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**DIRECTORATE GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**FISHERIES**

# **PERSPECTIVES FOR THE NEW EUROPEAN FISHERIES FUND**

**STUDY**

This document was requested by the European Parliament's Committee on Fisheries.

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DIRECTORATE GENERAL FOR INTERNAL POLICIES  
POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

FISHERIES

# PERSPECTIVES FOR THE NEW EUROPEAN FISHERIES FUND

STUDY

## **Abstract**

In 2011, the Commission will launch the review of the EFF with the publication of a draft regulation and associated impact assessment. This report presents an independent evaluation of the EFF to highlight the challenges faced by Member States and the sector in implementing the regulation during the current programming period. Proposals for a future EFF are developed and a series of options are evaluated.



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## LIST OF ABBREVIATIONS

<b>CFP</b>	Common Fisheries Policy
<b>DG</b>	Directorate General
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EBA</b>	Ecosystem Based Approach
<b>EC</b>	European Commission
<b>EFF</b>	European Fisheries Fund
<b>EMFF</b>	European Maritime and Fisheries Fund
<b>EQ</b>	Evaluation question
<b>EU</b>	European Union
<b>FARNET</b>	European Fisheries Areas Network
<b>FAS</b>	Fleet Adaptation Scheme
<b>FIFG</b>	Financial Instrument for Fisheries Guidance
<b>FLAG</b>	Fisheries Local Action Group
<b>FTE</b>	Full Time Equivalent
<b>GDP</b>	Gross Domestic Product
<b>GVA</b>	Gross Value Added
<b>IA</b>	Impact Assessment
<b>IUCN</b>	International Union for Conservation of Nature
<b>MCS</b>	Monitoring and Control System
<b>MFF</b>	Multiannual Financial Framework
<b>MS</b>	Member State
<b>MSFD</b>	Marine Strategy Framework Directive
<b>MSY</b>	Maximum Sustainable Yield

- NOP** National Operational Programme
- NSP** National Strategic Plan
- NUTS** Nomenclature of Territorial Units for Statistics
- OP** Operational Programme
- SEA** Strategic Environmental Assessment
- SME** Small and Medium Enterprises
- WTO** World Trade Organisation

## EXECUTIVE SUMMARY

Ten years after the 2002 Regulation was adopted, the Common Fisheries Policy (CFP) has received critical evaluations by the European Commission for not achieving its economic, social and environmental objectives. Fish landings, for example have decreased by 30% between 1996 and 2006. Only 22% of fish stocks are at maximum sustainable yield (MSY) levels, with 35% overexploited and 43% outside safe biological limits. This situation represents a sub-optimal, inefficient exploitation of the natural assets that risks undermining future productivity and livelihoods.

In 2010, the Commission published a Communication on fishing opportunities for 2011. It stated that whilst 'there are glimpses of good news concerning the state of stocks scientists have not provided advice because of concerns about the quality of the data and other reasons'. Furthermore, it stated that 'while there are signs of improvement, this is only a small start. Success in recovering stocks is far from guaranteed and efforts to eliminate overfishing have to be kept up'.

Despite substantial financial support, the EU fisheries sector remains in an economically fragile state, resulting from over-investment in the last few decades, rapidly rising fuel costs and a shrinking resource base. Poor profitability and steadily declining employment are persistent problems.

In the 1990s Financial Instrument for Fisheries Guidance (FIFG) funded withdrawal of a large number of vessels but this did not result in decreased fishing mortality. Over the period 2000-2006, FIFG funds contributed to a decrease in the size and capacity of the fleet with reductions in power (14%), tonnage (15%) and number of vessels (16%). However, despite this drop in fishing capacity, excessive fishing mortality continues to be a problem. At the same time, specific sector needs remain relevant.

The European Fisheries Fund (EFF) replaced the FIFG on 1 January 2007 to cover the period 2007-2013. The overall objective of the EFF is to support the CFP (Reg. 2371 /2002) so as to ensure an exploitation of living aquatic resources and support aquaculture in order to provide sustainability in economic, environmental and social terms. It must further the CFP in areas such as structural adjustments, which are best achieved at Community level than by Member States alone. The EFF has five Priority Axes. The first axis supports permanent and temporary measures for the community sea fishing fleet. The second axis covers aquaculture, inland fisheries as well as processing and marketing support. The third axis regroups collective actions and measures of common interest, and includes fisheries landing infrastructure. The fourth axis supports development measures in local areas. The fifth axis is for technical assistance, devoted to supporting activities carried out by fishing authorities in order to successfully implement the operational programmes.

Against this background the European Parliament commissioned a study to investigate the following topics of concerns: 1) to identify the main financing needs of the fisheries sector which would lead to the further identification of the top priorities for future public financial support and 2) to propose ways of integrating these into the future development of the EFF.

An overall conclusion of the analysis is that the current structure, objectives and funding mechanisms of the EFF are in need of reform and that reform efforts need to seriously

address sustainability concerns with regard to exploitation of fish stocks and focus on supporting the sector's transition to profitable business within safe biological limits.

The report advances these core arguments through four main chapters that focus on:

- A detailed description of the progress towards implementation of the EFF across Member States to May 2011
- An analysis of the current and future needs of the sector based on published data and the results of a stakeholder survey
- Four options for a future EFF and an analysis of these options undertaken in the first instance, scoring measures against their level of priority for funds and in the context of the questions posed in the Green Paper
- A further evaluation of the options against a number of economic, social, governance and environmental indicators is undertaken to highlight the positive and negative impacts of each option.

Our analysis of the implementation of the EFF to date is based on a set of key analyses including the *ex post* evaluation of the FIGG and the interim evaluation of the EFF. It was also informed through a stakeholder survey. We conclude that the partnership with stakeholders has produced national EFF programmes that reflect the current priorities of the sector with good strategic planning. Current needs of the sector expressed in the Green Paper and FIGG *ex post* evaluation are covered. However, our analysis confirmed that, as a whole at European level the EFF programme has weak and incoherent intervention logic, which is likely to undermine the effectiveness and efficiency of its funding. It is also lacking a quantitative reporting tool to facilitate monitoring and evaluation of separate and cumulative impacts as national programmes unfold.

A late start of the EFF implementation has meant that only 15% of the EFF budget overall was paid out by October 2010. Therefore it is too early to analyse economic, social or environmental impacts. Our stakeholder's survey noted a low uptake of EFF measures to date linked to the effect of the global financial crisis on businesses and public finances. Based on the analysis carried out this report concludes that the design of the future EFF needs to respond to the following quality criteria:

- Timely and user-friendly assistance from the Commission
- Streamlining administrative regulatory requirements
- Strengthening the intervention logic, through reorganisation of axes and measures
- Delivery and programme content to support the sector development and adaptation at local, national and European levels.

A number of external policy changes add pressure for substantial reform of the EFF. The on-going reform of the CFP emphasizes that public funding through the EFF and various Member State aid and support measures contradicts the CFP objectives, and that a future EFF needs to tackle this problem of policy coherence. In addition, the CFP reform should promote and facilitate restructuring and modernisation of the industry to help improve its long-term visibility and avoid artificially maintaining fishing fleet overcapacity.

At the same time the EU is trying to concentrate resources for economic reform and governance under the umbrella of the Europe 2020 strategy. The proposal from the Commission for the post-2013 Multi-Annual Financial Framework (MAFF) explicitly states that the future policy framework will be informed by a strategic approach that will include the re-deployment of inefficient direct fleet subsidies, a stronger focus on innovation and transition to low impacts fisheries, including the elimination of discards as well as

sustainable management of marine ecosystems and diversification of maritime economy sectors. In this respect the Commission proposes to restructure the current EFF into a new European Maritime and Fisheries Fund (EMFF) with four axes, including 1) smart green fisheries, 2) smart green aquaculture, c) sustainable and inclusive territorial development and 4) an integrated maritime policy.

A key aim for fisheries funding proposed is to re-focus on supporting an adaptation of fishing that becomes more selective, producing no discards, doing less damage to marine ecosystems and relating to the science that supports these activities, thereby contributing to the sustainable management of marine ecosystems. EU Member States are proposed to be given greater flexibility and a longer-term perspective, particularly through increasing the number of expenditure areas under shared management. Each of these creates an important context and driver for the reform of the EFF.

Here we develop four options of a future EFF. Under **option 0** – *status quo*, the EFF retains the same objectives, with the same structure, measures, procedures and programming, and the budget allocation (generic distribution etc.) remains the same (business as usual). Under **option 1** - *improved status quo*, the EFF remains a separate instrument with programming (NSPs and NOPS are streamlined and the EFF is restructured). Axes and measures are reorganised logically in a coherent manner with specific environmental and social objectives included under each axis. Under **option 2** - *adaptive sustainable EFF*, the EFF is restructured. However, there is no more capital/ production infrastructure funding as current EFF Axis 1 is removed. Funds are redirected to: i) adaptive fishing/innovation; ii) improving scientific basis for fisheries management (including ecosystem-based approach - EBA) and aquaculture; iii) environmentally friendly fishing and aquaculture, habitat and stock restoration; iv) Axis 4 type measures focus on sustainability of local coastal communities including retraining, capacity building and diversification. Finally we develop **option 3** - *decentralised EFF* - where we propose an EFF focused on sustainable coastal development and Axis 4 type measures. All other axes are removed. Centralised micro-management of the fund is eliminated. Measures would focus on the integration of fisheries and aquaculture activities in rural areas, and on local value added, social/capital, local training and management.

A key distinction between the first two options and the last two options relates to the overall eligibility of measures for funding and to what degree the current organisation of axes of spending is maintained or abolished. Whereas the “status quo” and also “option 1” keep a major focus of EU Member States on “hard” capital investments (investments into vessels, equipment, infrastructure), options 2 and particularly 3 achieve a shift towards investments into “soft” capital, including human, social and natural capital (e.g. individual skills, social networks, ecosystems and their services etc.), supporting transition management for affected enterprises and fisheries areas. Option 3 implies the furthest change as compared to the status quo, turning the EFF into a core-funding tool for the sustainable development of coastal communities. Under options 2 and 3, the funding focus is on increasing value (making more from less) and rewarding fishermen for contributing public goods and services.

In the CFP Green Paper, the Commission put forward questions regarding the future design of a funding instrument for the CFP and its core objectives. Our analysis suggests that options 2 and 3 correspond much better to the changes needed as outlined in the questions, than the status quo or option 1. Indeed, a comparison of the options makes it clear that options 0 and 1 are not suited to provide the fundament for an EU CFP that is

sufficiently effective, efficient and relevant. Option O does not address any major reform needs and option 1 does address major reform needs to a limited extent only.

Option 1 proposes modifications to the structure of the EFF and reorganisation of objectives, axes and measures to improve the delivery and implementation of the EFF. Hence, option 1 is unlikely to be a sufficient driver and catalyst for meeting EU's and countries' commitments. While attractive in the sense that it is a step forward, it does little to really ensure the economic, environmental or social sustainability of the sector.

Implementing option 3 would imply much more far-reaching change than option 2, though option 3 has benefits of building stronger local and regional governance. The rationale being that EU support should provide value added support where it is needed – i.e. to local communities and smaller fishing boats and not the bigger already profitable operators, this ambition is most likely to be most effectively fulfilled under option 3. Resistance will inevitably be larger, however, and it will be much more difficult to secure political commitment and support for this option.

