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FORUM ECONOMIC OFFICIALS MEETING

6 – 7 July 2021

FORUM ECONOMIC MINISTERS MEETING

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Virtual

INFORMATION PAPER 10: REVIEW OF FORUM LEADERS DECISION ON ECONOMIC RETURNS TO FISHERIES

Purpose and Summary

Purpose

This paper provides an update on the outcome of an independent review of the implementation of the 2015 Forum Leaders' direction that steps be taken to ensure increases in economic returns from fisheries, in five years, and focuses on the recommendations that are of particular importance to Economic Ministers.

Summary

In 2015, the Pacific Islands Forum Leaders endorsed the Regional Roadmap for Sustainable Pacific Fisheries (“the Roadmap”) and directed that increases in economic returns from the fisheries sector be achieved within five years. A joint taskforce comprised of the Forum Fisheries Agency (FFA), Parties to the Nauru Agreement (PNA) and the Forum Secretariat (later joined by the Pacific Community, SPC) would lead the development of a programme to increase the sustainable economic returns from the fisheries sector.

The year 2020 marked the fifth year following the said Leaders' decision, thus the necessity to commission the independent Review, to examine the progress of implementation of the said Leaders decision. An inter-agency working group (IAWG) whose membership comprises representatives of FFA, PIFS, PNA Office (PNAO) and SPC, was set up to oversee the Review.

Economic Ministers may note that the IAWG has accepted the Final Draft Report of the Independent Review, and this final draft has been presented to the Forum Fisheries Committee (FFC) and PNA Ministers for their consideration.

The Review prioritises the following recommendations that are relevant to Economic Ministers:

- *For regional agencies:*
 - Establish a regional tuna business intelligence unit, which would report directly to Fisheries Ministers, Economic Ministers, and Leaders on the most important trends, changes and possibilities in the regional tuna industries (to replace the Tuna Report Card process).

- *For Governments:*
 - For countries that have or want domestic longlining fleets or onshore processing, commit to a long-term programme of investment climate improvement for the fisheries sector that focuses on locally binding constraints.
- *For Parties to the Nauru Agreement:*
 - Establish an annual reporting mechanism to PNA Economic Ministers on economic parameters of the purse seine fishery as a public asset.
 - Develop a clearer understanding of risk related to the VDS asset and revenue stream.

A. Overview/Summary

In 2015, the Pacific Islands Forum Leaders endorsed the Regional Roadmap for Sustainable Pacific Fisheries (“the Roadmap”) and directed that increases in economic returns be achieved within five years. Leaders agreed that a joint taskforce comprised of FFA, PNA and the Forum Secretariat (later joined by SPC) lead the development of a programme to increase the sustainable economic returns from the fisheries sector. The year 2020 marked the fifth year following the Leaders’ decision, thus the decision to commission an independent review to examine the progress thus far made on the effort to implement the Leaders decision.

2. An inter-agency working group (IAWG) comprising representatives of FFA, PIFS, PNAO and SPC was set up to oversee the Review. The terms of reference (*Annex 1*) was developed in consultation with Forum Members, and consultants were recruited to undertake the independent review. The IAWG had reviewed the initial drafts of the review report and accepted the Final Draft Report at their meeting on 30 April 2021.

3. The Final Draft Report was presented to the FFC Officials at their meeting on 25 – 28 May. Noting that some of the recommendations were specific to the PNA, the Final Draft Report was also presented to the PNA Officials and Ministers at their meeting in June. The draft report, together with comments from FFC Officials and PNA Ministers, were presented to the FFC Ministers at their meeting on 6 – 7 July, for their consideration.

B. Discussion

4. In 2015, Forum Leaders directed that steps be taken to ensure that increases in economic returns from the fisheries sector were achieved in five (5) years, and established a taskforce to develop an Economic Returns Work Programme (ERWP), which was presented to and endorsed by Leaders in 2016. An independent review of the progress of the implementation of the ERWP five years after the said decision by Leaders was commissioned, and the Final Draft of the said independent review was accepted by the IAWG at its meeting on April 30, 2021. The outcomes of the said independent review will be presented to Leaders in 2021.

