


Report Overview

“The Political Economy of Natural Resource Use: *Lessons for Fishery Reform*”

Don Leal, Property and Environment Research Center (PERC)



Consolidates existing knowledge on the political economy of property rights in natural resources and integrates lessons learned from development aid and fisheries and non-fishery case studies to provide a methodological approach for future case study work on fisheries reform.

Objective: Link fisheries reform strategies with in-country political economy conditions.



Crisis in Fisheries

- At global level, fishery resources actually in worse shape than 40 yrs ago (FAO status reports).
- Recent report, *Sunken Billions*, has drawn attention to the enormous wealth loss suffered in fisheries
- Not just a problem of fish sustainability but of managing resource wealth



There is a growing consensus

- The traditional regulatory approach has largely failed to eliminate overfishing
- Moreover, addressing the fisheries crisis requires that we address the neglected issue of rent dissipation in fisheries.

At \$50 billion in lost wealth per year it is too big to ignore



A silver lining

- There is enormous potential for wealth creation in fisheries from improved management
- Reform pathways based on rights in various forms are showing signs of success

Before this can be accomplished on larger scale . . .

- There is a well established literature on the political economy of property rights in natural resources (e.g., Western land, water, mining rights development).
- The fisheries sector has been slow to apply lessons learned because of its historical focus on traditional regulatory approaches.

Report hopes to apply lessons learned covering topics such as

- New directions in fisheries management
- The political economy of development aid
- The importance of political context in reform design
- Characteristics of reform success.
- Accounting for political economy in fisheries reform
- Methodology for future case study work



New Directions in Fishery Management

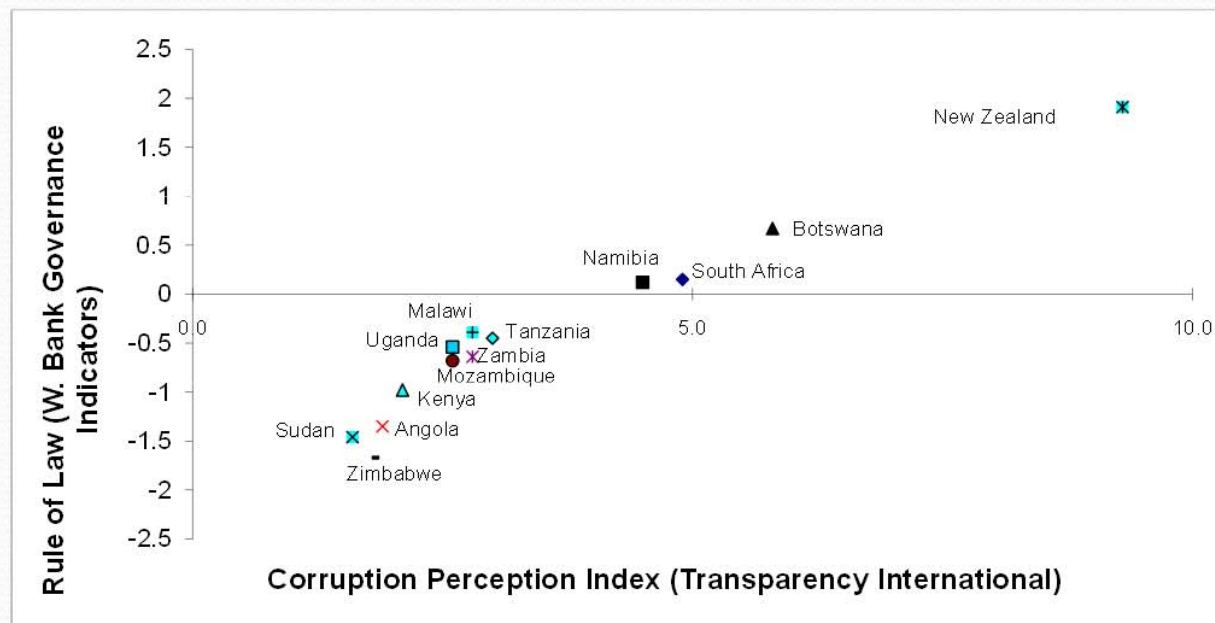
- Ocean fisheries: Historically a commons
- Biological view of problem: overfishing, excess effort
- Economist view of problem: misallocation of labor and capital
- Gordon view: open access conditions result in dissipation of rents
- From regulations *to* regulations with limited licensing *to* rights-based fishing to prospects for sharing management with rights holders



