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Policy pointers

This briefing provides an analytical framework to help governments harness fiscal policy to meet commitments to sustainably manage fisheries under SDG 14.

Though fiscal instruments are often overlooked in the fisheries context, there is huge scope for using subsidies, taxation and conditional transfers to incentivise sustainable management.

Approaches to using fiscal policy to support SDG 14 will work best when economic objectives are balanced with wider social and environmental goals.

Governments may need support to develop the necessary technical capacity and enabling environment needed to deploy these tools to maximum effect.

A sustainable future for fisheries: how fiscal policy can be used to achieve SDG 14

Last year, governments adopted Sustainable Development Goals (SDGs) aimed at ushering in a new era of sustainable development where 'no one is left behind.' They include a specific goal — SDG 14 — to conserve and sustainably use the oceans, seas and marine resources. While policymakers can use a number of legal, regulatory and economic tools to do so, there should be more focus on harnessing fiscal instruments such as taxes, subsidies and conditional transfers to provide the necessary incentives. Provided these approaches strike an appropriate balance between economic, social and ecological considerations, they could play an important role in making SDG 14 a reality.

The sustainable development challenge for fisheries

A quick glance at the numbers shows how critical marine ecosystems are to reducing poverty and improving food security. As many as 820 million people directly and indirectly rely on fisheries as a source of income to support food security.¹ Moreover, fisheries provide more than three billion people with 20 per cent of their protein consumption. In many parts of the world — including West Africa, South Asia, Southeast Asia and small-island developing states (SIDS) — fish account for 50–60 per cent of total dietary protein.²

The global fishery sector has witnessed unprecedented growth over the past 50 years. From 1950 to 2014, the annual global fish catch rose from 19 metric tonnes to 93.4MT. Meanwhile, annual per capita fish consumption rose from 9.9 kilogrammes in the 1960s to 19.7kg in 2013.

Growth in fisheries production and consumption has come at a cost. The Food and Agriculture Organization estimates that in 2013 only 10.5 per cent of global fish stocks remained under-fished, while 58.1 per cent were fully fished and 31.4 per cent were fished at biologically unsustainable levels.³ With the global population expected to reach 9 billion by 2050, this over-exploitation of fish stocks has serious implications for future food security, poverty reduction and the overall health of marine ecosystems. Unless threats to oceans and the services they provide are reversed, millions of livelihoods could be lost and numerous communities could have reduced access to a food staple they rely on to survive.

Life under water

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) is the main framework guiding global efforts to reduce poverty, improve food security and promote sustainable development. The SDGs were adopted by the United Nations General

Fiscal instruments, such as taxes, beneficial subsidies and conditional transfers, can be designed to provide incentives to deliver SDG 14

Assembly in 2015 with the over-arching aim of eliminating poverty and to 'leave no one behind.'

The SDGs include a specific goal — Goal 14 — to conserve and sustainably use the oceans, seas

and marine resources for sustainable development. Several of the SDG 14 targets aim to address the root causes of overfishing and the marine ecosystem degradation which impacts stock levels.

In the year since the SDGs were adopted, the focus of multilateral discussions has been on selecting indicators to measure progress in meeting targets, rather than practical ways to achieve them. Meanwhile, a growing consensus has emerged that the SDGs can complement each other. For example, steps to achieve SDG 14 can also help with other SDGs such as Goal 1 (no poverty), Goal 2 (zero hunger) and Goal 10 (reduced inequalities) in a way that ensures no one is left behind.^{4,5} Armed with this understanding, it is now time to move from discussions on process to concrete action.

Fiscal instruments for sustainable fishery management

Policymakers have a number of legal, regulatory and economic means at their disposal to implement SDG 14 at national and sub-national levels. Discussions on sustainable fisheries management tend to focus on legal and regulatory tools such as fishery management policies, or regulations on gear and the total allowable catch. But one of the most important, and often overlooked, tools that policymakers have to complement these approaches is fiscal policy (defined as the way governments use fiscal instruments to influence the behaviour or decision making of natural resource users to promote specific political, economic, social and environmental outcomes). In the fisheries sector, fiscal instruments are often used to regulate activity, generate revenue, provide social support to vulnerable groups and promote environmental management.

