CAPE

Coalition pour des Accords de Pêche Equitables

CFFA

Coalition for Fair Fisheries Arrangements

Avoiding the curse of blue growth: The case for a "blue commons fund"

August, 2018

By Andre Standing

Introduction

There is an increasing focus on the opportunities for 'blue growth', based on expanding public-private investments in sectors such as coastal and offshore mining and shipping, marine biotechnology, coastal tourism, offshore wind and tidal energy. There is also interest in establishing new payments for ecosystem services provided by the seas and coastal habitats, such as international payments for 'blue carbon' storage.

International interest in blue growth has typically focused on how private capital can propel the blue economy. For many developing and small island states, blue growth is therefore likely to rely on foreign investment and access arrangements to further exploit marine and coastal resources.

There is an emerging debate on what are the costs and benefits of blue growth policies, and particularly how these will be experienced by coastal communities and those working in small-scale fisheries. An under-explored theme lies with how governments handle revenues. Many commentators claim that growth in the blue economy will have a positive impact, partly by raising public revenues that will enable governments to spend more on local development. Yet there is abundant evidence that raises doubt on this. All over the world, many governments have demonstrated a

problematic approach to managing and distributing resource rents, and it has been shown that in some situations, increasing these rents as a proportion of government income contributes to a range of social, political and ecological problems. A large body of work has explored to what extent an increasing dependence on natural resources for government income is a direct cause of problems such as civil conflict, corruption, low economic growth and inequality. This is popularly referred to as the 'resource curse'.

The evidence and theory for a resource curse is ambiguous.[1] Still, it is an important entry point into debates about natural resource management and how governments ought to deal with income paid to them from exploiting these resources. The mainstream view is that the state is entrusted with overall stewardship of resources and resulting income from renting or selling these resources should be available for immediate spending and use; channelled into annual state budgets.

An alternative policy—and one that a growing number of national and sub-national governments have adopted—is to separate the state's proceeds from natural resources from other streams of government income, and to entrust the management and spending of these funds to a semi-autonomous body. Generally, these are referred to as "sovereign wealth funds". Norway's pensions fund, which invests its earnings from the oil sector, is probably considered the most successful.

In Africa, countries including Ghana, Nigeria, Angola, Botswana, Mauritania and Senegal have established similar funds, based on rents derived predominantly from the oil and mining sectors.

The subject of sovereign wealth funds is important for ongoing debates about blue growth. One reason is that income from blue economy ventures, particularly in mining and offshore oil and gas, may be channeled to these funds in those countries where they are already established. People involved in blue growth strategies should scrutinise these funds, and consider how well they are performing, and in whose benefit. Many sovereign wealth funds have been calamitous but avoidable failures.

A second reason is that a sovereign wealth fund could be an attractive policy for blue growth strategies, something to be recommended in states without them. However, much depends on what objectives are given to these funds, and how they manage both investments and disbursements. Perhaps the most interesting proposal for sovereign wealth funds is for these to operate as permanent 'commons' funds, with income earned directed towards a universal cash transfer to all citizens. It is an idea that has a long history, and has been tried with some success already (i.e., in Alaska). An increasing number of people and organisations have been advocating for this approach to be scaled up.

As yet, no one has applied this idea to the blue economy but a commons fund is a powerful concept to take forward in debates on blue growth, and it could link well with the aspirations of the international guidelines on securing sustainable small-scale fisheries, as well as those on the responsible governance of tenure of land, forests and fisheries. Below we suggest the types of levies that could be used to build such a fund.

How governments mismanage resource rents, and visa versa

Natural resource exploitation can offer a substantial source of fairly quick and easy income for governments, and the availability of this income may change fast as well, driven by new discoveries, technology or foreign demand. If we consider the case in Africa, there have been many 'gold rushes' that have dramatically changed the political economy of countries within a few years; if the colonial era was characterised by a scramble for gold, diamonds, ivory, rubber and slaves, then today the most important commodities are oil, gas, minerals and precious metals. In the blue economy sector, the scramble for offshore

[1] The resource curse theory has an extensive literature. A good summary of the evidence and debates is provided by Paul Stevens (2015) in his paper entitled, 'The resource curse revisited', available at: https://www.chathamhouse.org/sites/default/files/publications/research/20150804ResourceCurseRevisitedStevensLahnKooroshyAppendix.pdf

deposits of oil, gas and minerals is well underway.[2]

