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**EVOLUTION OF THE EU FISHERIES SUBSIDY REGIME:
DRIVERS AND APPROACHES**

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1 INTRODUCTION

Fisheries subsidies reduce the costs or raise the incomes of fishers, either directly or indirectly. In the absence of effective fishing restrictions, subsidies subsequently lead to an increase in fishing effort and/or fishing capacity. While catches will increase in the short term, the long term effects are to reduce fish stocks. Other impacts on the wider marine environment caused by fishing will also increase. These may include bycatch of species such as birds, mammals and turtles, disturbance of the seabed and killing of benthic organisms. Wider environmental pressures include oil pollution, generation of litter and energy use. The fisheries of the European Union (EU) provide an example of how fisheries subsidies applied within a weak management system can be environmentally harmful. Furthermore, given the long history of EU fisheries subsidies, they present a pertinent case study of subsidy reform.

EU fisheries subsidies were introduced in 1970 with the aim to support and encourage increased fish production, primarily by supporting investment in larger and more 'efficient' fleets, and adapting production and marketing conditions. The result was that engine power of the fishing fleets increased threefold between 1970 and 1987 and the industry became increasingly capital intensive and technologically productive (Coffey, 1999). This build up in capacity has been a key factor in stock depletion. Only 18 per cent of the 113 North East Atlantic fish stocks assessed by the International Council for the Exploration of the Seas (ICES) in 2001 being inside safe biological limits (ICES, 2003). While Overfishing is not restricted to the EU, fish stocks in European regions are considered to be in greatest need of recovery globally (FAO, 2004).

Since 1970 the subsidy regime has evolved significantly. In recognition of the role of subsidies in the build up of overcapacity, and thus overfishing, there has been a shift in focus towards balancing fleet sizes to available fish stocks. The aim of this paper is to consider the drivers behind this evolution. Firstly the history of the subsidy regime is briefly discussed. The following three sections then discuss the role of integrated assessments, whole of government decision making and stakeholder involvement; all areas of interest to the work of the OECD. Wider economic and political factors are then discussed before drawing final conclusions. The focus of the paper is on the EU framework for direct financial transfers to the fisheries sector, and so does not include wider subsidies such as public expenditure on third country access agreements or research and management. Implementation and uptake of the subsidy regime is not discussed, although developments within the UK are considered as an example of Member State level developments. The paper is based on literature reviews, policy analysis and discussions with stakeholders and government officials. The discussion is mainly on developments and drivers in the last decade.

2 SUBSIDY REGIME EVOLUTION

2.1 EU Framework Level

Discussion of EU fisheries subsidies take us back to the very origins of the EU's Common Fisheries Policy (CFP). Fisheries subsidies were established some 35 years ago in response to demands from the Member States, Italy and France, for assistance to modernise their fleets and infrastructure, and so to improve their relative

competitive positions both within the EU and outside it. From 1970 onwards, financial assistance has primarily been delivered through one of the EU's 'Structural Funds', the main EU financial instruments to promote 'structural adjustment' of the fisheries sector (see Box 1). Initially this was the European Agriculture Guidance and Guarantee Fund (EAGGF). Since 1993 the Financial Instrument for Fisheries Guidance (FIFG) was the main fisheries structural fund, which is to be replaced by the European Fisheries Fund (EFF) as of 2007.

Box 1: EU Structural Funds

EU Structural Funds are established by a series of Council Regulations. They establish the framework for Community and Member State funding for a number of years (currently and recently for seven year periods). They define what can, and therefore what can not, be funded by Member States. The current period runs from 2000-2006. The next period is 2007-2013 and the previous period was 1993-1999.

Member States are required to develop multi-annual programmes that set out how they plan to spend their funds in line with the Regulations. These programmes are subject to approval by the European Commission.

The FIFG and EFF Regulations were established through the process known as the 'consultation procedure'. The European Commission proposes the Regulation to the Council and European Parliament. The Council decides on the final text. While it must wait for the opinion of the Parliament it is under no obligation to follow it. While the EFF is not technically a structural fund it largely follows the same principles.

As noted, the primary aim of the EAGGF was to increase fish production by supporting capital investment. The aims of the FIFG evolved towards to achieving a sustainable balance between resources and their exploitation. In terms of detail this included provisions for the adjustment of fishing effort; reducing the excess capacity of the fishing fleet; early retirement schemes and individual compensatory payments for fishers made redundant as a result of vessel decommissioning; and development of marine protected areas. Vessel modernisation and rebuild support still remained however until this was phased out in 2002 as part of the CFP reform.