Fiscal instruments can be designed to provide the necessary incentives for achieving SDG 14 and the goal of leaving no one behind. This section outlines the specific role three particular fiscal instruments — taxes, subsidies and conditional transfers — could play.

Taxation is a compulsory contribution to state revenue that is often used to regulate behaviour by imposing additional operating costs. In the fishery sector taxes are used to regulate fishing

input (eg through the introduction of licensing fees) and output (eg through taxes on total catch landed). Input and output taxes are often combined with regulatory controls on fishing vessel numbers, size and gear.

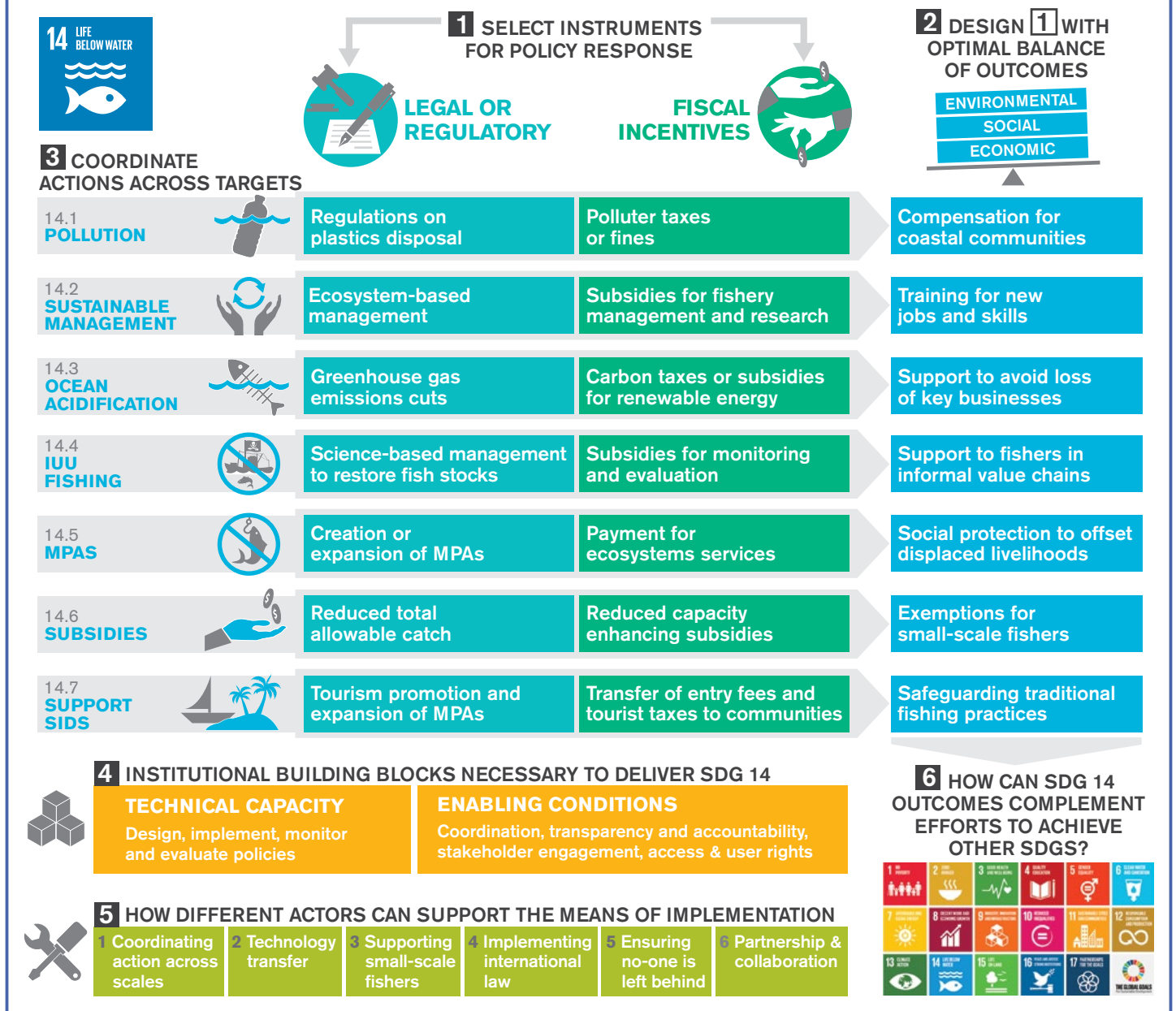
While taxation can support sustainable fisheries management, in practice experience in the sector is mixed. On the one hand, taxation can provide valuable revenue to be reinvested in the fisheries sector to improve marine management. On the other hand, tax policies often prioritise short-term budgetary needs and lead to unintended consequences. For instance there are many examples of a tax regime leading to the under-declaring of catches and increased sales in unregulated markets.

