

THE PAN-AFRICAN FISHERIES
AND AQUACULTURE POLICY FRAMEWORK
AND REFORM STRATEGY: AFRICAN FISHERIES AND
AQUACULTURE IN THE MACRO ECONOMY

AFRICAN FISHERIES AND
THE CONTINENT'S
NATURAL CAPITAL





Executive Summary



The Comprehensive Africa Agriculture Development Programme (CAADP) aims to attain an average annual growth rate of 6% in agriculture.



Fish resource exploitation already contributes to this objective. Together fisheries and aquaculture currently contribute about 1.4% of African Gross Domestic Product (GDP).



However, this figure under-estimates the true importance of the sector for a number of reasons, in particular related to the renewable but finite nature of capture fish stocks. First, many of the most valuable stocks are currently overexploited. The recovery of these stocks would substantially boost the growth contribution.



Second, the structure of GDP is as important as its level because an essential element for economic growth is the generation of an investable surplus. Fish resource exploitation has the potential to make an important sustainable contribution to this surplus.

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Introduction and Background

“Growth is not an end in itself. But it makes it possible to achieve other important objectives of individuals and societies. It can spare people en masse from poverty and drudgery. Nothing else ever has. It also creates the resources to support healthcare, education, and the other Millennium Development Goals to which the world has committed itself. In short, we take the view that growth is a necessary, if not sufficient, condition for broader development, enlarging the scope for individuals to be productive and creative.” WB 2008 p1

Box 1

The two quotations above taken from the “Growth Report” and “Where is the Wealth of Nations” set out succinctly first the broad case for economic growth and second the main issues to be addressed in increasing the contribution of natural resources to such growth.

This policy brief looks at the case of fisheries. There are, of course, many macroeconomic indicators that could be selected, and Policy Brief 1 gives information on some of these, but economic growth as measured by changes in GDP remains pre-eminent. This brief focusses therefore on fisheries actual and potential contribution to GDP because there are special considerations to take into account in fisheries, especially in the case of capture fisheries which are renewable but finite, leading to issues of sustainability.

GDP is not always well-received as an indicator, yet Governments around the world continue to use it as a, if not the, fundamental guide to macroeconomic policy. One important reason for this is that GDP, as suggested by the 2008 quote above, provides the basis for achieving other social and economic objectives. Figure 1 below shows the very strong correlation between the Human Development Index (HDI) and GDP. The relationship here is depicted for a cross-section of countries, but the same relationship holds through time for individual countries.

“Achieving the transition from natural-resource dependence to a sustained and balanced growth requires a set of institutions that are capable of managing the natural resource, collecting resource rents, and directing these rents into profitable investments. Resource policy, fiscal policy, and political economy all have a role to play in this transformation.” WB 2005, p xiv

Box 2

Source: <http://www.gapminder.org>



Note that the relationship is linear for HDI but in log form for GDP meaning that increasing GDP is even more important for poor countries than for rich ones.



GDP contribution – current situation

Recent work (de Graaf and Garibaldi, 2014, forthcoming) covering all African countries suggests that the contribution of fisheries (marine and inland) and aquaculture to GDP averages 1.26%. The contribution to agricultural GDP is estimated to be around 6.02%.

These estimates are made under current exploitation arrangements and with the current size and configuration of fish stocks.

The study collated available data but for a significant number of countries estimates had to be extrapolated from similar or neighbouring countries.

A first recommendation, therefore, is that the policy units of fisheries ministries should be routinely calculating these aggregates and sharing them with their colleagues in Finance and elsewhere in the Government, as well as publishing them more widely.



GDP potential with sustainable fish stocks

The estimation of GDP with current fish stocks is not the most useful information from a decision-making perspective. The vast majority of Africa’s fish stocks are fully or overexploited (on the FAO definition of MSY). Since they are the most valuable stocks that are overexploited first, stock recovery represents an opportunity to increase sustainable production and to increase even more the sustainable value of that production.

Few estimates of the value of recovered fish stocks are available. However, a recent study of the situation in the USA provides some insights that are likely to be of general validity.

In 1996, the United States’ primary legislation (Magnuson-Stevens Fishery Conservation and Management Act) was amended to require that overfished ocean fish stocks be rebuilt quickly (in not more than 10 years). NRDC (2013) evaluates the 44 U.S. ocean fish stocks that required rebuilding and for which sufficient information was available to assess progress. Of these, 28 stocks have been rebuilt since 1996 generating significant benefits. The value of annual landings from these fisheries has increased to 54% in real terms. It is reasonable to expect that the totality of this increase adds to GDP.

Hence, in the case of Africa, there is good reason to believe that recovering fish stocks could substantially increase the contribution of fisheries to GDP.



GDP that depends on sustainability of fish stocks – value chain approach

As with employment, the amount of GDP dependent on the sustainability of the fish stocks goes well beyond the catching sector. But the way in which national accounts are constructed limits the GDP contribution to this primary level.

The figure of 1.26% as an estimate of the overall contribution to GDP does include the contribution due to the processing of

landed catches. But this is not all. Throughout the economy, elements of GDP contributions depend on healthy fish stocks, e.g. in retailing, transport, hotel and catering, but the amount generally remains unknown.

The contribution to agricultural GDP only includes the activities leading to the catching and first sale of the fish (which is the standard approach to calculating fishing GDP). Any GDP beyond this point is excluded so that fishing can be compared with the other relevant sectors which include not only agriculture but also forestry, hunting, the cultivation of crops and livestock production. For each of these sectors, processing GDP is allocated to "Manufacture of Food Products". It is evident, however, that this manufacture can only occur if the primary raw material is available.

