

THE POLITICAL ECONOMY OF NATURAL RESOURCE USE: LESSONS FOR FISHERIES REFORM

Background:

1. In 2005, the World Bank established a **Global Program on Sustainable Fisheries “PROFISH”** in association with key donors and stakeholders to meet the challenges of the growing crisis in the world’s marine fisheries and the impacts of the crisis on poor people in coastal and fisheries communities around the world.
2. The objective of PROFISH is to strengthen governance of the world’s marine fisheries and, by improving fisheries livelihoods, make concrete progress towards meeting the World Summit on Sustainable Development (WSSD) goals in fisheries.
3. PROFISH has just released a flagship report entitled *Sunken Billions*, which provides an estimate of the economic loss (an est’d. US\$50 billion annually) being suffered through poor fisheries management worldwide. This report draws attention to the political economy issues and reform processes that need to be addressed in resolving the fisheries crisis.
4. The 2008/09 PROFISH work program includes a growing focus and work commitment targeted at improving our knowledge of the political economy of reform in fisheries. Two key work areas are targeted for the 2008/09 period: (1) to conduct a political economy forum to consolidate understanding of political economy issues in fisheries reform drawing on lessons learned in fisheries and other natural resource sectors; and, (2) to document successful reform processes (road maps) for reform based on case study analyses.
5. In order to ensure that the outputs of this work have a strong regional and country focus, this program of work will be developed and delivered in cooperation with the United Kingdom Department for International Development (DFID) funded project “International Partnership for African Fisheries Governance and Trade” (hereafter called PAF). This DFID funded project follows on from the “Stop Illegal Fishing Programme” in Africa, which was established in collaboration between DFID and the Namibian Minister of Fisheries following the closure of the High Seas Task Force. This initial program of work targeted Illegal, Unregulated, and Unreported (IUU) fishing and culminated in the adoption of the Namibia Ministerial Declaration covering regional cooperation on fisheries policy aimed primarily at the massive problem of illegal fishing.
6. Consistent with this Declaration the principal objective of the new DFID funded project is *to develop and agree on a comprehensive regional strategy for policy reform towards more effective fisheries management and trade*. The project, to be known as the Partnership for African Fisheries Governance and Trade (hereafter called PAF), will seek to establish a Pan-Africa/Sub-Saharan Africa network to support improvements in managing fisheries, addressing illegal operations and supporting improving access to responsible international markets. The project is to include an initial one year project design and scoping study aimed at engaging international partners to work with African regional institutions and countries in developing priority activities identified in the Abuja Declaration¹.

¹ Abuja Declaration on Sustainable Fisheries and Aquaculture, NEPAD “Fish for All Summit” Abuja Nigeria 25 August 2005

7. The DFID project is designed to directly address the Namibia Ministerial Declaration and the policy aims of relevant regional Africa organizations especially African Union / NEPAD-CAADP and RECs (e.g. SADC, ECOWAS and COMESA). It therefore offers a unique and highly relevant opportunity to give practical effect to work commissioned by PROFISH on the political economy of reform and pathways for the reform of fisheries. It also provides an opportunity to further develop collaborative links between international partner agencies in supporting World Bank African regional and country development initiatives.

Context for Fisheries Reform:

8. **The problem in fisheries is not just a problem of biological sustainability, which is a consequence of management failure rather than a cause, but is also an economic problem of managing the creation and use of resource wealth.** Defining the fisheries crisis in this way points to two important conclusions. First, it provides some insight into why past approaches to fisheries management, focused on fish sustainability, have largely failed to resolve the fisheries problem. This is because past management measures were designed largely to save fish and not address the erosion of the wealth in fisheries. Second, it provides some direction as to where to look for solutions to the fisheries crisis in recognizing that the management of economic rents, wherever they arise in the economy, is a **problem of political economy**.
9. It is also important to integrate the political economy lessons relevant to this development process with the application of overseas development aid (ODA) specific to the natural resource sector and fisheries in particular. From such work, guidelines can be developed to better inform fisheries reform per se and the application and use of overseas development aid in fisheries in developing countries specifically.
10. The benefits of this work are potentially very significant. Reform guidelines will be used to inform the development and implementation of regional and country fisheries reform strategies for fisheries and reduce the risk of ODA waste from misdirected projects. The potential users of this work include the World Bank, international donor agencies, and NGOs, as well as client countries.

