REPORT OF ISSF CAPACITY TRANSFER WORKSHOP

Exploring Options for Transferring Fishing Capacity to Developing Coastal States in the Context of Managing Capacity of the Tropical Tuna Purse Seine Fishery

3 – 5 March 2014

Barcelona, Spain

INTRODUCTION

The Workshop was predicated on two points, the first that growth in tuna fishing capacity must be curtailed and fleet sizes reduced and second, that developing coastal States have the right to participate in the fishery.

The 2011 Bellagio Conference on Sustainable Tuna Fisheries recognized that the time is ripe to address overcapacity and the risk of over exploitation; without action the present situation with respect to tuna stocks will steadily deteriorate. The resulting Bellagio Framework for Sustainable Tuna Fisheries highlighted rights-based management as an effective way to address concerns about overcapacity, over exploitation, and conservation, and to create sustainable economic and social benefits, and employment.

Subsequently, the Cordoba Conference on the Allocation of Property Rights in Global Tuna Fisheries concluded that an effective allocation framework is fundamental to the implementation of rights-based management, considering that developing coastal States have a legitimate right to increase their participation in these fisheries. This right comes from the obligations in international instruments to provide assistance to developing coastal States and the right of coastal States to manage and exploit fisheries within their exclusive economic zones and to participate in fisheries on the high seas. Thus, the challenge is to identify mechanisms to facilitate their increased participation, while at the same time curtailing growth in overall fishing capacity.

The objective of this Workshop was to initiate a dialogue on how transfers of capacity, of various forms[1], to developing coastal States within the context of tropical tuna purse seine fisheries could work in practice. To achieve this objective, the Workshop brought together experts from the fishing industry, coastal State and flag State fishery managers, RFMO Secretariat representatives, policy-makers, academics and other stakeholders to share their views and experiences. The Workshop recognized that there are a wide range of different economic, political and other considerations associated with considering capacity transfer to developing coastal States and that purse seine fishing is only one component of tropical tuna fisheries. Other gear types will eventually have to be considered.

The Workshop, co-chaired by Dr. Robin Allen and Mr. Drew Wright, was conducted in the same format as the workshop that produced the Bellagio Framework. This format allowed the participants to engage in debate and discussion in a collaborative and neutral venue, taking part in their personal capacities. This Workshop built upon the Bellagio and Cordoba Workshops and is envisaged as a stepping stone to other workshops in this series. It provided a basis for productive exchanges that may contribute to related discussions between States, industry and in RFMOs, and help build bridges and understanding.

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[1] In this report, the term "capacity transfers" was used to refer to the transfer of fishing vessels or other physical assets and/or real property, as well as broader institutional and human capacity development.

THEMES AND ISSUES IDENTIFIED BY THE WORKSHOP

- Capacity transfers of fishing opportunities should be consistent with established management objectives of RFMOs.

- For developing States to realize the greatest benefits, capacity transfers should occur in a manner that does not result in a net increase in the global purse seine fleet capacity and mechanisms to reduce overcapacity should be part of the transfer program.

- Industry involvement in capacity transfers should be on a voluntary basis and market-based.

- Rights-based management as described in the Bellagio Framework remains relevant and critical to the success of capacity transfers. Property rights have the ability to enhance and extract value and attract investment.

- The legal framework to support capacity management and the obligations to assist developing nations develop and manage their own fisheries is well established through hard and soft law, as are the mechanisms to cooperate in these areas (such as regional fisheries management organizations and regional and sub-regional arrangements). The obligations for parties in these legal instruments need to be fulfilled (e.g., UNFSA Article 25).

- The development of human capacity within developing States may be needed for those States to implement their obligations when exercising their rights to develop their fisheries/participate in high seas fisheries.

- There is a need for transparency in arrangements for the transfer and management of capacity, as well as for the effective implementation of flag State duties.

- Currently, measures of total fishing capacity, both globally and by region, are not sufficiently transparent and efforts to improve this information should be prioritized. Recent efforts to assemble an accurate and up-to-date global list of vessels should be encouraged as a tool to monitor vessel trends, changes and movements, with a focus on active vessels.

- Capacity transfers/investments have been successful under specific circumstances that promoted/encouraged such transfers. Examples of specific circumstances identified included:
    - Enabling political and economic environment
    - Secure legal framework for investment
    - Cultural/social ties and networks
    - Economic conditions/production inputs (energy, labor, water, ports)
    - Availability of fish
    - Market accessibility
    - Trade agreements and partnerships
    - Entrepreneurship
    - Willingness to invest/take risks in existing industries
    - Availability of financing
    - Voluntary and market-based transfers/investments

KEY WORKSHOP POINTS

1. Objectives of Capacity Transfer

There are many ways for accomplishing capacity transfer to developing coastal States.[2] Developing States have choices about how they develop their fisheries and these choices vary between developing States and regions and impact the types of capacity transfer of which they may seek to take advantage. Capacity transfer is a broader concept than, for example, the physical transfer of vessels; the goal is economic development in developing coastal States. The following are among the important objectives:

