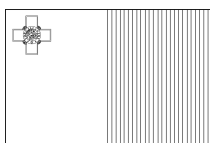


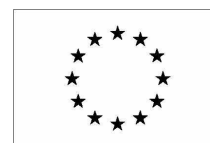
# Annual Implementation Report 2011

April 2012



Fisheries Operational Programme 2007-2013  
European Fisheries Fund (EFF)

***Investing in sustainable fisheries***



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## List of Acronyms

AA	Audit Authority
AIR	Annual Implementation Report
ASA	Alternative Site Assessment
BFT	Blue Fin Tuna
CA	Certifying Authority
DG	Director General
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EFF	European Fisheries Fund
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FEAP	Fishing Effort Adjustment Plan
FIFG	Financial Instrument for Fisheries Guidance
FPD	Funds and Programmes Division
FVR	Fishing Vessel Register
GT	Gross Tonnage
KW	Kilowatts
IAID	Internal Audit and Investigations Directorate
IMCC	Inter-Ministerial Co-ordination Committees
IB	Intermediate Body
MA	Managing Authority
MEPA	Malta Environment and Planning Authority
MC	Monitoring Committee
MGOZ	Ministry for Gozo
MITA	Malta Information Technology Agency
MRRA	Ministry for Resources and Rural Affairs

NSP	National Strategic Plan
NSRF	National Strategic Reference Framework
OP	Operational Programme
OPM	Office of the Prime Minister
OTS	On the Spot
PA	Priority Axis
PPCD	Planning Priorities and Co-ordination Division
SOLID	Solidarity and Management of Migration Flows
TA	Technical Assistance
TEN-T	Trans-European Transport Network

## 1. Identification

**Annual Report on Implementation of the Maltese Operational Programme (OP) as per Article 67 of Council Regulation 1198/2006 on the European Fisheries Fund**

Member State: Malta

Operational programme	Programme number (CCI No):	2007MT14FP0001
Report on implementation	Reporting year:	2011
	Date of approval of the annual report by the monitoring committee	18 April 2012

## 2. Executive Summary

In 2011 the Managing Authority (MA) continued where it left off in 2010 in terms of the implementation of the Programme, building on the achievements of the previous year. An Aid Scheme was launched, various payments were processed and projects were implemented. Furthermore, the groundwork for calls and projects planned for 2012 was made throughout 2011.

The Government of Malta has undertaken a consolidation process of the structures set-up in Malta for the management of EU Funds and as a result of this process the responsibilities of the Managing Authority for the European Fisheries Fund (EFF) have been transferred to the Funds and Programmes Division (FPD), within the Office of the Prime Minister (OPM) as from the 01 January 2012. This Annual Implementation Report (AIR) is penned by the FPD but the MA of the EFF for the year 2011 was the EU Affairs Directorate within the Ministry for Resources and Rural Affairs (MRRA). As from mid-2011 FPD and the EU Affairs Directorate within MRRA collaborated closely so as to ensure a smooth transition of the dossier, with as least disturbance as possible to the system and to the ongoing projects.

In view of the change in the management structure of the Fund the two offices embarked on the task of amending the programme documentation, also taking into consideration lessons learnt and the recommendations of the mid-term evaluation and the Systems Audit carried out by the Maltese Audit Authority (AA) in 2011. Work was carried out on Version 2 of the Operational Programme, which was presented to the Monitoring Committee (MC) of the Programme in November (details below), on the Manual of Procedures, on the Description of the Management and Control Systems and on the Terms of Reference for the Monitoring Committee. Since the EU Affairs Directorate within MRRA was assigned the role of Intermediate Body (IB) as from the 01 January 2012, the Covenant between the MA and the IB had to be revised accordingly and work in relation to this revision was also carried out in 2011.

While preparing to take up the functions and responsibilities of MA of the EFF Programme the FPD capitalised on the vast knowledge and long experience of the Planning and Priorities Coordination Department (PPCD) within the Office of the Prime Minister, which is the Managing Authority of the EU Structural Funds and the Cohesion Fund. Both FPD and PPCD fall within the remit of the Permanent Secretary (EU Funds) and this provided the FPD with the opportunity of adopting best practises and receiving training and guidance from persons who have been managing EU Funds since the 2004 – 2006 programming period.

In view of the envisaged increase in schemes and projects the EU Affairs Directorate within MRRA and the FPD recruited a number of persons to work exclusively on the EFF Programme. As of the end of 2011 MRRA's EU Affairs Directorate had a staff complement of four persons working on EFF while the EFF Unit within FPD had already recruited two officers. The latter made the necessary preparations to recruit more officers in 2012. Capacity building exercises aimed at strengthening the administrative capacity of both offices were also planned. As the EFF MA as from the 01 January 2012 the FPD made a detailed plan of how different tasks will be allocated to officers working within the MA. As per the FPD plan an officer will be responsible for the Computerised Database of the Programme whilst a Financial Control Sub-Unit that will report directly to the Head of the MA will carry out the financial checks on both the IB and the Final Beneficiaries.

Equal opportunities is a horizontal objective within the EFF OP. Interventions aimed at promoting equal opportunities are encouraged in every project being implemented through EFF, and interventions under the Programme must demonstrate commitment to respect the principles of non-discrimination and Equal Opportunities.

Environmental Sustainability features on top of the Maltese Government's Agenda, and this is reflected in various national and sectoral policies. The Maltese Government is committed towards ensuring environmental sustainability and the promotion of cleaner energy with a view to contribute towards mitigating the impact of climate change. The commitment is also reflected in the Selection Criteria of every Measure of the EFF OP since points were granted to environmentally friendly measures.

The MA coordinated assistance from the EFF OP with assistance from the OP co-financed by the European Regional Development Fund (ERDF), the OP co-financed by the European Social Fund (ESF), the Programme financed by the European Agricultural Fund for Rural Development (EAFRD) and other existing financial instruments. The EFF MA was part of the co-ordination structures in place to enhance synergies and co-ordination between the different funding mechanisms as well as avoid overlap and duplication of effort and resources.

In 2011 the MA launched a permanent cessation scheme (under Measure 1.1) in line with the OP's objective of reducing the fishing capacity of the Maltese fishing fleet. Details of this call can be found in the Executive Summary and the Qualitative Analysis (below). The vessels demolished under this scheme reduced the total kW of the Maltese Fishing Vessel Register by 988.45 and reduced the total Gross Tonnage (GT) by 104.55.

In the last quarter of 2011 the FPD and the EU Affairs Directorate within MRRA held a number of meetings about the proposed European Maritime and Fisheries Fund Regulation (EMFF) so as to give consolidated feedback about this proposed legislation. This feedback was channelled through the Policy Directorate within the Office of the Prime Minister, which is



the Directorate responsible for the policy coordination of all EU Funds and for the drafting of Instruction Notes. Both offices communicated with the Technical Attaché responsible for the Fisheries Dossier who attended the relevant Working Parties in Brussels.

The total budgetary allocation to Malta is broken down as per the table below:

<b>Priority</b>	<b>Total Public</b> <b>a=(b+c)</b> <b>€</b>	<b>EFF Contribution</b> <b>(b)</b> <b>€</b>	<b>National Contribution</b> <b>(c)</b> <b>€</b>	<b>EFF co-financing rate</b> <b>(d)=(b)/(a)*100</b> <b>€</b>
<b>Priority Axis 1:</b>	2,900,000	2,175,000	725,000	75
<b>Priority Axis 2:</b>	2,277,000	1,707,750	569,250	75
<b>Priority Axis 3:</b>	5,460,105	4,095,079	1,365,026	75
<b>Priority Axis 5:</b>	526,000	394,500	131,500	75
<b>Total</b>	<b>11,163,105</b>	<b>8,372,329</b>	<b>2,790,776</b>	

Table 1: Budgetary Allocation under the EFF per Priority Axis (PA)

## **Priority Axis 1 – Measures for the adaptation of the Maltese fishing fleet**

### ***Measure 1.1 – Public Aid for permanent cessation of fishing activities***

The actions taken under this measure have to be implemented within the framework of a Fishing Effort Adjustment Plan (FEAP) elaborated in line with Article 21 and 22 of the EFF Regulation. The main objective of this measure is to reduce the fishing capacity of the Maltese registered fishing fleet through the permanent cessation of fishing vessels.

