Chinese firms, whereas in the tuna fishing sector, there is a greater presence of firms from South Korea. These firms are set up as joint ventures with Ghanaians. Even though there is no public information on who these people are, some reports suggest that they are Ghanaian politicians or those with close relationships with the government.²⁰ Local investigations have found that "*Ghanaians are fronting for the Chinese for an initial fee of between 1,500 and 2,000€ in addition to about 5% from the earnings generated*

¹⁷ See the 2002 Fisheries Act: <https://www.mofad.gov.gh/wp-content/uploads/2016/05/Fisheries-Act-2002-Act-625.pdf>

¹⁸ WORLD BANK, "Project appraisal document on a proposed credit in an amount of SDR 31.1 million (US\$50.3 million equivalent) proposed grant from the Global Environment Facility Trust Fund in an amount equal to US\$3.5 million to the Republic of Ghana for the Ghana Project under the first phase of the West Africa regional Fisheries Program", 2011. Available at:

<https://documents1.worldbank.org/curated/en/881231468032642444/pdf/578980PAD0Box30ly00GEFOR20110002001.pdf>

¹⁹ DRURY O'NEILL, Elizabeth, et al., "Socioeconomic dynamics of the Ghanaian tuna industry: a value-chain approach to understanding aspects of global fisheries", *African Journal of Marine Science*, Vol. 40, Issue 3, 28 September 2018. Available at: <https://www.tandfonline.com/doi/abs/10.2989/1814232X.2018.1513866>

²⁰ AKPALU, Wisdom, et al., "The Fisheries Sector in Ghana: A Political Economy Analysis", *Norwegian Institute of International Affairs*, December 2018. Available at: <https://munin.uit.no/bitstream/handle/10037/14303/article.pdf?sequence=2&isAllowed=y>

by the vessels annually”.²¹ Fishing companies are, therefore, paying much more to local agents for fishing access than they do to the government.

As a result, fisheries management in Ghana is extremely underfunded, compounded by the duplication of responsibilities between the FC and the MoFAD. In 2018, the Fisheries Commission in Ghana reported that it received US\$474,438 in license fees from 82 vessels in the trawling sector.²² The World Bank estimated in 2011 that Ghana spent just 0.2% of the value of the commercial fisheries on management.²³ The 2013 study on the tuna sector established that due to a lack of funding, the FC could not afford the cost of maintaining a vessel monitoring system. Furthermore, an annual progress report issued by MoFAD in 2020 described that the government’s income generated from fisheries was less than the money spent on fisheries management costs.²⁴ Subsequently, approximately 20% of the budget for MoFAD and the FC is derived from transfers from the central government.

Because of the chronic underfunding, fisheries management in Ghana has become heavily dependent on foreign donors, with substantial fisheries development programmes being funded by USAID, Norway, the UK, the EU, China, and the World Bank. The most substantial programme to reform fisheries management in Ghana commenced in 2012 with a loan of USD53.5 million for a seven-year project from the World Bank. Its primary aim was to increase the contribution of fisheries to economic growth in the country with an goal of increasing the annual profits of the industry by US\$50 million.²⁵ It also aimed to reform fishing access fee payments and reduce the number of licenses issued by authorities. However, the project was a costly failure, and the Bank withheld the final payment. There was no increase in the profitability of fishing, and by 2019, the number of licenses issued had risen, not fallen. There had been no reform to the license fees either. What seems to be the case is that the World Bank had underappreciated how difficult it would be to reform fisheries where fishing firms were co-owned by powerful domestic actors.

Since then, the negative financial implications of commercial fisheries in Ghana have increased. Not only is the central government continuing to subsidise commercial fisheries by spending more on its management than it gets through revenues, it has also borrowed millions of dollars for fisheries management reforms, which have to be paid back by other sources of government revenues. There is no public dividend from industrial fisheries in Ghana. The opposite is occurring – a transfer of wealth from the public to the fishing sector.