The EFF objectives do not deviate greatly from these, although they are certainly 'greener': to support the CFP so as to ensure exploitation that is compatible with economic, environmental and social sustainability; promote a balance between resources and fishing fleet capacity; strengthen the competitiveness of the sector; foster protection of the environment and natural resources; and encourage the sustainable development in areas with activities in the fisheries sector.

The FIFG was established in order to simplify and consolidate the various financial mechanisms available to the sector, and thus enable a more strategic approach to be applied to EU funding for fisheries. Placing fisheries funding within the programming framework also provides greater potential for integrated social and economic development in remote coastal regions of the Member States. The EFF builds on this and further requires Member States to develop national strategic plans for their fisheries.

In summary, some of the notable changes in the fisheries Structural Funds are listed in Table 1. Given space limitations and the focus of the paper, these are limited to some key changes, drawn on to illustrate the trend in the subsidy regime rather than to present an exhaustive analysis of developments. For further discussion the interested reader is directed to Coffey (2005). To provide an indication of the magnitude of the public funds to the fisheries sector, the EU contribution to fisheries subsidies via the FIFG during the 1994-1999 period was €2.126 billion. Coupled with national contributions, the total financial aid in this period was €3.103 billion. A detailed analysis and discussion of how this money has been spent across the EU can be found in Earle (2006). During the 2000-2006 period the EU allocation to fisheries subsidies via the FIFG is €4.119 billion, although at the time of writing it is too early to evaluate uptake and Member State contributions (CEC, 2005).

Table 1 Key developments in EU fisheries Financial Structural Funds

Date	Development (✓= positive ✗= negative environmental development)
1999	1999-2006 FIFG agreement ✓ Environmental safeguards eg cross-compliance with MAGPs, provisions for environmental projects involvement of environmental interests
2002	Amendments to FIFG regime ✓ Phase out of vessel rebuilds ✓ Extra vessel scrapping funds made available
2006	EFF agreement ✓ Building on 2002 reforms ✓ National Strategic Planning ✗ Introduction of modernisation support

2.2 National level: UK case study

While the focus of the paper is on the framework of the subsidy regime rather than its implementation, the Member States can not be ignored in this discussion. They play a significant role in the Council in agreeing the final text of the Regulations (Box 1). The positions of Member States is reflected in national implementation, which can itself evolve within the seven year duration of the Regulations. The UK is a Member State that has generally supported subsidy reform, including the phasing out of direct capacity enhancing subsidies such as vessel construction and modernisation. The role of integrated assessments, whole of government decision making and stakeholder involvement in reaching this position are therefore discussed further in the analysis.

3 INTEGRATED ASSESSMENTS

3.1 The EFF Impact Assessment

In June 2002, the Commission established an internal system of integrated impact assessments for its major proposals (see Box 2). The 2004 proposal for the EFF was therefore the first fisheries subsidy regime to be subject to a Commission impact assessment (CEC, 2004) and thus the first formal ‘integrated assessment’.

Box 2: Integrated Assessments of Commission proposals – the Impact Assessment Procedure

In May 2002, the Commission established an internal system of integrated impact assessment for all major Commission proposals (CEC, 2002). This was to bring together in a single integrated system all existing internal Commission procedures for impact assessment. In particular, reflecting commitments in the EU's Sustainable Development Strategy, impact assessments were to address 'the full effects of a policy proposal' (including) 'estimates of its economic, environmental and social impacts inside and outside the EU'.

Prior to this, several *ad hoc* studies had been commissioned by the European Commission examining the role of the FIFG, including its role in fisheries dependent regions in the mid 1990's and early 2000's (eg Nautilus Consultants, 2003; Goulding *et al*, 2000), and mid-term and end of term evaluations of the FIFG programmes (eg Ernst & Young, 2004). However, neither these nor the Commission impact assessment could be considered a strategic analysis of subsidies, in terms of their role or impacts, as a basis for justifying the EFF. Indeed, the Commission impact assessment was lacking in detail and process and was written only in French. These shortcomings were reflected by the fact that it was used very little in negotiations of the EFF, with many Member States officials and stakeholders unaware that it even existed.

