

Fiscal Policies for the Fisheries Sector



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Current state of fisheries - a few figures

- ▶ **2018: 179 million tonnes** of fish produced globally, **87.15%** directed to **human consumption**. **Production doubled in Asia and Africa** over the last 20 years, decreased in other regions.
- ▶ **Fish products: 20%** daily average **intake of protein** for **3.3 billion people**. Consumption **growth rate twice as high as that of population** over **1960-2010s**, higher in HICs than in LICs.
- ▶ **Highly traded commodity:** 38% of 2018 production traded internationally. **Developing countries** account for **54%** of **export value** and **60%** of **export volume**, 25% more than in the mid-70s.

Current state of fisheries - a few figures



- ▶ **2018: 4.56 million vessels, 59.5 million people employed, 19% women in capture fisheries.** The former starts to show a decreasing trend, the latter has kept increasing over time.
- ▶ **Lion share of both fleet (68%) and employment (78.9%) in Asia, Africa comes second (20% fleet, 12.9% employment).** In both continents the **majority** of workers and fleet is **in the artisanal sector.**

Current state of fisheries - a few figures



- ▶ **Growth has been unsustainable.** 2018: 6.2% of **global stock** under-exploited, 62.5% at MSY, **31.3% overexploited**. **Over-exploitation** has **increased** by more than **20% from the 1970s**, and it shows no sign of diminishing.
- ▶ Climate and habitat change contribute, but **overfishing by far the main reason** - not only for marine fisheries, but for inland ones too, although we have less data.
- ▶ Evidence that **management strategy matters**, and that it **can contribute to rebuilding** of stock. As the **majority** of fisheries is **still deteriorating**, **adapting lessons** from successful cases is **important**.

Rationale for taxation - HICs

- ▶ **Taxation and regulation of fisheries:** subject of academic investigation since mid-1950s, **objective** was to **ensure optimal exploitation** path for **open access resources** rather than ensuring revenue. **Focus** almost exclusively **on HICs**.
- ▶ **Taxes on fishing effort** have been shown to be a potential way to **achieve this goal**, but usually the **rate** at which they would do so is considered **politically unjustifiable**. **Few** examples of **actual application** exist in HICs.
- ▶ Charging of **sector-specific taxation** only **justified once fisheries exhibit a rent**. This **only** happens in a **handful of optimally managed fisheries worldwide**.

Rationale for taxation - HICs

- ▶ **Before this** happens, **fisheries only contribute** through normal tax handles, chiefly corporate income tax (**CIT**), value added tax (**VAT**) and pay-as-you-earn (**PAYE**).
- ▶ Vessel **registration and management fees** also important in absolute term, but **often do not** even **cover management cost**, generally substantial.
- ▶ Consequently, even **in some HICs**, fisheries are **net fiscal receivers** rather than contributors.
- ▶ How many of these considerations are **relevant for LICs** in general, and **Africa** specifically?

Fisheries in SSA – characteristics

- ▶ **Fisheries studies in SSA:** focus has mostly directed to their contribution to **food security, employment and poverty alleviation**, as fisheries remain **normally open access**.
- ▶ Since **mid-2000s**, some have argued for management **shift** to valorise **fisheries as economic resources**. Even in the debate that emerged, **little explicit discussion of taxation** for revenue.
- ▶ **Some** of these **arguments** have been **accepted** by policy makers, many **SSA fisheries** currently **characterised by a mix** between a (mostly) **welfare-** and a (very partially) **wealth-based approach**.

Fisheries in SSA – characteristics

- ▶ **Duality: industrial** fleet, often from **DWFNs**, targets **high values** species for **export**, **more** tightly regulated; **artisanal** fleet, using **simple gear**, harvesting for **local markets**.
- ▶ They exploit **connected** resources, **tensions increased** over time **as** fish **stocks dwindle**. **Both** involved in **IUUF**, different extents and reasons – **industrial** to **increase profit** as monitoring capacity lacking, **artisanal** as **coping strategy**.
- ▶ **Regulation** often **differs** – amount of fees, collecting bodies, registration requirements, managing bodies, access to subsidies...