Both options 2 and 3 are attractive from a coherence perspective with other EU policy objectives notably the EU 2020 strategy and in the field of biodiversity where the EU and Member States have made commitments to halt biodiversity loss.



# 1. INTRODUCTION

## KEY POINTS

- The European Fisheries Fund (EFF) is **the main financial instrument** supporting the implementation of the CFP.
- The EFF was adopted in 2006 and **covers the programming period 2007-2013**.
- **Two aims of this study:** 1) to evaluate the current implementation of the EFF and identify challenges and issues, and 2) based on the results of the evaluation, develop proposals for a future EFF.

### 1.1. Aims and structure of this report

Financial aid is available from the EU to assist the aims of the Common Fisheries Policy (CFP). In theory, aid from the relevant fisheries instruments within the structural funds aim to contribute to achieving sustainable balance between fishing resources and their exploitation and to strengthen the competitiveness of the sector and development of fishing areas dependent upon it.

The Financial Instrument for Fisheries Guidance (FIFG) supported the structural policy between 2000 and 2006. In 2006, after a long period of negotiation between Member States, the European Fisheries Fund (EFF) was adopted and is now the key financial Regulation of the CFP. The EFF implementing Regulation was adopted in 2007 and Member States are now implementing their National Operation Programmes (NOPs) for the current programming period to 2013.

The aims of this study were:

1. To identify the main financing needs of the fisheries sector which would lead to the further identification of the top priorities for future public financial support. Drawing on the preliminary evaluation of the EFF implementation since 2007 and the recent mid-term evaluation of the EFF published by the Commission, the study reviews the challenges and issues emerging from current implementation of the EFF.
2. To propose ways of integrating these into the future development of the EFF.

The report has a further 5 substantive chapters described as follows:

**Chapter 2** presents a brief overview of EU fishing sector highlighting the development and changes to the sector over the various programming periods of FIFG (pre-2007) and EFF (post 2007).

**Chapter 3** outlines the programming and implementation processes that are specific to the EFF. It provides a description of its implementation progress across Member States to May 2011.

In **Chapter 4**, current and future needs of the sector are discussed through an analysis of key documents, such as the responses to the Green Paper, national needs targeted by the NOPs, and responses to our survey. Following from the FIGG *ex post* evaluation and the national *ex ante* evaluations, the impacts expected from the EFF are analysed and discussed in terms of future needs.

**Chapter 5** - In looking towards the future, there are some clear factors that are shaping the EFF including economic, social and environmental factors. Four options for a future EFF are developed and an analysis of the options undertaken in the first instance, scoring measures against their level of priority for funds. Furthermore the options are analysed in the context of the questions posed in the CFP Green Paper on the future of public financing.

In the final **Chapter 6**, a further evaluation of the options against a number of economic, social, governance and environmental indicators is undertaken to highlight the positive and negative impacts of each option.

## 1.2. Methodological approach

The main analyses are presented in chapters 4 to 6. We examine the programming, implementation and future possible directions for the EFF only. We do not analyse the EFF matching contributions of Member States, synergies with other European Funds, or other forms of Member States support to their fisheries and aquaculture sector.

The analyses are primarily based on a critical review of information contained in documents produced by Member States and/or the European Commission. Findings from recent FIGG and EFF evaluations are complemented by responses to a short online survey.

The main **documents analysed** are listed below. Detailed references are given in a bibliography section at the end of the report.

- European Council and Commission Regulations, for FIGG and EFF
- Member States National Strategy Plans (NSPs); EFF *ex ante* evaluations and National Operational Programmes (NOPs from 2007)
- Detailed responses and synthesis of the responses to Green Paper (EC, 2010)
- European Commission DG MARE EFF annual reports for 2007, 2008 (published 2009) and 2009 (published January 2011)
- FIGG *ex post* evaluation (Ernst & Young, 2010)
- EFF interim evaluation (Ernst & Young, 2011).

Specific information on programming and implementation are obtained from the regulations and the mid-term evaluation of the EFF done by Ernst and Young for the Commission in 2011.

The *ex-ante* reports, NSPs and NOPs produced by Member States, and responses to the Green Paper inform our analysis of the needs of the sector.

The EFF national *ex ante* evaluations and the FIGG *ex post* evaluation provide a basis for our discussion of expected impacts for the EFF to 2013 and beyond.

Additional information on current implementation of the EFF was collected by the authors. EFF national administrators and beneficiaries were surveyed directly over a period of three weeks in March-April 2011 via an online questionnaire.

The survey included multiple-choice questions guided by keywords, with a limited number of open questions designed to elicit suggestions for improvement. Responses to open questions were most often given in the respondent's own language and translated. The survey was delivered through the specialised website Survey Monkey (<http://www.surveymonkey.net/>). The questionnaire was designed before the interim evaluation report was available to the team (Ernst & Young, 2011), therefore some questions were similar. In such cases, we check responses from both sources and use all relevant information in our analysis presented in Chapter 4.

For each target group, questions were organised in two parts, a first section about the EFF implementation and possible problems, and a second section aiming to identify future needs or required changes. Details of the survey questions are given in Annex B (Table 18 and Table 19).



## 2. STATE OF THE EU FISHERIES SECTOR

### • KEY FINDINGS

- The EU fisheries sector is in a **fragile economic state** due to the **poor state of fish stocks** and rising costs.
- In certain **coastal regions and municipalities** the EU fisheries sector is very significant in terms of **economic weight** and local employment.
- The **size of the EU fleet and employment** in the sector have **decreased** steadily over the past two decades.
- Despite declines in the fleet, analyses indicate that **many fleet segments continue to operate at a capacity in excess** of what is required to harvest available resources.

The EU fisheries sector is characterised as being in an economically fragile state, resulting from over-investment in the 1970's and 1980's, rapidly rising costs and a shrinking resource base. In order to provide context to the needs of the sector (presented in Chapter 4), the economic value and profitability of the sector is presented below, specifically highlighting the importance to some Member States. The evolution of the fleet is also described, particularly in the context of the two financial instruments.

### 2.1. Economic value

At the EU scale the fisheries sector is a relatively small economic activity. Furthermore, its relative weight, measured in terms of gross value added (GVA, income generated) as a proportion of GDP, is decreasing. In 2009 the total income generated by the EU fisheries sector amounted to € 6.5 billion (Table 1). This accounts for 0.06% of the total EU GDP (Table 1). However, these aggregated figures and trends mask the fact that most of the fisheries activity and income is concentrated in a small number of Member States and regions within them. The five most important countries (highlighted in dark grey in Table 1), France, Italy, Spain, Greece and the UK, generate 81% of the total EU fisheries income (Table 1).

**Table 1: Income generated by the fisheries sector (in millions of €)**

MEMBER STATE	FISHERIES GVA (2005)	FISHERIES GVA (2009)
Belgium	60.4	48.0
Bulgaria	7.3	
Czech Republic	19.3	8.1
Denmark	227.5	223.6
Germany	230.0	
Estonia	18.4	30.5
Ireland	103.2	118.4
Greece	656.0	606.2
Spain	1,588.0	1,663.0
France	1,495.0	1,099.2
Italy	1,518.3	1,235.4
Cyprus	26.9	29.0
Latvia	13.6	18.0
Lithuania	14.9	18.1
Luxembourg	0.0	0.0
Hungary	7.9	12.1
Malta	24.7	11.9
Netherlands	195.0	139.0
Austria	7.2	12.4
Poland	45.7	38.8
Portugal	373.8	n/a
Romania	3.8	10.8
Slovenia	3.7	4.0
Slovakia	0.9	3.9
Finland	70.0	91.0
Sweden	63.9	59.9
United Kingdom	514.8	
<b>EU 27</b>	<b>7,162.9</b>	<b>6,494.3</b>
<b>EU 27 (% of total EU GDP)</b>	<b>0.065%</b>	<b>0.055%</b>

Source: Authors. From Salz and Macfayden (2007) and Eurostat database

At the regional scale, a number of European coastal areas have economies much more reliant on fisheries than the national or EU average. Salz and Macfayden (2007) provide the most up to date and complete assessment of regional dependency on the fisheries industry. Their analysis covered 128 coastal NUTS-2 regions. Table 2, adapted from Salz and Macfayden (2007), presents the top 10 of these regions in terms of total income generated by fisheries, and income dependency (i.e. the ratio between income generated by fisheries and the total income across all sectors).

**Table 2: Top 10 ranking regions in terms of income and income dependency on fisheries in 2005**

REGION (NUTS-2)	INCOME (MLN €)	REGION (NUTS-2)	INCOME DEPENDENCY
Galicia (Spain)	693	Voreio Aigaio (Greece)	3.2%
Bretagne (France)	583	Highlands & Islands (UK)	3.0%
Denmark North Sea	462	Ionia Nisia (Greece)	2.2%
Calabria (Italy)	268	Notio Aigaio (Greece)	1.4%
Highlands & Islands (UK)	259	Galicia (Spain)	1.4%
E. Riding, N. Lincolnshire (UK)	254	Peloponnisos (Greece)	1.4%
N-E Scotland (UK)	252	N-E Scotland (UK)	1.3%
Kentriki Makedonia (Greece)	230	Açores (Portugal)	1.3%
Puglia (Italy)	216	Algarve (Portugal)	1.1%
Veneto (Italy)	183	E. Riding, N. Lincolnshire (UK)	1.1%

Source: Adapted from Salz and Macfayden (2007)

More recently, Arthur *et al.* (2011) conducted a socio-economic study of a variety of fisheries-dependent communities, shedding light on the economic weight of fisheries at a local level, by focusing on 24 case study locations. It is apparent from these case studies that the reliance on fisheries becomes even more significant at the local level, with the mean dependency across the case study localities averaging 11%. Dependency, as expressed by the contribution of fisheries to local turnover, was highest in Killybegs, Ireland (81%), and lowest in the case of Grimsby, UK (0.1%) (Arthur *et al.*, 2011).

## 2.2. Employment

Similarly to economic weight, employment in the EU fisheries sector is relatively minor when averaged across the EU as a whole, or by Member State. However, in certain coastal regions and communities employment from the fisheries sector takes on a much greater significance. In terms of the employment in the fishery sector as a whole, the four most important countries (Spain, France, Italy and Greece) account for 51% of the EU total (Salz and Macfayden, 2007). Broken down by sector, in 2005 the catching sector offered employment to 187,000 people (46% of total fisheries sector employment); fish processing 138,000 (34%); aquaculture 63,000 (16%), and employment in ancillary activities is estimated at 18,000 jobs (4%) (Salz and Macfayden, 2007). Table 3 shows the top ten coastal regions in terms of total employment and by dependency on fisheries for employment.