Following the first call issued in 2010, a second call under Permanent Cessation of Fishing Activities was issued on the 5<sup>th</sup> August 2011, for all vessels with the aim of reducing the Maltese fishing effort. The call closed on 9<sup>th</sup> September 2011 and 13 applications were received. Under this scheme fishers were compensated for the withdrawal of their fishing license and the demolition of their vessel. The total budgetary allocation of the said call amounted to €600,000. Following an evaluation process, six fishers benefited from this

scheme and their details can be found on the website of the former and current MA, namely (<http://vafd.gov.mt/eff?l=1>) and (<http://www.ppcd.gov.mt/eff0713>) respectively. The actual scrapping took place in December 2011 and all the funds contracted under this scheme, i.e. €527,776.64, were paid in grants to the selected fishers. Under this scheme the remaining amount of €72,223.36 were registered as savings and may be used in other calls

In 2011, the Managing Authority launched two statements of expenditure via the electronic management system, and the funds were certified to the European Commission (EC) by the Certifying Authority (CA) on 20 May 2011 and 26 December 2011. Funds were received from the EC on 30 June 2011 and 25 January 2012.

### ***Measure 1.3 – Investments on board fishing vessels and selectivity***

The objective of this measure is investment in the upgrading and modernisation on board vessels to ensure that fishermen operate in a safe and sound environment as per Article 25 of the EFF Regulation. This measure was launched in 2010, however the evaluation of the call went on well into 2010 and grant agreements were signed in December 2010. Following a selection process, 45 Beneficiaries were selected. Projects were implemented on the basis that fishers would undertake the investment and following the necessary checks, payments would then be made, on the basis of eligible expenditure.

33 grant agreements were signed under this scheme for a total cost of € 543,743.81, of which € 163,123.14 were EFF funds and € 54,374.38 were national funds. The measure generated € 326,246.29 in private investment. The selected operations<sup>1</sup> included investments in safety on board, improvement of working conditions on board, enhancement of hygiene), improvement of product quality, improvement of energy efficiency and an increase in the selectivity of fishing gear. A number of projects were delayed due to personal circumstances of Beneficiaries.

Payments were largely paid in 2011 and € 114,130.74 were processed under this scheme by end of 2011. These represented grants to 12 beneficiaries<sup>2</sup>. Payments were certified by the CA to the EC on the 26 December 2011 and received from the EC on the 25 January 2012.

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<sup>1</sup> The Beneficiaries' details can be found on the web site of the MA (<http://vafd.gov.mt/eff?l=1>) and the also on the web site of the Funds and Programmes Division (<http://www.ppcd.gov.mt/eff0713>).

<sup>2</sup> With regard to the rest, projects were still being implemented and further payments are expected in 2012.

***Measure 1.4 – Socio-economic compensation for the management of the community fishing fleet***

The objective of this measure is to support sustainable management of the fleet through, amongst other ways, diversification of activities within the industry, upgrading the skills of the active fishers and by supporting the transfer of skills to occupations outside the fisheries industry. This measure aims at addressing these challenges by granting socio-economic compensation for the management of the community fishing fleet with the ultimate aim of ensuring the long-term sustainability of specific stocks.

During 2010, a service provider was commissioned by the MA to provide training courses to fishers. The main objective of this training was to provide fishers with better knowledge of health and safety measures at sea as well as diversification of activities. Over 800 persons attended the training which started in December 2010 and continued until March 2011. A total of 827 persons were certified. In 2011 a total of € 112,547.40 was certified to the EC under this measure, and the corresponding EFF contribution, i.e. € 84,410.55, was received by Malta in 2011.

**Priority Axis 2 – Aquaculture, Inland fishing, Processing and Marketing of Fishery and Aquaculture Products**

***Measure 2.1 – Productive investments in aquaculture***

The aquaculture industry presently has 6 farms operating at 9 sites, producing blue-fin tuna, sea bream, sea bass, and meagre. These produce a total of 6,800 tons of fish for a total value of €82 million. The production of Blue-fin tuna, which comprises 4,900 tons is capture based while the other species are produced through a closed cycle. As per the statistics issued by the Employment and Training Corporation, in 2011 there were 127 people employed full time in the fish farming industry and another 33 persons that had fish farming as their primary part time job.<sup>3</sup>

The draft Aquaculture Strategy that will be finalised by the end of 2012 plans for the shift of Maltese aquaculture towards an increased production of closed cycle species with aspirations to develop into alternative species such as the amberjack.

Due to territorial constraints and competition for space by other industries such as tourism and shipping, the strategy aims to develop further through sustainable aquaculture within

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<sup>3</sup> Gainfully Occupied Population Report for September 2011 (Source: [http://www.nso.gov.mt/statdoc/document\\_view.aspx?id=3174&backUrl=news\\_by\\_date.aspx%3fretainCriteria%3dtrue](http://www.nso.gov.mt/statdoc/document_view.aspx?id=3174&backUrl=news_by_date.aspx%3fretainCriteria%3dtrue)).

defined aquaculture zones with an improved monitoring programme that will link monitoring results with the defined specific carrying capacity for each site.

The draft strategy emphasises communication between all stakeholders of this industry for its sustainable development that will provide the increased demand for seafood for human consumption and it will supplement the capture fisheries sector. Moreover, it could offer employment to ex-fishermen and their families in view of the declining status of the fishing industry.

Moreover, Malta has a very limited coastline, the majority of which is not adequate for aquaculture in view of the high cliffs. Land-based investments are also difficult due to the high population density on the Island, which makes caging off-shore more feasible.

The Programme foresaw the development of an aquaculture hatchery and spawning facility. An Alternative Site Assessment (ASA) was carried out under Technical Assistance (TA) of the EFF Programme. The MRRA is still in discussions with Malta Environment and Planning Authority (MEPA) to ensure that the project is sound and addresses every environmental concern. Due to planning requirements and timeframes requested, it is not possible that the hatchery materialises under the current programming period.

### ***Measure 2.3 – Investments in processing and marketing***

The efficient processing and effective marketing of products are two important elements for the fisheries and aquaculture industries, particularly in view of increased international competition. It is therefore vital that both sectors continue to improve competitiveness via the introduction of more efficient processing methods, the development of new products and the effective marketing of these products.

The measure is intended to give support to a number of processing facilities within the fisheries and aquaculture sectors. Investments concern infrastructural projects in the construction, extension, procurement and modernising of processing plants and equipment of fish products which involve fish handling, fish treatment, storage and distribution between the time of landing or harvesting and the end product stage but not at retail stage.

An Aid Scheme under this Measure was launched on the 28<sup>th</sup> September 2010 and closed on the 2<sup>nd</sup> November 2010<sup>4</sup>. Two applications were received and both were deemed eligible. The Grant Contracts with these two applicants were signed in February 2011 for a total public eligible cost of €780,006. The projects, consisting of fish processing and packaging plants

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<sup>4</sup> Results published on 11 February 2011

located in Mellieha and Marsaxlokk were still under implementation as at end 2011 and are expected to be completed by Quarter 3 of 2013.

## **Priority Axis 3 – Measures of Common Interest**

### ***Measure 3.1 – Fishing Ports, landing sites and shelters***

#### **Fishing Ports**

In 2011, there were 6 ports designated as fishing ports in Malta and Gozo. The need to upgrade current amenities, particularly improving and guaranteeing the necessary hygiene standards through the provision of covered areas and temporary cold storage for both approved and withheld landings as well as the increased control obligations arising from Council Regulation (EC) No. 1967/2006, existing port facilities are in need of further investments in order to be able to handle increased workload as well as ensure compliance with the relevant Regulation.

During 2011, a restricted call was issued under this Axis and the Wholesale Markets and Fishing Fleet Facilities Directorate responded with an application to install 12 service pillars in the Marsaxlokk fishing port for a total of €45,231.54 in public expenditure. These pillars are providing electricity and fresh water to be used for the maintenance and cleaning of fishing vessels.

In December 2011, € 45,134.43 was verified by the MA and certified to the European Commission.

#### **Landing Site and Shelters**

The Mediterranean Regulation<sup>5</sup> has further increased the obligations with respect to landings of tuna, swordfish and trawled fish. Catches of such species have now to be landed at designated ports. In 2011, the Ministry for Resources and Rural Affairs has short-listed four potential designated ports that might be upgraded during the 2007 – 2013 programming period; Marfa, Valletta, Marsaxlokk and Mgarr, Gozo. These four ports are deemed the most advantageous sites for such landings. Given that the said ports are multi-functional and have also commercial / touristic (scenic) value, discussions were held with MEPA in 2011 in order to identify the best option which would fulfil the necessary requirements of the fisheries sector whilst at the same time make it through the very stringent development restrictions in these areas. The outcome of the discussions is not yet totally clear, however relatively

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<sup>5</sup> Council Regulation (EC) No. 1967/2006

“unproblematic” sites have been found in Mgarr (Gozo) and possibly Marfa but Valletta and Marsaxlokk remain problematic. In the course of 2011, other ports were identified as designated ports. These include Veccja (San Pawl il-Bahar) and Marsaskala. These ports will not require a permanent structure to fulfil the obligation associated with landing sites, but are most likely to benefit from mobile infrastructure which will address many of the MEPA issues. Pending a more permanent solution for Marsaxlokk and Valletta, which so far are deemed important to warrant a permanent structure, these ports too will be able to function by means of mobile infrastructure (refrigerated lorries) that is expected to be procured in 2012.