- Fulfilling the right to benefit from tropical tuna fisheries
- Increasing economic growth and local employment
- Building human capacity
- Meeting obligations (associated with rights)
- Exercising sovereign rights
- Ensuring food security

2. Options for Capacity Transfer

Options for capacity transfers that provide real economic and social benefits to developing coastal States in the tropical tuna fishing sector or other sectors include:

- Reflagging or importing vessels
- Access fees
- Joint ventures
- Crewing/observers
- Charters or other arrangements
- Investment in local processing/shore-side services or local fleets
- Transshipment related activities
- New processing plants or cold storage facilities, etc
- Education, training and skills transfer (training in science, fisheries management, technology, operations, enterprise management)
- Market access
- Transfer of technology
- Home-porting and local-basing of vessels and/or companies

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[2] Discussions during the Workshop noted that there is a diversity of views on the following issues or terms: Special requirements, disproportionate burden, and real interest. The diversity of views in these areas will need to be considered in particular circumstances.

3. Indicators of Success

Real economic and social benefits to developing coastal States through capacity transfers could be evidenced by:

- Sustainable tropical tuna fisheries that support the needs of States
- Increases in local employment, industries and investments
- Demonstrated investments in human capacity, infrastructure (ports) and institutional governance
- Viable businesses that can change over time to meet the demands of the market, quality standards, changes in technology, etc
- Ability to comply with export/import rules to access developed country markets
- Development of ancillary services from port calls
- Strengthened domestic regulatory environment and ability to comply with and enforce RFMO obligations (including through monitoring, control and surveillance (MCS))
- Secured allocation of fishing opportunities

4. Consideration of Risk

A factor to be considered in the choice of capacity transfer tools is the attendant distribution of risks and revenues. There is a spectrum of risk (from relatively low financial risk associated with access and license fees to high risk, capital intense assets such as plants and vessels) that must be taken into account. In addition, revenue to Government treasuries may be impacted as the income stream moves from regular fisheries access payments to indirect revenue generated through the phased development of a locally-based fishing industry. It would be important for choices made by coastal developing States to be informed by an appraisal of the relative risks associated with all candidate elements of capacity transfer.

5. Constraints and Challenges to Achieving Success

The following are among the constraints and challenges to achieving capacity transfers and, when implemented, realizing real economic and social benefits:

- Absence of defined property rights in a closed fishery (refer to Bellagio and Cordoba reports) and rules for allocation
- Lack of a road map for how vessel and other asset transfers would occur/be operationalized
- Lack of/limited capacity to effectively manage/regulate vessels and/or business skills/industry knowledge
- Economic conditions/market expectations and access
- Availability of financing for new investments
- Excess capacity jeopardizes long-term sustainability and economic viability
- Insufficient understandings of options available
- No/insufficient allocation of fishing opportunities, for some fisheries
- Lack of infrastructure or factors of production (water, labor, electricity, etc)
- Effectiveness of flag State control

6. Need for Enabling Environment

For capacity transfers to be successful there needs to be an enabling environment in developing coastal States, which includes infrastructure, legal and other institutional frameworks, and MCS. In this regard, capacity transfers could be facilitated by:

- Sustainably managed shared resources
- Equitable implementation of rules/obligations
- Long term security of investments and freedom of movement without loss of assets
- Secure and stable legal, governance and regulatory environments, including effective flag State control for those that have fishing vessels
- Security in market access for a sufficient duration
- Secured fishing access for a sufficient duration
- Voluntary, market-based, mechanisms
- National economic development plans, incorporating support for capacity transfer
- Availability of sufficient fishing and associated opportunities
- Conducive investment climates
- Property rights identified/recognized

7. Financing Facilitation

There are a range of financing and investment options that might facilitate capacity transfer including:

- Buy-backs and/or buy-outs
- Public-private partnerships
- Loans and soft financing
- Equity sharing arrangements
- Reinvestment of access fees
- Philanthropic/civil society sources
- Market State finance to secure supply of fisheries products

8. Regional Focus

Many coastal developing States participate in a variety of regional and sub-regional arrangements, which should be utilized, and strengthened, to provide policy, technical and logistical support to capacity transfer. Many coastal developing States are also members of international development banks and some are partners with a range of bilateral or multilateral development assistance agencies which can be accessed to provide similar support.

9. Principle of Graduality

While there remains considerable potential to realise increased social and economic benefits, different elements of capacity transfer are occurring in some States and regions. Noting that the goal of capacity transfer is economic development in developing coastal States, investors, vessel and other asset owners and coastal developing coastal States need to work with shared confidence and mutual understandings to improve transfers that have occurred to date and facilitate further capacity transfers. Capacity transfers should be guided by the principle of "graduality" through a phased and collaborative approach involving all stakeholders.

Considerations for future discussions, including through additional workshops at the regional level and in this series

Given the important differences between and within regions there would be value in holding regional or sub-regional workshops in future.

Future workshops could also address the possibility of transfers within and between other gear types.

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