**Table 3: Top 10 ranking regions in terms of employment and employment dependency on fisheries in 2005**

REGION (NUTS-2)	EMPLOYMENT (1000 PERSONS)	REGION (NUTS-2)	EMPLOYMENT DEPENDENCY
Galicia (Spain)	34	Voreio Aigaio (Greece)	5.6%
Bretagne (France)	14	Açores (Portugal)	4.5%
Pomorskie (Poland)	11	Algarve (Portugal)	4.3%
Latvia	11	Ionia Nisia (Greece)	4.2%
Sicilia (Italy)	10	Notio Aigaio (Greece)	3.7%
Kentriki Makedonia (Greece)	8	Galicia (Spain)	3.0%
Algarve (Portugal)	8	N-E Scotland (UK)	2.6%
Lithuania	7	Peloponnisos (Greece)	2.3%
Denmark North Sea	8	Highlands & Islands (UK)	1.9%
Norte (Portugal)	7	Guyane (France)	1.7%

Source: Adapted from Salz and Macfayden, 2007

Since 1996/7 the number of fishers has been decreasing faster than the reductions in fleet size, at a rate of 4-5% per year (Weber and Nevala, 2006). Table 4 presents the trends in employment since 1996 by sub-sector. Because the small-scale fleet contributes very strongly to employment, a decline in the fleet of approximately 10-15% between 1998 and 2005 translated into a disproportionate 40% decrease in employment of fishers. The factors affecting the fisheries employment trends include size of the fleet, labour intensity of technology used, and economic performance (profitability) of the vessels. Additionally, some larger fishing vessels have contracted foreign crews from non-EU Member States largely due to the cheaper labour price (although the magnitude of this is difficult to estimate and likely to be small) (Salz et al., 2006).

**Table 4: Trends in employment in the EU-15 (1000 persons)**

FISHERIES SUB-SECTOR	1996-8	2005	CHANGE
Fishing	241.3	167.5	-31%
Processing	101.8	100.7	-1%
Aquaculture	61.4	45.3	-26%
<b>Total</b>	<b>404.5</b>	<b>313.5</b>	<b>-22%</b>

Source: Adapted from European Commission (2009)

The FIFG fleet adjustment measures accompanied the 'natural' trend of reduction of employment in the sector. At the EU level it is estimated that fleet adjustment resulted in job losses of 14 000 FTE, and the overall impact of FIFG on employment is estimated to be about 30 000 jobs lost, although these would nevertheless have eventuated due to the decline in fishing opportunities (Ernst & Young, 2010). However, socio-economic measures assisted 8000 fishermen into retirement or retraining (57% of the 14 000 FTE), mostly in Poland (31%), Spain (6%), Portugal (6%) and France (5.4%) (Ernst & Young, 2010). Unfortunately there is no homogenous and reliable data to determine the impact on employment from the EFF measures (Ernst & Young, 2011).



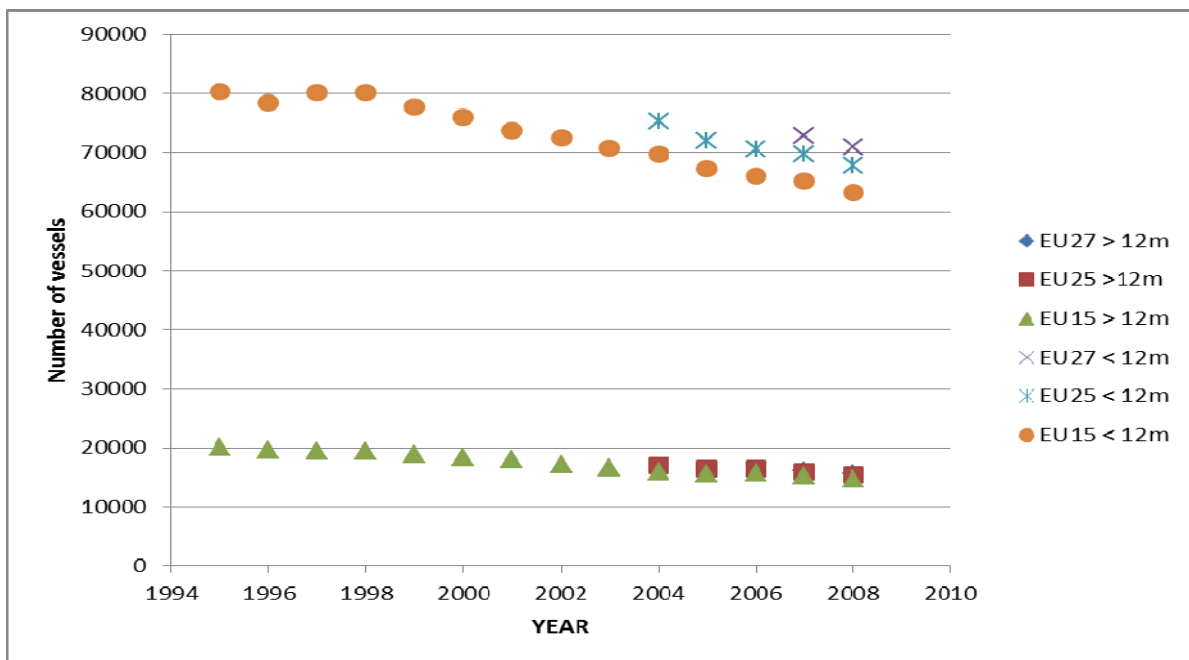
### 2.3. Evolution of the fleet

As stated in the Green Paper (European Commission, 2009b), overcapacity remains one of the most fundamental problems with the CFP. Based on available information, the Green Paper also highlights that despite a steady decreases in the community fleet over the past 16 years, overcapacity continues. According to the Community Fleet Register, the overall capacity of the EU fleet was reduced by approximately 331 000 GT (16%) and 1 123 000 kW (15%) from 2003 to 2008, despite the two enlargements in 2004 and 2007 (European Commission, 2010d). The total number of vessels was reduced by approximately 12 400 (13.3%).

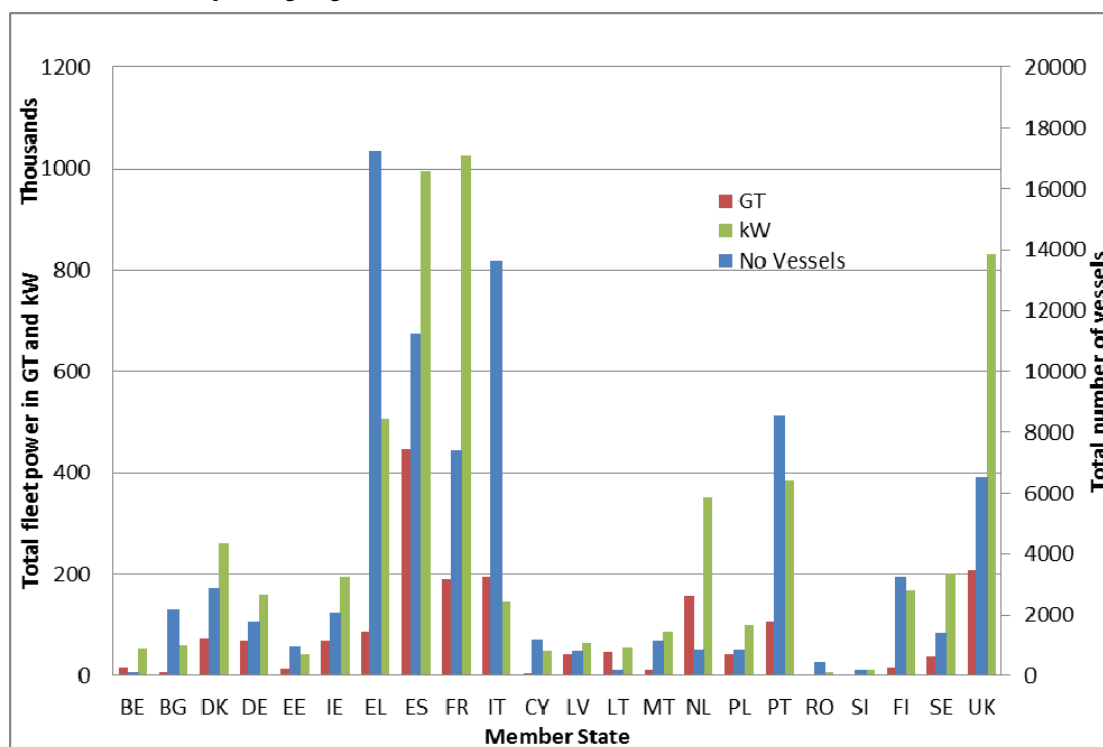
Despite the decline in numbers of vessels, decrease in tonnage and power of vessels, net reductions in the EU fleet have been insufficient considering the steady technological improvements and the depressed state of the most EU fisheries (European Commission, 2009a). This is largely because a significant number of vessels that were scrapped as a result of the Multiannual Guidance Programmes (MAGPs) and their successor, 2002 Entry-Exit scheme, were old vessels that were already out of use, and funds were frequently reinvested into the existing fleet or to the construction of new vessels.

The number of EU vessels differentiated by small-scale (less than 12m in length) and large-scale fleets (12m and more) are presented in Figure 1. The figure highlights that the small-scale fleet has decreased in number more than the large-scale fleet between 2004 and 2010 (i.e. 5413 large-scale vessels were removed (-26.8%) compared to 17 231 small-scale boats (-21.4%)). In terms of overall tonnage, the 5 most important countries are Spain, UK, France, Italy, Netherlands and Portugal, yet in terms of number of vessels Greece leads followed by Italy, Spain, Portugal and France, which have very large numbers of small vessels (Figure 2). Small-scale fishing vessels (less than 12 m) make up around 83% of the whole of the EU fleet in terms of number, 9% of landings (4 085 000 t), and 30% of landings value (€1419 million) (DG MARE, 2010a).

**Figure 1: Number of EU vessels differentiated by small and large scale fleets (1994-2010)**



Source: Authors

**Figure 2: Fleet capacity by Member State in 2009**

Source: Facts and Figures on the CFP, 2008

#### 2.4. The role of EU financial instruments to support the sector

When the 2000-2006 FIG programmes were launched the EU fleet consisted of 95,200 vessels. Its capacity represented 2 million GT and 7.6 kW (Ernst & Young, 2010). Sustainability remained a priority during this programming period (2000-2006) although the funds allocated to fleet adjustment were reduced both proportionally (down to 17% of the FIG achievement) and in absolute terms (€ 577 million) (Ernst & Young, 2010). During this period the size and capacity of the fleet continued to follow a downward trend with reductions in power (14%), tonnage (15%) and numbers (16%) (Ernst & Young, 2010).

Similarly the EFF has seen relatively high commitment towards its measures to reduce fleet capacity with 53% of Axis 1 commitments allocated to the permanent cessation of fishing activities (Measure 1.1) (Ernst & Young, 2011). From the data currently available, the impacts of the Axis 1 measures are variable across Member States, with Denmark, Estonia, France, Poland and the Netherlands having achieved or exceeded their National Operational Programme objectives, and Portugal, Spain, Sweden and the UK obtaining much less significant progress. France, for example, had implemented 24 decommissioning schemes by the end of 2009, when it only planned to implement 5 by the end of 2010 and 10 by the end of the EFF programming period. Between January 2007 and December 2009 the size of the EU fleet reduced from 1 970 860 GT to 1 797 292 GT (and from 7 168 605 kW to 6 627 994 kW). These figures indicate that the mid-term target of capacity and engine power reductions (7% and 15% by 2010) had already been achieved (European Commission, 2011). However, according to Member States reports, EU financial assistance accounted for less than half the overall reduction of the fleet (European Commission, 2011). Rather economic pressures and depleted stocks are pushing down the size of the fleet.