The Review

5. While the Review focuses on the regional approach and work thus undertaken at the regional level with consideration of specific activities best led by national governments, the Review does not cover the issue from the point of view of individual countries' circumstances, nor does it provide for country-specific recommendations. The Review however, has comprehensive coverage of both the work that is currently underway, as well as future opportunities, and the issue of whether these were envisaged to be part of the Roadmap and ERWP or neither.

6. The Review found that the aggregate economic returns that Pacific Islands earned from their fisheries sectors increased in the period between 2015 and 2019, although at a lower rate than in the immediately preceding years. This increase however, was dominated to a large extent, by increases in the annual revenues collected by PNA members under their purse seine VDS, accompanied by a similar rate of increase in overall fisheries sector employment.

7. The Review found minimal evidence that returns were affected by the Roadmap or the ERWP. To the contrary, the Review found a number of significant deficiencies in the design of both the Roadmap and ERWP, which made these instruments unwieldy to implement, especially at the national level. This difficulty was compounded by the lack of consultation with national officials, which reduced the buy-in from national governments, and meant that implementation challenges were not adequately reflected or analysed. The complex political dimension was also frequently overlooked.

8. The result was that the Roadmap and ERWP had a minimal impact in influencing the pre-existing operational plans of regional agencies or national governments. However, substantial work has been done by regional and subregional agencies over the last five years to increase economic returns from fisheries. The review has limited coverage of national-level achievements, although does note significant achievements and common trends.

9. Progress on the Roadmap and ERWP was reported to Leaders through two sets of Report Cards (one for tuna and one for coastal fisheries). The targets and indicators set by the Roadmap and ERWP were not clearly specified, but taking this into consideration, the Tuna Report Cards have done a good job of providing the information that was requested. Unfortunately, the Tuna Report Cards have been of limited practical use, because some of the targets selected were weakly or possibly even negatively associated with increased economic returns, and the aggregation of data, which obscured important differences between countries and fisheries.

Key Issues Identified in the Review relevant to Economic Ministers

10. The Review outlines key priority actions for consideration at regional, national and sub-regional (PNA) levels. These include the following:

Regional Priority: Tuna Business Intelligence Unit

11. The Review identified concerns about the need to maintain and improve the availability of information and advice on commercial and policy-related elements of tuna fishery development. Particular areas of note include commercial knowledge of the tuna industry and its international political economy (including in the Western and Central Pacific Fisheries Commission, WCPFC), the

ways in which fisheries management shape commercial strategies, the technical economic and financial tools necessary to analyse the business-side, expertise on fisheries trade rules and their politics, and public and private market access issues and how they shape business dynamics.

12. The Report notes that pockets of expertise in these areas are currently spread across FFA, PIFS and PNAO, as well as a network of specialist consultants that the region draws upon on a regular basis, in ways that are not always conducive to regular cooperative action. The Review recommends the establishment of a **Tuna Business Intelligence Unit** to institutionalise commercial and political knowledge and analysis. This would be a small unit reporting to multiple regional agencies through a mechanism similar to the Inter-Agency Working Group (IAWG) set up to oversee the Review, but would be able to maintain commercial confidentiality on behalf of one or a subgroup of PICs. It would also provide a mechanism to deliver other recommendations of the Review. To keep running costs low and to reduce institutional-conflict over its location, the Unit would operate remotely, with the staff meeting on the side-lines of the region's various and regular tuna-related meetings.

National Priority: Investment climate reform

13. The Review supports the ERWP identification of the importance of a conducive investment climate in laying the groundwork for the private sector to make investment that will result in broader economic returns from the sector. It recommends that countries that have or want domestic longlining fleets or onshore processing, commit a long-term programme of investment climate improvement for the fisheries sector that focuses on locally binding constraints.