Subsidies are direct or indirect public sector allocations to individuals, groups or businesses used to achieve a specific objective. Subsidies may include direct payments, the provision of goods or services, price support, or the waiving of revenue otherwise due. Global fishery subsidies are estimated at US\$35 billion annually. These have been classified into three types: capacity-enhancing subsidies, beneficial subsidies and ambiguous subsidies.⁶

- **Capacity-enhancing subsidies** make fishing activities artificially profitable by reducing costs or enhancing revenues, and thereby incentivise fishing beyond economically or environmentally sustainable levels. Capacity-enhancing subsidies include support for fuel, boat construction and repair, vessel modernisation, fishing gear and port construction. It is estimated that US\$20 billion — or 57 per cent — of global fisheries subsidies are capacity-enhancing.
- **Beneficial subsidies** invest in fisheries management and research and development. They enhance fish stocks, improve fishery habitats, support the establishment and management of MPAs, monitor stock levels and improve planning on optimum resource extraction that balance social, economic and environmental outcomes. Beneficial subsidies are estimated at US\$11 billion annually.
- **Ambiguous subsidies** in the fisheries sector can lead to either resource management or resource exploitation. They include fisher assistance programmes, community development programmes and vessel buyback schemes. These subsidies often aim to achieve social and economic outcomes for vulnerable groups, even at the expense of enhancing fishery production. Ambiguous subsidies amount to US\$4 billion each year.⁷

Conditional transfers provide benefits to recipients provided that they comply with specific

Figure 1. SDG 14 decision-making framework



requirements. They are often used to alter behaviour to achieve a specific objective. In development policy, conditional cash transfers (CCTs) have been widely used to reduce poverty and improve social outcomes such as school enrolment, or to encourage participation in the restoration of degraded ecosystems. In environmental policy, another form of conditional transfer known as ‘payment for ecosystem services’ (PES) has been used to incentivise environmental management so that ecosystems continue to deliver services such as flood protection. Ecological fiscal transfers (EFTs) can also be used to reward local jurisdictions for investing in ecosystem services.⁸ In the fisheries sector, EFTs could be used to compensate fishers whose livelihoods are affected by the imposition of no-take zones or MPAs.

Institutional building blocks

Fiscal policy must be underpinned by an institutional structure that can design, implement and coordinate action to ensure marine and coastal ecosystems are sustainably managed. There is no one optimal blueprint, and institutions should be tailored to fit a country’s social, economic and political context. However, there are a number of building blocks that need to be in place to design and effectively implement fiscal policies, whether it be at the international, regional, national or sub-national level.

Governments need **technical capacity** to design, deliver, coordinate, monitor and evaluate fiscal policies. For instance, they must be able to collect and distribute revenue and to ensure compliance with regulations governing taxes or

fiscal transfers. Monitoring and evaluation is also important to generate learning on how fiscal policies can be strengthened.

