

The WTO Agreement on Fisheries Subsidies: *Implications for Africa.*

Executive Summary

The coming into effect of the World Trade Organisation Agreement on Fisheries Subsidies has the potential to contribute substantially to reducing over-capacity and illegal, unreported and unregulated fishing (IUU) in African waters. The Agreement was adopted at the 12th Ministerial Conference (MC12) held from 12th -17th June 2022 in Geneva, Switzerland. This Information Note urges that, while the Agreement applies to subsidies, to marine wild capture fishing and fishing related activities at sea, it is important to note that a number of landlocked AU MS have acceded to the Agreement, meaning that its provisions may apply to inland capture fisheries. African member states fishery sectors are particularly vulnerable to subsidised fishing because they have a generally low capacity to impose their sovereign authority over territorial coastal waters to deter subsidised, illegal, unreported and unregulated fishing (IUU) activities operated by fleets from developed countries. Member states are encouraged to urgently make informed decisions on whether to ratify the WTO Fisheries Subsidies Agreement, based on the national contexts; leverage the Agreement's Technical Assistance Fund of the WTO to create a dedicated fund to help developing and least-developed countries build legal, monitoring and compliance capacity; and undertake reforms of the National Subsidy Regimes that lead to the operation of domestic fleets in unsustainable fisheries.

CONTEXT

The World Trade Organisation Agreement on Fisheries Subsidies is a novel instrument that has significant implications for the governance African member states territorial waters in respect of fisheries and ecosystem sustainability. It is imperative that member states are well briefed on the content of the agreement and its governance implications, as a decision on participation in the agreement is required by November 2025. The activation of the agreement potentially contributes substantially to reducing over-capacity and illegal, unreported and unregulated fishing (IUU) by other nations fleets in African waters. IUU fishing refers to fishing activities that contravene national and international laws and conventions, and poses one of the most serious challenges affecting fisheries. Participation in the agreement by AU member states offers significant potential benefits for the creation of capacity to reduce industrial IUU fishing, but requires a substantially increased commitment to sustainable fisheries management, monitoring and reporting by AU member states. The present information note provides an explainer of the WTO Fisheries Agreement to guide AU member states.

Why is the WTO fisheries Agreement important?

The WTO membership adopted the Fisheries Subsidies Agreement (FSA) at the 12th Ministerial Conference (MC12) held from 12th -17th June 2022 in Geneva, Switzerland. It is a historic agreement because it is the first WTO agreement that focuses on environmental sustainability and only the second reached at the WTO since inception. It establishes a set of binding prohibitions and rules that seek to ensure that the support provided by governments to their fishing sector does not undermine the sustainability of marine resources.

Scope of the Agreement

This Agreement applies to subsidies, to marine wild capture fishing and fishing related activities at sea. However, it is important to note that a number of landlocked AU MS have acceded to the Agreement, meaning that its provisions may apply to inland capture fisheries. Furthermore, the Agreement outlines the of harmful subsidies and how they negatively impact the marine environment and local and regional economies are presented

Why are fishing subsidies bad for sustainable fisheries governance?

Subsidies paid by nations to industrial fishing fleets engaging in IUU fishing are recognized as a huge global challenge undermining sustainable fisheries, because they promote investment in overcapacity, which leads to overfishing. The total estimated cost of IUU fishing globally is estimated to be $25 billion, annually, representing a massive loss to the fishing nations.

What are the impacts of fishing subsidies on African fisheries?

Whereas it is recognised that African countries contribute a very small proportion of global fishing subsidies (ca. 2%), IUU by the subsidised fleets of other nations in African territorial waters has a huge impact on African national economies, community livelihoods and marine ecosystems. IUU losses to foreign fleets affects the household incomes of fish-dependent communities and reduces the taxes that governments would collect from authorised fishing. For example, according to a 2015 report by Coalition for Fair Fisheries Arrangements (CFFA), the financial loss to the continent was USD 1 billion. In addition, by contributing to overfishing and loss of species, IUU threatens food and nutritional security of many African communities.

Why are African fisheries particularly vulnerable to IUU fishing?

African member states fishery sectors are particularly vulnerable to subsidised fishing because they have a generally low capacity to impose their sovereign authority over territorial coastal waters to deter subsidised, illegal, unreported and unregulated fishing (IUU) activities operated by fleets from developed countries.

What does the WTO fisheries agreement provide for?