### **Fish-market**

The general objective of the measure is to improve the existing fishing ports and landing sites whilst meeting standards as well as improving the conditions under which products are auctioned. Government is committed to investing in a new fish market to relocate and upgrade amenities of the current infrastructure as well as offer the possibility for new fisheries activities, related primarily to processing, within the newly designated area.

In 2011, the main activity centred around securing the relevant planning permits and drafting of the relevant tender specifications and dossiers. Discussions with MEPA were held as part of the assessment process and a site in Marsa was identified (already before the adoption of the OP). MEPA Board approved the application on the 15 September 2011. As at end 2011, the procurement process was still ongoing.

The relocation of the fish market will make a positive contribution to the environment. It will also prevent the issue of having fish transported across a busy road on pallets and trolleys. The planned new fish market seeks to minimise the water run off, prevent pollution and seek to support the processing of unsold fish hitherto discarded.

### **Priority Axis 5 – Technical Assistance**

In 2011 a number of technical studies were commissioned. These included a wave study to identify the best possible solution to the high wave disturbance experienced by fishermen at the hard standing facility and at the fishing boat berthing basin and the preparation of an aquaculture strategy which were commissioned under technical assistance<sup>6</sup>. The wave study identified the best possible solution to the high wave disturbance experienced by fishermen both at the hard standing berthing conditions and at the fishing boat berthing basin in Marsaxlokk harbour. This study was necessary in view of the designated ports project which will be co-financed under Priority Axis 3 and which includes the development of the

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<sup>6</sup> The Alternative Site Assessment (ASA) for the marine hatchery and Blue fin tuna spawning facility (under Measure 2.1), was also carried out in 2011

infrastructure at the Marsaxlokk fishing port. The aquaculture study was concluded in mid-2011 (see page 11).

With regard to the implementation of the programme itself, the mid-term evaluation commissioned in March 2011 was completed in 2011 and presented to the Monitoring Committee in June 2011. Other expenses under Technical Assistance included capacity building, publicity and expenses related to the Monitoring Committee<sup>7</sup>.

### **Information and Publicity**

In 2011, the activities related to information and publicity related mainly to the publication of all calls launched in 2011. All calls for proposals were published on the MRRA website and on the Government Gazette and copies of the Guidelines and application forms were sent to fisheries cooperatives and to the Ministry for Gozo (MGOZ). The results of the adjudication process were also published electronically and on the Government Gazette. All communications included the EFF publicity logos.

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<sup>7</sup> Refer to Chapter 4; pg 32 of this document for Technical Assistance table of expenditure

### 3. Overview of the Implementation of the Operational Programme by Priority Axis

#### 3.1 Information on the physical progress of the priority axes<sup>8</sup>

Table 2: Information on the physical progress of the PA

Priority Axis 1: Measure for the Adaptation of the Fishing Fleet			2010	2011	Total
Results	<i>Indicator 1:</i> Number of Long Liners to be scrapped by end 2015 under this operational programme: Blue fin tuna (BFT) – 5 Swordfish - 15 which represent the scrapping of boats adding up to a capacity of 200 GT and 1,252 Kw.	Achieved	1,040.67 kW & 133.65 GT resulting in a 7.9% reduction in BFT licences according to the OP data (base year 2006) and a 2.7% reduction in swordfish licences according to the OP data (base year 2006)	988.45 kW & 104.55 GT resulting in a 7.9% reduction in BFT licences according to the OP data (base year 2006) and a 3.1% reduction in swordfish licences according to the OP data (base year 2006)	2,029 kW & 238.20 GT. A 15.7% reduction was achieved for BFT Licences, and a 5.8% reduction was achieved for swordfish licences.
		Output Target: Number of schemes launched to aid the cessation of fishing activities by Long Liners licensed to fish for Blue Fin Tuna and Swordfish - 2	1	1	2
		Baseline: Number of Long Liners which in 2006 were licensed to fish for BFT (89) and Swordfish (257). These formed part of the Maltese Fishing register of 1,404 fishing vessels - 98,529 kW; 15,166 GT	N/A	N/A	N/A

<sup>8</sup> Data has been provided by the EU Affairs Directorate within MRRA.



	<i>Indicator 2:</i> Number of vessels to be modernised by end 2015 under this Operational Programme – 15 vessels.	Achieved	N/A	33 Grant Contracts under the investment on board fishing vessels & selectivity were signed	33 fishing vessels have been granted funds under the investment on board fishing vessels & selectivity
		Output Target: Number of Schemes launched to modernise fishing vessels - 1	1	N/A	1
		Baseline: Number of vessels in the Fishing Vessel Register in 2006 which had already undertaken modernisation during the period 2004-2006 - 7	N/A	N/A	N/A
	<i>Indicator 3:</i> Number of vessels with engines replaced by end 2015 under this Operational Programme – 2	Achieved	N/A	N/A	N/A
		Target: Number of Schemes launched to modernise fishing vessels - 1	1	N/A	1
		Baseline: Total engine power of all vessels in the Fishing Vessel Register in 2006 - 98,529 kW	N/A	N/A	N/A

	<i>Indicator 4:</i> Number of fishers having received training during the period 2007-2013 under this operational programme – 800	Achieved	N/A	827 fishers received training.	827 fishers received training
		Output Target: Number of projects for the training of fishers by end 2015 under this Operational Programme	1/2	1/2 <sup>9</sup>	1
		Baseline: Number of fishers which had received training on professional and for occupations outside sea fishing skills during the period 2004-2006 - Nil	N/A	N/A	N/A

<b>Priority Axis 2: Aquaculture, Processing and Marketing of Fishery and Aquaculture Products</b>			<b>2010</b>	<b>2011</b>	<b>Total</b>
Results	<i>Indicator 5:</i> Number of new species cultivated by end of 2015 - 1	Achieved	N/A	N/A	N/A
		Output Target: Number of projects supporting the diversification of cultivated species under this operational programme - 1	N/A	N/A	1
		Baseline: Number of different species	N/A	N/A	N/A

<sup>9</sup> A number of modules were given in 2010 whilst the rest were given in 2011.

		currently being cultivated in 2006 - 3			
	<i>Indicator 6:</i> Number of fish farms having been assisted under this operational programme to export closed-cycle species by 2015 - 2	Achieved	N/A	N/A	N/A
		Output Target: Number of projects by different fish farms aimed at increasing the export of closed-cycle species under this operational programme - 2	N/A	N/A	2
		Baseline: Number of fish farms exporting closed-cycle species in 2006 - 2	N/A	N/A	N/A
	<i>Indicator 7:</i> Number of fish farms that undertake environmentally friendly initiatives by 2015 under this operational programme - 1	Achieved	N/A	N/A	N/A
		Output Target: Number of projects undertaken by fish farms under this operational programme that have an element of environmental protection	N/A	N/A	1
		Baseline: Number of environment protection projects undertaken by 2006 - 1	N/A	N/A	N/A
	<i>Indicator 8:</i>	Achieved	2 ongoing projects	0	2

	Number of existing processing and packaging facilities, modernised under this operational programme by end 2015 – 2	Output Target: Number of schemes launched to enhance processing and packaging facilities of the aquaculture and fisheries industries under this operational programme by end 2015 -2	N/A	N/A	2
		Baseline: Number of processing and packaging facilities in place in 2006 - 5	N/A	N/A	N/A
<b>Priority Axis 3: Measures of Common Interest</b>			<b>2010</b>	<b>2011</b>	<b>Total</b>
Results	<i>Indicator 9:</i> Number of ports having the necessary facilities for the landing and storage of fish – 4.	Achieved	N/A	N/A	N/A
		Output Target: Number of upgrading projects on infrastructural facilities undertaken by end 2015 under this Operational Programme - 4	N/A	N/A	4
		Baseline Number of ports having necessary landing and storage facilities in 2006 - 1	N/A	N/A	N/A
	<i>Indicator 10:</i> The relocation of the fish market by 2015	Achieved	N/A	N/A	N/A

	fish market by 2015	Output Target Number of projects addressing the relocation of fish market facilities by end 2015 - 1	N/A	N/A	1
		Baseline Number of fish market areas in 2006 - 1	N/A	N/A	N/A
	<i>Indicator 11:</i> A nominal increase in the national per capita consumption of fish from 2006 to 2015.	Achieved	N/A	N/A	N/A
		Output Target Number of marketing and promotional campaigns organised during the period 2007-2015	N/A	N/A	1
		Baseline Average national per capita consumption of fish (kg/year) during period 2000-2006 – 6.58 Kg	N/A	N/A	N/A

### 3.2 Specific Information for priority axes and measures

Two Fishing Effort Adjustment Plans were prepared in line with Article 22 of Regulation 1198/2006.