One of the most common criticisms of impact assessments is that they are undertaken too late in the policy cycle for them to be of any value. The impact assessment should be a process rather than a one off event, beginning with an analysis of the issue/problem that a policy intervention should be addressing, then clarifying the policy objective. From this the different policy options should be identified and their positive and negative impacts evaluated. Stakeholder consultation should also be an integral part of this process. Currently, impact assessments are instead used more often by the Commission to justify a policy proposal rather than assess and develop the options (Wilkinson *et al*, 2003). Two years on from the establishment of the Commission's impact assessment guidelines, the EFF proposal is another example of this practice.

Another general criticism of Commission impact assessments is that they are undermined by the political decision making process that follows Commission proposals, with the Council and Parliament perceived as commonly disregarding the outcomes. This is the case with the EFF proposal, which underwent a number of significant changes, including the inclusion of provisions for capacity enhancing subsidies (eg for engine replacement) subject to questionable requirements.

In its defence against criticisms of the poor quality impact assessment, some Commission staff question how well suited the EFF proposal is to an impact assessment. It is argued that the impacts of the EFF are very much dependent on its implementation and uptake at a Member State level. While this may be the case, this does not make an impact assessment superfluous. The impact assessment process can still be used to determine the framework and support the implementation by Member

States. Indeed, The Commission's argument is also questionable as other Commission DGs do not use this argument as a basis for inadequate impact assessments.

The inadequacy of the Commission impact assessment of the EFF proposal is not necessarily a case of maladministration however. Four factors working against the role that impact assessments could have played in further reforming the subsidy regime can be identified:

1. the subsidy regime has been in place for over 30 years and is largely taken as a given, particularly by Member States;
2. there has been a lot of political pressure on reintroducing capacity enhancing subsidies, in particular from the high expectations of new Member States;
3. there was a weak political case for impact assessments at the time that the EFF was proposed as the process had been in place for only two years; and
4. the Commission was in the learning phase of developing impact assessments.

These factors go some way to explaining why the impact assessment process received little profile and hence resource allocation from the Commission, which focused instead on defending and building upon the 2002 subsidy reform package.

These four factors can be expected to diminish so that in seven years, when the EFF expires, the context is expected to be more conducive to impact assessments supporting subsidy reform. While the EU will continue enlarging, it should be politically more stable. There is also expected to be a poor uptake of subsidies in the 2007-2013 period, supporting the Commission's case for a more thorough reconsideration of the role of fisheries subsidies. Finally, the impact assessment procedure should be better established within the Commission, with greater capacity and experience in its application.

Indeed, despite the widespread criticisms of the DG Fish impact assessments, there is a belief amongst those in government that they have a role to play in sustainable development broadly, including fisheries subsidy reform. If developed properly and early enough they should support evidence based policy development and so depoliticise decision making to some extent. As a long term process they are therefore welcome. In any event, impact assessments are required of the Commission and are receiving more attention within DG Fish so will be undertaken for future subsidy regimes.

While impact assessments can be expected in the future, these points highlight that their value is context specific. It also supports the argument that impact assessments are most effective when decision makers buy into them. While the push on DG Fish from the rest of the Commission has been important in ensuring impact assessments are undertaken, their value is undermined when administrators and decision makers in the Commission and other EU institutions do not accept the concept.

3.2 UK Assessments

Integrated assessments in the UK take several forms, primarily Regulatory Impact Assessments (RIAs) and Strategic Environmental Assessments (SEA) (see Box 3 and Box 4). No formal RIA was done on the EFF or earlier FIFG proposals. However, an RIA and SEA is planned for the EFF National Operational Programme, a document

that Member States are required to develop setting out how they intend to allocate EFF funds.

Box 3 Regulatory Impact Assessment

Regulatory Impact Assessments (RIAs) are employed in the UK to assess the effects of proposed regulations, normally on a national level. Traditionally, their main focus has been on economic impacts, but with the sustainable development agenda gaining ground they have started to cover social and environmental aspects as well. Examples of the application of RIA in the UK fisheries sector include an assessment of the Statutory Instrument prohibiting pair trawling for bass in the inshore waters of south-west England (Defra, 2004) and the PMSU report recommendations (PMSU 2004a). While wider than fisheries alone, a more recent RIA was conducted for the UK's Offshore Marine Conservation (Natural Habitats, &c.) Regulations 2006 (Defra, 2006).