The political economy of development aid

- Conventional aid has overlooked political economy and local knowledge, interests, and institutions
- Substantial sums invested in fishery development instead of improving fisheries policy and management
- Some signs that focus may be shifting to policy and management
- Still, there is little evidence that aid is grounded in the robust economic theory of fisheries overexploitation.

Policy processes for reform will differ depending on political context



- Southern African exceptionalism
- African states' political characteristics discourage production of public goods
- Policy-makers motivated by private patrimonial and clientelistic interests



Characteristics of success

- Key to success is rents creation which mean there must be exclusive property rights and enforcement
- An environment for economic growth: Those who wish to grow rents through “discovery” of new production value must be able to capture rents.
- A means for rights/rents allocation that avoids rent dissipation. Fiscal and legal frameworks that support rent creation.



Rent Allocation or Dissipation?

- Rents are not merely matter of addition by subtraction of excesses
- There are reasons why amount of rents created not invariant to allocation
- First possession (grandfathering) is most efficient mechanism and encourages rent enhancement
- Assignment of rents to state reduces motivation for wise use and management by users



Fiscal framework

- Track record of government failure in fisheries has to be taken into account
- In addition to subsidies that encourage excessive build-ups there are governance problem--shortsightedness, special-interest effects, decoupled benefits and costs
- Hence reforms that rely on government management must have checks and balances--e.g., service contestability, cost transparency, objective science (i.e., insulated from politics).



Legal framework must cover at least three areas

- A legal means for establishing exclusive property rights and defending it
- A legal setting is needed to support market transactions among rights holders
- For localized or devolved management, a legal setting is needed for authorizing collective arrangements, providing a legal infrastructure for internal governance (i.e., giving legal authority for a majority or super majority to carrying out internal rules), protection against outsiders



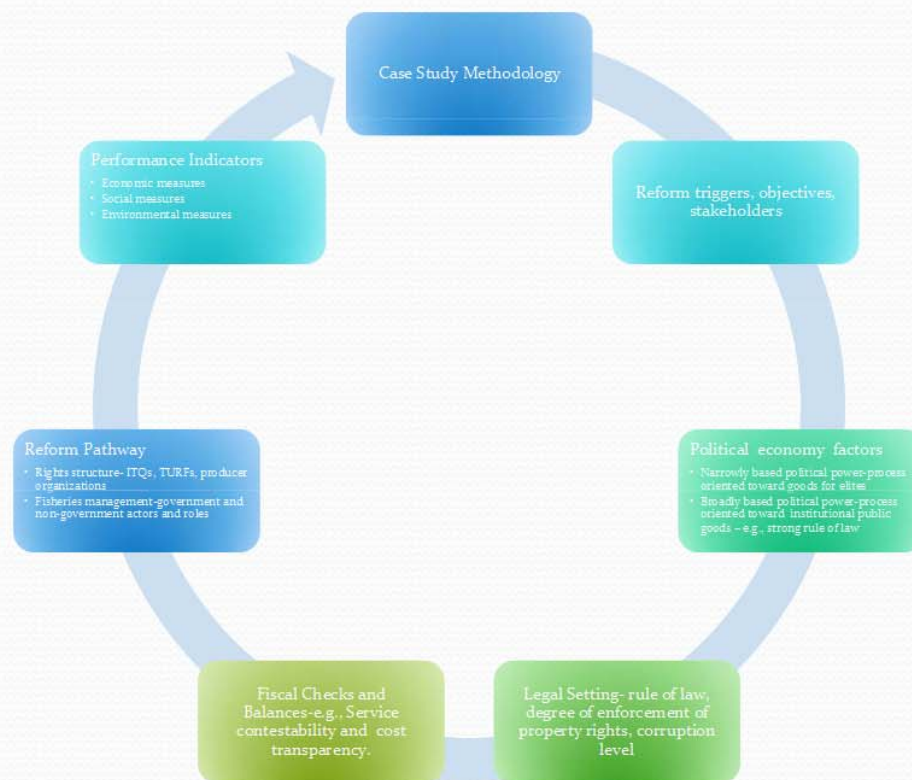
Reform Pathways: Accounting for political economy