Several **enabling conditions** also need to be in place for fiscal policy to be effective. For instance, policymakers need to take into account related legal or regulatory policies, which may require coordination between different ministries and agencies. Fiscal policy in the fisheries sector also needs to be underpinned by a regulatory regime that has clearly defined access and user rights. There also need to be channels for stakeholder engagement and a transparency and accountability framework to ensure that decision-makers can be held to account.

For the many countries that struggle to meet these requirements, capacity building and institutional strengthening may be required to support their efforts.

Aligning incentives

In order for fiscal policy to play a proactive role in achieving SDG 14 and the 'leave no one behind' agenda, incentive structures must be aligned to strike an optimal balance between economic, social and environmental outcomes.

At a global level, this balance has not been met. Rather, the prevailing logic driving fiscal policy on fisheries has been to prioritise economic and/or social outcomes using capacity-enhancing fiscal incentives. These have caused enormous environmental damage and skewed the distribution of the benefits of the industry both between and within countries – in many cases resulting in benefits moving away from poor fishers towards owners of industrialised fleets. Subsidies need to be reformed to provide a more even distribution of benefits.

Optimal balances will be context-specific and differ across countries. For instance, in countries where the majority of peoples' livelihoods rely on oceans, policymakers may choose to pursue policies that maximise social or economic outcomes in the short-to-medium term by offering fuel subsidies or lowering taxes on landed catch, which can lead to increased fishing activity. Alternatively, they may follow the example of Kiribati by introducing large MPAs like the Phoenix Islands Protected Area, where fines are imposed on illegal fishing activity in order to preserve stocks for the long-term.

Notes

¹ Béné, C *et al.* (2015) Feeding 9 billion by 2050—Putting fish back on the menu. *Food Security* 7(2) 261–274. / ² HLPE (2014) Sustainable fisheries and aquaculture for food security and nutrition. High Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security, Rome. / ³ FAO (2016) The State of World Fisheries and Aquaculture 2016. Rome. / ⁴ Jungcurt, S (2016) Towards integrated implementation: tools for understanding linkages and developing strategies for policy coherence. *SDG Knowledge Hub*. <http://tinyurl.com/j32jcsk> / ⁵ Mohammed, E and Steinbach, D (2017, forthcoming) Fiscal reform for sustainable marine fisheries governance: delivering the SDGs and ensuring no one is left behind. *Marine Policy*. / ⁶ Sumaila, R *et al.* (2013) Global fisheries subsidies. European Union. / ⁷ Sumaila, R *et al.* (2016) Global fisheries subsidies: An updated estimate. *Marine Policy* (69) 189–193. / ⁸ UNDP (2016) Ecological Fiscal Transfers. www.undp.org/content/dam/sdfinance/doc/ecological-fiscal-transfer

Next steps

We are still only at the beginning of the process of understanding the best ways to deliver the SDGs. Clearly, fiscal instruments have a role to play in providing the necessary incentive structures. But so far there have been few proposals for how the SDGs can be delivered in practice.

Below we attempt to fill this gap by developing an analytical framework to guide decision making on SDG 14. Figure 1 brings together the various pieces of the puzzle to help decision makers think through the main criteria they need to consider:

1. How can fiscal incentives be aligned with fishery policies or regulations to achieve the SDG 14 targets?
2. How can these incentives strike an optimal balance between economic, social and environmental outcomes in different contexts? Outcomes could include sustainable resource management, distributional benefits to the poor or revenue generation.
3. How can fiscal incentives and policies or regulations be coordinated across different SDG targets to achieve SDG 14 more efficiently and holistically?
4. What institutional support is needed to build capacity or improve the enabling environment?
5. How can different actors support implementation at international, regional, national and sub-national scales?
6. How can efforts to achieve SDG 14 through the steps above support the achievement of other SDGs?

Figure 1 provides some examples of how fiscal instruments and legal or regulatory policies can be combined to achieve a specific balance of distributional outcomes. While these examples are a useful starting point, in practice they will be much more complex. There is therefore a need to generate more direct evidence from countries on how fiscal policy can be used to begin delivering SDG 14.

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