In managing this resource wealth, the problematic tendency of political leaders is to adopt a short-term and impatient approach. The money earned through selling natural resources is considered the earnings of the leaders in charge, and therefore susceptible to capricious spending. The worst cases are those where the wealth from resources have simply been looted. Beyond this are numerous examples of governments directing new resource wealth to political projects and spending designed to further immediate political hegemony or favouritism to certain groups. Resource wealth, often derived from levies and access fees paid by foreign companies, also becomes an easy stream of cash that takes pressure off governments to undertake serious reforms and investment in other domestic sectors; many resource dependent states are extremely inefficient at raising and spending taxes. Looking back, the result is a squandering of resource wealth that could have been the foundation for long-term prosperity.[3]

Impatient spending of resource wealth by governments is growing in many parts of the world. This has been enabled by governments borrowing on private financial markets based on predicted growth in their primary commodity markets—Mozambique is one example of how this impacts the blue economy; the previous government used the future prospect of huge income from offshore gas to raise billions of dollars from foreign banks and investors, only to pass this debt on to the next government—a government that has found that early predictions of the vast sums coming from offshore gas were inflated and that is now desperately trying to survive while paying back the debt to foreign banks.[4] In other words, governments can now spend the wealth of natural resources even before they have been extracted, in the process raising levels of debt to unsustainable limits—all but guaranteeing the control over these sectors to foreign powers.

To make matters more challenging, the value of natural resource sectors are themselves highly unpredictable. Any country that depends on annual streams of income from natural resources is vulnerable to destabilising and costly boom and bust cycles. Their wealth is also precarious given the prospect of natural resources being depleted—this is of course inevitable for non-renewable natural resources, such as oil and gas, but equally apparent for renewable resources given that these can be over harvested and destroyed, such is the case with fish stocks in many parts of the world. Several studies have shown that many countries are far worse off if the depreciation of natural resource capital is taken into account in their national accounting, something that traditional metrics of economic success, such as GDP, fail to do.[5] Any efforts to track 'blue growth' will have to factor this depreciation of natural capital to provide a more complete assessment.

Thus, there are two major—and interrelated—problems in the way many governments have handled resource wealth. The first is the tendency to treat this source of revenue in ways that are impatient and wasteful, so that wealth is fleeting—even detrimental to long term prosperity. The second is that this resource wealth is directed to dubious spending, often leading to rising inequality and factionalism. These two problems are compounded by other

[2] See for example, Dupre, R, 5th July, 2015, 'Sub-Sahara Africa booms in oil exploration, natural gas finds', Offshore-mag.ocm, available at: https://www.offshore-mag.com/articles/print/volume-75/issue-5/international-field-development/sub-sahara-africa-booms-in-oil-exploration-natural-gas-finds.html

[3] For a useful review of the situation in Africa, see, Shaxon, N., (2007). 'Oil, corruption and the resource curse'. Int. Aff. 83 (6), 1123–1140. Available at: https://academic.oup.com/ia/article-abstract/83/6/1123/2435110?redirectedFrom=fulltext

[4] CFFA has described the situation in Mozambique in the publication, 'Meet blue bond…saving your fish or bankrupting the oceans', available at: https://cape-cffa.squarespace.com/new-blog/2018/4/14/blue-bondsaving-your-fish-or-bankrupting-the-oceans

[5] See for example, Wold Bank (2012), 'Moving beyond GDP : how to factor natural capital into economic decision making', available here (French translation included), http://documents.worldbank.org/curated/en/724461468157521765/Moving-beyond-GDP-how-to-factor-natural-capital-into-economic-decision-making

observations about the governance of natural resource sectors; the tendency towards secrecy in financial flows; the ease of which leaders position themselves in conflicts of interest; and the failure of governments to do enough to mitigate the ecological impact of resource exploitation, of which the fall out typically hurts more marginalised people the most.

While the resource curse idea is usually applied to large scale mining sectors, elements are relevant to other blue economy sectors. Previous work, for example, has highlighted that the growth in industrialised fisheries in developing countries has been justified on the increasing rents received by coastal states. Yet, the evidence that this wealth has been used in ways that address poverty and development is absent in many places, while the negative externalities to the environment and food security are sometimes more clear.[6]

The case for sovereign wealth funds

These observations on the failure of governments to manage resource wealth successfully have been at the forefront of advice to establish sovereign wealth funds—a semi-autonomous fund which takes windfall earnings from natural resource sectors and invests these in both domestic and foreign assets.