- Range of management possibilities (and p. rights) is broad: State, fishing association, and fishers can hold some rights or management tasks
- The challenge is to determine which arrangement works best under particular p.e. conditions
- The case of Namibia IQ: broadly-based political system produces public goods institutions—hence state control of resource mgmt. appears reasonable
- The case of Baja CA cooperatives: elite political system, devolution of mgmt to cooperatives and FEDECOOP a better option..
- The basic message is that no one reform pathway can fit all political and government conditions.



Future case study and methodology

- Current reform cases lack information on political economy (e.g., What rights approach is used and how did rights to develop? What are the legal and fiscal frameworks? Who are the stakeholders? The political context and means of governance? Agents and roles?)
- Answering these questions is part of the methodology that will be used in future reform case studies.





There is reason to be optimistic

- Rights-based fisheries reform are demonstrating success
- Evidence indicates that successful expansion of such approaches depends on accounting for political economy
- Future case study work will establish a “best practice” tool kit for a variety of political economy circumstances



The End



Linking fisheries reform to political economy

A recently completed report on The Political Economy of Natural Resource Use: Lessons for Fisheries Reform consolidates existing knowledge on the political economy of natural resource use. Because of its traditional focus on regulatory approaches the fisheries sector has been slow to apply the lessons from the well established literature on the political economy of property rights. The report draws attention to the tremendous opportunities available for improving the chances for successful fisheries reform across a broad spectrum of countries. Political economy challenges and fishery-specific pathways for establishing rights-based reforms must be closely linked to achieve success in building sustainable wealth in fisheries.

REFORM PATHWAYS VARY

In countries where political competition favours voter accountability and strong rule of law, individual fishing quotas have shown signs of success. Other rights based pathways may prove more feasible in the developing world.

As an illustration, consider the case of the lobster fishery along a 250-kilometer area of coastline in Baja California. Local management based on well organized cooperatives with exclusive fishing rights to well defined areas called territorial use rights in fisheries (TURFs) overcome limited presence of management and enforcement by federal government authorities.

The lobster catch averages

SYSTEMATIC FAILURE IN FISHERIES

In the late 1970s, coastal nations extended claims over many of the world's marine fishery resources—from 3 miles to 200 miles from shore. The management approach, which prevails today, was for government to rely strictly on command-and-control regulation (e.g., restrictions on vessels, gear, seasons, and catch characteristics), with little attention given to economic objectives. Unfortunately, the evidence is overwhelming that this approach has not delivered reasonable economic, social, or biological sustainable outcomes over the past 40 years. The silver lining is that the potential pay-off from fisheries reform tailored to meet the political economy conditions in a region is not only huge economically for the sector, it is crucial for enhancing economic growth and alleviating poverty in developing countries with significant fisheries assets.