From a macroeconomic perspective, including important macroeconomic instruments such as the Poverty Reduction Strategy (PRS), the key decision variable is surely the amount of GDP that has already been lost due to overexploitation and the amount that would be lost completely were fish stocks to collapse rather than the primary impact of exploiting those fish stocks that currently exist. A second recommendation, therefore, is the policy units of fisheries ministries to work with the macroeconomic institutions (e.g. Finance Ministry, PRS unit and National Accounting Agency) to improve understanding of all of the GDP that depends on healthy fish stocks.



The investable surplus component of GDP

"...without the creation of a surplus for investment there is no way for countries to escape a state of low-level subsistence." WB 2005, p.9

"Because increasing national wealth requires investment, national savings ... must be available to finance this investment." WB 2010, p.3

"resource-rich countries need to (1) capture an efficient and fair share of the resource rents for the government, and (2) invest that share effectively to increase the nation's wealth" WB 2010, p.4

Box 3

The three quotations in Box 3 raise another issue: that the structure of the contribution to GDP may be as, if not more, important than the level. If this structure contributes to the "investable surplus", then it has the potential to yet further contribute to economic growth.

The resource rent or fish resource wealth discussed in Policy Brief 1 is precisely this contribution.

International benchmarks can be used to provide estimates of the potential rents from fish resource exploitation. It is essential, however, to build understanding within the Fisheries Ministry, to build understanding within the Fisheries Ministry and within the Government as a whole as to their meaning.

The first point to stress is that, regrettably, rents are not simply sitting out at sea waiting to be collected. If Governments take a decision that generating this potential wealth is important for their economies, then exploitation arrangements must be reformed so that the wealth can be generated on a sustainable basis.



Importance of use rights

One crucial reform will be to develop secure use rights. There is no unique solution: the choice of rights systems will depend on many factors and rights can be held at all kinds of levels (e.g. individual, community, producer group, local authority, regional organisation and so on).

The same choice does not have to be made for all fisheries and there is no need for all fisheries to have the same wealth objectives. Government can use different fisheries to achieve different aims.



Fiscal arrangements

The financial rules governing the allocation and the use of rights ("fiscal arrangements") will determine the sharing of wealth between Government and rights holders.

Another important point to stress about resource rents is that the amount is not fixed. Rather it can increase through time as fishing revenues increase and/or fishing costs decrease. It seems important to give fishers an incentive to realise this growth and this factor needs to be considered in developing fiscal arrangements for the fisheries sector.

It is not possible to provide an estimate of the amount of the rent potential currently being achieved in Africa because this would require an investigation fishery by fishery and such data are not available. If Governments decide to move towards a different vision for the exploitation of their fish resources based on their wealth potential, it will be necessary to develop appropriate indicators supported by relevant data sets.

Even if no precise estimates can be given, the kind of management systems that characterises fisheries management in Africa and much of the rest of the world ("regulated open access") are unable to generate resource wealth sustainably.

The payoff to reform of the macroeconomic vision of the fisheries sector will therefore be large.



Growth contribution

CAADP aims to attain an average annual growth rate of 6% in agriculture. The Programme also aims to achieve a more equitable distribution of wealth.

As discussed above, fisheries already contribute about 6.02% to agricultural GDP but they have the potential to increase this contribution substantially helping achieve the 6% target.

A gradual reform of fish resource exploitation arrangements will gradually increase the investable surplus from fisheries that can assist in funding economic growth. This surplus will be shared between the Government and the private sector. The Government share will come principally from resource rental charges and similar levies, the private sector share principally as a return to rights-holders.

The quotation above draws attention to the need for 'efficient and fair' rent-sharing between Government and private sector. What this is will have to be determined by each country but it is crucial that both parties recognise the importance of the other: the public sector needs the private to generate and grow wealth; the private needs the public to defend its rights and ensure that wealth is sustainable.

The Government has the opportunity to invest its share directly. It may also decide to try to guide investments made by the private sector, for instance, by developing policies that link the renewal of rights with the use made of the wealth generated. This is a seductive policy but it needs careful analysis in practice.

In any case, in seeking to achieve the goals of CAADP, the key question is to ensure that fish resource exploitation contributes to generating an investable surplus which can be used to fund growth and development.



Other macroeconomic issues

It is somewhat paradoxical that focussing on the GDP contribution of fisheries sometimes attracts hostility. In fact, much of traditional fisheries policy aims at precisely this element; it is achieving it that has been elusive. For instance, trade policy seeks to allow exporters access to the most lucrative markets so as to enhance revenues. If these are sustainable, they will in turn enhance GDP.

Investment policy seeks to ensure that funding is available to fishing operators so that they can develop efficient operations, either reducing costs or increasing quality, again with the aim of increasing net benefits.

The main tension between GDP and other policies may come in the area of employment. See Policy Brief 1 for a discussion.



Policy recommendations

The policy units of fisheries ministries should routinely calculate the contribution of fisheries to GDP and agricultural GDP. The estimates should be regularly published.

Studies should be led by the policy units of fisheries ministries in collaboration with their colleagues elsewhere in Government, in particular Finance Ministry and National Accounting Agency to build understanding of all of the GDP that depends on healthy fish stocks.

If the aim of policy is to increase fisheries contribution to GDP in line with CAADP, then it is crucial to focus on the structure of GDP. Policies need to be implemented to gradually deliver the investable surplus potential and to ensure that this surplus is invested so as to multiply the benefits throughout the economy.

Conclusions

Estimates of GDP give the misleading impression that relatively little depends on fisheries. The estimates are misleading partly because of the way that GDP is measured and partly because of the tendency for policy-makers to focus only on the level of GDP contribution rather than its structure. Policy reform is needed to address both of these issues but especially the second one.

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