Contemporary arguments for a sovereign wealth fund often stress the macro-economic benefits.[7] By having a pot of money set aside for investments, countries could withstand currency fluctuations on the one hand, and would be able to diversify their economy by investing elsewhere. This is particularly important for countries that rely heavily on one source of income, such as is the case for many oil producing states.

Yet the case for sovereign wealth funds has a longer history and is has been justified on more fundamental principles—based on ideas of justice and sustainable resource use.

Redistribution of common resources

Thomas Paine, a prominent political activist in Britain, France and the US in the 18th Century, is often credited as the forefather of the sovereign wealth fund idea. Paine's interest was far removed from today's macro-economic planning, but rather his argument—made in the publication "Agrarian Justice"—was that every human should have equal right to the wealth of "natural property", defined as the resources bestowed to the world by God. This was distinguished by Paine from "artificial property", which is the wealth derived from the actions of humans. Thus, at the heart of Paine's thinking is that nature ought to be seen as common to all people; it is not something that any person, or government, has the right to see as their own. Natural resources form the 'common property of the human race'.

Paine resented how the hereditary systems of land ownership allowed a small minority to profit hugely and unfairly from natural property. He described how in both the US and in Britain, the majority of people received nothing in return, while they continued to lose areas of common land through enclosures and privatisation. Paine did not advocate for complete redistribution of natural property—along the lines of a communist revolution, nor did he want to see an expansion of state control. Rather, his practical recommendations in Agrarian Justice involved raising tax on land ownership, including a substantial inheritance land tax. In order to re-distribute this wealth, he envisaged a National Fund, which would receive the tax paid by private landowners and then redistribute it to all citizens directly; most of the money would be paid as annual pension to all those over 55, but there was also a one off payment envisioned to all people when they

[6] See for example, Bene, C (2008), 'Global change in African fish trade: Engine of development or threat to food security?', OECD Food, Agriculture and Fisheries Working Papers, No. 10, OECD publishing; Available at: https://www.researchgate.net/publication/23649031_Global_Change_in_African_Fish_Trade_Engine_of_Development_or_Threat_to_Local_Food_Security

[7] See for example, Al-Hassan, A., et al, (2013), 'Sovereign Wealth Funds: Aspects of Governance Structures and Investment Management' IMF Working Paper Series, available at: https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Sovereign-Wealth-Funds-Aspects-of-Governance-Structures-and-Investment-Management-41046

turned 21 years of age. The working of the fund was therefore protected from political interference, and was unaffected by a change in political leadership. Although Paine's ideas were aimed at redistributing wealth, he made clear that the payments from the National Fund should be seen as people's rights, not as an act of charity.

The revival of the commons fund idea

The work of Thomas Paine therefore established not only the principle of re-distributing common resource wealth, but also he established the concept of universal cash payments; an idea that is gaining worldwide support today, known by various titles, including 'basic income'.[8] Indeed, Paine's influence can be seen in one of the earliest examples of a sovereign wealth fund; the Alaska permanent fund, set up in 1976. It has used the wealth from Alaska's oil fields to pay every citizen, including children, an annual dividend since then—as much as 3000USD for some years. Using sovereign wealth funds to pay universal cash dividends has also been adopted in Iran and Mongolia. In the case of Iran, the fund was established with savings from ending fuel subsidies; a progressive move given that fuel subsidies have uneven benefits and increase inequality.

Paine was interested first and foremost in land, whereas today the focus for sovereign common funds has been predominantly on non-renewables—oil, gas and mining commodities. However, some economists advocate for a much wider pool of resources to finance a commons wealth fund, including not only substantially increased land levies, but also a carbon tax and levies on the private use of renewable resources, such as forests.[9] Including fisheries in this list would be consistent with the overall logic, a point which we return to.

Paine's basic idea has also been developed further. The most important addition to Paine's concept stems from the ideal of sustainability, and the fact that natural resource wealth today is often reliant on non-renewable resources. How can a national fund work if the income from this fund is based on an exhaustible resource?

In the 1970s, the American economist John Hartwick elaborated a system whereby the market value of non-renewable resources should be saved and then invested in ways that means this wealth is made available in perpetuity for all citizens, present and future. The 'Hartwick rule' is therefore a commitment to ensure natural resource wealth does not decrease from one generation to the next, which is precisely what is happening today.