Box 4 Strategic Environmental Assessment

Strategic Environmental Assessment (SEA) is a procedural tool used by Member States for assessing – *ex ante* – the impacts of plans and programmes (and in some countries also policies) on the environment. Since the introduction of the EU SEA Directive in July 2004, EU Member States have been required to undertake a number of SEAs. While implementing the Directive does not guarantee specific decisions, SEAs help to change processes, cultures and attitudes. They result in a more informed and transparent decision-making process – by integrating environmental considerations, and providing a clear audit trail of decisions made. New legal obligations and the potential benefits of the process have shifted increasing attention to the application of SEA in the UK, not least in the fisheries sector.

As with the EFF at the EU level, there have been a series of *ad hoc* evaluations of the national fisheries subsidies programmes (eg Poseidon, 2003). These have largely related to EU reporting requirements, conducted at mid-term and end of programme points. They have not however been 'integrated' in the sense that the evaluations focus more on the administration of the funds and level of uptake rather than the social, economic or environmental impacts. Again, similar to EU level trends, while formal integrated assessments have not played a role in subsidy reform the past, they are expected to play a greater role in implementation through RIAs and/or SEAs. The information contained in the assessments, and inclusion of stakeholders (eg industry and NGOs) should itself support future subsidy reform as it increases transparency and supports evidence based policy making.

4 WHOLE OF GOVERNMENT DECISION MAKING

4.1 The College of Commissioners

The College of Commissioners represents whole of government decision making, with all formal Commission outputs (eg proposals and Action Plans) requiring agreement across all DGs (Box 5). This process however is not without its critics. In practice, disagreements between two Commissioners are typically left to be settled

bilaterally, and only when two or more Commissioners are affected does the College tend to intervene.

Box 5 European Commission Processes

Commission initiatives, whether in the form of general Communications or more specific proposals for Regulations, Decisions or Directives, are prepared by the relevant technical DG. They are then discussed with other relevant Commission DGs and amended if necessary in a process known as interservice consultation. Proposals for legislation are then checked by the Legal Service. Once the proposal is fully ready, it will be put on the agenda for a forthcoming Commission College meeting by the Secretary-General, who reports directly to the President of the Commission. If there is agreement, the College will adopt the proposal and send it to Council and the European Parliament for their consideration. The decision to adopt a proposal by the College is made, in most cases, by simple majority voting.

Even when the College does intervene, some perceive it as now being too large following EU enlargement to be effective. A consequence of enlargement has been that the scope for internal bargaining has increased, allowing proposals to pass through the College that perhaps otherwise should not. This creates room for flexibility and therefore policy incoherence. In relation to fisheries subsidies, DG Trade for example accepted guidelines from DG Fish on expenditure of State Aid on engine modernisation (CEC, 2006) in return for maintaining the EU's position on fisheries subsidies in the WTO, which was under threat from the diverging direction of the EFF negotiations. While DG Trade could be criticised for this, it could, on the other hand, be credited with helping drive the EU position on fisheries subsidies as it maintained a pro-reform position on subsidy reform in WTO negotiations, pulling up the EU on the international scene and so providing pressure for internal reform.

Furthermore, the influence of any joined up approach of the College diminishes with Council negotiations. This is particularly the case the longer that negotiations continue, which was the case with the EFF proposal, originally proposed in July 2004 by the Commission and agreed by the Council in June 2006. Commissioners are largely left to manage their own portfolios unless developments in the Council seriously undermine wider Commission positions. In practice therefore the College represents whole of government *proposal* making more than *decision* making. In the case of fisheries subsidy reform, this is particularly the case as it is a politically contentious issue. However, given the interests of DG Trade in subsidies, the whole of government decision making within the College appears to have played an important, and probably positive, role in the evolution of the subsidy regime.

4.2 The Council of Ministers and Member States: The UK case

Following adoption within the Commission College, proposals pass to the Council for legal adoption, which typically follows a period of negotiation amongst Ministers from the 25 Member States. These negotiations are between the Ministers from the respective Member States responsible for fisheries. When considering whole of government decision making at this stage, one's attention is therefore turned to the Ministers of the Member States. As would be expected, this varies widely. Germany is considered a Member State with a high level of joined up decision making

generally, while environmental considerations are often maintained across policy areas by Sweden for example.