The WTO agreement provides for prohibitions on three main forms of subsidies (Figure 1). The first one is a prohibition on subsidies that contribute to IUU fishing. The second prohibits subsidies for the fishing of stocks that are being fished unsustainably, while the third is a prohibition on subsidies enabling fishing on the unregulated high seas outside of national territorial waters. The agreement is focussed on offshore industrial fisheries and is not applicable to aquaculture, inland fisheries and onshore activities. If adopted, the agreement can, therefore, assist African member states to enhance their territorial water sovereignty, rebuild marine fish stocks, promote sustainable fishing, increase domestic fish production and its economic and social contribution, and promote a more competitive and fairer global fisheries sector.



Figure 1. *The prohibitions of the WTO Agreement on Fishing Subsidies.*

The Key Features of the WTO Fisheries Agreement

The World Trade Organization (WTO) Agreement on Fisheries Subsidies is a significant international treaty aimed at addressing the challenges posed by harmful subsidies in the fisheries sector. Here are the key points to understand:

1. ***Objective:*** The main goal of the agreement is to prohibit certain types of subsidies that contribute to overfishing and overcapacity, helping to ensure the sustainability of fish stocks and marine ecosystems.
2. ***Categories of Subsidies:*** The agreement distinguishes between different types of subsidies:
   - *Prohibited Subsidies:* These include subsidies for illegal, unreported, and unregulated (IUU) fishing, and those that support fishing in overfished stocks.
   - *Conditional Subsidies:* Some subsidies may be allowed if they support sustainable fishing practices, but they must meet specific criteria.
3. ***Special and Differential Treatment:*** Recognizing the varying capacities of developing countries, the agreement provides special considerations for them, allowing more leeway in certain subsidy practices to support their economic development.
4. ***Transparency and Reporting:*** Countries are required to report on their fisheries subsidies, promoting transparency and enabling better monitoring of compliance with the agreement.
5. ***Implementation:*** The agreement emphasizes the need for cooperation among countries to effectively implement and enforce the rules against harmful subsidies.
6. ***Sustainable Development Goals (SDGs):*** The agreement aligns with broader global initiatives, particularly the United Nations Sustainable Development Goals, particularly Goal 14, which focuses on conserving and sustainably using the oceans and marine resources.
7. ***Negotiation Process:*** The agreement is a result of extensive negotiations among WTO member states, reflecting the complexities of balancing economic interests with environmental sustainability.

Understanding this agreement is crucial for stakeholders in the fisheries sector, policymakers, and environmental advocates as it represents a collaborative effort to ensure the long-term health of global fish stocks and marine environments.

Understanding Harmful and Non-harmful subsidies.

Harmful and non-harmful subsidies have harmful or positive effects on marine fisheries respectively. The difference between the two categories of subsidies is based on the subsidy's possible impact on fish stock sustainability over time and its likely contribution to increasing fishing capacity. Harmful fisheries subsidies are measures that artificially increase profits or reduce costs – providing incentives for overcapacity resulting in overfishing. Examples of harmful subsidies include all forms of capital inputs and infrastructure investments from public sources that artificially reduce costs or enhance revenue, including support for vessel construction, renovation and modernisation, tax exemptions, fuel subsidies, and investment in marketing and processing infrastructure. Non-harmful subsidies seek to improve the understanding of fisheries and how to sustainably manage them by investing in science associated with the oceans and its management thereby contributing towards increased regulation or promote reduced fishing capacity and these public good subsidies should be encouraged[1,2]. Subsidies that promote overfishing place fish stocks at risk and threaten the livelihoods of millions of people engaged in fishing and fish trade and those who depend on fish for food and nutrition[3].

Harmful Subsidies

A summary of the negative effects of harmful subsidies is provided below.

- ***Overfishing and ecosystem damage -*** by their nature harmful subsidies (i) artificially lower the cost of fishing, making it profitable to catch more fish than the ecosystem can sustainably support and, (ii) allow fish to be caught at a rate faster than they can reproduce, leading to population declines and potential collapses of fish stocks. Overfishing, if not stopped, can disrupt marine ecosystems, impacting other species and potentially leading to irreversible damage.
- ***Socio-economic losses –*** overfishing eventually leads to reduced fish catches and consequently in reduced household income for marine communities who depend on fisheries for their livelihoods. In addition, fisheries play a key role in the food and nutrition security of coastal communities. Reduced fishery landings reduce the sectoral contribution to GDP and constrain governments' ability to provide employment, especially to the youth.