Some sovereign wealth funds have been established with this ideal in mind. It is acknowledged that the current generation should not benefit from depleting natural resources at the expense of future generations. A component of the Nigerian sovereign wealth fund, for example, is therefore entitled the "future generations fund". Where funds emphasise inter-general equity, they are established as a permanent fund; the money received by these funds from natural resource use is treated as protected capital, and only money generated from investing these funds can be disbursed. Norway's pension fund operates in this way, and over the years the pot has grown to become the largest sovereign wealth fund in the world, with assets worth about a trillion USD. If the sovereign wealth fund was to be scrapped today, and the capital of the fund was equally distributed to every Norwegian citizen, then each would receive about 200,000 USD. As it is, by law the government of Norway is only able to access 4% of the fund each year.

Likewise, the Shetland's Charitable Fund was established in the mid 1970s with capital derived from the oil sector. Following the rules of a permanent fund, it has now accumulated assets of over 230 million UK pounds, and income from these assets has resulted in spending on social services of over 300 million UK pounds—a substantial amount given Shetland's population of just over 23,000 people.

The cases of Norway and the Shetlands has been contrasted to the way in which the British government used its wealth from the discovery of North Sea oil; this was used as a

[8] See for example the 'Basic Income Earth Network' (BIEN): https://basicincome.org

[9] See for example Barnes, P., (2015), 'Paychecks from earth and sky', available at: http://peter-barnes.org/article/paychecks-earth-sky/

windfall gain by the then government, momentarily boosting the economy and their popularity. But many people in the UK look back and wonder 'what if' the UK had followed the Norwegian policy.

Countries that have implemented permanent funds have faced a difficult and painful start—to establish the funds, the government has agreed to forgo income in the short term. It has been a controversial idea; some argue that poorer countries can not afford to establish these permanent funds, precisely because their immediate needs are so pressing.

Sovereign funds and the risks of ignoring inter-generational equality.

Debates on the pros and cons of a permanent fund remain open and ongoing. A hybrid approach is sometimes preferred, meaning part of the capital of sovereign funds is treated as a permanent fund, with another proportion treated as more 'liquid'—available for governments to use under certain circumstances. Other wealth funds do not emphasis intergenerational equity at all. Rather, a key function of these funds is to hold on to wealth in order to cushion the economy from shocks and bad times, such as currency deflation or a drop in income from commodity sectors, or perhaps a natural disaster. These are generally referred to as 'stabilisation funds'.

The best case policy advice for these stabilisation funds is that they follow very strict guidelines, meaning the use of the capital of these funds is not subject to short term interests of the government, and capital can only be made available if certain triggers occur; such as a set depreciation of the country's national currency. However, in many cases the prosperity of wealth funds has been undone by too much flexibility, and this is given as a reason why a permanent fund is preferable, despite the initial drop in government income.

The opportunity given to governments to dip into the capital reserves of sovereign wealth funds has proved calamitous in some cases. Papua New Guinea, for example, set up a wealth fund in 1974, to invest the payments it received from copper mining, and later oil. Its approach to protecting capital followed the hybrid model, and the government allowed itself to withdraw up to 20% of the money from the fund in any year. By the late 1990s, the government had relaxed these rules further, and by 1999 Papua New Guinea became the first country to completely bankrupt its permanent fund, and without having managed to use these funds in ways that affected its long term development.

A similar fate has affected other wealth funds, including in countries such as Mongolia, Kiribati and Nauru. The governments of these countries have simply been unable to resist using the capital of the funds, meaning the funds have slowly decreased in value, to a point where they are a fraction of what they could be.

A variant of these problems has become evident in other places, including in Alaska; often celebrated for establishing a fund that has come the closest to the ideal 'commons fund'. Here, the reserves held by the Alaska Permanent Fund have also been gradually depleted by impatient governors. This has been justified as successive state legislators have pursued neoliberal economic policies, based on substantial reductions in corporate and direct taxation. What was originally envisaged as a permanent fund has gradually turned into a cash cow that has offset reductions in state revenues. The original fund was established with 50% of revenues being set aside for direct cash dividends, and any changes to the policy governing the fund would have to be approved through parliament. Yet this rule has been changed, governors have bypassed public debate, and the cash dividends have been reduced by over half, to free up more income for the government. Critics argue that if the permanent fund had been protected from political interference, and state legislators had relied on income from higher tax revenues, today the natural resources of Alaska, held in the permanent fund, would be providing over 8,000 USD to each citizen every year, as opposed to 1,200 USD paid out in 2018.[10]