#### The Fishing Effort Adjustment Plan for Blue Fin Tuna

The Fishing Effort Adjustment Plan for Blue Fin Tuna was approved in October 2010.

The table below is an analysis of the results in implementing the fishing effort adjustment plan using the indicators defined in the EFF Operational Programme (Version 3)<sup>10</sup>:

Objective	Baseline	Target by 2015	Achieved during 2011
Public aid for permanent cessation of fishing activities.	Number of Long Liners which in 2006 were licensed to fish for Blue fin tuna (89) and Swordfish (257). These formed part of the Maltese fishing register of 1,404 fishing vessels (GT 15,166; Kw 98,529).	Number of Long Liners to be scrapped: Blue fin tuna – 5 Swordfish – 15, which represent the scrapping of boats adding up to a capacity of 200 GT and 1,252 Kw.	GT scrapped - 104.55.  Kw reduced from Fishing Vessel Register (FVR) - 988.45.

Table 3: Analysis of results

Through the Permanent Cessation call that was launched on the 5<sup>th</sup> August 2011, and taking into consideration 2010 figures, 2,029 kW and 238.20 GT of scrapping was attained. To date, a 15.7% reduction was achieved for Blue Fin Tuna licences, and a 5.8% reduction was achieved for swordfish licences.

#### The Fishing Effort Adjustment Plan for Small Scale Fishing

The Fishing Effort Adjustment Plan for Small Scale Fishing (for fishing vessels smaller than 12 metres) was also adopted in 2010. The said Plan has been implemented and a total of three **small scale fishing vessels have been demolished through the first permanent cessation call.**

<sup>10</sup> Fisheries Operational Programme – Version 3 – November 2011

### 3.3. Financial information (all financial data shall be expressed in Euro)

#### Regions eligible under the convergence objective

Table 4: Financial Information under each Priority Axis

	Expenditure paid by the beneficiaries included in payment claims sent to the MA €	Corresponding public contribution €	Corresponding EFF contribution €	Expenditure paid out by the body responsible for making payments to the beneficiaries €	EFF committed by the MA €	Total payment requested from the Commission Specify the basis for calculating the Community contribution <sup>11</sup> €	Total payments received from the Commission <sup>12</sup> €
PA1	1,936,161.20	1,867,682.75	1,400,762.07	1,867,682.75	1,618,507.19	1,400,762.12	1,400,762.12
PA2	422,020.10	168,808.04	126,606.05	168,808.06	585,004.50	126,606.05	126,606.05
PA3	45,134.43	45,134.43	33,850.82	45,134.43	33,923.66	33,850.82	33,850.82
PA4	-	-	-	-	-	-	-
PA5	114,422.33	114,422.33	85,816.76	114,422.33	210,236.54	85,816.76	85,816.76
TOTAL	2,517,738.06	2,196,047.55	1,647,035.70	2,196,047.57	2,447,671.89	1,647,035.75	1,647,035.75

<sup>11</sup> Article 76 (1) of Council Regulation (EC) No 1198/2006

<sup>12</sup> A first advance payment to the amount of EUR 586,063.03 was executed on 23<sup>rd</sup> December 2008, (bank value date). A second advanced payment to the amount of EUR 586,063.03 was requested on 17<sup>th</sup> June 2009 and was executed on 14<sup>th</sup> September 2009 (bank value date). € 693,097.97 were certified in 2011 but received from the EC in January 2012.

### 3.4 Qualitative Analysis

#### Priority Axis 1

Following the first Permanent Cessation call launched and implemented in 2010, a second permanent cessation scheme was launched in 2011, for which a total budget of €600,000<sup>13</sup> was made available. The scheme was launched on the 5 August and closed on the 9 September 2011. 13 applications were received, of which 6 were found to be eligible and ranked. The result was published in the press and there was also the possibility of appeal. The scheme incorporated lessons learned from the first scheme and provided additional clarity on a number of issues.

In 2011, 6 Grant Agreements were signed, committing € 527,776.64 in public funds (€ 395,832.48 representing the EFF contribution). By the end of December 2011, six fishing vessels targeting Blue Fin Tuna and Swordfish were demolished and removed from the fishing vessel register. A total of €527,776.64 was paid in grants to Beneficiaries under this scheme, of which € 395,832.48 represent the EFF contribution.

The Permanent Cessation Aid Scheme launched in 2011 resulted in a further reduction of 988.45 kW and 104.55 GT from the Fishing Vessel Register, which translate into a 7.9% and 3.1% reduction in BFT and swordfish licences respectively, when compared to the OP data (base year 2006).

When the achievements of the first call for permanent cessation (2010) are added to those of the second call (2011 call), the result translates into a reduction of 2,029 kW and 238.20 GT from the Maltese Fishing Vessel Register. This reduction is the equivalent of a decrease of 15.7%, and 5.8% in BFT and swordfish licences respectively.

The Aid Scheme under Measure 1.3 of the Operational Programme, targeting investments on board fishing vessels and selectivity, was launched in March 2010. The measure was intended specifically to improve the existing fishing fleet through modernisation actions such as improvements of safety on board, improvements of the working conditions on board, the enhancement of hygiene, the improvement of product quality, the improvement of energy efficiency and an increase in the selectivity of fishing gear provided that these do not increase the ability of the vessel to catch fish. Following the Grant Agreements signed in 2010, projects were under implementation in 2011.

As at the end of 2011, €114,130.74<sup>14</sup> out of the total budgetary allocation of the said Aid Scheme (€210,000) had been certified. The Beneficiaries have commissioned, procured, and installed the items listed in their respective Grant Agreement. A number of Beneficiaries had proposed changes to their vessels' engines; however the financing of such operations was put temporarily on hold,

<sup>13</sup> Public Eligible Funding

<sup>14</sup> Including both Public Eligible and private funding.



following a request for clarification received from the EC<sup>15</sup> with regard operations funded under Article 25 (2) of the EFF Regulation. The content of this letter had been discussed between the European Commission and the Maltese Authorities at the Annual Examination Meeting held in Brussels on the 10 November 2011 and the letter was in fact sent to the Maltese MA after this meeting. The issue concerned the assessment and control by the authorities on the ability of the vessel to catch (more) fish following modernisation activities. The EC was informed by the MA that the condition of “not increasing the ability of a vessel to catch fish” is applied through a number of procedures, namely in the calls for proposals, the selection of operations, the contractual agreements signed and finally through on-the-spot checks on Beneficiaries.

In 2011, a total of € 1,332,598.57 (public funds) were paid via Treasury under this Axis, of which € 999,448.98 represented the EFF contribution. This brings the total amount paid so far under this Axis to € 1,986,613.27 of which € 1,489,960.02 represents the EFF contribution. In 2011, the amount of (public) funds verified (by the MA) to the CA under this Axis was € 1,208,922.29 (of which € 906,691.71 is the EFF contribution) bringing the total of amounts verified by the MA as at end of 2011 to € 1,936,161.20 (€ 1,400,762.06 representing the EFF contribution). The amount certified by the CA under this Axis in 2011 was € 1,208,922.29 (of which € 906,691.72 is the EFF contribution). The amounts received in 2011 from the EC by the CA were € 931,975.38.<sup>16</sup>

#### Equal Opportunities under Priority Axis 1

The calls launched under Priority Axis 1 awarded extra points to female employees, female owners of fishing vessels or female members of the crew in line with Article 11 of the EFF Regulation.

#### **Priority Axis 2**

The Aid Scheme launched at the end of Q3 2010 under Measure 2.3 (Investments in processing and marketing) to support processing facilities within the fisheries sector started implementation in 2011<sup>17</sup>. Both applications received were deemed eligible under the criteria of the call and Grant Agreements were signed in February 2011 for a total public eligible cost of € 780,006, of which € 585,004.50 were the EFF contribution. The projects consist of fish processing and packaging plants. The total Public Eligible amount (40% of the total cost of operations) paid as at end of 2011 amount to €176,578.34, and the total payments effected by Beneficiaries add up to about €334,321.68.

The issue taking most of the time and focus in 2011 as far as the aquaculture industry is concerned relates to the task of finding an appropriate site for an aquaculture hatchery.

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<sup>15</sup> Letter dated 5 December 2011 from EC concerning compliance with Article 25 (2)

<sup>16</sup> This corresponds to the costs certified in December 2010 and May 2011. Costs certified in December 2011 were received by the CA in 2012.

<sup>17</sup> The call was launched in September 2011 and closed in November 2010. 2 applications were received.