Shortly after the COVID pandemic, set in the backdrop of an escalating debt crisis in Ghana, all government agencies were instructed to cut costs and raise revenues. Consequently, MoFAD issued a Ministerial decree stating that the cost of fishing licenses would increase from US\$35 per GRT to US\$200. However, fishing companies

²¹ ADU KORATENG, Kwabena, “China’s capture of Ghana’s fishing industry is threatening food security”, reproduced with permission from the author on CFFA-CAPE website, News blog, 4 October 2022. Available at: <https://www.cffacape.org/news-blog/chinas-capture-of-ghanas-fishing-industry-is-threatening-food-security>

²² EJF, “At what cost? How Ghana is losing out in fishing arrangements with China’s distant water fishing fleet”, Environmental Justice Foundation, 2021. Available at: https://ejfoundation.org/resources/downloads/EJF_At-What-Cost_-2021_final.pdf

²³ WORLD BANK, *op. cit.*

²⁴ MoFAD, “2020 Annual Progress Report”, Ministry of Fisheries and Aquaculture Development, Government of Ghana, 2020. Available at: https://ndpc.gov.gh/media/Ministry_of_Fisheries_and_Aquaculture_APR_2020.pdf

²⁵ WORLD BANK, *op. cit.*

complained about this increase, so it was reduced to US\$135 per GRT.²⁶ There is no publicly available information on the extent of budget cuts for either the Fisheries Commission or the Ministry, so it is impossible to know if an increase in revenues from fisheries is now producing a public dividend. Unfortunately, if the fisheries sector contributes positively to the central government's coffers, this is likely caused by further reducing government expenditures on fisheries management.

B) THE CASE OF NAMIBIA

With the support of fisheries experts from Iceland and New Zealand, Namibia developed a national policy after independence in 1991 that has been loosely referred to as “Namibianisation”. At the heart of this policy was an individual quota-based system, which provides companies with long-term allocations (between 5 and 15 years) based on social and economic criteria. The design of the system was to promote Namibian ownership of fishing rights and to increase domestic fish processing.

Namibia's design of access fees includes several different payments. Annual license fees are treated simply as administrative costs and are standardised across all types of fishing vessels. The most important charge is for the value of the quota issued to each rights holder. When they were first developed, these charges were based on a percentage of the value of each fish species at the first point of sale. However, rights holders have been charged variable rates. Fees for foreign-owned fishing companies have been set higher than they are for locally-owned ones, and fees are higher for fish that are not processed in Namibia, such as hake that is frozen on board vessels that are directly exported to Europe. Across many fisheries, the quota fee for nationally owned vessels is between 3 and 5% of the landed value of the catch. In contrast, for foreign-flagged vessels, it was set between 10 to 15%, depending on the fishery.

In addition to the quota fee, there are three other charges for fishing companies.

- A by-catch levy charged to fishing companies for each tonne of by-catch they retain. It is set higher than those for quota fish and has, therefore, been used to disincentivise by-catch volume.
- A contribution towards management costs set at 2% of the value of fish at the first point of sale and applies to all quota holders irrespective of their nationality. This money is paid into a Marine Resource Fund.
- An observer fee charge, set at 0.9% of the value of the landed catch and paid directly to the Fisheries Observer Agency, an independent government department outside of the Ministry of Fisheries and Marine Resources.

Although Namibia's approach has been widely praised, many problems have become evident over the past two decades. One has been the problem of foreign-owned firms manipulating rules to obtain quotas at the lower rates reserved for nationally owned firms. This has been achieved by using Namibian-owned firms as front companies. For example, in 2014, it was estimated that Novanam (a subsidiary of Pescanova from Spain) obtained fishing quotas for hake at the discounted rate applicable to Namibian-owned companies through a front company owned by a Namibian national. Over a

²⁶ FiTI, “Taking Stock assessment of fisheries transparency in Ghana: detailed report”, Fisheries Transparency Initiative, 2023. Available at: https://www.fiti.global/wp-content/uploads/2023/04/FiTI_GHA_TaSo_DetailedAssessmentReport_20230426.pdf

14-year period, it was estimated that Novanam would have paid USD 114 million extra in its quota fees if it had been charged rates applicable to a foreign-owned company.²⁷

Additionally, Namibian quota owners are known to lease quotas to foreign fishing firms at great profit. Undermining Namibia's fisheries governance has been a lack of transparency on who owns quotas and widespread allegations that quotas have been handed out unfairly, with those close to the ruling elite being the main beneficiaries. Yet one of the outcomes of this leasing arrangement is that some foreign-owned companies pay more for fishing quotas than is commonly assumed.