[10] See for example, Basu, R., January 13, 2017, 'Permanent fund defenders', available at: http://goenchimati.org/permanent-fund-defenders/

The common fund and direct cash transfers

Despite the raiding of the Alaska permanent fund by politicians and corporate interests, Alaska is still held as a leading example of a commons fund, based on the policy of redistributing resource wealth directly to all citizens as a cash dividend. The vast majority of sovereign wealth funds don't do this; governments remain the ultimate deciders on how income from natural resource capital is spent. However, there is a growing international campaign for resource funds to finance cash dividends.[11] In Goa, for example, a campaign for a "Goenchi Mati (Goa's Earth) Permanent Fund", which would direct all revenues to an annual citizen dividend, is gaining increasing political support.[12] Several reports on Africa's resource curse have concluded that transferring the enormous wealth from natural resources into a basic income is the most attractive policy response; much more viable than the other policies advanced to ward off the curse, such as transparency and anti-corruption. This idea has also been supported by economists at the World Bank.[13]

There is, of course, a much wider movement for unconditional and universal cash transfers; a policy that is now prominent in debates for addressing poverty and inequality in many parts of the world, including the EU, and backed up with promising trials in both developing and developed countries. Financing a universal cash transfer through natural resource revenues has therefore become a theme of this international campaign, although it is not the only proposal.

The implementation of Paine's national fund, with direct payments to citizens, is justified on both moral and practical grounds. Today, the ideal of the 'commons' is resurgent, given the growing resentment at land grabbing and the squandering of natural resources by multinational corporate interests.[14] Establishing the principle that natural resources are owned in common by all people is therefore a unifying concept behind many global initiatives for social and environmental justice. Specifically, it is a backlash against the policy advice of privatising and commodifying natural resources as the only way of ensuring their sustainable and efficient use; still a dominant message made by many of those working in fisheries and marine conservation.

Transferring wealth from resources to cash payments is therefore a core mechanism of achieving the principle of common ownership. Any sovereign common fund would need to establish that the wealth of resources are there for all to enjoy, and equally, including future generations.

However, beyond this ideal, the case for universal cash transfers is made on more practical grounds.[15] Put simply, it is impossible to achieve universal human rights if society is unable to give large numbers of people the basic income they need to live. Other forms of redistribution have often failed—unemployment benefits and welfare payments based on 'means testing' (establishing people are worthy of this additional support), have been both expensive to administer and they have often introduced poverty traps, or disincentives to work. They are also disliked by those championing basic income due to the stigma welfare payments cause.

---

[11] See for example, Gillies, A., 2010. Giving Money Away: The Politics of Direct Distribution in Resource Rich States. Center for Global Development, Washington, D.C. (CGD Working Paper 231).

[12] See, http://goenchimati.org

[13] See Devarajan, S., Giugale, M., 29th June 2011. 'How Africa Can Extract Big Benefits for Everyone from Natural Resources', the World Bank Group: http://www.worldbank.org/en/news/opinion/2011/06/29/africa-can-extract-big-benefits-everyone-natural-resources

[14] For a useful resource on the resurgence of the commons idea, see the website of David Bollier. In this article he describes how the French development agency has put the 'commons idea' at the forefront of its aid strategy: http://www.bollier.org/blog/french-development-agency-champions-commons-new-vision-development

[15] See for example, DFID, (2011). Cash Transfer Evidence Paper. Department for International Development, UK., available at: http://webarchive.nationalarchives.gov.uk/+/http:/www.dfid.gov.uk/Documents/publications1/cash-transfers-evidence-paper.pdf

Where universal cash transfers have been administered, evidence suggests overtime they succeed in reducing inequality and they have a number of empowering and positive outcomes, including helping people to access basic health care, improving school attendance among the poorer households, and they can help vulnerable populations cope with various environmental and economic shocks, hence why they are considered useful strategies in response to crises such as droughts or civil conflicts. These various impacts are also described to have a strong gendered dimension; they tend to lesson inequalities between men and women. Indeed, case studies show that where cash transfers are predictable and given to each individual directly, they enable women to start up small businesses and become more entrepreneurial, and they can work to reduce other vulnerabilities that women face through poverty and insecurity.