PNA Priority 1: Annual reporting mechanism to PNA Economic Ministers

14. The Review notes that there are differences in the extent to which PNA Ministers of Finance are involved in maximising revenue obtained from the purse seine VDS and appraising economic options for the use of that money. The Review concludes that there is a need for the level of economic analysis and scrutiny of both revenue and expenditure from the purse seine VDS by PNA Ministries of Finance and relevant Ministers to be improved. The Review considers that this requires improved reporting to Economic Ministers on the purse seine fishery to enable the Economic Ministries' analytical capability to be brought to bear to maximise revenue, and manage risk in accordance with the government's overall risk appetite and tolerance, and recommends establishing an annual reporting mechanism to PNA Economic Ministers on economic parameters of the purse seine fishery as a public asset.

PNA Priority 2: Risks related to VDS asset and revenue stream

15. The Review recommends that the PNA develop a clearer understanding of risk related to the VDS asset and revenue stream. This recommendation follows from the Review's conclusion that the highest priority in goals for the regional tuna fishery should be the protection and extension of the public asset of the Pacific tuna fishery. The Review argues that the public asset should be the pre-eminent goal because all other goals are in some way dependent on it, and the more the value of the public asset can be built, the greater the resource that is available to achieve them. Viewing the fishery as an asset means considering risk in a new way because then 'Protection' of the public asset means identifying and reducing or eliminating any substantial threat to the future value of the asset.

16. For PNA, the Review emphasises the importance of risk in the calculations of options to increase price of days for governments to understand their own risk appetite and risk tolerance so that they can decide which expected economic returns are worth the risk, and how to limit their overall exposure to risk. This is an important area in which risk analysis tools used by economic ministries can offer insight that will enable more confident experimentation (above).

C. Next Steps

17. The IAWG will prepare a cover report to the Forum Leaders on the way forward based on the guidance and comments from the FFC and the PNA Officials and Ministers. The cover report will outline decisions and actions to be taken following the findings of the review.

18. The cover report will be presented to the Forum Officials Committee (FOC) at their meeting scheduled for 22 – 23 July 2021 before it is presented to the Forum Leaders for their consideration.

Pacific Islands Forum Secretariat
4 June 2021

Terms of Reference (TOR) for Short Term Consultancy: Provision of Report Reviewing the 2015 Forum Leaders Decision on Increased Economic Returns on Fisheries to be Achieved in 5 Years.

Project Duration: up to 55 days

Project Location: Remote

1. Background:

At the 2015 Pacific Islands Forum Leaders meeting in PNG:

Leaders reaffirmed the central importance of increasing economic returns and ensuring the sustainable management of fisheries. Leaders further reaffirmed strengthening maritime surveillance and enforcement, noting the multi-dimensional nature of these issues.

Leaders acknowledged the current effort-based management system (VDS) that has brought significant economic return to Parties to the Nauru Agreement (PNA). Leaders endorsed the Regional Roadmap for Sustainable Pacific Fisheries and directed that increases in economic return be achieved within five years. Leaders agreed that a joint taskforce of FFA, PNA and the Forum Secretariat would lead the development of a programme to increase the sustainable economic returns of fisheries, including examining a quota management system, and report back to Leaders in 2016. Leaders also welcomed New Zealand's offer for ministers and officials to visit New Zealand to study New Zealand's quota system.

Leaders tasked Fisheries, Economic and Foreign Ministers to undertake a joint comprehensive evaluation of the regional monitoring, control and surveillance, and compliance regime and report back to Leaders in 2016. Leaders noted that the evaluation should reflect the importance of sharing technology and information. Leaders expressed their appreciation to Australia and New Zealand for their assistance on surveillance.

To implement these decisions, the Forum Leaders in their meeting in 2016, endorsed the Fisheries Taskforce's Economic Returns Work Program which was built on the Regional Roadmap for Sustainable Pacific Fisheries (herein referred to as the 'Fisheries Roadmap'). The progress on the Roadmap has been provided through report cards that provide reporting against the indicators used by the Fisheries Roadmap. These report cards have been submitted to be reviewed by Leaders each year. The year 2020 is marked as the fifth year where Leaders had directed that increase in economic return be achieved by.