### 3. EFF – PROGRAMMING AND DELIVERY

#### KEY FINDINGS

- The objectives of the EFF are similar to those of FIFG but **axes and measures are organised differently**. Axis 4 brings a new territorial focus.
- Member states have to base their single National Operational Programme on a National Strategic Plan. New programming and delivery of the NOP are based on a **partnership with stakeholders**.
- In 2008, the “restructuring regulation” introduced additional measures to alleviate the effect of fuel price increase on fishing fleet into Axis 1.
- The delivery of EFF national programmes requires a **comprehensive Management and Control System (MCS) at national level**. The Commission reports annually and published an interim evaluation in March 2011.
- **EFF implementation suffered delays** from the start. The Commission was late adopting the implementation regulation and guidance; Member States struggled

The EFF has the same overall objective as its predecessor, the Financial Instrument for Fisheries Guidance (FIFG); it includes similar measures but its programming and delivery mechanisms are different.

#### 3.1. EFF Objectives and Priority Axes

The EFF replaced the FIFG on 1 January 2007 to cover the period 2007-2013<sup>1</sup>. The **overall objective of the EFF is to support the Common Fisheries Policy** (Reg. 2371 /2002) so as to ensure an exploitation of living aquatic resources and support aquaculture in order to provide sustainability in economic, environmental and social terms. It must further the CFP in areas, such as structural adjustments, which are best achieved at Community level than by Member States alone. The EFF must incorporate the Community’s priorities for sustainable development as defined by the European Council in Lisbon and in Gothenburg in 2000 and 2001<sup>2</sup> as its FIFG predecessor.

There are a further six more specific objectives to EFF assistance (art. 4), which underpin priority axes for support:

1. Promote a sustainable balance between resources and the fishing capacity of the Community fishing fleet
2. Promote a sustainable development of inland fishing
3. Strengthen the competitiveness of the operating structures and the development of economically viable enterprises in the fisheries sector
4. Foster the protection and the enhancement of the environment and natural resources where related to the fisheries sector
5. Encourage sustainable development and the improvement of the quality of life in areas with activities in the fisheries sector, and

<sup>1</sup> Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund (OJ L 223 of 15.8.2006, p.1) – the “basic regulation”.

<sup>2</sup> Lisbon European Council of 23 and 24 March 2000 and Gothenburg European Council of 15 and 16 June 2001.

6. Promote equality between men and women in the development of the fisheries sector and fisheries areas, which cuts across all others.

The **EFF has five Priority Axes** (basic regulation Title IV, Table 5). The first axis supports permanent and temporary measures for the community sea fishing fleet. The second axis covers aquaculture, inland fisheries as well as processing and marketing support. The third axis regroups collective actions and measures of common interest, and includes fisheries landing infrastructure. The fourth axis introduces Fisheries Local Action Groups (FLAGS) as new vehicles to support development measures in local areas. The fifth axis is for technical assistance, devoted to supporting activities carried out by fishing authorities in order to successfully implement the operational programmes.

**Table 5: EFF Priority axes**

EFF	PRIORITY AXES
1	Measures for the adaptation of the Community fishing fleet
2	Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products
3	Measures of common interest
4	Sustainable development of fisheries areas
5	Technical Assistance

Source: (EC) No 1198/2006

Measures eligible under each EFF axis are given in the basic regulation (Table 13 in Annex A), and described further in the implementation regulation. Each measure covers a range of sub-measures and actions, according to the needs of each Member State's sector analysed in its strategic plan.

**EFF measures** are similar to those of its FIG predecessor (see Table 13 and Table 14 in Annex A), although axes and measures are organised differently. Fishing fleet measures in FIG Axes 1 and 2 are in EFF Axis 1, while FIG Axes 3 is now mostly EFF Axis 2, and FIG Axis 4 comes under EFF Axes 1, 3 and 4 (Table 15 in Annex A).

**Axis 4 brings a new territorial focus**, with FLAGS in charge of developing and implementing integrated local strategies. For these, eligible measures (basic regulation art. 44 paragraphs 1 to 3) extend to most EFF social, economic and environmental measures, except for sea fishing fleet measures (Box 1).

### 3.2. EFF programming

In contrast with the FIG, the EFF is separate from the European Structural Funds under the financial framework. Consequently, the **EFF programming and reporting mechanisms changed significantly** from its FIG predecessor. A single NOP is now the only programming and management document, and covers both Convergence and the Non-Convergence<sup>3</sup> areas. In the NOP, each Member State sets out its priority axes, measures and actions for EFF funding.

<sup>3</sup> "Convergence" objective, in accordance with the provisions of the Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

**Box 1: Eligible measures for EFF Axis 4**

1. To support the sustainable development of fisheries areas:
  - (a) Strengthening the competitiveness of fisheries areas;
  - (b) Restructuring and redirecting economic activities, in particular by promoting eco-tourism, provided that these activities do not result in an increase in fishing effort;
  - (c) Diversifying activities through the promotion of multiple employment for fishers through the creation of additional jobs outside the fisheries sector;
  - (d) Adding value to fisheries products;
  - (e) Supporting small fisheries and tourism related infrastructure and services for the benefit of small fisheries communities;
  - (f) Protecting the environment in fisheries areas to maintain its attractiveness, regenerating and developing coastal hamlets and villages with fisheries activities and protecting and enhancing the natural and architectural heritage;
  - (g) Re-establishing the production potential in the fisheries sector when damaged by natural or industrial disasters;
  - (h) Promoting inter-regional and trans-national cooperation among groups in fisheries areas, mainly through networking and disseminating best practice;
  - (i) Acquiring skills and facilitating the preparation and implementation of the local development strategy;
  - (j) Contributing to the running costs of the groups; and
2. The EFF may also finance measures such as the promotion and improvement of professional skills, worker adaptability and access to employment, particularly in favour of women<sup>4</sup>. Finally,
3. Support granted under paragraph 1 may include measures provided for in Chapters I, II and III with the exception of measures provided for in Articles 23 and 24 (Permanent and Temporary cessation of fishing activities).

**Source:** EC, 2006 art.44

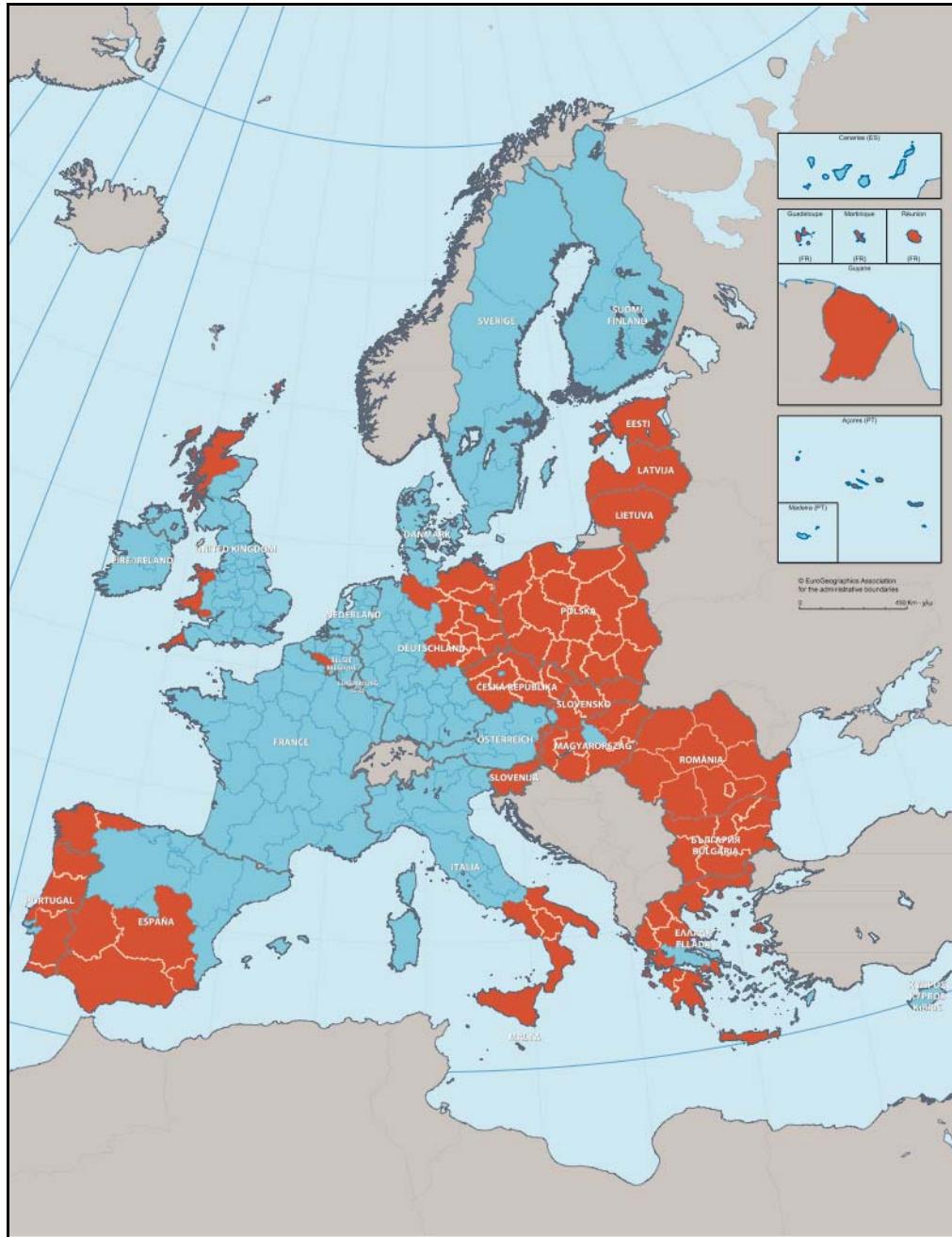
The NOP has to be coherent with the Member State's strategy to manage the CFP. Thus under the EFF, Member States must first adopt a strategic plan for fisheries and aquaculture based on appropriate consultation with regional, local, economic and social partners in the fisheries sector and with all other relevant bodies. The NSP has to be presented to the Commission at the latest when submitting the NOP<sup>5</sup>.

In adopting each Member State's OP (art. 53), the Commission fixes the maximum rate and maximum amount of the EFF contribution for Convergence and Non-Convergence objective separately (see Map 1) and for each priority axis.

<sup>4</sup> Provided that these measures are an integral part of a sustainable development strategy and that they have a direct link with the measures described in paragraph 1 above - up to a maximum of 15 % of the priority axis involved.

<sup>5</sup> Article 15 of the basic regulation.

**Map 1: EFF 2007-2013 Convergence areas (in red)**



Source: EC, 2008

The **Principle of Partnership** in the EFF basic regulation<sup>6</sup> introduces an obligation to include regional and local public authorities, economic and social partners and any other appropriate body. It leads to a “broad and effective involvement of all appropriate bodies in accordance with national rules and practices, taking into account the need to promote equality between men and women and sustainable development through integration of environmental protection and enhancement”.

The Partnership Principle, which did not apply in the previous FIFG rounds, builds on a wide consultation on the NSP, and covers the preparation, implementation, monitoring and

<sup>6</sup> Article 8 of Council Regulation (EC 1198/2006).



evaluation of the EFF Operational Programme (OP). The principle is re-enforced for Axis 4 projects, which also require a local development strategy.