In considering the degree to which whole of government decision making has played a role in the UK's position there are a number of conflicting arguments. Defra chooses to spend money on vessel decommissioning, despite objections from the Treasury that it does not represent value for money as the least efficient vessels leave the fishery first. Beyond this, the Treasury reportedly takes very little interest in Defra spending, suggesting that whole of government decision making plays a limited role in subsidy reform. This said, the way in which Defra spends fisheries subsidies does not significantly conflict with the overarching government position on trade and market liberalisation, providing little to attract the attention of the Treasury or other departments. Spending and positions are argued to be moving in the same direction across government because of external pressures rather than internal pressures. While this may be a factor, whole of government decision making could nonetheless be considered as playing an implicit role, in that Defra could expect to be picked up were it to excessively contradict wider government positions.

While whole of government decision making is typically perceived as referring to coordination between departments, the arrangements and mandates of individual departments can also play an important role. In 2001 the responsibility for fisheries management and policy changed from the Ministry for Agriculture, Fisheries and Food (MAFF) to the Department for Environment, Food and Rural Affairs (Defra). This evolution has played a role in a greater consideration of the environment and cross-sectoral approach being taken in fisheries management, including subsidies. While positive for fisheries subsidy reform, it would be interesting to examine whether this led to environmental issues receiving less attention in the Transport Department, from which environment was moved (previously the Department for Environment, Transport and the Regions (DETR)).

4.3 Political Leadership

In discussing the role of whole of government decision making, the role of individual Ministers or Commissioners arises, and with it the issue of political leadership.

4.3.1 Fisheries Commissioners

Over the period of the CFP reform, Franz Fischler was the responsible European Commissioner, holding the post of Commissioner for Agriculture, Rural Development and Fisheries. He is widely perceived as being instrumental in securing the phase out of subsidies for constructing new vessels in 2002 because of his strong political leadership. This is attributed to several reasons, including his personal commitment to reform; having no domestic ties to fisheries as an Austrian; and, not least, jointly holding the agriculture portfolio, so being experienced in leading more complex reforms than in fisheries. This last argument is also applied to Emma Bonino who led reforms of the 1999-2006 FIFG programme when she was Commissioner for Consumer Policy, Fisheries and the European Community Humanitarian Office (ECHO).

Following EU enlargement in May 2004, which coincided with the end of the five year term of office period for Commissioners, fisheries was separated out from DG Agriculture and Fisheries into DG Fisheries and Maritime Affairs (still referred to as

DG Fish). Dr Joseph Borg, a Maltese politician, was appointed as Commissioner for Fisheries and Maritime Affairs. With these changes there have been several changes in approach from DG Fish. In contrast to Fischler, Borg is considered to be a more consensual in his approach, reflecting his cultural background of listening and consulting with all parties.

In relation to subsidies, the softening on the ERF package, an increase in the level of State Aid that may be paid to industry with notifying the Commission, and allowing Member States to support vessel engine replacement, are all upheld as examples of this shift in approach and positions since Borg took up his post. These changes are in the context of growing political attention to the EU's competitiveness and job creation, as set out under the 'Lisbon Agenda', with the environmental pillar of sustainable development being softened. It is difficult to attribute the changes in fisheries subsidies to this changing political context however as subsidies to the fisheries sector undermine the EU's economic as well as environmental commitments. This suggests that whole of government decision making is not leading to DG Fish taking forward subsidy reforms that contribute to the Lisbon Agenda any more than the EU's environmental commitments.

4.3.2 National Ministers

At the Member State level, there are mixed views on the role of individual Fisheries Ministers in subsidy reform in the UK. It is often pointed out that there has been a reasonably seamless transition between the last two Ministers, with both maintaining the policy line. This is attributed by some to the domestic and international political context. That said, the last two Ministers have not been as sympathetic to the industry as their predecessors, with the current Minister, Ben Bradshaw, taking a particular interest in the environment. In this respect the personal views of the Minister are considered by some to be vitally important, with the evolution of MAFF to Defra to include environment being a contributing, rather than the sole, factor.

Looking beyond Defra, the fisheries sector received high level political attention in 2003 from the Prime Minister's Strategy Unit (PMSU). On the request of the Prime Minister, the PMSU examined the issues facing the sector and proposed a long-term strategy for the UK fishing industry (PMSU, 2004b). This included a recognition of the role of capacity enhancing subsidies in undermining the sustainability of the industry and so added further impetus to the direction of the government's position on fisheries subsidies and a commitment to sustainable fisheries more broadly. It is worth noting that the PMSU is considered by many, including industry, one of the best cases of joined up government in respect to fisheries, with a holistic approach taken in its analysis and recommendations.