The domestication of the Atlantic bluefin tuna *Thunnus thynnus* is one way to alleviate the pressure on the wild fishery of this species and aid in its conservation. The development of a real and self-sustained aquaculture industry for this species will propagate this species in captivity and produce fingerlings for further grow-out to market size. This will create a closed aquaculture cycle that will not depend on wild-caught bluefin tuna but create a sustainable industry for this high value species; as it has already been done for the European sea bass (*Dicentrarchus labrax*) and gilthead sea bream (*Sparus aurata*) in the Mediterranean area. Research is advanced in the case of the amberjack *Seriola dumerili* whereby eggs are reliably produced in Malta and the juvenile production techniques are on the brink of commercialisation.

The construction of a bluefin tuna spawning facility will implement knowledge already obtained on the artificial control of reproduction through the knowledge gained within the EU funded projects REPRODOTT (Q5RS-2002-01355) and SELFDOTT (KBBE-212797). This spawning facility will help Malta obtain a more precise control on the reproduction and egg collection of bluefin tuna.

An alternative site assessment for an aquaculture hatchery and spawning facility was carried out (under the EFF Technical Assistance). The report served as a basis for discussion with MEPA, however the latter objected to the site identified in this study. It is clear that further work will be necessary in this regard and that given the time needed for further assessments, the actual hatchery itself is unlikely to be established within the time-frames of the current programming period.

In 2011, a total of € 176,578.34 (public funds) were paid via Treasury under this Axis, of which € 132,433.78 represented the EFF contribution. This brings the total amount paid so far under this Axis to € 176,578.34 of which € 132,433.78 represents the EFF contribution. In 2011, the amount of (public) funds verified (by the MA) to the CA under this Axis was € 168,808.06 (of which €126,606.05 is the EFF contribution) bringing the total of amounts verified by the MA as at end of 2011 to € 422,020.10 (€ 126,606.03 representing the EFF contribution). The amount certified by the CA under this Axis in 2011 was € 168,808.06 (of which € 126,606.05 is the EFF contribution). No funds in relation to this Priority Axis were received by the CA from the EC in 2011 (Funds were received in 2012).

#### Equal Opportunities under Priority Axis 2

The Aid Scheme launched under this Measure was in line with Article 11 of the EFF Regulation (described under Priority Axis 2). In fact, the call was designed to favour companies owned by women or which have women on their payroll. This was reflected in the scores detailed in the Selection Criteria of the call.

### **Priority Axis 3**

Priority Axis 3 is concerned with the upgrading general port facilities for the common use of the fisheries sector. In 2011 port infrastructure has been enhanced through the procurement of service pillars which provide electricity and fresh water to be used for the maintenance, repair and cleaning of fishing vessels. These service pillars were installed at 'Xatt is-Sajjieda' in Marsaxlokk, the largest fishing port in the archipelago. The new equipment has addressed several operational limitations as supply of electricity and water was limited to a few number of fishermen at any one time; hence rendering repair and maintenance a more time consuming affair. Besides making it easier for fishers to clean their vessel, the service pillars produce individual billing so that every user will pay exactly for the amount consumed.

In 2011, further discussions were held with the relevant stakeholders (including MEPA) with regard to the upgrading of landing sites in designated ports. The main objective is to install amenities necessary for the proper control of landings, particularly in the light of the increased obligations under the Mediterranean Regulation<sup>18</sup> with regards to control of landings of tuna, swordfish and trawled fish, which now have to occur at designated ports. In 2011 MRRA explored the possibility of locating the designated ports in the following localities: Marfa, Valletta, Marsaxlokk and Mgarr Gozo, which have been identified as the most advantageous sites for landings. Following these discussions, it transpires that the site Gozo will most likely be the least problematic in terms of planning permission as the existing premises identified merely require (primarily) internal upgrades. The discussions with respect to the identification of sites in Marfa, Valletta and Marsaxlokk were still ongoing as at the end of 2011, with the latter two posing most difficulties.

In view of the difficulties posed through the planning process and the time needed to address these issues, the Maltese authorities are considering alternative "temporary" solutions (such as mobile equipment which can be taken from one site to another) which could help bridge the gap as well as provide equipment to be used in the *less popular* designated ports which will not require permanent infrastructure. As at end 2011, this option was still being explored.

The main project foreseen under Priority Axis 3 of the OP is the building of a new fish market. Facilities for buyers, sellers, inspectors and handlers of fish products at the existing fish market in Valletta are far from optimal, primarily due to the fact that the current fish market is split across between the two buildings which are separated by the Valletta ring road with the transfer of fish on pallets and trolleys which is not ideal, to say the least. Moreover, the existing fish market is located at a site within the Valletta Grand Harbour, which is more suitable for other economic activity, such as tourism, and given the very little limited space available, expansion into additional fisheries activities at the current location would not be possible. The site chosen for the new fish market is in Marsa. Discussions with MEPA were held as part of the assessment process in 2011, and the required

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<sup>18</sup> Council Regulation (EC) No. 1967/2006

development permit was issued in September of the same year. As at end 2011, the procurement process was still underway.

In 2011, a total of € 45,134.43 (public funds) were paid via Treasury under this Axis, of which € 33,850.82 represented the EFF contribution. This brings the total amount paid so far under this Axis to € 45,134.43 of which € 33,850.82 represents the EFF contribution. In 2011, the amount of (public) funds verified (by the MA) to the CA under this Axis was € 45,134.43 (of which € 33,850.82 is the EFF contribution) bringing the total of amounts verified by the MA as at end of 2011 to € 45,134.43 (€ 33,850.82 representing the EFF contribution). The amount certified by the CA under this Axis in 2011 was € 45,134.43 (of which € 33,850.82 is the EFF contribution). No funds in relation to this Priority Axis were received by the CA from the EC in 2011 (Funds were received in 2012).

### **Priority Axis 5**

Technical assistance is being used to support the implementation of the policy as well as the implementation of the Programme itself. In 2011 a number of studies in support of the sector were undertaken. These include a wave study, the drafting of the aquaculture strategy as well as the study related the site assessment process with regard to the marine hatchery and BFT spawning facility. In the case of the draft aquaculture strategy, this is expected to be published in 2012 for public consultation.

With regard to support for the implementation of the Programme, technical assistance support was used for the undertaking of the interim evaluation<sup>19</sup> which was launched under an open tender procedure in December 2011 and concluded in March 2011. The results of the interim evaluation were presented to the Monitoring Committee in June 2011. Other expenditure related to technical assistance incurred in 2011 concerned primarily the organisation of monitoring committee meetings in June and November 2011 as well as capacity within the IB and MA to support the implementation of the Programme.

In 2011, a total of € 87,231.97 (public funds) were paid via Treasury under this Axis, of which € 65,423.99 represented the EFF contribution. This brings the total amount paid so far under this Axis to € 116,515.06 of which € 87,386.31 represents the EFF contribution. In 2011, the amount of (public) funds verified (by the MA) to the CA under this Axis was € 87,231.97 (of which € 65,423.99 is the EFF contribution) bringing the total of amounts verified by the MA as at end of 2011 to € 116,515.06 (€ 87,386.31 representing the EFF contribution). The amount certified by the CA under this Axis as at the end of 2011 was € 114,422.33 (of which € 85,816.76 is the EFF contribution). The amounts received in 2011 from the EC by the CA amount to € 21,962.32.<sup>20</sup>

<sup>19</sup> Refer to section 3.5.6 of the report.

<sup>20</sup> This corresponds to the costs certified in December 2010 and May 2011. Costs certified in December 2011 were received by the CA in 2012.

### 3.5 Monitoring Arrangements

The setting up of an effective and efficient monitoring system ensures the adequate implementation of the OP. In accordance with Article 66 of Council Regulation (EC) 1198/2006, in 2011 the MA had set up a monitoring system that permits the supervision of implementation as well as monitors the achievement of the physical and financial indicators of the Programme. Same as in previous years, the MA continued to carry out its monitoring activity of the Programme, making full use of a number of tools at its disposal, in particular:

#### 3.5.1 Day-to-Day Management

Given that the Programme is now well into implementation, the importance of daily monitoring continued to increase throughout 2011. In this regard, 2011 saw an increase in the number of on-the-spot checks carried out. Although the purpose of On-the-Spot (OTS) is not strictly monitoring, it is clear that a thorough check of the relevant project documents as well as on site visits are very beneficial to the monitoring capacity. Daily monitoring, both formal and informal, is carried out via emails, phone calls and meetings. This has allowed officers within the EFF MA to keep a close eye on the implementation of the operations co-financed by EFF. In addition, day to day monitoring is also possible via the Database (see below) whereby officers are able to monitor the contracting and disbursement progress.