[1] *Broadening the global debate on harmful fisheries subsidies through the use of subsidy intensity metrics*
[2] *16654IIED.pdf*
[3] *16654IIED.pdf*

Examples of harmful subsidies and how they negatively impact the marine environment and local and regional economies are presented in the Table 1 below.

Table 1: *Harmful Fisheries Subsidies and their Environmental and Socio-economic Effects*

Subsidy	Impact Pathway	Impact
Fuel subsidies	The reduced cost of fuel for fishing vessels enabling fishing vessels to fish in more distant waters and for longer duration to access more resources Increases greenhouse gas emissions	Increased fishing pressure on fish populations, which is worse in case of already overfished populations Local fishing fleets are unable to compete with foreign subsidised industrial vessels. Local fishermen without the means to travel long distances offshore in search of fish now find themselves with fewer opportunities to land fish locally. When fish populations are overfished because of IUU fishing, local operators who depend solely on the fish they catch for income, experience a decline in profitability[4].
Vessel Construction and Modernization Subsidies	This subsidy leads to increased fishing catch capacity (greater vessel size, efficiency and numbers) as more vessels are built or upgraded	The increased vessel capacity, in the absence of fishing effort controls, increases fish catches, resulting in overfishing and harm to the marine ecosystem[5].
Tax Exemptions (for international fishing businesses)	The reduces the cost of fishing for international fleets.	Tax exemptions distort prices, thereby reducing the competitiveness of local fishing enterprises, especially for those involved in the international fish trade. In addition, the tax exemptions reduce fishing costs, thus promote overfishing.
Product Price Subsidies	Product price subsidies artificially inflate the price of fish catches, making fishing more profitable even where fish stocks are already depleted	Artificially inflated fishers' profit margins mean fishing can continue, even where catches are reduced as result of as a result overfishing. This can lead to severely stock depletion placing the resource at risk of irreversible collapse[6]. By contrast, unsubsidized local fishing vessels are unable to fish depleted stocks profitably.
Any other subsidies, public funds or tax deductions that support to Illegal, Unreported, and Unregulated (IUU) fishing. E.g. training of fleet personnel, R&D costs, information systems to detect fish stocks etc.	Supporting fishing activities that are illegal, unreported, or unregulated.	Undermines sustainable fishing practices leading to overfishing. Legitimizes IUU fishing as an economic enterprise in the fleets' home country, despite the harmful ecological, economic and social effects on Africa.

If harmful subsidies were removed, and the public funds redirected in ways that enhance natural capital, this would contribute to better-managed fisheries and a more productive and profitable Blue Economy[7]. There would be more locally caught fish available for trade, processing and consumption in Africa; more jobs created particularly for the youth and women. There would be increased sectoral productivity making Africa's fisheries industries more competitive.

[4] The Fight to End Harmful Fisheries Subsidies | FoodUnfolded
[5] 16654IIED.pdf
[6] The Fight to End Harmful Fisheries Subsidies | FoodUnfolded
[7] 16654IIED.pdf

Good subsidies

'Good' subsidies are public investments that promote sustainable fisheries, including fisheries management programs, IUU monitoring, control and surveillance, research and development, value chain development, and infrastructure such as improved fishing ports. These are detailed in Table 2.

Table 2: *Good Fisheries Subsidies and their Effect on Ocean Sustainability and Community Livelihoods*

Subsidy	Impact Pathway	Impact
Fisheries Management Programs and Services	Support implementation and enforcement of fishing regulations including monitoring, control and surveillance systems	Help prevent overfishing and, IUU fishing. Essential to determine and apply sustainable catch limits.
Fisheries Research and Development	Support conducting of research in various components of fisheries management such as sustainable fishing practices, gear technology, stock assessment etc.	Provides essential data for evidence-based decision making to enhance the sustainability and optimization of the economic yield of the fisheries industry
Fishing port construction and renovation programs	Investments in improving maintenance and efficiency in port operations	Improves handling and storage of fish leading to reduction in post-harvest losses, supports better market access and value addition.
Marketing support, processing and storage infrastructure	Investments in fish processing and storage facilities	Helps fishing communities add value to their catch; reduces waste and improves market access
Fisher community development programs	Supports rural communities to fish sustainably, diversify their livelihoods and optimize valorisation of their catch.	Reduces primary reliance on fishing and improves social and economic well-being of communities
Reduced charges by government agencies e.g. fuel tax exemptions and reduced government charges for small scale fishing vessels	Lowers operational costs for fishers whilst encouraging compliance with regulations	The subsidies are justified by the overall public good benefits such as increased fishery productivity, enhanced food and nutritional security, job creation and economic development.
Favorable investment loans	Helps fishers invest in more sustainable fishing practices and equipment	These promote 1) the elimination of destructive fishing practices, 2) reduction of post-harvest losses, and 3) fisher enterprise capacity building, 4) access to markets and enhanced value from the catch.