This prompts the question of what initiated the PMSU review. The fishing industry had been calling for a thorough review of the way in which UK fisheries are managed in advance of the PMSU review. However, the review followed in the wake of the December 2002 CFP reforms, which coincided with heavy cuts in the fishing opportunities for UK vessels in the North Sea cod fishery. This sharpened the attention of the UK government on the failure of the management system to sustain its fisheries, leading one to conclude that the PMSU review was to a large extent prompted by crisis.

The common tendency to assign causality of the direction of the fisheries subsidy reforms solely to politics and politicians is therefore an oversimplification of reality. While strong political leadership is a necessary condition for subsidy reform, and has been important in the FIFG and EFF evolution, it is not sufficient in itself, but depends also on other factors such as the institutional context, the availability of tools and evidence for reform. In the case of the UK, crisis has also been an important factor.

5 STAKEHOLDER INVOLVEMENT

Over the last decade the fishing industry and environmental NGOs have increasingly engaged in the development of fisheries policy, including subsidies, at both the EU and UK level. This has been facilitated through – at the instigation of outgoing Commissioner Emma Bonino - the opening of the Commission Advisory Committee for Fisheries and Aquaculture (ACFA) to NGOs in 1999; the establishment of Regional Advisory Councils (RACs) in 2004; and efforts in the UK to consult industry more extensively and engage NGOs.

More specifically on subsidies, and following on the process developed by the Commission for the consultation on CFP reform, a series of stakeholder conferences were held at the EU level in advance of the EFF proposal, involving industry, NGOs and governments. While some stakeholders would have liked to have seen more listening on behalf of the Commission and Ministers, the meetings were nonetheless welcomed across the board. Both NGOs and the industry felt that they successfully influenced the EFF proposal from their own perspectives.

As a rule the fishing industry is considered better organised and placed than civil society in lobbying in the EU fisheries scene. It tends to have better access to politicians and more resources at its disposal. The NGOs working on EU fisheries policy have become more coordinated, working together more as a network and coordinating positions, including on the EFF. They also work in a variety of ways, some responding to policy proposals alone, others working closely with Member States to develop trust and support political positions (eg WWF), and others focusing on taking a long term approach through the building of evidence and technical arguments (eg BirdLife). In supporting all of this activity, they generally have better media skills than the fishing industry for gaining profile and public support for their positions.

Views on the degree to which stakeholders have actually changed the outcomes of subsidy decisions however are divergent. Some individuals within the industry and NGOs claim that the environmental movement is increasingly effective in steering the subsidy debate. The industry could be said to be complaining about the situation however while the NGOs could be considered to be making a statement of effectiveness (see Box 6). Some individuals within NGOs however are more self critical and view their role as marginal. In response to this, the industry is quick to point out that such statements are made to bolster the NGO case that more needs to be done in supporting the environmental agenda.

Box 6 Determining the role of civil society in subsidy reform

On the basis of some environmental NGO statements, strengthening civil society and increasing its role in the policy process should be a central strategy in reforming subsidies:

Thanks to WWF's 2002 Stop Overfishing Campaign, the EU has stopped providing subsidies for building new boats.

WWF, 2006

http://www.panda.org/about_wwf/what_we_do/marine/our_solutions/sustainable_fishing/improving_management/reducing_capacity/index.cfm

Some within government take the view that stakeholder contributions do not help further policy decisions as the divergent views of industry and NGOs simply reflect the divergent views of Member States. While such a parallel may be drawn, it is not appropriate to write off the role of NGOs as they raise public profile of fisheries subsidy issues and so increase political pressure for reform. Indeed, in some quarters there is an acknowledgement that their pressure has been effective, and is even welcomed in developing and maintaining pro-reform positions.

Subsidy reformers are often quick to advocate stakeholder engagement as a means of bringing NGOs into the reform process. This inevitably means including the fishing industry in discussions. This raises the question of whether it would be better to bring the industry into the process, since they have traditionally resisted fisheries subsidy reform, or whether reform discussions should take place behind closed doors, especially where institutions may be weak or sympathetic to industry. Despite the concerns that including the industry in the process could raise, the idea of taking a closed approach is rarely supported in practice by those in government at the EU or national level.