Another problem has been the failure of the Namibian authorities to update their information on the market value of fish.

Finally, although Namibia is one of the few African countries to have an explicit cost recovery charge, this does not cover the costs of fisheries management. A lack of transparency in revenue management means up-to-date information is unavailable. Up to 2012, the government published detailed reports on their income and expenditures. That year, the Ministry of Fisheries and Marine Resources' total expenditure was N\$235 million, whereas government revenues were only N\$132.5 million.²⁸

Revisions to the access fees

Attitudes towards fisheries access fees in Namibia changed from 2015 onwards when the Minister of Fisheries emphasised that fees were low. This was compounded in 2016 when the Namibian dollar depreciated markedly with the Euro and the country entered a period of economic recession and rising debt. From this point onwards, government rhetoric stressed the need to maximise state revenues.

The response by the Ministry of Fisheries and Marine Resources was twofold. First, there were revisions to the estimates of the market value of fish, which resulted in an increase in the quota fees. Revenues in 2017 were N\$145 million, which then jumped to N\$267 million in 2018.²⁹ Second, the Ministry's budget was reduced by nearly half between 2017 and 2018.³⁰ As a result, government revenues from the fisheries sector started to become more than was spent on fisheries management, meaning a public dividend from fisheries revenues began to materialise. However, producing a public dividend largely depended on sacrificing the budget for fisheries management.

The experiment with auctions and a sovereign wealth fund

During the COVID pandemic, the Namibian government introduced a new strategy to increase fisheries revenues: a portion of the quotas usually given to companies through the old system would be auctioned to the highest bidder. The auction—and resulting revenues—were handled by the Ministry of Finance, not the Ministry of Fisheries and Marine Resources. Some speculate this was partly due to the fallout

²⁷ "Namibia newspaper says Pescanova's Novanam used frontman to dodge \$115m in quota fees", Undercurrent news, 27 May 2014. Available at: <https://www.undercurrentnews.com/2014/05/27/namibia-newspaper-says-pescanovas-novanam-used-frontman-to-dodge-115m-in-quota-fees/>

²⁸ Ministry of Fisheries and Marine Resources, "Annual Report. Government of Namibia", 2013. Available at: <https://mfmr.gov.na>

²⁹ Data retrieved from OECD: <https://stats.oecd.org/Index.aspx?DataSetCode=REVNAM>

³⁰ Ministry of Fisheries and Marine Resources, "Annual Statement by the Fisheries Minister", Government of Namibia, 2018. Available at: www.mfmr.gov.na/documents

from several corruption scandals implicating the fisheries ministry, including the “fishrot scandal”.³¹

Although the fish auction was presented as a one-off event to give the country a windfall gain from fisheries, several other auctions have taken place. The experience with these auctions has been mixed but they seem to have succeeded in substantially increasing government revenues. In 2021, the government reported that fish auctions generated total revenues of N\$408 million.³²

The Government’s flagship five-year Harambee Prosperity Plan, published late in 2021, states that the government will move towards a competitive and open auction system to sell all rights to natural resources, including fish.³³ The government will also establish a sovereign wealth fund and that a proportion of the revenues from the sale of rights will be deposited in this fund. This fund was launched in 2022, called the “Welwitschia Fund”. The government has stated that 10% of revenues from the sale of fishing quotas will be deposited in the fund, alongside 15% of revenues from mining royalties.³⁴ Although the details of the Welwitschia Fund have yet to be finalised, the most recent reports from the government indicate that money deposited in the fund will be invested in foreign capital markets. Once the fund has reached sufficient size, the interest earned will be eligible for spending in the country. In theory, this means the fund will exist in perpetuity.