The general objectives of the CFP are declined into a number of national objectives in the **NSPs**. In their **NOP**, Member States refer to these as general or specific objectives, and propose a mix of measures across Priority Axes to address each objective.

The EFF basic regulation<sup>1</sup> stipulates that Member States also have to submit an *ex ante* evaluation of their NOP to address the requirements of the environmental assessment provided for by the Strategic Environmental Assessment (SEA) Directive<sup>7</sup>. Details for these are provided in the EFF "implementation regulation"<sup>8</sup>. The **ex-ante evaluations** presented with each Member State's NOP are also carried out to improve on previous versions, assess the NOP's objectives against the needs identified, cohesion with EU policies and with the Member State's NSP.

The **EFF implementation regulation** laying down the detailed procedures to be followed by Member States in drawing up and implementing their OP was adopted in March 2007. The Vademecum, providing guidelines to facilitate the reading and understanding of EFF's legal requirements, was adopted at the end of August 2007<sup>9</sup>.

Member States were expected to adopt their NSP and submit them to the Commission for scrutiny before submitting their NOP at the beginning of the 2007-2013 programming period.

### 3.3. EFF delivery

Much more than for its FIFG predecessor, the quality and effectiveness of public funding is closely and systematically monitored and evaluated at local level, at national level, and by the Commission.

The EFF regulation (art. 69 to 73) requires a comprehensive **National Management and Control System (MCS)** of all financial commitments, based on a close collaboration between the national (and any sub-national) management authority and the Commission. The MCS is the programme management document and, with its Audit Strategy, it ensures a precise and timely transparent management of the public funds involved. The MCS describes the responsibilities of the designated Management Authority, of the Certifying Authority and Audit Authority (Title VII) in detail, and the programme monitoring arrangements.

The Commission does not authorise payments to Member States until their national MCS is validated.

The Partnership Principle, put in place to draft the NSP and prepare the NOP, applies to all subsequent stages of the programme cycle, from implementation to monitoring and evaluation. Member States have to put in place a Monitoring Committee with a wide membership to approve the selection criteria for supported projects, and monitors progress against the NOP and its targets (art. 63).

<sup>7</sup> Directive 2001/42/EC of the European Parliament and of the Council, OJ L 197, 21.7.2001, p. 30.

<sup>8</sup> Commission Regulation (EC) No 498/2007 of 26 March 2007 laying down the rules for the implementation of Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund (OJ L 120 of 10.5.2007, pp. 80).

<sup>9</sup> EFF Vademecum C(2007)/3812.

Member States have to forward an interim evaluation (art. 49) of their EFF programme to the Commission by 31 June 2011 (see EC, 2010a), and an *ex post* evaluation (art. 50) by 31 December 2015.

The Commission also carries out **monitoring and evaluation** of the EFF programme **across Member States**.

Its annual report brings together the Member States' annual implementation reports. It is submitted to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions by the 31 December each year and in 2008 for the first time (art. 68). Annual reports provide an overall summary by Member State, with a breakdown of appropriations committed and paid, and use of technical assistance.

The Commission had its own independent interim evaluation of the EFF carried out in 2010; the report was published in March 2011 (Ernst & Young, 2011). The interim evaluation aimed to provide an up-to-date assessment of the uptake and first impacts of EFF measures implemented in the Member States, using the guidelines designed for national evaluations, adapted to meet the requirements of an EU-wide evaluation.

### **3.4. Measures under the “Restructuring Regulation”**

Council Regulation 744/2008, known as the “Restructuring Regulation”<sup>3</sup>, was adopted on 24 July 2008 in response to the effect of the global economic crisis on the sector, to implement temporary mitigation measures that had not been foreseen in the EFF. Measures had to be implemented by Member States in the context of their OP, and financed from their EFF budget. Member States wishing to support some of the measures introduced by the Restructuring regulation, such as Fleet Adaptation Schemes (FAS), had to revise their NOP.

The regulation also provides for temporary changes in Community and national contribution rates, and for some exemption from the application of articles 87, 88 and 89 of the Treaty (TEC or art. 107, 108 and 109 of TEU on State Aid).

From 2009, the Commission reports annually on both the EFF implementation and that of the Restructuring Regulation (art. 22) by 31 December 2009 (EC, 2009 COM (2009) 696 final).



## 4. ANALYSIS OF THE FUTURE NEEDS OF THE SECTOR

### KEY FINDINGS

- Partnership with stakeholders has produced **national EFF programmes that reflect the current needs of the sector** with good strategic planning. Current needs of the sector expressed in the Green Paper and FIFG *ex post* evaluation are covered.
- The EFF programme has **weak intervention logic at European level, which is likely to weaken its impacts**. It is also lacking a quantitative reporting tool to facilitate monitoring and evaluate separate and cumulative impacts as national programmes unfold.
- The late start has meant that only 15% of the EFF budget overall was paid out by October 2010. Therefore **it is too early to analyse economic, social or environmental impacts**. The interim evaluation found networking between FLAGs through FARNET was the main positive perceivable impact of axis 4.
- The stakeholder's survey noted a low uptake of EFF measures to date linked to the effect of the global financial crisis on businesses and public finances. They suggest improvements for the future fund to include
  - Timely and user-friendly **assistance from the Commission**
  - Streamlined administrative **regulatory requirements**
  - **Stronger intervention logic** - Axes and measures are reorganised
- **Delivery and programme content of the future Fisheries Fund will need to be improved** to support the sector development and adaptation at local, national and European levels.

The current and future needs of Europe's fisheries and aquaculture sector have been followed closely since 2007. In preparation for the EFF 2007-2013 programme, Member States have worked closely with the Commission to establish NSPs and EFF OPs by 2007. The *ex post* evaluation of EFF's predecessor FIFG was published in March 2010, followed a month later by the Commission's synthesis of stakeholders responses on its consultation on the Green Paper for the CFP reform. The Commission's interim evaluation of the EFF was published in March 2011, when this study organised a survey of EFF administrators and recipients focused on future needs. We analyse the main points from each source in the chronological order of their publication.

### 4.1. Current needs as resulting from NOPs analysis

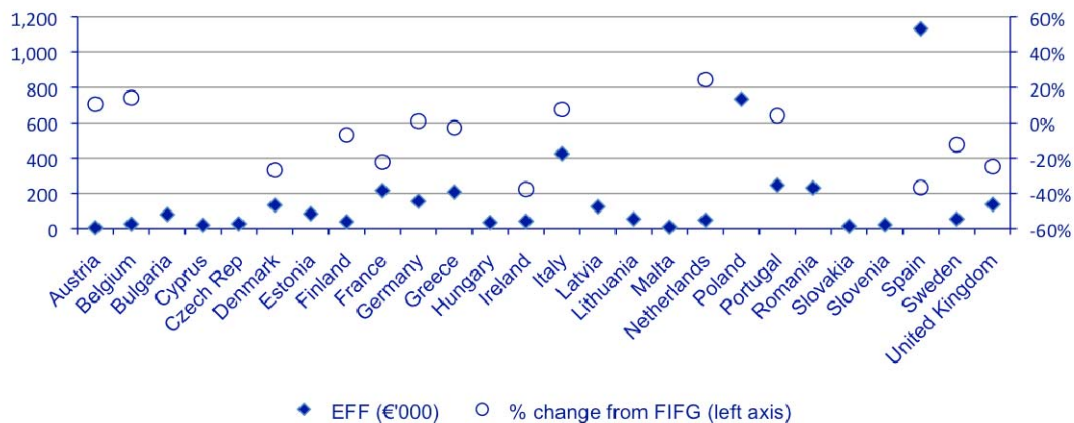
This analysis of the sector's current needs is based on a mini-evaluation of the NOPs; on the EFF annual reports from the Commission to the end of 2009; and on the interim evaluation report, published in March 2011, which collected data on implementation to October 2010. However, in the absence of a central data system for Member States to report on the measures supported (e.g. the FIFG Infosys), a detailed analysis is not possible.

Within their NOP, Member States provide a financing plan over the seven-year duration of the fund, and an overall split by axis. The corresponding programmed **allocation of EFF funds by axis and Member State** is summarised in the Commission annual report for

2008 (EC, 2009<sup>10</sup>). The EFF budget is €4.3 billion, allocated between 26 Member States<sup>11</sup>. It is 9.3% larger than the FIFG final figure, allowing for the small budgets of Member States joining in 2004 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovakia) and 2007 (Bulgaria and Romania, Figure 3).

Spain and Poland have the largest EFF budgets, followed by Italy. The budgets for new entrants are balanced by substantial decreases for some older Member States, notably Ireland (-38%) and Spain (-37%), followed by Denmark (-27%) and the UK (-25%).

**Figure 3: EFF budget (€'000) and % change from FIFG for older MS**



Source: EC, 2009 and Authors

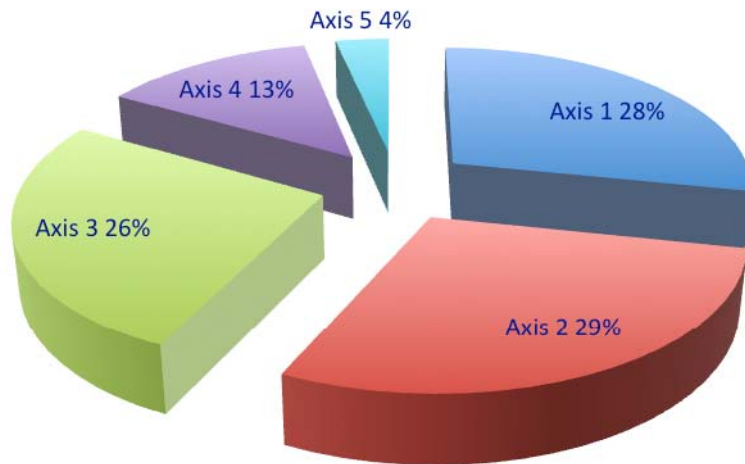
The NSPs and NOPs scrutinised all mentioned consultations and revisions. Therefore, we assume that **the partnership principle has led to national EFF programmes that reflect the current needs of the sector** (see 3.2). At the end of 2008, the EFF budget distribution by axis<sup>12</sup> shows nearly equal shares, between 26% and 29%, for the first three Priority Axes. The mostly new Axis 4 has 13% of the programme budget on average, and the technical assistance implementation budget of Axis 5 has 4% (Figure 4).

<sup>10</sup> COM(2009) 696 final

<sup>11</sup> All EU Member States except Luxembourg

<sup>12</sup> Axis 1: Fleet adaptation; Axis 2: Aquaculture and inland fisheries; Axis 3: Common interest measures; Axis 4: Sustainable development of areas, Axis 5: Technical assistance.