Although subsidies do not need the buy-in from industry to the same extent that technical measures and catch limits are argued to need to be effective, they are a part of the wider management system. Not only would it be inappropriate to give special treatment to subsidies, support from industry is needed for the whole management package. The prevailing view is that policy decisions need to be legitimate, accountable and have as much support as possible, which is especially important for EU policy given that the EU institutions are increasingly removed from its citizens. Consultations are also considered good practice, if not a requirement, both at the EU and UK level. Added to this, greater stakeholder participation is considered an important element of the new approach necessary to manage fisheries in the face of the poor state of fish stocks, the industry and the legitimacy of the management regime. The 1998 Århus Convention on Access to Information, Public participation in Decision-making and Access to Justice in Environmental Matters and the FAO Code of Conduct for Responsible Fisheries have both added momentum to improving stakeholder participation and transparency in fisheries management.

Supporting the inclusion of the industry in subsidy reform is the fact that the language of the fishing industry has recently changed markedly, most especially in northern

Europe. Although this is somewhat in recognition of the problem of stock decline and overcapacity, and the role that subsidies play in this, through being engaged the industry understands and increasingly accepts the hard line response of the Commission and some Member States to calls for vessel rebuild and modernisation subsidies. The industry approach in some Member States (eg Denmark, UK, Netherlands and Sweden) is now geared more towards obtaining a level playing field and supporting a phase out of capacity enhancing subsidies as their governments move away from financially supporting their industries. Arguably, involvement of the industry has been important in changing its positions, and for ensuring government is aware of how and why they have evolved, and so supporting the reform process.

6 POLITICAL AND ECONOMIC CONTEXT

In discussing the role of integrated assessments, stakeholder engagement and whole of government decision making within the reform process of EU fisheries subsidy regime, it becomes clear that there are other factors driving and inhibiting the process. The most important of these are the wider political and economic context. The key factors are detailed in Table 2, listing in approximate descending order of importance the supporters and inhibitors of the changes noted at the three recent stages in the evolution of the subsidy regime. The absence of inhibitors in some cells does not suggest that there were none, but rather the focus is on the key supporters and inhibitors during the period.

A persistent inhibitor to reform is the fact that the subsidy regime has been in place since it was first established in the 1970's. It has become an accepted, if not expected, part of the management regime. When the financial periods have ended, they have therefore been considered an exercise of renewal rather than removal or active reconsideration of its rationale. Subsidy reform has therefore taken the form of gradual progress in making provisions for vessel decommissioning, transition support, environmental projects and a phase out of the most direct form of capacity enhancing subsidies.

An ongoing driver of reform has been the wider political context, with a general increase in attention to environmental integration. This was particularly the case at the time of agreement of the 1999-2006 FIG programme. This is also the case for the positive changes in 2002 that were a part of wider CFP reforms. As well as driving this progress, it is also possible that the agreement was helped by being part of a wider package, enabling trade offs. While Commissioner Fischler favoured such packages, others question the extent to which this was the case for the FIG amendments.

More recently, there is widespread agreement that the biggest factor inhibiting subsidy reform has been EU enlargement. As touched on, the ten new Member States that joined the EU in 2004 were poorer than the existing EU15 and had high expectations of support for their sectors. Added to this has been the poor economic outlook, with rising oil prices and falling revenues from stock decline squeezing the industry. Although oil price rises have affected all industries across the EU, this has led to heavy lobbying from an ageing and fuel intensive fishing industry, which has generated political desire to assist the industry and so impede subsidy reform.

Table 2 Wider drivers and inhibitors in evolution of the EU fisheries subsidy regime since 1999

Date	Development (✓ = positive ✗ = negative environmental development)	Drivers	
		Supporters	Inhibitors
1999	<p>1999-2006 FIG agreement</p> <p>✓ Environmental safeguards eg cross-compliance with MAGPs, provisions for environmental projects involvement of environmental interests</p>	<p>Part of 'Agenda 2000' reforms</p> <p>'Cardiff Process' of environmental integration</p> <p>Declining budget</p>	
2002	<p>Amendments to FIG regime</p> <p>✓ Phase out of vessel rebuilds</p> <p>✓ Extra vessel scrapping funds made available</p>	<p>Commissioner Fischler could 'make his mark'</p> <p>High expectations and wide public scrutiny of CFP reform</p> <p>Short-term change</p> <p>Part of wider package – could be traded off with TACs and other concessions (?)</p>	
2006	<p>EFF agreement</p> <p>✓ Building on 2002 reforms</p> <p>✓ National Strategic Planning</p> <p>X Introduction for modernisation support</p>	<p>Post 2002 CFP reform</p> <p>WTO subsidy discussions</p>	<p>EU enlargement – new Member States had high expectations of modernisation support</p> <p>Poor economic climate: rising oil prices and declining catches focused attention of industry and governments</p> <p>Borg came in 'after the party' of reform</p> <p>Borg was dealing with a proposal picked up from his predecessor</p> <p>Declining budget (?)</p>