The proposal to fully transfer the allocations of fishing rights to an auction-based system and for these revenues to be handled in a sovereign fund is supported by independent think tanks in Namibia.³⁵ Arguments supporting this include increasing public revenues, addressing corruption in the allocation process, and removing the need to track the market value of fish for an appropriate quota fee. However, the fishing industry has not been so enthusiastic. Their reservations are not only about rising costs for fishing quotas, but also auctions remove preferential access for those companies demonstrating corporate social responsibility. What is more, for the time being, there seem to be no rules on limiting quota concentration.

3. Re-thinking the design of access fees

Namibia and Ghana are perhaps two extreme examples. Yet they illustrate why revenue management is an important dimension of fisheries management and how it can go wrong. They also show that the design of access fees covers several policy objectives. If we return to the idea of a “Fish Cartel”, then we can see why this is attractive. It offers the potential for African countries to increase public dividends from the fisheries sector. Yet the proposal assumes that maximising resource rents

³¹ In the Fishrot scandal, government ministers had issued fishing quotas for bribes to the Icelandic company Samheji. This was uncovered thanks to a whistleblower and published by Al Jazeera. See: KLEINFELD, James, “Anatomy of a Bribe: A deep dive into an underworld of corruption”, Al Jazeera, 1 December 2019. Available at:

<https://www.aljazeera.com/features/2019/12/1/anatomy-of-a-bribe-a-deep-dive-into-an-underworld-of-corruption>

³² DE KLERK, E., “Government nets 400 million from fish auctions”, New Era Live, 11 November 2021. Available at:

<https://neweralive.na/posts/govt-nets-n400m-from-fish-auction>

³³ Republic of Namibia, “Harambee Prosperity Plan II”, 2021. It was launched on 18 March by H.E President Hage G. Geingob.

Available at: <https://www.kas.de/documents/279052/279101/Der+Harambee+Prosperity+Plan+II.pdf/7691d89b-2e35-20e9-86d4-cd9779a40f61?version=1.0&t=1624947238275>

³⁴ Ministry of Finance, “Policy Framework: A Sovereign Wealth Fund for Namibia”, Government of Namibia, 2021. Available at:

<https://namibiainvestmentfund.org/wp-content/uploads/2022/05/FINAL-FRAMEWORK-WELWITSCHIA-FUND-1.pdf>

³⁵ “Fish Quota Auctions in Namibia with Rowland Brown”, Interview on Business 7 News, October 2020. Available at:

https://www.youtube.com/watch?v=o-V4ZjuO_8k

from fisheries is the singular focus of African states, which is not always the case. Access fees are used to develop the fishing sector as well. Furthermore, while increasing public revenues might be justified, without accountability in the use of money, the goal might be problematic.

The discussion on the design of access fees highlights four policy considerations that stand out:

A) THE NEED FOR TRANSPARENCY

Information on revenues and expenditures from the fisheries sector should be easily accessible to the public. But beyond revenue transparency, governments need to provide transparency in policy-making. What are the objectives, and what information is needed to monitor how well these objectives have been met?

B) SEPARATING COST RECOVERY CHARGES FROM THE PUBLIC DIVIDEND

Both in Ghana and Namibia, revenues from fisheries have been less than the expenditures on fisheries management. Fisheries management costs are therefore covered by fishing license payments, additional money from the central treasury, and loans from foreign donors. In some countries, this situation might be considered reasonable – the state is spending money to support a national industry that supplies public goods. Yet, it is a peculiar situation in many African countries where industrial fisheries are dominated by foreign companies engaged in export. Why should the public fund the management of this industry?

The design of access fees should contain a clear distinction between cost recovery charges and a public dividend. In doing so, governments must determine what fisheries management costs are or should be. A starting point could be the average of OECD countries, being about 8% of the value of the fish caught. In some fisheries in developing countries, management costs may be partly covered by the work of regional fisheries management organisations, which could lower the amount required from coastal states.

However, at a minimum, governments should be transparent about their responsibilities for managing fisheries and provide a budget for this, including the amount to be spent on specific responsibilities, such as research, monitoring and surveillance or other administrative functions. There should be clarity about what proportion of management costs will fall on the industry to pay for and what is covered by public funds. It is objectionable that in many African countries, foreign donors are covering the costs of industrial fisheries management, which is essentially a subsidy given to the fishing industry.