Forum Purpose and Descriptions of Papers:

11. An initial Montana political economy forum will be held to consolidate current knowledge on the political economy of natural resource use, distill lessons for fisheries reform, and develop a framework for country-or fisheries-specific case studies. Background papers will be prepared by acknowledged political economy and other experts in the fields of natural resource use and development aid. There will necessarily be some repetition from other work to ensure that a full story and coherent story line is presented. The program of work will nonetheless be unique in that it will link the evolving experiences in fisheries management to the wider experiences in natural resource reform and development aid reform, and apply lessons learned in a practical setting in Africa. Twelve papers will be prepared for this forum. The forum will be attended by the authors and an equal number of discussants who will be provided with draft papers for review prior to the forum.
12. The following background papers will be prepared for the workshop:

a. An introductory paper (**Paper 1 – the case for change in fisheries management**) re-stating the fisheries problem in terms of the international crisis of wealth dissipation in fisheries), the failure of conventional approaches to address the crisis, the need for and promise of change based on property rights-based pathways to enhance fisheries wealth (“Salvaging the Sunken Billions”) and how implementing this approach with respect to international and national institutions brings into focus the need for a political economy perspective (e.g., addressing agency problems in the private sector, government and the international aid agencies) on fisheries reform and linking it to development aid.

b. A paper (**Paper 2 – the case for change in fisheries development aid**) documenting past practice and performance of development assistance in fisheries. The focus of this work will be to document past practices and results in African fisheries development aid and provide a direct link to the NEPAD work. An additional objective of this analysis is to provide an informational baseline of current practices in fisheries reform against which approaches, lessons, and experiences in reform in other natural resources can be compared.

c. **Five papers** providing an analysis of political economy issues in natural resource management. It is envisaged that this work will draw from the existing literature and identify the social, political, economic, and institutional determinants of success for natural resource reform: ²

i. **Paper 3** focuses on the core ingredients (institutional underpinnings) of wealth creation in natural resources which will, *inter alia*, canvas the need for an institutional framework that provides certainty for investment, exclusive use, a setting for trade, an environment for innovation, and capacity to manage.

ii. **Paper 4** focuses on the core legal requirements/institutions for wealth creation drawing on natural resource examples.

iii. **Paper 5** focuses on frameworks for resource allocation and addresses the resource curse problem.

iv. **Paper 6** focuses on fiscal frameworks for fisheries management (including cost recovery, subsidies, etc.) and needs to address the appropriate role of government in resource wealth creation and means of funding that role.

v. **Paper 7** focuses on the political economy of natural resource reform - this will address flexible pathways to reform including property rights formation and other institutional with reference to areas of natural resources that have been subject to the commons problem of overuse.

d. **Paper 8** analyses current thinking and practices in the political economy of overseas development aid (ODA) and lessons for fisheries. It is understood that political economy of natural resource use must address the issues of agency capture both in the public and private sectors. Given the

²Some questions to be addressed include:

- (i) What objectives for reform of natural resource management are appropriate?
- (ii) What are appropriate ownership arrangements?
- (iii) What are the common and necessary foundations of successful institutions?
- (iv) How is the public interest in fisheries (e.g. environmental, social economic) best represented?
- (v) What alternative institutional arrangements are potentially available? An examination of corporate, community, cooperative partnership and individual ownership structures would be included.
- (vi) How should resource rents be allocated?
- (vii) What transitional issues arise in reform processes?
- (viii) What are the potential entry points for reform in developing countries? (e.g. environmental crisis, political change, other reform programs, such as land reform).

global nature of fisheries and the importance of development assistance in fisheries reform process it is also important that scrutiny is placed on the international agents and their role in process. This is doubly critical in fisheries given the growing recognition that past approaches to managing fisheries largely based on a central planning paradigm have largely failed in application and a change in approach is needed. The political economy of ODA, *inter alia*, will address the problem of expanding institutions, the recognition that there are different starting points of reform, and the incentives of aid (e.g. agency capture).

e. **Three** papers reviewing reform experiences in other renewable and non-renewable natural resource sectors of the economy – candidates include water, wildlife, and land.

f. **Paper 12** will draw out the lessons for fisheries reform and associated developmental assistance. The OECD has recently turned its attention to an examination of political economy issues in selected OECD fisheries. These studies and other work provide a starting point for identify determinants of success for fisheries reform which will be informed by lessons from wider natural resource use. It is envisioned that the development of this paper will be the focus of the technical workshop and will include some methodological direction for further political economy studies in fisheries particularly targeted at identifying particular reform pathways that might be pursued through fisheries development aid.

13. Papers will be edited and consolidated into a report for circulation at workshops in June and later into a published book