Implications of the WTO fisheries subsidies agreement for africa

The WTO prohibition on harmful fisheries subsidies is potentially a powerful global governance instrument with significant benefits for African member states to reduce IUU and subsidised fishing in African EEZs by foreign industrial fleets. Participation in the agreement will promote capacity development for ocean (and other aquatic resources including in the inland waters) resource use sustainability, with positive effects on the health of marine ecosystems.

The Agreement establishes important protections in situations where management measures are ineffective or nonexistent, such as on the unregulated high seas beyond the jurisdiction of territorial waters.

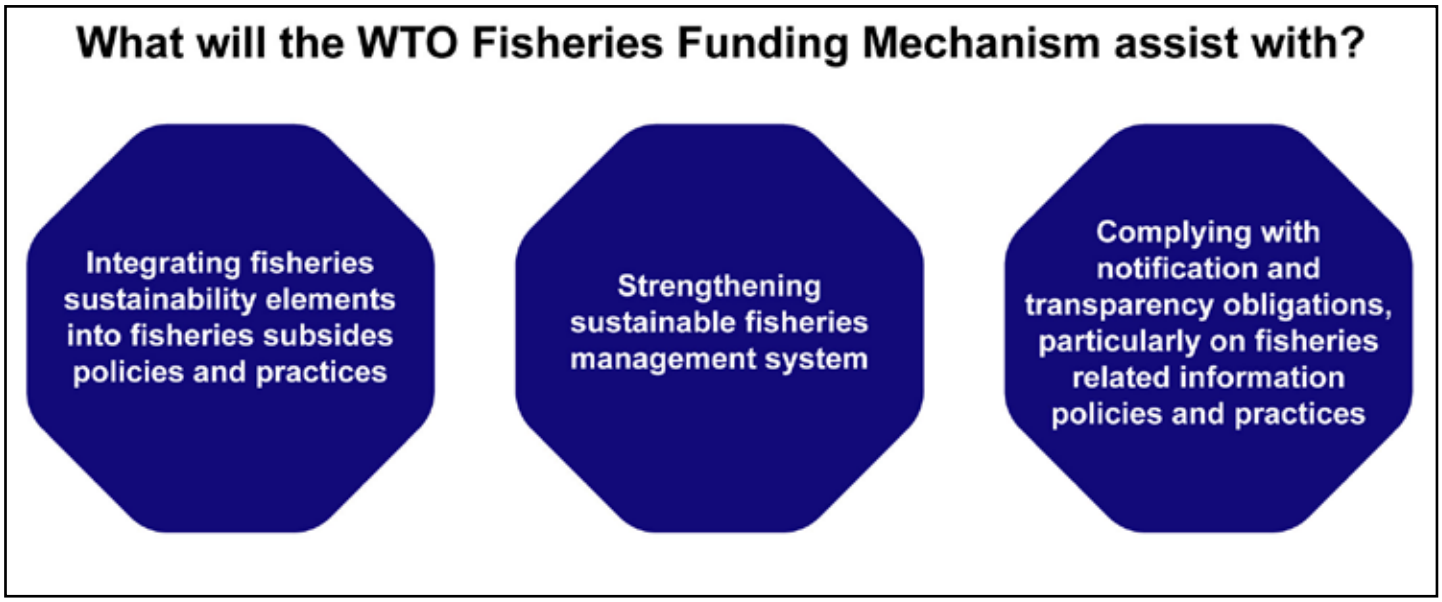
Improved sustainability of fisheries is critical to (i) the development of the blue economy, especially for the million people in coastal communities who make their living by fishing and, (ii) attainment of SDG 14 on Life Below Water[8] (WTO, 2022). Otherwise, a failure to eliminate harmful fisheries will keep African member states fisheries in a less competitive position, undermine sustainable fisheries management and the potential contribution of fisheries to food and nutrition security, and economic development. African Union member states are free to decide on whether to accept and ratify the WTO fisheries agreement. Ratification by two thirds of WTO member states (111 members) is required for the agreement to come into force. In the following section, a briefing on the implications of the agreement are provided to inform member states' decisions.