#### 3.5.2 Monitoring Committee

According to Article 63 of Council Regulation (EC) 1198/2006, the Member State shall set up a MC for the Operational Programme. Such MC shall draw up its rules of procedure within the institutional, legal and financial framework of the Member State concerned and adopt them in agreement with the Managing Authority in order to exercise its missions in accordance with this Regulation. As in previous years, two MC meetings were held in 2011, namely in June and November. The following topics were on the agenda of the MCs held in 2011:

##### June 2011

- i. State of play of the OP implementation
- ii. Update on Priority Axis 5 – Technical Assistance
- iii. EFF Interim Evaluation Report
- iv. Approval of AIR 2010
- v. Financial implementation
- vi. Commission Reports

##### November 2011

- i. Presentation of the amended OP

- ii. Statements of Expenditure processed as of the time of the MC
- iii. Status report on the state of play of the OP Implementation
- iv. Change in the Programme Structure and the amendments to the programme documentation

Following an interim evaluation held in June 2011, the MA and the Funds and Programmes Division<sup>21</sup> made a number of amendments to the Operational Programme in force (Version 2). The revised OP was presented to the MC members in the MC held on the 29<sup>th</sup> November 2011 by the Head of the MA and the main changes were explained in a detailed power point presentation. On the 06 December 2011 the MA sent the revised OP to all MC members for their feedback and eventual approval. The MA sent another e-mail to MC members on the 20<sup>th</sup> December 2011 in which it informed the MC that the draft proposal for a revised OP (Version 3) had been approved since the MA only received a number of comments from the EC which were incorporated in the final version of the document.

### 3.5.3 The Database

The EFF 2007-2013 Database is one of the tools being used for the monitoring of the Operational Programme implementation and data collection. This database was developed by the Government of Malta for the efficient management of EU funds during the 2007-2013 programming period. The main and most important element of the Database is the ability to track and monitor the financial management of funds from programme to invoice level. It is a platform of information sharing between the Managing Authority, the Certifying Authority, Treasury, Audit Authority, the Line Ministry and the Intermediate Body. In 2011, updates were affected to the system to reflect certain updates being implemented for other Programmes.

### 3.5.4 On-the-Spot (OTS) Checks

According to Article 59 of the EFF Regulation 1198/2006, the Managing Authority of an Operational Programme shall be responsible for managing and implementing the Operational Programme in accordance with the principle of sound financial management and, in particular, for verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries has actually been incurred and complies with relevant Community and national rules. With regards to verification of operations, the Managing Authority carries out on-the-spot checks on the Intermediate Body, whereas the latter is bound to carry out verification checks on all beneficiaries of the Aid Schemes. On-the-spot checks of individual operations are usually carried out on a sample basis.

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<sup>21</sup> Took up the role of MA as from the 01<sup>st</sup> January 2012.

A standardised on-the-spot verification document was adopted for both the MA and the IB in order to avoid leaving out essential information. Such document includes, amongst other data, the date of the check, the expenditure checked, the results and outcomes of the verification check, any irregularities detected and the measures to be undertaken and by whom they should be undertaken. Towards the end of 2011 the MA, in collaboration with the relevant office within the Funds and Programmes Division (Office of the Prime Minister) and the Audit Authority amended the MA on IB on-the-spot check report template.

In 2011, 43 OTS checks were undertaken by the IB (on Beneficiaries) and 24 by the MA. Relevant reports were compiled.

#### 3.5.5 Intermediate Bodies Network

With implementation of aid schemes under various EU Programmes in which Malta participates gathering momentum, an IB network was established (in 2010) by the Managing Authority for Cohesion Policy to discuss implementation issues and also seek to implement common solutions. This forum gave entities implementing aid schemes the opportunity to come together to share experience, enhance coordination as well as ensure a degree of consistency in the implementation of measures. MRRA, as the public authority responsible for the implementation of the programmes financed by the EAFRD and EFF, attended the meetings held in 2011. During these meetings common issues such as demarcation and on the spot checks were discussed.

#### 3.5.6 Mid-Term evaluation

Following the call for open tender launched in December, 2010, a contract was signed with the winning bidder in March 2011 to undertake a mid term evaluation. The report was presented to the MC in June 2011. The independent evaluator looked at the relevance of the program strategy as set out in the OP, the quality and efficiency of the programme's implementation and management and the effectiveness of the programme's progress towards achieving its objectives and mid-term targets as set out in the OP. Following an analysis based on discussions with the stakeholders of the sector (public and private) as well as documentation that is in the public domain and documents that are not in the public domain but were made available by stakeholders, the independent evaluator made a number (11) of recommendations, mostly focusing on the specific projects. These concerned primarily the budget of the hatchery and spawning facility<sup>22</sup>; a proposal to re-allocate more funds under measures 1.1 and 3.1<sup>23</sup>, in view of the importance of these schemes and the ensuing stringent regulatory framework; the active participation of the partners in the monitoring function; revisions to indicators and the underlying causes of the emerging figures; revised baselines for results; new

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<sup>22</sup> Given the issues with regard to site selection which came up after the evaluation, it is unlikely that the project will be implemented in the current programming period.

<sup>23</sup> From any underperforming measures such as 1.3.

training courses; and the establishment of measurable milestones until the end of the period to ensure the full implementation of the Programme within the limited time remaining. Apart from the discussion at the MC meeting, the recommendations made in the report were followed up by the MA and were discussed with the European Commission in the Annual Examination Meeting. The recommendations were also taken into consideration when making amendments to other OP.

### 3.5.7 Systems Audit Report

The Internal Audit and Investigations Department (IAID), which is the designated Audit Authority for the EFF Programme carried out a Systems Audit Report on the EFF MA and issued a report on the 03 November 2011. IAID concluded that “the management and control systems in place at the Managing Authority are satisfactory and effective and only minor improvements are needed.” The IAID made a number of recommendations, pertaining to the publication of list of beneficiaries; the drawing up of procedures to check compliance with Article 56 of Council Regulation (EC) No. 1198/2006 after completion of operations, the timely uploading of reports on the database; the generation of information (from the database) on the list of data on operations as per Annex III of Article 40 of Commission Regulation (EC) 498/2007 as well as for amounts withdrawn, recovered, to be recovered and the amounts which cannot be recovered/are not expected to be recovered; amendments to the MoP to include detailed procedures for sending timely comments and feedback to the Audit Authority and for taking corrective action within the established deadlines in case systemic errors are detected.

### **3.6 Significant problems encountered and measures to overcome them**

- Capacity

During 2011, the implementation of the Programme gained some pace, albeit not to the desired extent, although a degree of progress is also evident on the ground. In 2011, there were changes in staff at both the MA and the IB and both units had capacity problems. The delays were also partially the result of the consolidation process which had a direct effect on the management of the EFF Programme. In the latter half of 2011, Government launched a consolidation process of the structures managing EU Funds and created the new Permanent Secretariat for EU Funds within the Office of the Prime Minister. This new office also established the new Funds and Programmes Division (FPD) to complement the PPCD the latter being the Managing Authority for Cohesion Policy and also the former Managing Authority for the FIGG.

In 2011, the FPD was designated to take over the role of Managing Authority (as part of the consolidation process) as of January 2012. During the latter half of 2011, the *old* and *new* MA worked together in order to ensure a smooth transition period, in which the old MA was foreseen to continue to be involved as the new IB. In fact, the capacity problem within the MA at the time (within MRRA) was also addressed in the latter half of 2011 with a view to this office taking on the role of IB



following a restructuring process in the Maltese administration pertaining to the fisheries sector. As at end 2011, the MA within the MRRA had a staff complement of four persons working on EFF. Meanwhile the FPD undertook its own capacity building exercise to enable it to take over the role of MA as of 1<sup>st</sup> January, 2012. The (new) MA has, meanwhile, delegated the task of IB to the EU Affairs Directorate within the MRRA. The relevant management and control systems were updated and sent to the AA for compliance review.

- Technical capability

Another issue causing some delays in the process concerns the technical skills of the administrators responsible for the overall management of the Programme. Since the checking of equipment financed under EFF requires highly specialised technical skills, the staff of the IB and the MA was not always in a position to undertake these checks themselves. In order to solve this problem, the MA engaged the services of an engineer and an architect to assist both the IB and MA officers during the on-the-spot checks on Beneficiaries of the different schemes.

- Enhancement of the Database

Following the findings of the Systems Audit Report, the Database had to be enhanced so as to be in line with the recommendations listed above (section 3.5.7). The EU Affairs Directorate and FPD took measures to address these findings and held a number of meetings with the Malta Information and Technology Agency (MITA) in this regard. In fact at the end of 2011 the AA considered that the finding pertaining to the generation of information pertaining to amounts withdrawn, recovered, to be recovered and the amounts which cannot be recovered/are not expected to be recovered was fully addressed through the incorporation of the debtors' ledger in the system. Furthermore, the MA started to upload the spot check reports on the Database in line with the other finding of the Audit Authority. The other findings (from the audit report) pertaining to the database were discussed at length with MITA and are expected to be fully addressed in 2012.

### **3.7 Recommendations from the Commission following annual examination of the Operational Programme**

The Annual Examination Meeting was held on the 10<sup>th</sup> November, 2011, in Brussels between the European Commission and the heads of the *outgoing* and *incoming* MA<sup>25</sup>.