In their meeting in 2015, the Forum Trade Ministers noted their role in implementing the Leaders' decisions related to increased economic returns from fisheries activity in the region. The issue of increased economic returns on fisheries was also presented to the Forum Economic Ministers in their meeting in April 2017 for their attention and relevant action.

Pacific Islands Forum Secretariat (PIFS) is now seeking a suitably qualified independent consultant to undertake a thorough review of the progress made since the 2015 Forum Leaders direction for fisheries to achieve increased economic returns in five years. It is envisaged that the outcome of the review would be presented to the Pacific Island Forum Leaders.

2. Objectives of the Consultancy:

The objective of the consultancy is to undertake an independent review of the progress made on the Pacific Island Forum Leaders 2015 decision on increased sustainable economic returns from fisheries to be achieved in five years within the context of the Fisheries Roadmap.

3. Scope of work

The review would include undertaking of the following tasks:

- i. Prepare an inception report outlining how the work will be carried out to meet the specified objective, and the timeline for the deliverables. This will have to be approved by an inter-agency working group (IAWG) comprising of PIFS, FFA, SPC and PNAO, who has oversight of the review.
- ii. A thorough review of the Tuna Fishery Report Cards, FFA's economic indicators reports, the FFC Ministerial reports, the Fisheries Taskforce reports, and all other reporting provided to the Forum Leaders by the Forum Fisheries Agency (FFA) which report the progress against the tuna fisheries elements of the Fisheries Roadmap. The review should identify key areas and activities of progress at national, sub-regional and regional levels. The review will provide a comprehensive evidence-based analysis against baseline data, international comparative performance and should take into account the economic performance of the various sectors (catch, processing, marketing, distribution) and types of fishing gears used (purse seine, longline, pole and line). It must identify both direct and indirect benefits including employment, infrastructure and other broader contributions to domestic economies;
- iii. Assess the outcomes of the Fisheries Taskforce work program that the Leaders endorsed in 2016, noting the links between the work program and the Fisheries Roadmap;
- iv. Identify successes, failures, challenges and risks related to achieving increased sustainable economic returns from fisheries since the 2015 Leaders decision. The review should take into consideration the recent impacts of the current COVID-19 pandemic and include brief comment on the long-term implications of climate change on the future sustainable economic returns from offshore fisheries.
- v. Identify specific areas in the Fisheries Roadmap, that relate to increasing sustainable economic returns, that may no longer be appropriate and need to be reconsidered.
- vi. Review any work in progress on increased sustainable economic returns on fisheries in relation to the decisions of the Forum Trade and Economic Ministers;
- vii. Consult and engage key stakeholders including the FFA, SPC, PNAO and the Forum Island Countries (FICs) in undertaking the Review. This engagement is important to access key

data that will inform this review. The Forum Secretariat will assist in the production of any data confidentiality agreement that may be required for the purpose of this review only;

- viii. Identify key constraints including critical issues affecting trade and investment in the fisheries sector and assess the business environment to identify opportunities in the Pacific for increased economic returns from fisheries; whether it be at national, sub-regional or regional levels;
- ix. The selected Candidate will be required to present the final report to the Senior Managements of the PIFS, FFA, SPC and PNAO.
- x. Develop, in consultation with the IAWG and key stakeholders, a report on the Independent Review. The final draft report will be submitted to the Special Sub-Committee on Regionalism (SSCR), the Forum Officials Committee (FOC), and the Forum Fisheries Committee (FFC) Officials and Ministers meetings for their comments before the report is finalized. The final report is planned to be presented to the Pacific Island Forum Leaders for consideration.

Note that any information provided as part of this project should remain confidential.

4. Deliverables and deadlines

Details and deadlines for specific outputs will be discussed with the Selected Candidate and the IAWG as work progresses. The work programme will be approved and monitored by the IAWG.

5. Consultancy duration

Work should be completed within 55 working days.

The consultancy fee quotation should provide a daily rate in USD for performance of any specific work requested in the terms of reference.

6. Consultancy Milestones

Payments will be made upon completion of outputs, as approved in writing by the Forum Secretariat.