[8] implementfishagreement22_e.pdf

What are the constraints, opportunities and benefits of the WTO Fisheries subsidies Agreement?

Opportunities and Benefits	Implementation Constraints	Actions required
• Reduction of harmful subsidies that aggravate overfishing, and the depletion of fish stocks. • Improvement of fisheries management; enhancement of the fishery resources sustainability and potentially boosts the livelihoods of fishing communities. • Facilitation of access to funding support earmarked to developing countries to implement the new rules. • Upscaling of Member countries' efforts to improve their capacities in fishery management, monitoring and reporting • Improve regional and international cooperation and coordination • Upgrading of the regional MSC centers and Research Institute	• Weaknesses institutional capacity • Inefficient of the data collection system • Inaccurate statistical data on the vessels operating in the EZZ • Inadequate funding of the research institutes • High levels of corruption • Inefficient fishing license systems, deficient fleet capacity data and management systems, lack of fisheries stock status information, and inadequate fish landings data. • Inefficiency of national Monitoring Control and Surveillance Systems (if they exist) • Inadequate funding to deter IUU activities • Absence of a coordinated platform among ministries and actors of the sector • Weak cooperation and coordination at regional, continental and international levels • High levels of both legal fishing effort and IUU fishing	• Update the legislation to include the WTO agreement • Elimination of harmful national subsidies for industrial fleets (there is no requirement for developing nations to report on subsidy elimination for the initial 4 years of the WTO Agreement) • Monitoring and reporting on national fleet capacity • Provide appropriate funding to MCS centres and research institutes • Invest in capacity building both for public and private sectors agents and personnel • Implementation of 'Best Practices', including the Code of Conduct for Responsible Fisheries
Implementation of the Port State Measures Agreement (PSMA) to prevent IUU vessels from using ports	Identification of IUU vessels and those benefitting from harmful subsidies	• Strengthen regional MCS centers and database systems • Enhance international cooperation and information sharing to monitor IUU vessels
Ratification of the WTO fisheries subsidies will enable MS to develop legal frameworks and legislation which will help MS to use it against IUU	Not all MS have legal framework for 1. Integration sustainability into fishing subsidy legislation 2) preventing IUU and other bad practices at sea	MS to ratify the WTO fisheries subsidies
The establishment of MCS system at regional level will help MS to control IUU, overfishing, rest during breeding season and breeding sites	Lack of human resources and funding to do MCS of territorial waters	Establish or strengthen MCS initiatives at regional level
There is a possibility to access WTO and other development partners funding to conduct stock assessment, health status and habitats health	Lack of national level fisheries scientists and monitoring of stock status, fisheries sustainability and health status of habitats	Prepare project proposal and access funding. Collaborate with Neighboring countries mobilize resources
Strengthen fisheries cooperation at regional and continental level through regional economic communities (RECs) and the African Union institutions. Strengthen good practices, enhance coherence in policies and strategies. The WTO agreement provides a justification and facility for funding.	Weak cooperation between neighboring MS on stock status and MCS	Mobilize resources and apply for WTO funding.

Strengthen fisheries governance.	Weak governance. E.g. lack of transparency on fishing licenses, agreements and follow up of unregulated and unreported vessel activities.	Policy development. Use the model policy formulation guidelines from UN and AU to develop policies to strengthen governance. Implement robust national regulatory and management systems in line with the FAO Guidelines for Sustainable Fisheries, the PFRS and international best practices.
There is an opportunity develop national and regional capacity to implement certification systems required by the WTO agreement, PSMA and International Plan of Action of the FAO (IPOA)	• Inefficient for all individual MS to institute WTO reporting systems • The PSMA is binding but many member states lack certification capacity for Trade Restrictive Measures (TRMs). These are required to certify that fish does not come from IUU. • Implementation of catch documentation schemes as referred to by International Plan of Action of the FAO (IPOA) which is non-binding. (Paragraph 66, 69. 70 &71). This are the internationally agreed market-related measures.	• It would be advisable to use regional institutions (RECs, RFBs and RFMOs) capacity to develop certification systems required by the WTO agreement and other agreements. Conduct experience sharing and put in place capacity for certification. • Strengthen regional bodies such as RECs and AU-IBAR to institute combined transparency and reporting systems and capacity building