NEW DIRECTIONS IN FISHERIES MANAGEMENT

THE POLITICAL ECONOMY OF DEVELOPMENT AID

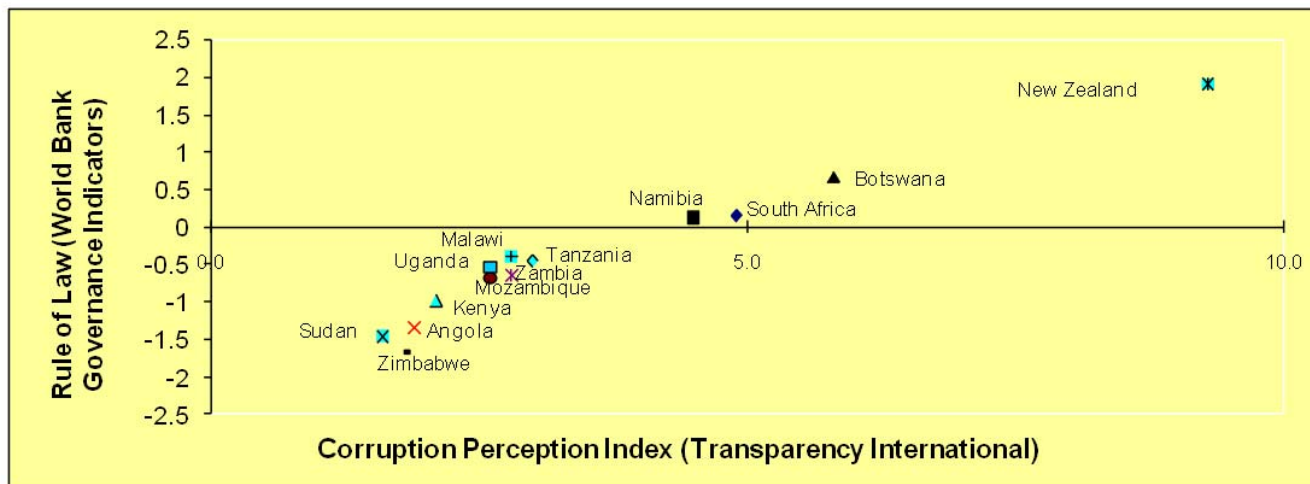
A change to the way fisheries development aid is applied is also needed to support effective reform. While it appears that aid has focused more on addressing core fishery policy issues in recent years, there is little evidence that aid to fishery projects has been based on the robust economic theory of why fisheries are prone to overuse and overcapitalization.

CHARACTERISTICS FOR SUCCESSFUL REFORM

The keys for successful reform include determining whether fishery rents are being generated, whether conditions are favorable for rent enhancement, and whether rents can be distributed in a socially and fiscally responsible manner.

Rent generation starts with eliminating open access and ensuring a reliable legal setting for enforcement. Rent enhancement depends on the ability of

The figure below shows perceived levels of corruption from 0 (highest) to 10 (lowest) mapped against World Bank Governance Indicators for rule of law (-2.5 (weakest rule of law) to 2.5 (strongest)) for a range of countries. Reform processes in Namibia, South Africa, Botswana and New Zealand will differ from those that score lower on these indices.



ACCOUNTING FOR POLITICAL ECONOMY

A fundamental requirement for expanding fisheries reform is incorporating knowledge of a country's political economy into the reform strategy. Specifically, rights-based reform pathways need developed in a manner that is compatible with the political economy circumstances, nationally and at the local fishery level.

For fisheries in the developed world reforms based on individual transferable quota systems are well known for their ability to generate substantial rents. But such a pathway may be impractical for countries where there is little domestic capacity to manage resources sustainably, or where there is little will to protect property rights held by non-elites. In such cases other pathways such as devolving management responsibilities

and harvesting rights to lower levels of government and / or to fishing communities, holds promise.

CASE STUDY WORK FOR THE FUTURE

All told, the papers in this report lead to the conclusion that there is a tremendous opportunity to improve the chances for successful fisheries reforms across a broad spectrum of countries. More work is however needed to link such elements as fisheries characteristics (e.g., offshore industrial fishery versus a low-tech, small-scale fishery) to the political economy circumstances in the developing world.

In particular additional cases are needed in countries where political power distribution is narrow and the institutional quality (e.g., the courts and police) low. Crucial to these case studies are methodological guidelines spelled out in the

report for assessing which factors are related to success or failure.

Further case study analysis will be undertaken to document reform factors in developing countries and develop guidelines for future fisheries reform. Each case study will consider the triggers, objectives, and degree of legal recognition for reform as well as economic, social, and environmental performance.

This study is the result of a collaborative effort between the World Bank's Program on Sustainable Fisheries (PROFISH), the Partnership for African Fisheries (PAF) program (a United Kingdom Department for International Development funded initiative administered by the New Partnership for African Development) and the Property and Environment Research Center (PERC). The editor of the report, Donald Leal, is a senior fellow and director of research at PERC.