In the case of the UK, an important factor (if not the key factor, argued by some) behind the government not wanting to provide its fishing industry with subsidies, and so arguing for EU wide subsidy reform, is the UK's EU rebate. Approximately two thirds of the amount by which UK payments into the EU exceed national expenditure of EU funds are returned to the UK. This creates a disincentive for the UK to draw down on EU funds and hence subsidise its fishing industry.

7 DISCUSSION AND CONCLUSIONS

As is the case in the analysis of any policy reform processes, determining the drivers and approaches in reforming the EU fisheries subsidy regime over a long period of time is difficult because outcomes are neither simple nor attributable to single factors. The people involved in the processes change over time and in discussing the issues with people in government, industry and NGOs, it is difficult to maintain a focus on the issue of subsidy reform. It is often not possible to separate the issue of subsidies from broader policy reform issues. Furthermore, institutions tend to defend and promote themselves, with self criticism and objectivity typically uncommon.

Despite these limitations making it difficult to confidently identify drivers and inhibitors in the evolution of the EU fisheries subsidy regime, it can be concluded that integrated assessments, stakeholder engagement and whole of government decision making have each played a varying, but nonetheless important role.

Whole of government decision making, and more so proposal making, has played an important role in mitigating the regression in the EU's subsidy regime to support vessel rebuilds, at least in the last two years. Based on UK experiences, a joined up approach in government has probably played a background role, rather than leading role, in its pro-reform position. With 25 Member States, the EU decision making system is particularly complex and drawn out, creating room for policy incoherence. This supports the case for whole of government decision making, although it is difficult to envisage how this could be achieved beyond rationalising the size of the College and improving workings within individual Member States. Probably more important, though, is the matter of political leadership, although it is even more difficult to envisage what proactive steps the EU institutions could take to strengthen its politicians.

There is a growing case for evidence based policy development at the EU level and an increasing number of Member States. This only supports the role of impact assessments, both generally and in subsidy reform. To date impact have not formally played a role. Assessments have not been integrated, considering mainly issues of social and economic impacts and administrative issues such as uptake. These can be expected to support future impact assessments, together with a more conducive political context. This will in particular require support for this process from Member States, which in part depends on the Commission allocating sufficient resources to do a meaningful job.

Stakeholder engagement is central to the Commission impact assessment process and so can also be expected to increase in future subsidy reforms, or at least become more formalised. As part of bringing evidence and arguments to the table, NGOs play an important part in subsidy reform. The work of policy researchers, such as academics

and the OECD are also important in this respect. Stakeholder engagement is also an important part of policy development generally, and helps increase legitimacy and public support. This is particularly important for EU fisheries policy, although there is room for improvement in this respect, not least in the area of subsidies.

While the EU fisheries policy framework is moving in the right direction, the ultimate evaluation of EU progress is on how much money is spent, by area. In this respect, Member States are not *required* to allocate funding to direct capacity enhancing subsidies. Indeed, some Member States, such as the UK, focus more on decommissioning programmes with a view to reducing over capacity. The UK could be criticised for not going further. However, it remains sensitive to the issue of the level playing field. It argues, with some validity, that phasing out subsidies further would disadvantage the UK industry and that it would risk losing the support that it currently has from some parts of the industry.

As noted, many of the issues identified in the fisheries subsidy reform process are not specific to subsidies, but are issues of good governance generally. Given the limitations of the analysis, it would not be appropriate to consider the conclusions as definitive, but rather the subject of discussion and debate. Indeed, areas that warrant further consideration and research include identifying which factors support whole of government decision making, as is considered the case in Germany, and the role of the Commission's impact assessments in the development of the other EU financial instruments for the 2007-2013 period that were developed at the same time as the EFF.

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