

ANALYSIS OF THE FISH INDUSTRY IN UKRAINE: GREEN PAPER EXECUTIVE SUMMARY

During the last 5 years the tendency of measured decrease in efficient use of aqua resources is observed in Ukraine. The decrease is also observed in domestic fish processing capacity and drop in consumption simultaneously with the increase of import dependence by the market. All this is a sign of absence of sustainable aqua resource management system and insufficient support of the fish sector in Ukraine.

Compounding the problem is the lack of clarity in regulation, outdated legislation, and the absence of equal, transparent, and well monitored access to water bioresources hampering the investment attractiveness of the sector.

During 2019 399,100 tons of fish and sea products were imported to Ukraine. Simultaneously, during that period only 18,600 tons of fish were grown in Ukrainian under aquaculture conditions while a total of 74,700 tons were caught domestically.

Natural resources used in Ukraine are not being used to their full potential, fishing methods are erratic and wasteful. Only 1/3 of water resources of Ukraine are being rented; the indicator of fish productivity in pond intensive aquaculture is only 25% of the normatively established one; quotas by business entities for special use of water bioresources are not being fully and efficiently utilized (only by 17.3% in 2014-2017).

Irrespective of increasing enforcement efforts, the control over illegal fishing activity is still ineffective as governed by the outdated enforcement mechanisms still in place. Remaining low level of fines for violating fishing rules and regulations only facilitates the expansion of illegal poaching. Inadequate level of compensation for damages, and possibility of avoiding responsibility do not act as effective deterrent. In 2017, the illegally caught fish amounted to 184 tons, in 2018 – 147 tons, in 2019 – 200 tons, which on average exceeds the legal fishing figures by 74%. As a result of low fines, the total amount of imposed administrative fines in 2017 amounted to only UAH 3.8 mln which is 95.8% less than an estimated compensation amount for damages; in 2018 the administrative fines totaled UAH 5.8 mln (79% less), and in 2019 – UAH 5.9 mln (85% less).

This outdated regulatory fishing environment creates a sphere of inefficiency, perennial low yields while encouraging the continuation of corrupt business practices, thus stifling the emergence of modern fishing industry rationally utilizing water resources. To tackle these problems, BRDO suggests **regulatory solutions based on the EU integration commitments within the framework of the Association Agreement using as model provisions of the EU Common Fisheries Policy and best practices of its Member States, such as Poland, Latvia and Estonia. The BRDO experts also analyzed other countries such as Australia, Turkey, and USA where efficiency of the fisheries industry coupled with regulatory transparency created an effective bioresource management system.**

Additionally based on best EU practices, Ukraine has committed to work together with its EU partners to take effective measures to monitor and control trade in fish and other aquatic life resources; introduce, in particular, trade defense measures to combat illegal, unaccountable, and unregulated fishing. Furthermore, to achieve a EU level of regulatory oversight Ukraine continually supports initiatives in mutual exchange of enforcement experiences, to ensure the implementation of sustainable fisheries policy. Similar efforts are taking place to ensure market efficiency and promote producer organizations, providing information to consumers, and follow standards on the market and traceability.

Based on a targeted analysis of EU biosource regulatory oversight, BRDO suggests the following legislative and regulatory **changes to make the system of industrial fishing effective, transparent, and equal for all market players. These changes are also aimed at combating illegal and uncontrolled fishing and providing security and reproduction of water bioresources and equal punishment for violating environmental laws.**

1. Change of approach to allocate water bioresources quotas based on capacities of business entities thus allowing equal access of stakeholders to the market.
2. Removing regulatory obstacles for business by:
 - a. issuing permits for special use of aquatic bioresources simultaneously with the allocation of a quota for their extraction (fishing).
 - b. changing common practice of signing private agreements for special use of aquatic bioresources with business entities. Such agreements henceforth shall be legislatively defined and enforceable by law.
 - c. creating definition at the legislative level of “Approval of the Location of Fish Collection Points” and the transparent procedure for obtaining such approval.
3. Simplifying doing business in aquaculture industry by:
 - a. introducing declaration as a tool for access to the aquaculture market, ensuring access to the market by a single-window tool.
 - b. establishing transparent procedures for granting economic entities the right to use water resources and bioresources through auctions.
 - c. simultaneous regulatory unification of land plots and water resources connected to them with uniform procedural application over both subjects of oversight.
4. Ensuring market development and increase of business entities by introducing the procedure for utilization of water resource and open sea aquifers for the purpose of carrying out activities in the field of aquaculture.
5. Combating poaching and illegal and uncontrolled fishing by introducing EU-modelled electronic traceability system for the origin of aquatic bioresources through the registration of commodity transactions in accordance with the best international (European) practices.
6. Establishing mandatory requirements for continuous reporting of the results of business activities in the field of fisheries.
7. Improving fish protection activities and ensuring accountability for violating the law by increasing penalties and enhanced legislative enforcement provisions for non-compliance by business entities.
8. Introducing permit fee for recreational fishing to ensure reproduction of water bioresources and support of the natural water ecosystems.