Fisheries in SSA – characteristics

- ▶ **Very little data available** on number of **artisanal** actors, their catch and economic contribution, **predominantly “informal”** sector. **More information** usually available on **industrial** actors, **but often doubts about reported** catch level.
- ▶ **Lack of data** one of the **substantial obstacles** to improve fisheries management strategies in the continent. **More resources** should be dedicated **to monitoring current practices**, as what available suggest biological and economic deterioration.
- ▶ Could these resources be generated by the sector itself? What is its current revenue contribution?

Fisheries in SSA – revenue contribution

- ▶ **Quantification of sector revenue contribution virtually absent, only figures widely available those for fishing agreement with EU.** These are often **substantial, but agreements subject to criticism** for focus on profitability rather than sustainability and for scarce developmental impact.
- ▶ **Estimation of sector revenue contribution to CIT and VAT was attempted for Mauritania, Senegal, Guinea, Sierra Leone and Uganda.**
- ▶ **Combination of publicly available data and information from revenue authorities, custom agencies and ministries of fisheries of selected countries was used.**

Fisheries in SSA – revenue contribution

- ▶ Available **data** proved either **insufficient** or of **unsatisfactory** quality **for** estimating **CIT**.
- ▶ **VAT**: potential contribution **varied significantly**, from **0.79%** of collected VAT in **Senegal** to **14.44%** in **Sierra Leone**. Differences due to both **what is subjected to VAT** in different countries and to the **type of processing** taking place.
- ▶ **Hard to benchmark estimates** due to lack of actual collection figures. [Comparison for Uganda](#), for which more data was available for estimates and detailed information was given by URA, **shows big discrepancies, but only data point.**

Fisheries in SSA – revenue contribution

- ▶ Countries comparison: hard to quantify economic contribution, all figures have wide ranges. Figures for **domestic revenue contribution** absent for all countries but Uganda, **governments focus** mostly on **licensing and export fee** (connected with FAs with DWFNs).
- ▶ **Low correlation between GDP/Export contribution and employment/size of artisanal fleet** (welfare vs. wealth).
- ▶ Overall, **evidence suggests** that **focus should be on improving management and sustainability** of sector rather than revenue contribution.

Fisheries in SSA – How to improve?