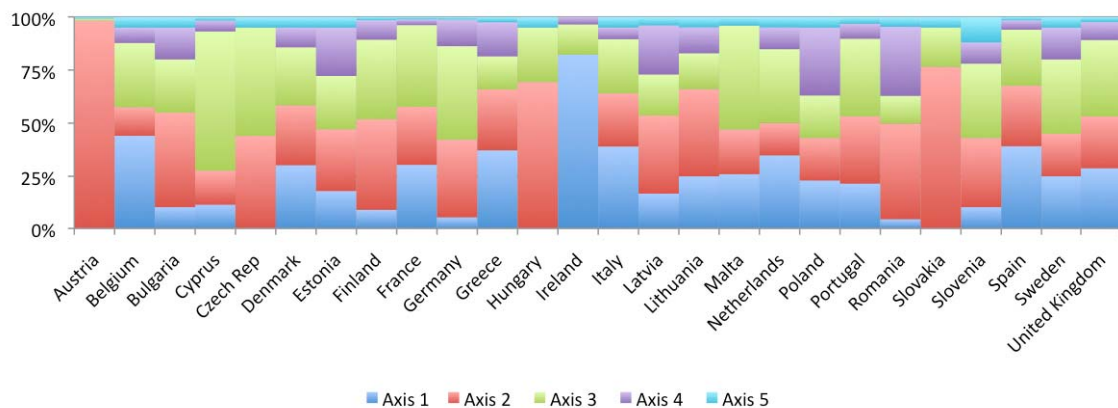
**Figure 4: % Priority Axes in EFF overall budget**



Source: EC, 2009

The **EFF budget programmed between axes varies widely between Member States** (see Table 16 in Annex A and Figure 5). Austria, for example, identified 11 priority actions in its OP, to support three types of measures in Axis 2 (aquaculture, inland fisheries and processing and marketing €5.16 million) and pilot projects in Axis 3 (€0.050 million), with (€0.045 million) for Axis 5. Similarly, Czech Republic, Hungary and Slovakia do not include measures from Axis 4 in their NOP. Ireland is the only MS that did not programme measures under Axis 2.

**Figure 5: % EFF axes split in MS programmes 2008**



Source: EC, 2009

The budget allocation of Axis 1 is in part explained by differences in priorities between coastal (Axis 1 and 2) and landlocked (Axis 2) states. Differences in allocation for Axis 4 may be also due to the lack of familiarity with the new axes. Unfortunately, without detailed data on the measures that are programmed under each axis, it is not possible to analyse implementation further at this stage. The change of measures between axes since FIG also makes it impossible to analyse priority changes over time at axis level until details are available for each measure.

**NOPs indicate the measures planned and actions that will potentially be supported for each axis at national level**, together with several result indicators. In the NOPs examined, measures are clearly defined and are linked to the *ex-ante* analysis, to the NSP, and to the CFP general objectives<sup>13</sup>. By virtue of the integrated SEA, the NOPs and/or NSPs appear to refer systematically to overarching environmental commitments. In particular, as the NSPs mention a national Biodiversity Strategy and Action Plan, obligations under the Water Framework and other European Directives, and those with sea fisheries refer to sustainable exploitation at MSY level<sup>14</sup>. The NOPs also identify the linkages and synergies with other European Funds.

Links are less clear with the EFF objectives listed in section 3.1 which are transversal and addressed by different measures across most priority axes. This is well illustrated in the table below from the French NOP showing the contributions (ranked + to +++) of selected measures to each specific objective (Table 6; FR, 2010). Other Member States give lists for each specific objective in their NOP. We conclude that, in its present form, **the EFF programme as a whole has a weak intervention logic**. Its specific objectives are not expressed precisely or in a verifiable way, and this will most likely complicate the final evaluation of its impacts.

**Table 6: EFF measure contributions to its specific objectives for France**

		EFF SPECIFIC OBJECTIVES					
	Art.	1	2	3	4	5	6
<b>Axis 1</b> Fleet adaptation	23	+++	+++			+	
	24	++	++	+		+++	
	25	++	+++	+++	++	++	
	26	++	+++	++	+++	+++	
	27	+++	++	+		+++	
<b>Axis 2</b> Aquaculture and inland fishing	29			+++		++	+++
	30			++		+++	+++
	31			+		++	++
	32			++		+++	+++
	33	++	++	+	+	+++	++
	35a	+	+	+++	+++	+++	+
	35b	+	+	+++	+	+++	++
<b>Axis 3</b> Common interest measures	37	++	+++	+++	+++	+++	+++
	38	++	+++	+	+	+++	++
	39	+	++	+++	+++	+++	
	40	+	+	++		++	++
	41	+	+++	+++	++	+	+++
<b>Axis 4</b> Sustainable development of areas	44	+	+	++	+	+++	+

Source: French OP (FR, 2010)

<sup>13</sup> As required by the basic regulation (EC) No 1198/2006.

<sup>14</sup> Johannesburg World Summit 2002.

Details of the measures programmed, committed and achieved by axis each year are not available, but the Commission's report provides an overall annual summary by Member State. National MCS have been designed from a common template, but **at European level there appears to be no reporting framework to facilitate monitoring and evaluate separate or cumulative impacts as national programmes unfold.**

In the EFF programme management cycle, impacts will be evaluated against the overall objectives through the *ex post* evaluation. Therefore the FIFG *ex post* evaluation published in March 2010 is an important resource to clarify the impact expected of the EFF. The evaluation found that “some **insufficiencies [...] related to the internal coherence of the FIFG intervention logic** [...] as [...] the link between FIFG general and operational objectives (measures) was not clear (large series of measures and potential actions lacking in clear-cut priorities)”.

Some FIFG measures, essentially related to fleet capacity, were dropped after the 2002 CFP reform: transferring vessels to third country; joint enterprises (1.2 and 1.3); the construction of new vessels (2.1); and withdrawal for fleet renewal (2.3).

#### **4.2. Perspectives on the future of public financing – stakeholder responses to the Green Paper**

In 2009, the Commission launched the reform of the CFP with the publication of the **Green Paper** (EC, 2009b). The Green Paper describes some of the failings of the structural policy and current system of public financial support.

The failings listed include a lack of synergy between financial support and other policy objectives (including those of the CFP, IMP, MSFD and the EU 2020); a lack of conditionality in the way Member States may spend the funds; a lack of flexibility or responsiveness to changing circumstances; and the current distribution of funds (based on convergence criteria as opposed to other fleet characteristics). The Paper argues that these failings demonstrate the need for a closer synergy between public funding and EU marine and fisheries policy objectives and challenges, and “should promote and facilitate the restructuring and modernisation of the European industry, help it improve its long-term viability, and avoid artificially maintaining overcapacity” (EC, 2009). It proceeds to pose eight questions on the priorities and objectives, targeting and scale, distribution and conditionality, and flexibility of public financial support.

The **consultation on the Green Paper provided an opportunity for all stakeholders to respond**. Among the responses to the Green Paper by businesses in the fisheries sector there was unanimous support for the continuation of public funding. Indeed, it was demanded that the structural funds be in the least, maintained, if not reinforced (e.g. CNPMM, 2009; CEPESCA, 2009). There was agreement that financial support should be employed to ease the industry's adaptation to the requirements of the CFP, and support the industry through the negative social and economic implications of moving towards sustainability (e.g. CNPMM, 2009; CEPESCA, 2009).

Industry stakeholders made a variety of suggestions as to where funds should be targeted. A number of respondents underlined the need for measures to support collaborative partnerships between scientists and stakeholders (e.g. Européche-COGECA, 2009; CNPMM, 2009; CEPESCA, 2009). It was also frequently highlighted that funds should be directed to improving the sustainability of fishing practices, through innovative measures, research, training, pilot projects, marketing of fisheries products, gear selectivity and the

reduction of discards (Scottish Fishermen's Federation, CEPESCA, etc.). Measures to increase the energy efficiency of vessels were particularly common, and adaptation and mitigation of the effects of climate change were also mentioned (e.g. CEPESCA, 2009; CNPMEM; Europêche-COGECA, 2009). On fleet restructuring, there was support for maintaining decommissioning, but with more stringent application, to ensure the long-term objectives to the fishery are not compromised unintentionally. Maintenance and development of measures such as those that feature in Axis 4 are supported – indeed, the benefits such measures have on maintaining the socio-economic fabric of coastal zones, and how this links with the Integrated Maritime Policy were highlighted (CNPMEM, 2009). Lastly, the need to improve access to funds for the artisanal fleet under 12m (for modernisation and improving competitiveness) was highlighted by the Galician Federation of Fishing Unions, and the professional fishers on foot (pêcheurs à pied).

Many respondents reported difficulties in accessing funds due to the bureaucratic complexity of the instrument. An example that frequently arose was the effect of the economic crisis in 2008 on the industry, in particular the rise in fuel prices, and the difficulties that fishers had in accessing support (CEPESCA, 2009; CNPMEM, 2009). Therefore a common request was that the procedures and programming of funds be simplified and made more flexible in order to improve accessibility (CNPMEM, 2009). Moreover, there was significant support for mechanisms to provide emergency aid in similar crisis situations.

With respect to the distribution of funds amongst beneficiaries, opinions of respondents were generally mixed. The Europêche-COGECA response to the Green Paper for example, states that public funding should be provided in the same way to all sectors, with particular attention given to small-scale coastal fishing. It argues “the EFF must not continue to distinguish between regions covered by or outside the convergence objective, as adjustment needs of the fisheries and aquaculture sector are required all over Europe, irrespective of macro-economic criteria regarding economic and social cohesion” (Europêche-COGECA, 2009). The Italian Union of Fishing and Aquaculture Workers went further, arguing that aid should be granted conditionally, based on compliance with sustainable practices, regulations, social security standards, etc. By contrast, the opinion of CEPESCA (2009), the Spanish Confederation of fisheries operators, was that the distribution of the EFF should continue to take account of the regional dependence on the fishing industry.

### **4.3. Interim evaluation of the EFF – Ernst and Young (2011)**

An interim valuation of the EFF for the Commission was published in March 2011 (Ernst & Young, 2011). It aimed to provide an up-to-date assessment of the uptake and first impacts of EFF measures implemented. The evaluation team conducted 26 face-to-face interviews with all DG MARE Desk Officers and Heads of Unit, visited four countries (Greece, Denmark, Estonia and Spain) to interview stakeholders there, and analysed 22 replies to questionnaire regarding the current state of implementation sent to all 26 Member States with an EFF programme. The evaluation report is structured by nine evaluation questions (EQs), three concern the EFF implementation and management system, and six the effectiveness and progress to date (see Table 16 in Annex A).

The report describes the EFF implementation and management system clearly, and its conclusions, for the aspects of interest to our study, may be summarized as follows.

The EFF programme effectiveness, at the end of 2010, has been limited by **severe implementation delay**. The Commission was late in publishing the implementation regulation<sup>15</sup> and other guidance for Member States to draw up and implement their NOP. The simpler but increased programming obligations, to deliver NSP, NOP and MCS also placed large initial administrative demands on national managing authorities, at a time when they still had to manage and report on the FIG.

In 2007, 23 of the 26 Member States adopted their NSP and submitted it to the Commission. The NSPs were subject to an extensive bilateral dialogue between the Member States and the Commission, leading to the submission of their NOP. The Commission adopted 19 of 26 NOPs in December 2007 (EC, 2009a report for 2007), and the last seven (Belgium, Hungary, Ireland, Malta, Poland, Slovenia and UK submitted late) were adopted between September and December 2008<sup>16</sup>. For the last seven, the interim evaluation invokes the complexity of coordinating procedures in devolved administrations, which were used to having several OPs for the FIG (Belgium, UK) and the limited experience of EU programmes for new entrants (Poland and Malta).