The most usual fear of cash transfers is that they will make people 'lazy', or that people will easily waste their free cash. In real world experiences, these worries do not seem to materialise.

Beyond the welfare implications, a resource dividend is championed on political grounds. One aspect to this is that problems of embezzlement and elite capture would be reduced by a simple resource dividend scheme. It could also avoid the factionalism that is typically generated through distributing resource wealth through undemocratic and unaccountable institutions. Advocates of cash transfers further argue that these can have a positive impact on political and civic relations, because they work to reverse some of the economic and social dynamics that act as barriers to citizens' political and civic engagement, including among marginalised people. There is also thought to be a psychological pay-off from cash transfers; it improves people's sense of citizenship, it could strengthen the 'social compact' between people and the state, and there is also some evidence that cash transfers work to improve altruism and civic engagement, or social capital. Targeted cash transfers may not reproduce these effects to the same extent, since those receiving them may be socially stigmatized and view the payment as an act of charity, rather than as a universal citizenship entitlement, which was something Thomas Paine identified centuries before.

There are also considerations on how a resource dividend may influence people's engagement with the management of natural resource sector. If public revenues from resource sectors were channeled directly to citizens, a predictable outcome would be increased interest in state policy and performance, such as how much are companies actually paying to exploit natural resources, and whether these fee are sufficient. However, there could be a moral hazard stemming from a resource dividend; that political support for environmentally and socially damaging industries would be strengthened, and as a result ecological and human rights abuses associated with these sectors become much more difficult to counter. Some evidence suggests this is a problem in Alaska, although others report this has not been an insurmountable problem and despite citizens relying on cash transfers from polluting industries, there is popular support for efforts to minimise these harms, as well as move towards a reduction in fossil fuel use.

Would a commons fund be worth it?

The idea of a commons fund seems most attractive for countries with abundant and lucrative natural resources. For others, the size of cash transfers may be so small as not to be worth it. Various efforts have been made to predict how substantial a universal cash transfer scheme would be for different countries. The calculation depends on a numerous factors, including the annual access fee paid for resource use, as well as the approach to investing this money. A crude calculation is simply dividing the total government income from natural resource fees by the population. For some countries this highlights some staggering opportunities. In Equatorial Guinea, for example, if all mining and oil royalty payments were distributed directly to all citizens, then each would receive over 13,000 USD a year; remarkable in one of the poorest countries in the world.[16] Equatorial

[16] Goldman, A., (2010). Poverty and Poor Governance in the Land of Plenty: Assessing

Guinea is one of the more extreme examples, and in other countries a cash transfer from existing natural resource sectors would be more modest. For example, an attempt to work out how much could be distributed in Ghana based on income from mining and oil found a likely figure to be between 50 and 80 USD a year. However, the same research showed that this would still be significant for large numbers of poor people, given average per capita income in Ghana is about 400 USD a year.[17]

In the case of a permanent fund, a cash transfer would come from the interest made on investing access and royalty fees. The amount available would therefore be much smaller to begin with in comparison to simply transferring all government income directly to people. But as examples such as Norway and the Shetlands Islands show, if these funds are well managed, then the dividends become substantial overtime.

Avoiding moral hazards

An important consideration for all sovereign wealth funds is how they make a profit. Norway's pension fund provides an interesting case. As the world's largest sovereign investment fund, it has come under scrutiny for investing in unethical and polluting sectors. The result has been the decision to disinvest in some assets. For example, the Norway parliament agreed in 2015 that the Pensions fund should no longer invest in coal production companies, based on concerns over the contribution to climate change. The fund has also chosen not to invest in companies that have a negative impact on tropical forests and that do not meet certain voluntary international standards.[18]

A proposal to establish a 'commons fund' therefore needs to include principles that ensure fund managers restrict, or avoid entirely, investments in sectors that contribute to the further depletion of the commons.

A further concern is that most sovereign wealth funds derive their initial wealth from industries that destroy the commons, particularly oil production. Yet it is unlikely that the interest from permanent funds can ever be sufficient to compensate future generations for the costs of climate change. The ability to achieve inter-generational equity is therefore open to some doubt.