When there are clear cost recovery charges, the budgets for fisheries management can be protected and made more predictable. In Ghana and Namibia, budgets have been vulnerable to sudden cuts in times of national economic crisis. If a fisheries cost recovery charge was ring-fenced, it might make these capricious cuts less likely. A possible criticism of this approach is that if the industry is paying for fisheries management costs, then fisheries management may be easily captured by the fishing industry. Yet the capture of fisheries management is equally, if not more vulnerable, where state fisheries management authorities are chronically underfunded.

Finally, revenues ought to be handled by different government authorities. Where authorities responsible for fisheries management depend on license fees for their budgets, they tend to license too many fishing vessels. Removing the responsibility for increasing resource rents from fisheries management authorities might strengthen their voice in government for managing fisheries sustainably.

C) THE USE OF SOVEREIGN WEALTH FUNDS

If resource rents should be separated from cost recovery charges, a public dividend fund for fisheries would be beneficial. Namibia's experiment with this is positive, even if there are reservations about the desirability of its auctions. There is extensive literature on the design of resource funds, which tends to agree on the need to protect these from the short-term interests of politicians. How the funds are used is a matter of public debate. For example, should public revenues from industrial fisheries be prioritised for investments in coastal small-scale fisheries, or should it be spent on other national priorities, such as education or health?

D) ARE AUCTIONS FOR INDUSTRIAL FISHING THE WAY FORWARD?

Finally, Namibia's experiment with auctions deserves more comprehensive consideration. In many African coastal states, it is unclear why a particular amount is decided for license fees. It is extremely difficult for governments to know how profitable fishing companies are, so they are vulnerable to arguments that the industry cannot afford to pay more.

Auctions for industrial fisheries in Africa are an appealing way out of this dilemma, as they can reveal how valuable fish are for companies. However, auctions can have negative implications. Potentially, they simply sell fish to the highest bidder, which might not be the most responsible fishing company. Auctions can be designed to resolve this and could be approached along the lines of a competitive tender for fishing services, where decisions are based on scoring companies across multiple variables, with how much they pay as only one of these. Other considerations might be on measures to minimise environmental externalities, a commitment to land catches or hire nationals as crews, and their policies towards labour standards more generally. Such competitive tendering, incorporating social and environmental considerations, compares favourably to simply selling fishing licenses at a set fee open to any company that wants to buy one.

Conclusion

These four proposals for reforming fisheries access fees policy are relevant for the future design of the access arrangements between African countries and fleets of foreign origin, whether they access African countries' waters under bilateral government-to-government access agreements, private agreements, or joint ventures.

Currently, the payments requested by African coastal countries to distant water fleets, including from the EU, do not distinguish between a public dividend and cost recovery charges. In the case bilateral fishing agreements between the EU and African countries, however, the EU differentiates between the payment that goes to

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the treasury and payments that go for sectoral support, which include some elements that could be counted as recovery costs charges, such as MCS, research. More research is needed to understand how much of the EU's revenues are spent on managing EU fishing fleets and whether this expenditure is sufficient.

African states should determine first how costly it is to manage their fisheries well, in a transparent and participative way, then ensure this is covered in access payments, making it clear what is needed to recover the costs of managing these industrial fleets, and what remains as a public dividend. This will help clarify the value of the presence of industrial fleets of foreign origin, from Europe or Asia, for coastal states, and it may reveal they are paying too little.

In making these proposals for the improved design of access fees, we should not lose sight of arguments that, in some situations, industrial fishing is not justified, regardless of how much it pays, because of the costs in terms of damages to the ecosystems and competition with local small-scale fisheries. Small-scale fisheries should be prioritised because of their key role in African society—for jobs, food security, and culture.

However, if it is agreed that foreign-owned industrial fishing vessels should be granted access to African countries' waters, then it is imperative that sufficient funds are spent on managing them; the industrial sector pays for this and that citizens receive public dividend. Otherwise, what is the point?

Dorset, UK, 16 April 2024