Following on from the adoption of their OP, Member States were then also late submitting their MCS and Audit Strategy to the Commission. These added layers of unfamiliar administrative work and complexity, this time involving external auditors at national (sometimes sub-national) level and implementation delays were stretched even more by a further 18 months for most Member States (see Figure 6 devised from EC annual reports and Ernst and Young, 2011: 20). By the time the EFF programme interim evaluation was conducted, at the end of 2010, the programme management system of 6 Member States had just been approved (Greece, Belgium, Bulgaria, Poland, Portugal, Spain) and 2 (Romania and UK) had not yet been validated.

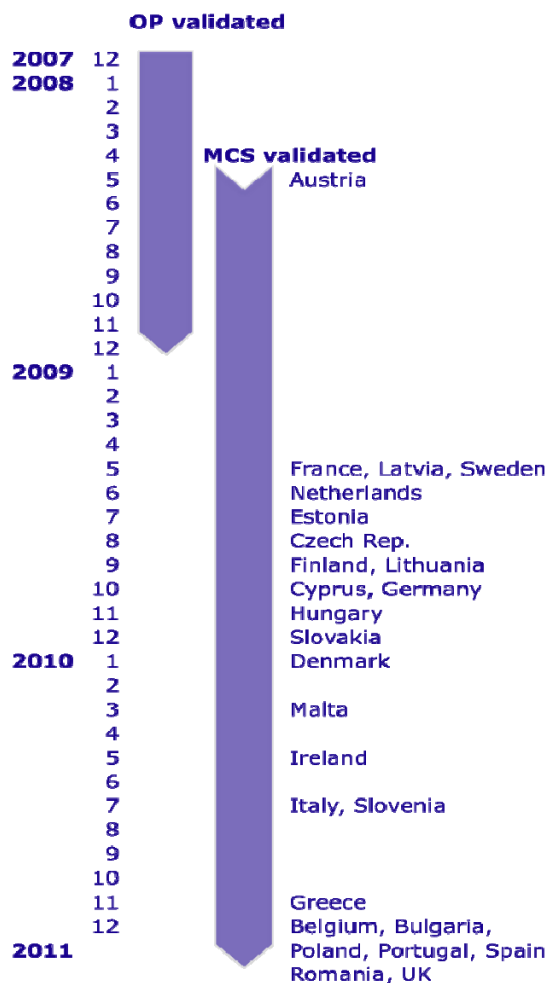
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<sup>15</sup> Commission Regulation (EC) No 498/2007 of 26 March 2007 laying down the rules for the implementation of Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund (OJ L 120 of 10.5.2007, pp. 80)

<sup>16</sup> [http://ec.europa.eu/fisheries/cfp/eff/op/index\\_en.htm](http://ec.europa.eu/fisheries/cfp/eff/op/index_en.htm)



**Figure 6: EFF programming and delivery delays**



Source: Authors

The economic crisis in the sector created by extreme fuel price increases in 2008 introduced another source of implementation delay, when the Restructuring Regulation (see 3.4) revealed some inflexibility in the EFF programming process. Member States wishing to devise fleet adaptation schemes had to re-draft their NOP (Belgium, Cyprus, Denmark, Spain, France, Portugal and Romania – EC, 2009 annual report), and their programme suffered further delays.

The interim evaluation also notes **important MCS aspects to improve** that are relevant to a future fund:

- The shift to a single NOP has created difficulties and multiplied monitoring duties for most Member States with devolved administrations
- The new control and audit systems are more robust than for FIG, but the new requirements have greatly increased administrative costs
- Less attention has been given to monitoring the EFF results and impacts than for FIG
- The baseline used for indicators and targets setting (2005 or 2006) pick up effects of the previous fund
- Discontinuation of Infosys, the FIG detailed electronic report system for measures has resulted in a “clear deterioration” of monitoring capacity.



The interim evaluation confirmed our analysis of the NOPs that the partnership principle has led to a detailed analysis of needs. It also added that **the broad consultation at both national and local levels resulted in effective strategic planning**. However, it noted that the partnership principle is not always effective at the programme delivery stage, with several Member States lacking women's organisations or environmental NGOs' representatives on their EFF Monitoring Committee.

Finally, although this is more a final evaluation question, the interim evaluation raises the problem of insufficient intervention logic with a much-entangled objective tree (Annex B - Figure 9). A comparison with the FIG objective tree (Ernst & Young, 2010) suggests that **the intervention logic of the EFF may be even less clear than for FIG**. This is a very important point, and together with the limitations of EFF's MCS noted above, makes a strong case for a new MCS, simpler but more structured and more focused on impacts, to be introduced in the future.

#### 4.4. Expected impacts of the EFF

The EFF financial execution by Member States did not start before 2008, and payments from the Commission were not made to Member States until their MCS was validated. The interim evaluation notes a marked acceleration of committed amounts in 2010, with a total of €1.4 million committed at 31 October 2010 out of a total budget of €4.3 million or an average commitment rate of 32.7% across all MS. However, **the EFF payment rate is too low to evaluate impacts in detail at this stage** (14.9% by 31 October 2010).

The EFF is expected to have economic, environmental and social impacts. In its current form, all operational axes 1 to 4, and the measures in each (Table 13 in Annex A) are aimed to help the sector adapt and become more competitive, while allowing the resource base it relies on to be exploited sustainably.

As for the impact of the EFF on the aquaculture sector, at this stage of implementation the allocation of funds has been very similar to that in the FIG and therefore we might expect to see similar results. However the economic crisis has had a severe negative effect on levels of private investment in aquaculture and this is likely to outweigh any benefits arising from the public support (Ernst & Young, 2011).

In this context, **expected positive economic impacts** is brought about by Axis 1 measures that lead to higher productivity in the short-term through fleet adjustments, increased productivity (MT), improved selectivity and product quality on board vessels, and targeted support to small-scale operators that generate local value-added around the coast. This also applies to Axis 2 measures aimed at increasing productivity and quality (including health aspects) of aquaculture and inland fisheries. The economic benefits expected from Axis 3 measures are less direct, through improved infrastructure and marketing.

In both capture fisheries and open aquaculture systems, economic benefits are closely dependent on a sustainable production of the environmental support system. This is recognised in the EFF, where – particularly for sea fisheries – Axis 1 targets public aid at businesses affected by plans to decrease fishing mortality through the permanent or temporary decrease of fishing activities. Thus clearly, **the EFF aims to provide support**

**to alleviate short-term negative economic impacts of measures designed to produce beneficial environmental impacts.**

The interim evaluation found that 53% of Axis 1 commitments had been allocated to the permanent cessation of fishing activities (Measure 1.1). From the data currently available, the impacts of the Axis 1 measures are variable across Member States. Between January 2007 and December 2009 the size of the EU fleet reduced from 1,970,860 GT to 1,797,292 GT (and from 7,168,605 kW to 6,627,994 kW). These figures indicate that the mid-term target of capacity and engine power reductions (7% and 15% by 2010) had already been achieved. By the end of October 2010, Denmark, Estonia, France, Poland and the Netherlands had achieved or exceeded their NOP objectives while Portugal, Spain, Sweden and the UK had made less progress. France, for example, had implemented 24 decommissioning projects by the end of 2009, when it had only planned to implement 5 by the end of 2010, and 10 by the end of the EFF programming period. However, Member States reports show that EU financial assistance accounted for less than half the overall reduction of the fleet (European Commission, 2011). Rather economic pressures and depleted stocks have been pushing down the size of the fleet. Unfortunately at this stage it is too early to discern any positive effects public support might have achieved on fish stocks.

In Axis 2, **Aqua-environmental measures (2.1) aim to support business initiatives with low environmental impacts** such as organic and low impact production compatible with habitat and species protection. In Axis 3, **measures 3.1 (collective actions), 3.2 (protect and develop aquatic fauna and flora) and 3.5 (pilot projects), aim to proactively generate positive environmental impacts**, through research, improved management and best business practice. **With these measures, the EFF offers “green” subsidies.**

It is **too early to determine the impact on direct and indirect employment from EFF measures in Axis 1 and 2.** In any case, the Interim Evaluation considers employment indicators provided by beneficiaries to be unreliable (Ernst & Young, 2011). However, as noted in the Czech Republic *ex ante* evaluation (2007), “projected higher productivity leads to a lower number of employees. Maintaining the current number of workers necessitates the creation of new jobs, especially in fish processing”. Therefore social impacts of state aid in the sector are difficult to separate from economic impacts. Individual measures can bring synergies in MT produced, jobs and lesser environmental impacts.

**The main impacts of Axis 4 measures are likely to be increases in social capital,** facilitating a more sustainable development of coastal areas, recognition and support to diversified livelihood strategies. According to the Commission 2009 annual report “more than 90 FLAGS have already been selected in nine of the 21 Member States implementing axis 4” and a total of total 245 FLAGS are expected to be established by mid-2011 (European Commission, 2011). By the end of December 2010, the interim evaluation noted that networking between FLAGS through FARNET was the main positive perceivable impact of Axis 4, even though this was not an intended objective.

It is still too early to evaluate actual impacts, but the interim valuation (Ernst & Young, 2011), which will in part inform the *ex-ante* evaluation of the next Fisheries Fund, makes important points about some measures in Axes 1 and 2.

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Regarding Axis 1:

- The needs of coastal fisheries (measure 1.4) have had little support
- The link between decommissioning (and temporary cessation of activities) schemes and conservation measures has been weakened by the introduction of FAS
- The restructuring regulation (aka “fuel package”), which was designed to provide emergency relief, arrived late and was difficult to implement.

Regarding Axis 2

- There has been no obvious shift towards environmental priorities at this stage.

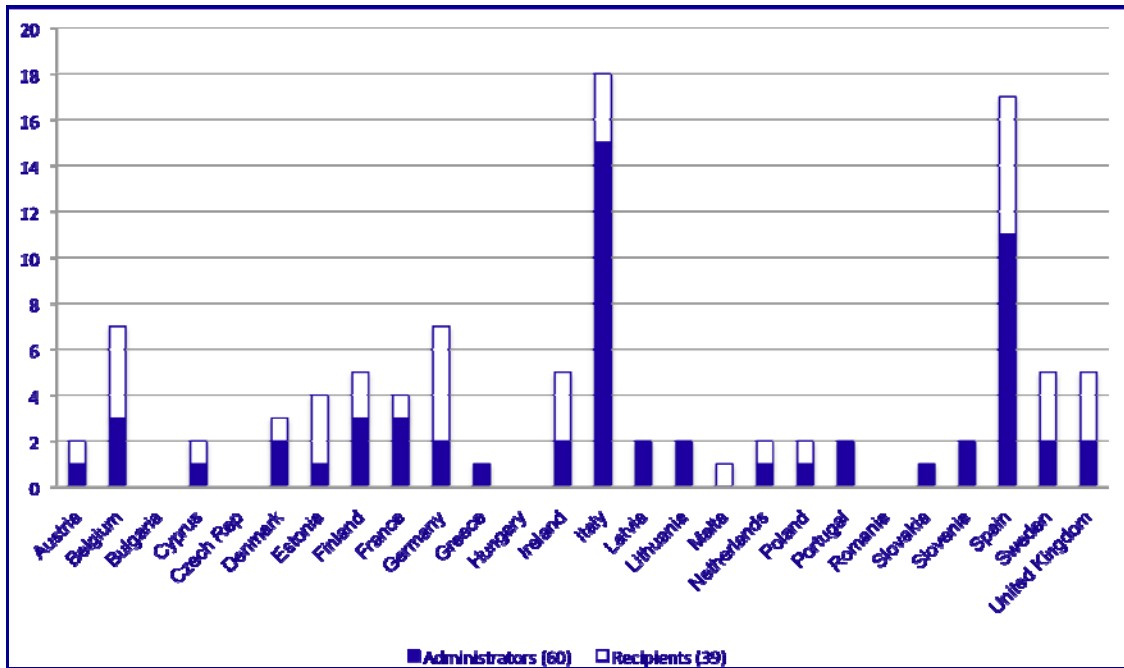
#### **4.5. Needs identified in our survey**

Our stakeholder survey aimed to understand more clearly the EFF implementation problems, and to identify future needs.