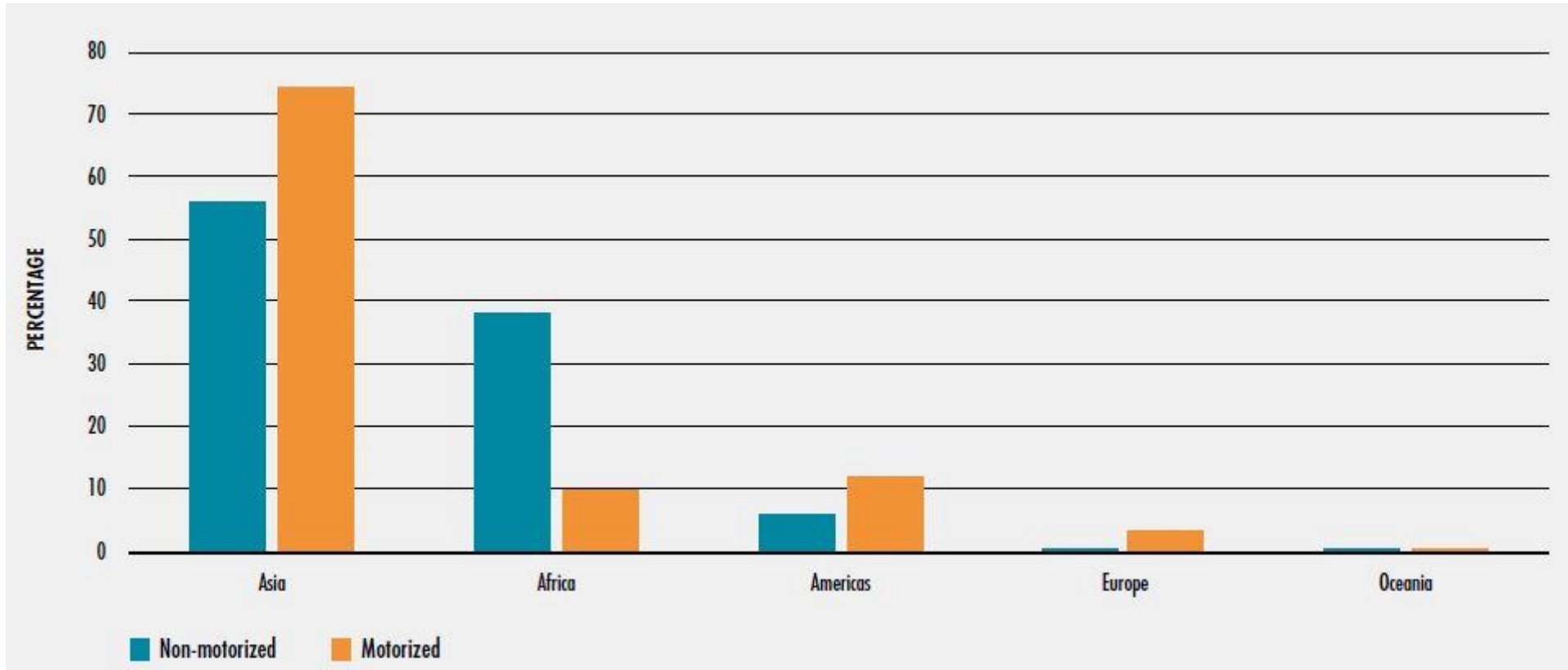
- ▶ **FAs** currently **main revenue contributor**, but also **strong sustainability impact**. They could be **improved** by increasing **negotiating and monitoring capacity** from African states and promoting **participation of CSOs in negotiation**.
- ▶ Very **little is known about** both impact of **co-management** on artisanal sector and **level of subsidies in** many **SSA** countries. These aspects have **revenue and management consequences**, should receive **more focus**.
- ▶ **Promotion of processing capacity** could boost decent employment and revenue contribution. However, **not clear if** present **incentives** have **delivered** benefit.