A valid position is to reject all polluting and ecologically destructive industries, and therefore reject any idea of a sovereign wealth fund that relies on these for their development. However, until moving towards a fossil fuel free economy is realised, depositing the wealth from oil into a permanent fund, and therefore available to future generations, is arguably the most sound approach. Better still if these funds go on to invest in projects and companies that restore and protect the commons, including in low carbon technologies or ecologically sensitive food production systems, and then to use the resulting returns as a universal cash dividend.

Considerations for blue growth

Many governments have embraced the concept of sovereign wealth funds, and there are many governments that are supporting the idea of a universal basic income. The idea of a 'commons fund' is therefore not as radical as it may first seem.

With relation to the blue economy—or blue growth strategies—it is a potentially attractive idea, not only in terms of working to address inequality and insecurity, but also as it

an Oil Dividend in Equatorial Guinea, Background Paper. Center for Global Development, Washington, D.C. (CGD Working Paper 231). Available at: https://www.cgdev.org/sites/default/files/archive/doc/Initiatives/Oil2Cash/EG_Goldman_Formatted_Version_Final.pdf

[17] Moss, T., Young, L., 2010. Saving Ghana from Its Oil: The Case for Direct Cash Distribution, CGD Working Paper 186. Washington, DC.: Center for Global Development.

[18] Chain Reaction Research, March 20th 2018, 'The Chain: Norwegian Government Pension Fund's Soy Company Exclusion Linked to Deforestation, No Longer Invested in SLC Agrícola', available at : https://www.valuewalk.com/2018/03/the-chain-norwegian-government-pension-funds-soy-company-exclusion-linked-to-deforestation-no-longer-invested-in-slc-agricola/

would formalise the fundamental ideal of natural resources having common ownership.

A blue commons fund is a concept that might resonate with citizens of small-island states in particular, for whose economy is essentially a blue one. Yet the principles of a commons fund are applicable everywhere, and in several countries already income from blue sectors are being channelled into sovereign wealth funds, making these funds a subject of interest for blue growth debates.

The case for a commons fund has been made most clearly for payments derived from oil, gas and mining. These are of course applicable to blue growth strategies, given that coastal and offshore mining is by far the biggest source of income from the blue economy. Yet is there a case for a commons fund that applies to other blue sectors?

Beyond oil and gas

Various ideas exist to expand income for common funds from other sectors and activities. For example, a carbon tax—embracing the idea of 'polluter pays'—has been considered in many countries, including in the EU. It remains fiercely opposed by industries. Some argue that in the event a carbon tax is introduced, the resulting income should be included in a commons fund.[19] Indeed, while payments for 'blue carbon' have been advanced by advocates of blue growth, support for a blue carbon tax would seem more important—this could be levied on the larger companies operating in the blue economy, such as mining companies, container freight shipping companies, commercial fishing vessels and fish farms. A carbon tax has the added benefit of potentially encouraging reductions in carbon emissions, or supporting 'greener' industries. Following the example of Iran, savings derived from the ending of fuel subsidies could also be transferred to a commons fund.

There are other blue economy sectors that could also make a common fund contribution, including those exploiting marine fauna and flora for marine-biotechnology (i.e. producing cosmetics). Any future payments for 'blue carbon' could be paid into the commons fund, if these ever materialise.

Fisheries may also be included, meaning access and license fees paid to governments for commercial fishing would contribute to a permanent fund as well. This should not deplete the budget available for the management of fisheries, and therefore companies could make two payments; one to the common fund, and one based as a management fee contribution, to be used directly by the fishing administration.

Going forward

These ideas are presented to stimulate debate, and the implications are complex, including reforms to government tax policies; invariably the introduction of a sovereign wealth fund has implications on government reforms for raising income.

A commons fund used to finance direct cash dividends may not be the preferred choice everywhere, and it may be argued that a common blue fund could be used for other ends, such as marine conservation, investing in education, or financing renewable energy. And while a permanent fund may be the preference in an ideal scenario, a compromise might be to use a proportion of the fund for more immediate spending. However, as it is, international efforts to promote blue growth have yet to consider in sufficient detail how the resulting wealth is managed and in whose benefit.

At its simplest, there is an assumption that blue growth will result in more money for governments that will be transferred into public goods, whereas we know from history this may not happen. Moreover, without careful appreciation for inter-generational equity, we risk achieving blue growth now, but at the expense of the wealth and well-being of future generations.

---

[19] Peter Barnes is a well known advocate: http://peter-barnes.org