The EC made the following requests in the Annual Examination Meeting:

- The EC asked for an Organizational Chart of the new EFF MA and change of MA notification letter.
- EC advised the MA to revise the OP where necessary and to present the changes in advance of the MC scheduled for the 29<sup>th</sup> November (see section 3.5 above);
- The EC asked the MA to send a document explaining the new method of working out scrapping premiums;
- EC asked for (1) an explanation of why the baseline figures pertaining to the number of vessels and the GT fluctuate; and (2) a chart listing all licensed vessels registered on full time and part time fishers as from 2008.
- The EC requested a written explanation of the procedures in place to ensure that investments funded under Priority 1 of the OP will not lead to an ability to catch more fish.
- The EC recommended the launch of a call under Priority Axis 2 as soon as possible, so that if there will be no uptake Malta would be in time to make a budget shift and trim the OP indicators in connection with Priority Axis 2.

### **3.8 Assistance Re-paid or Re-issued**

No assistance was re-paid or re-issued in 2011.

### **3.9 Substantial modification within the meaning of Article 56 of Regulation (EC) No. 1198/2006**

There were no substantial modifications within the meaning of Article 56 of Regulation (EC) No. 1198/2006.

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<sup>25</sup>Stephanos Samaras – Head of Unit DG MARE, Alexander Hoehnke – Desk Officer Slovenia and Malta at the EC DG MARE; Stefan Cachia – Head of the MA; Raphael Scerri - FPD, Clint Tanti – FPD were present for the meeting

### **3.10 Changes in the context and general conditions to the implementation of the Operational Programme**

A revision of the OP was undertaken as part of the work undertaken during the transition phase in Q3 and Q4 of 2011. These included administrative revisions (designating a new MA and a new IB) as well as to take account of some of the recommendations of the evaluation, such as revisions to and alignment of the indicators. Other changes included changes to provide further clarity and reduce unnecessary administrative burdens with regard to the criteria (limiting these only to certain key admissibility criteria). No changes in budget were effected in the OP change proposed in November 2011 as the relevant recommendations (from the evaluation) were still being discussed with the stakeholders, including the EC.

Further to the interim evaluation carried out in mid 2011, the relevance of the operational programme's objectives were put in a new context. More stringent targets on the elimination of the fishing over-capacity have increased the relevance of Measure 1.1 – Public aid for permanent cessation fishing activities.

## **4. The use made of Technical Assistance**

The effective implementation of the OP requires adequate and active technical support. Technical support includes activities relating to the preparation, management, monitoring, evaluation, publicity, control and audit of OP assistance. The provision of this technical support helps ensuring that there is an increased awareness of the OP and its components, the quality of implementation is enhanced and the monitoring and control of the implementation phase is more efficient.

Technical studies were commissioned in 2011, which included a wave study to identify the best possible solution to the high wave disturbance experienced by fishermen at the hard standing facility and at the fishing berthing basin and the preparation of an aquaculture strategy which were commissioned under technical assistance<sup>24</sup>. The study related to the site assessment process with regard to the marine hatchery and BFT spawning facility was also part financed under technical assistance.

Also falling under technical assistance is the support for the implementation of the Programme. This was achieved during 2011 with the undertaking of the interim evaluation, the results of which were presented to the Monitoring Committee meeting held in June 2011. Other expenditure related to technical assistance incurred in 2011 concerned primarily the organisation of monitoring committee

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<sup>24</sup> The Alternative Site Assessment (ASA) for the marine hatchery and Blue fin tuna spawning facility (under Measure 2.1), was also carried out in 2011

meetings in June and November 2011 as well as capacity within the IB and MA to support the implementation of the Programme.

The percentage of total TA expenditure in relation to the whole OP budget as of the end of 2011 amounts to 1.04 %.<sup>25</sup>

The following table gives details about the Technical Assistance funds contracted paid in 2011:

TA used for:	Net Amount	VAT <sup>26</sup>	Total
Alternative Assessment for a marine hatchery and/or Blue Fin Tuna Spawning Facility	€ 5,989.20	€ 1,078.06	€ 7,067.26
Hiring of Conference Facilities for 3 <sup>rd</sup> Monitoring Committee	€ 374.00	€ 67.32	€ 441.32
Hiring of Conference Facilities [Grand Hotel Excelsior]	€ 367.31	€ 32.69	€ 400.00
Publicity Plaques	€ 620.34	€ 111.66	€ 732.00
Stationary – Rubber Stamps	€ 142.73	€ 25.69	€ 168.42
Hiring of Boat for Monitoring Committee visit	€ 300.00	€ 54.00	€ 354.00
Interim Evaluation	€ 12,779.66	€ 2,300.34	€ 15,080.00
Publicity Stickers	€ 35.00	€ 6.30	€ 41.30
Payment of underwater inspection of fishing vessels and report on probable usage	€ 1,650.00	€ 297.00	€ 1,947.00
The drafting of the Aquaculture Strategy	€ 64,973.73	€ 0.00	€ 64,973.73
<b>GRAND TOTAL for 2011</b>	<b>€ 87,231.97</b>	<b>€ 3,973.06</b>	<b>€ 91,205.03</b>

Table 5: Technical Assistance funds paid in 2011

<sup>25</sup> The EFF's contribution allocated to the OP spent and certified under Technical Assistance amounts to €87,386.31.

<sup>26</sup> VAT is not eligible for EFF funding as per Article 55 (a) of the EFF Regulation.

The following table lists the Technical Assistance funds that were contracted but that had not been paid by the end 2011:

TA used for:	Net Amount	VAT	Total
The organisation of the Monitoring Committee held in June 2011	€ 402.12	€ 72.38	€ 474.50
Salaries	€ 79,192.67	€ 0.00	€ 79,192.67
The organisation of the Monitoring Committee held in November 2011	€ 496.10	€ 89.30	€585.40
<b>GRAND TOTAL for 2011</b>	€ 80,090.89	€ 161.68	€ 80,252.57

Table 6: Technical Assistance funds contracted but not paid in 2011

## 5. Information and Publicity

In accordance with Article 51 of the EFF, Malta shall provide information on and publicise the Operational Programme and operations and the Community contribution. The information shall be addressed to the general public. It shall aim to highlight the role of the EU and ensure the transparency of assistance from the EFF.

All calls for proposals launched in 2011, were published on the MRRA website and on the Government Gazette and copies of the Guidelines and application forms were sent to fisheries cooperatives and to the Ministry for Gozo. The adjudication process and results were also published electronically and on the Government Gazette. The relevant EFF logos were also included when requesting quotations and issuing tenders and on the presentations undertaken by the MA during Monitoring Committee and other information meetings / sessions, the latter within the context of a call for applications to Beneficiaries. In May 2011 the Minister for Resources and Rural Affairs the Hon. Dr. George Pullicino paid a visit to fishermen who were receiving training financed under Measure 1.4 at the International Safety Training Centre. This event was given press coverage.

There is a section dedicated exclusively to EFF on the web site of MRRA, (<http://vafd.gov.mt/eff?l=1>). As from December 2011 the Funds and Programmes Division within the Office of the Prime Minister which took up the role of EFF MA as from the 1<sup>st</sup> January 2012, uploaded information and documentation pertaining to the EFF Programme to its web site (<http://www.ppcd.gov.mt/eff0713>).

The communication system is considered to be effective in terms of visibility as stakeholders confirm their awareness of such initiatives and project proponents have confirmed that the information sessions organised by the MRRA have helped them fill in the Application Form. In order to harmonise and ensure adequate publicity on the premises of the Beneficiaries, publicity plaques financed through Technical Assistance were bought in February 2011 and will be placed on the Beneficiaries' vessels/premises.

## **6. Information about compliance with Community Law**

Following the Annual Examination Meeting held in November 2011 the EC requested the MA to give information in connection with the assessment and control by the Maltese authorities on the ability of vessels to catch (more) fish following modernisation activities partly financed under Measure 1.3 of the OP. The EC was informed by the MA that Malta is in line with the Article 25 (2) of the EFF Regulation and specified that the condition of “not increasing the ability of a vessel to catch fish” is applied through a number of procedures, namely in the calls for proposals, the selection of operations, the contractual agreements signed and finally through on-the-spot checks on Beneficiaries.

The MA and the IB ensured that organisations that fall within the scope of the Public Procurement Regulations were in line with the relevant National Legislation in force in 2011, i.e. Legal Notice 296/2010. Entities and natural persons that do not fall within the remit of the Public Procurement Regulations were still required to follow the spirit of the Regulations when implementing projects under the EFF Programme and Beneficiaries benefitting from Aid Schemes were still required to provide quotations so as to ensure value for money for the measures financed under the Programme.