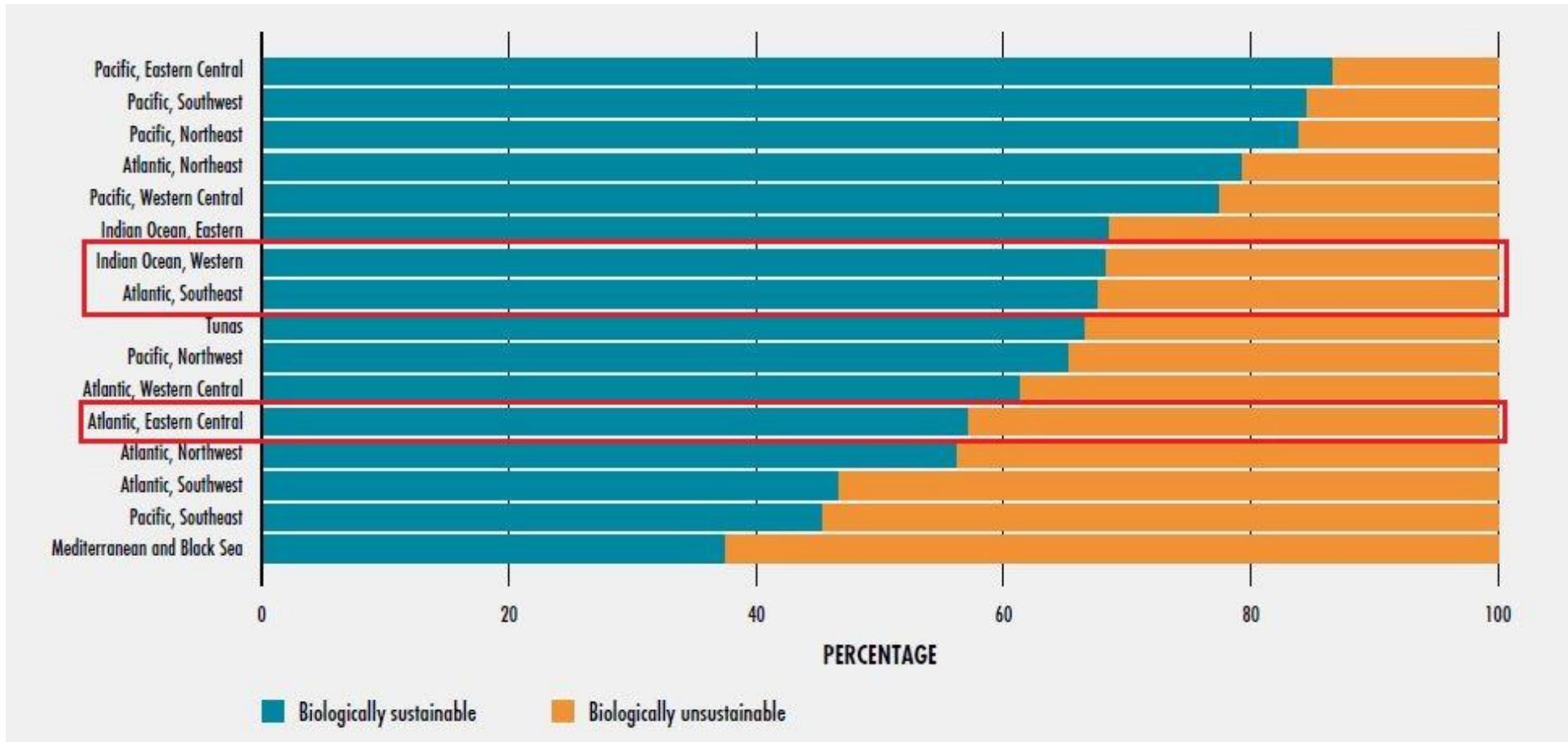
Thank you!

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Fleet size



Exploitation Rates



Uganda - benchmarking



Tax Handle	2016	2018
CIT - URA	1.38	1.57
CIT - Estimate, normal profit	0.94	1.01
CIT - Estimate, rent + profit	43.26	34.17
VAT - URA	0.33	2.75
VAT - Nile Perch	60.58	8.52
VAT - frozen, estimate, FAO	17.23	24.64
VAT - filleted, estimate, FAO	56.02	64.29

Revenue Assessment



	Guinea	Mauritania	Senegal	Sierra Leone	Uganda
GDP	0.43%-3%	4%-10%	1.8%-3.2%	9.1%-10.2%	1.5%-1.9%
Exports	0.37%-1.42%	16.16%-43.86%	10.41%-14.13	0.48%-40.08%	4.74%-7.98%
Employment	1.56%-3.85%	4.17%-16.17%	15.6%-17.4%	2.94%-22.77%	1.18%-10.74%
Artisanal Vessels	6,025-7,238	4,000-7,000	9,483-30,000	7,000-12,000	6,800-17,000
Industrial Vessels	70-102	140	147-151	102-122	
License fees	0.53%	5.17%	-	1.40%	0.001%-0.004%
Export levies	0.003%	5.43%	-	0.50%	0.019%-0.033%
Domestic taxes		-	-	-	0.024%-0.042%
Total Revenue	0.53%	10.60%	-	2.17%	0.05%-0.08%