Policy Recommendations on WTO Fisheries Subsidies Agreement

To effectively implement the WTO fisheries Agreement in Africa, the following key policy steps are recommended for African governments and regional bodies in order to maximise the benefits:

1. Member states are encouraged to urgently make informed decisions on whether to ratify the WTO Fisheries Subsidies Agreement, based on the national contexts. The agreement is slated to come into effect in November 2025. In order to participate in the agreement, AU MS are thus encouraged to prioritise the decision on whether or not to ratify the agreement. Participation in the agreement opens the way to potential funding and support for sustainable fisheries management, monitoring and reporting.
2. Leverage the Agreement's Technical Assistance Fund of the WTO to create a dedicated fund to help developing and least-developed countries build legal, monitoring and compliance capacity. African governments must appoint focal points, design priority training programmes (e.g., subsidy notification, legal drafting) and tap into UN and bilateral aid linked to this facility.
3. Strengthen Regional Fisheries Coordination, especially for transboundary fisheries Resources. Regional fisheries management organisations and commissions, and the Regional Economic Communities (RECs) – COMESA ECOWAS,

IGAD, SADC, ECCAS – are expected to undertake joint actions on implementation of the Agreement. This could include subsidy information sharing, establishment of joint regional MCS Centers, Stock Assessment of shared water bodies, share vessel-tracking data and negotiate complementary rules (e.g., fuel subsidy caps, licensing standards). A united regional front also boosts political leverage within WTO meetings.

4. Combat IUU Fishing. The WTO agreement supports actions that combat IUU fishing. For example, member state and regional body investment in satellite-based Vessel Monitoring Systems, deployment of mobile inspection teams and enactment of the port-state measures agreement so that any vessel without valid flag-state certification is denied landing rights. This underpins the WTO ban on IUU-linked subsidies.
5. Domesticate the WTO fisheries agreement into national legal and policy Frameworks. Participating member states must domesticate the WTO fisheries agreement into the relevant national legal and policy frameworks. This includes fisheries legislation and regulations, ministerial guidelines and development plans in order to ensure coherence and facilitate budget allocations for implementation.
6. Support WTO Agreement Reporting System. The agreement requires the notification of harmful subsidies that support unsustainable fishing. Establish an updated subsidy registry.
7. Awareness and Sensitization Engage parliaments, ministries of trade, fisheries and environment in joint briefings to demystify obligations and timelines.
8. Build Technical & Regulatory Capacity

- Establish a program to review and build the necessary capacity in MS fishery management authorities to monitor and report the sustainability status of its marine fisheries as required under the WTO fisheries agreement.
- Leverage OLC, AU relevant organizations, Africa Group of Negotiators, Africa reps at WTO, FAO and UNEP capacity-building windows to train officials at national and regional levels on subsidy notifications and compliance monitoring.
- Promote cooperative governance institutional arrangement at MS level for relevant departments such as Trade, Fisheries, Foreign Affairs, Treasuries, Local Government Authorities, involved in the implementation of the Agreement;
- Establish inter-ministerial Fisheries Subsidy Units to collect, analyse and report data on existing national-level subsidies.

9. Reform National Subsidy Regimes

- Review harmful capacity-enhancing subsidies (fuel, vessel construction, port infrastructure) that support the operation of domestic fleets in unsustainable fisheries.
- Formulate implementation measures for the "special and differential treatment" envisaged in the WTO agreement for underdeveloped coastal states and LDC to comply with the agreement. This aligns national budget with the WTO's prohibition on harmful subsidies. A two-year grace period is defined in the agreement to address harmful subsidies in LDCs.
- Redirect public funds to good subsidies that promote sustainable fisheries development. For example:
- Small-scale fishers' gear modernization to reduce bycatch and post-harvest losses.
- Community-managed marine protected areas and stock-rebuilding programmes.
- Grants for selective, low-impact gear and community-managed marine protected areas.
- Micro-credit for small-scale fishers to adopt digital reporting tools.
- Insurance pools that cushion artisanal fleets against climate-driven stock fluctuations.

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