## **7. Complementarity with other instruments**

EU regulations governing the EFF 2007 – 2013 Programme, EAFRD and the Structural Funds specify that the respective strategies and Operational Programmes must set out how the different funding streams will complement each other. In Malta the MA for the Structural Funds is the PPCD within the OPM, the MA for the EAFRD is the Rural Development Unit, MRRA whilst the MA (as at end 2011) for the EFF 2007 – 2013 Programme was the EU Affairs Directorate.

Two Inter-Ministerial Co-ordination Committees (IMCCs) have been established by the PPCD as the Managing Authority for Operational Programmes I and II (Cohesion Policy). The IMCC ensures synergy and Complementarity between the different initiatives and maximisation of resources and that the priorities of the two Cohesion Policy OPs (managed by PPCD) and the other Programmes, including the EFF OP, are addressed with minimal risks of overlap and duplication of effort and resources. One IMCC deals with EU Infrastructure and Productive Funding Programmes, whilst the

remit of the second IMCC is that of EU Human Capital Investment Funding Programmes. The two committees are chaired by PPCD and the EFF Managing Authority is represented on these committees.

Members of the EU Human Capital Investment Funding Programmes IMCC include representatives of the relevant MAs<sup>27</sup> and IBs, representatives of the National Contact Point of the European Territorial Co-Operation Programmes; as well as one representative each of the National Contact Points for the: Lifelong Learning Programme; Youth in Action Programme; PROGRESS (including Employment Programme, Social Protection and Social Inclusion Programme, Anti-Discriminatory and Diversity Programme/Gender Equality Programme, Working Conditions Programme); Public Health Programme; Seventh EU Framework Programme; Culture 2007-2013; Media 2007; Europe for Citizens 2007-2013; European Fund for the Integration of Third-Country Nationals; Fight Against Violence Daphne III; and Drug Prevention and Information.

Members of the EU Infrastructure and Productive Funding Programmes IMCC include representatives of the relevant MAs and IB; two representatives of the National Contact Point of the European Territorial Co-Operation Programmes; the Responsible Authority for Migration and Asylum Programmes; as well as one representative each of the National Contact Points for the: LIFE+ Programme, CIP Programme, Marco Polo II Programme, TEN-T Programme, FP7 Programme, and Urbact II Programme.

The EFF MA participated in both the committees which were held in 2011. The EU Human Capital Investment Funding Programmes IMCC and the EU Infrastructure and Productive Funding Programmes IMCC were held back to back on the 21<sup>st</sup> February and the 1<sup>st</sup> September 2011. Members were briefed about particular funding mechanisms and a discussion and an exchange of views about potential overlaps between different funds were carried out.

## **7.1 Consistency with other Funds and Programmes**

The EFF OP, which has the central theme of improving the competitiveness and sustainability of the fishing industry, will run in parallel with other European funding initiatives. In some instances these initiatives address similar or complementary the types of activities and therefore it is important that there is no overlap between actions that will be funded. In order to avoid this, the OP has taken into account the priorities and measures of the different funding programmes and has sought to address those areas exclusively eligible for funding from the EFF. The above mentioned IMCCs are an important tool to avoid any overlaps with other funds as well as a useful forum to discuss common issues and share best practices. The following section will seek to demonstrate the complementarity and consistency of the EFF OP with the other main funding programmes.

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<sup>27</sup> Cohesion Policy, EAFRD, EFF as well as a representative of the Responsible Authority for the Funds under the SOLID Programme.

## 7.2 EFF and the National Strategic Reference Framework 2007-2013 (NSRF)

The link between the NSRF Strategic Objectives and the EFF focuses on two main areas namely; the issue of competitiveness of the fisheries sector and sustainable environmental development. Under the EFF OP, the importance of having a competitive sector will be actively pursued. Similarly, the importance of the physical and natural environment is underlined through the specific objectives highlighted in the National Strategic Plan (NSP) and the EFF OP. As a result, NSRF Strategic Objective 1 *Sustaining a growing knowledge-based competitive economy* and NSRF Strategic Objective 2 *Improving Malta's attractiveness and the quality of life* are consistent with the EFF OP. NSRF objective 3 *Investing in human capital* will contribute to the upgrading of human resources in the sector, particularly at the vocational level in order to make the sector a more viable career choice.

## 7.3 EFF and Operational Programme I Cohesion Policy 2007-2013

Operational Programme I, *'Investing in Competitiveness for a Better Quality of Life'* has two objectives: (1) Sustaining a growing, knowledge-based, competitive economy and (2) Improving Malta's attractiveness and quality of life. The central themes of the EFF OP are to improve the competitiveness of the fishing industry in a sustainable manner as well as improving the quality of life via the protection of the natural environment and the enhancement of the working environment of people in the industry.

Objective 1 of OP I is supported by Priority Axis 1 *'Enhancing knowledge and innovation'* and Priority Axis 2 *'Promoting sustainable tourism'*. The EFF OP also envisages training to fishers under Measure 1.4<sup>28</sup> and the development of environmentally friendly tourism activities<sup>29</sup> as part of its thrust.

Objective 2 of the OP I is sustained through Priority Axis 3 *'Developing the TEN-T'*, Priority Axis 4 *'Mitigation and Adaptation to Climate Change'* and Priority Axis 5 *'Safeguarding the environment'* and Priority Axis 6 *'Urban regeneration and improving the quality of life'*. In terms of the EFF OP there are no parallel actions taking place in terms of investment in TEN-T and mitigation and adaptation to climate change. In terms of actions to safeguard the environment, OP I is mainly focused on the development of physical infrastructure aimed at managing solid and liquid waste and storm water. With regards to the EFF OP, actions to safeguard the environment are aimed at changing behaviours and practices rather than at the development of physical infrastructure. Measures for safeguarding the environment fall within the remit of Priority Axis 2 of the EFF OP

<sup>28</sup> Measure 1.4 – Socio-economic compensation for the management of the community fishing fleet.

<sup>29</sup> One of the Eligible Actions listed under Measure 1.4 is 'the provision of training to fishers for occupations outside sea fishing.'



#### **7.4 EFF and Operational Programme II Cohesion Policy 2007-2013**

Operational Programme II '*Empowering people for more jobs and a better quality of life*' has as an overall objective of raising the overall employment rate. This target will be achieved through the attainment of two operational objectives; (1) Investing in human capital and (2) strengthening the labour market structures. Investment in human capital aims at improving the quality of education and skills level of the labour force to achieve the necessary flexibility in the labour market for it to be in a better position to respond to the needs of Malta's economic growth and development. This objective includes support to enterprises to help them face the ever changing challenges of the market and sustaining a growing competitive economy. In this sense the EFF OP provides complementary supporting actions to the private sector under Priority Axis 2 'Aquaculture, processing and marketing of fishery and aquaculture products'.

The operational objective of strengthening labour market structures aims to increase the employment rate by ensuring that those facing difficulties or barriers to enter work or to retain employment are given the necessary support. The EFF OP aims at safeguarding jobs in the fishing industry and at increasing adaptability of the persons employed in the sector , although it has to be noted that the actions / measures proposed are not specifically designed as support to people facing difficulties to enter the work force and are thus somewhat distinct. IMCC meeting mentioned earlier also regularly monitor that no overlap or double funding takes place.

#### **7.5 EFF and the Rural Development Plan 2007-2013**

The EFF and EAFRD have little in common since both objectives and target groups differ significantly. The possible exception is aquaculture in land based systems where a combination of agriculture and aquaculture development is pursued in particular for leisure/recreational purposes.. However, such initiatives will not be funded through the EAFRD programme.

#### **7,6 Concluding remarks**

The clear and unequivocal message of the report is that implementation is now underway, albeit at a much slower pace than that desired. Despite the setbacks detailed above, the system is still managing to register some success. The issues arising effecting implementation are now well known and will continue to be addressed in 2012.

2012 will see the Programme operating under the management of a new MA. The FPD has been actively involved in the issues during the last months of 2011 and is working very closely with the MRRA to tackle the various issues effecting implementation. A plan of action (as recommended by the evaluators) will be put in place to ensure maximum absorption of the funds under the Programme which are clearly much needed by the sector. The focus in 2012 shall be the projects foreseen

under Axis 3 as well as the mopping up of any funds under the various aid schemes with a view to concluding the assessment with respect to any re-allocation of funds.

The outgoing and incoming MAs would like to thank all those directly (or indirectly) involved in the implementation of the EFF Programme. The challenge for the years ahead will be to sustain and consolidate efforts so that the Programme can continue to register more positive results in the months and years to come. The main challenges for the next year will be to commit the whole Programme as well as sustain the flow of tenders, contracts and payments to ensure not just financial absorption which is an important objective in itself, but primarily the delivery of outcomes and results which will impact the lives of fishers and those working in the fisheries and aquaculture sector.