The survey was taken 99 times, 60 responses came from administrators and 39 from beneficiaries or their representatives. Responses came from 22 of the 26 Member States with an EFF programme. The 60 replies from administrators originated from 21 Member States and came from government central and regional or provincial (NUTS 2) departments and local implementation contacts for FLAGS. Responses from beneficiaries came from 16 Member States (Figure 7).

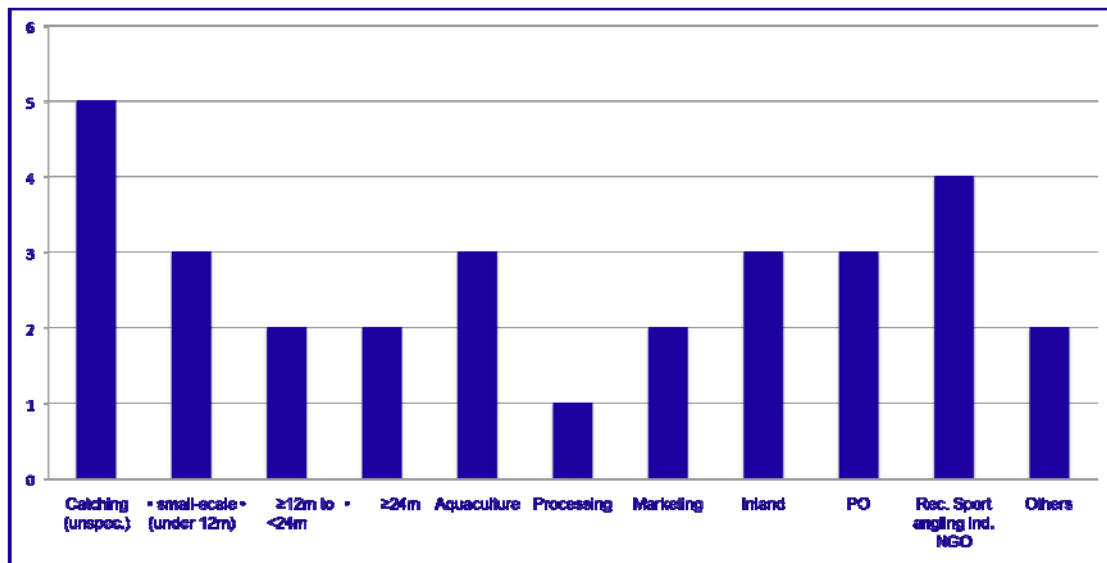
There is a good representation across beneficiaries, 30 indicated their sector of activity (Figure 8). The marine catching sector was most represented (vessel owners and Producer Organisations), four recreational anglers including three from inland waters (one covering aquaculture as well) and two each for the Aquaculture, Processing and Marketing sub-sectors. The two “Others” were a trade union representative and a scientist. 8/12 vessels used trawled or dragged fishing gear. With such small sample sizes, we do not attempt to quantify responses, or pretend that they may be representative of either their sub-sector or the Member States where they do business. However, their responses to open questions and comments are very informative and analysed in section 4.5 with future needs.

Figure 7: Survey responses by Member State and category



Source: Authors

Figure 8: Potential beneficiaries in survey by target group (30 responses)



Source: Authors

Our survey in March-April 2011 confirmed the detailed diagnostic of the implementation delays made by the interim evaluation. Nearly all administrators who took the survey reported implementation delays and problems with their NOP and MCS. Many administrators agreed (19/30) that the EFF programming had been rationalised and simplified when compared to FIFG, but also felt **programming needs to be improved in the future**.

Stakeholders who commented on programme management (15 administrators, 23 recipients) thought implementation needed improving and made suggestions for the future (Belgium, Denmark, France, Germany, Ireland, Italy, Latvia, Netherlands, Poland, Sweden).

### **Timely and user-friendly assistance from the Commission**

The complexity of new administrative requirements for the EFF caught many Member States unprepared. Nearly all Member States missed their programming deadlines and blamed the Commission for publishing the regulations and guidance notes very late, and for taking time to examine, return and finally validate the programming and MCS documents. Suggestions from the survey are:

- Implementation regulation adopted ahead of planning period
- Relevant regulations “properly translated”
- Abundant and clear initial guidance
- Template provided for simplified OP
- OP approval procedure streamlined and timely
- Clear instructions from the Commission, and agreed by the European Court of Auditors, as to what projects are eligible

### **Streamlined administrative regulatory requirements**

With a late start, and the EFF administrative requirement for a centralised OP, Member States found the strategic programming guidance insufficient and unclear. The administrators in our survey suggested the following improvements:

- Clear overall strategy, simple and clear objectives
- Single strategic document, OP only, abandon NSP
- Few simple, flexible and administrative requirements; Conditions coherent across the Funds; Proportionality for Member States with small programmes
- Regional execution consistent or combined with LEADER+, in line with Commissioners’ proposal to draw-up a common post-2013 EU strategic framework for a number of European funds<sup>17</sup>
- Simplified decentralised procedures to implement bottom-up development; Use local stakeholder resources for local development (not administration)
- MCS compatible with decentralised administrations
- Fewer, clearer compliance requirements; no Intermediate Certification Bodies
- Clear and specific criteria for measures to avoid different interpretations
- Short time for disbursement to final beneficiaries
- Accountable project selection system.

We also note that the administrators in our survey appeared confident in linking activities (sub-measures or actions) and expected effects (outputs, results and impacts) in their NOP. The large majority of those who replied to the question (8/10) were positive that they could evaluate the impacts of each project during the course of the programme. This confirms the finding of the interim evaluation that even that the intervention logic is stronger at national than at European level.

<sup>17</sup> Put forward in letter to European Commission President dated 31 August 2010 referring to the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD), and the European Fisheries Fund (EFF), by the four Commissioners concerned.

### Stronger intervention logic - Axes and measures are reorganised

Administrators and beneficiaries in our survey made suggestions for future priority axes and measures and their remit (Belgium, Denmark, Italy, Finland, Latvia, Lithuania, and Netherlands).

Axes are reorganised:

- Axes 1, 2 and 3 are reorganised separately for i) Coastal and marine fisheries and Inland fisheries, ii) Aquaculture and iii) Processing and marketing;
- Axis 4 sees its programming decentralised to allow co-financing and co-programming by regional/ provincial government; the budget is increased and new measures are introduced to cover all socio-economic support.

Measures are reorganised, in particular to introduce:

- Adaptive measures to allow more targeted actions at provincial/ regional and local level and management plans through Fisheries District; eligibility criteria may be determined at provincial/ regional levels; and measures made to work for business
- Measures to support transitional planned adaptation (eight for, six against) to new regulations (waste reduction, fleet, processing, markets, predators) and their local implementation
- Measures to support emergency and unforeseen adaptation (ten for, four against) to accidental pollution (oil spills, algal blooms, human health-related closures and economic shocks – fuel and prices) and natural disasters (reconstruction after floods, storms).

Beside delays from the Commission and complex EFF regulatory requirements, **Member States administrators' also blamed the low uptake of EFF measures on the global financial crisis.** The economic situation in Europe is reducing both the capacity for national support and the co-financing capacity of the private sector, in particular of Small and Medium Enterprises (SMEs) targeted by the EFF.

The financial crisis was invoked to explain some implementation delay and the need for adaptive programming and management in terms of budget split and %co-financing rates between priority axes and measures in order to increase the programme efficiency.

In particular, several respondents argued for:

- Increased overall budget from European funds, and increased Axis 5 support to administrative capacity
- Member State choice of % co-financing, by project types and target groups in line with national and provincial priorities
- Flexibility to re-adjust the budget split between axes and measures as national priorities change in order to adapt delivery to programme execution and maximise uptake for Axes 1 to 4.

It is too early to comment on the uptake of Axis 4, but several administrators noted that they wished to increase its budget in the future.

## Governance

When asked whether the **convergence/non-convergence** split should be kept in the future, only 14 administrators in our survey replied (Denmark, Italy, Finland, France, Germany, Latvia and Spain, see Map 1). The relevance of the split to the fisheries and aquaculture sector in the future brings no clear unanimous answer (six for and eight against), even inside the same country (e.g. Italy one for, three against; and Spain one for, two against).

Those in favour of maintaining the Convergence objective noted that it was helpful in addressing the needs of lesser-developed regions or Member States until significant macro-economic differences remained. Those against noted that:

- The fisheries sector is competing globally
- Policies applied so far should have equalized socio-economic disparities in coastal regions
- Convergence criteria based on the territorial importance of fisheries are not relevant to aquaculture
- At local level, the socio-economic development of the fisheries sector may be inversely to the country's macro-economic indicators.

The **Partnership Principle is seen to work by the beneficiaries** in our survey who confirmed that their needs were taken into account by the EFF, which was an improvement on FIG. All stakeholders, apart from four recreational anglers (26/30), identified at least one measure that was relevant or very relevant to their business.

### 4.6. Future needs of a reformed Fisheries Fund

Our survey results and the monitoring and evaluation information analysed in this chapter suggest three important areas of improvement for the delivery, content and impacts of a future Fisheries Fund.

First, **the intervention logic of the Fund needs to be strengthened**, at all levels. At European level, the Fund general and operational objectives matching those of the reformed CFP will need to be clear and simple. This is particularly important to enable the use of indicators across Member States and monitor the impact of the funding programme and policy implementation together. At national level, operational and specific objectives have a stronger logic, but their coherence with European policy will need to be clearly illustrated at the onset of the new programme. The possibility of emergency aid will need to be programmed from the outset. Member States will also have to demonstrate the impact of local measures and development strategies on EU-wide objectives.

Second, **the administrative burden of the Fisheries Fund management will need to be streamlined**, to build upon existing national capacity and a joint delivery with other European funds. The Commission will need to issue both basic and implementing regulations on time, and allow enough resource for the Fund administration, at European and national levels. A reporting data system, to replace the FIG-Infosys, will need to be set up to ensure transparent, timely and detailed monitoring and evaluation.

Third, introduced with the EFF, the Partnership Principle will need to be strengthened. It is contributing to a wider more open debate about national strategic plans, structural adaptations and priorities for state support. It will need to be taken forward with a

strengthening of the knowledge and skills of national monitoring committees regarding the wider European objectives, and the participation of women and environmental organisation representatives will need to be encouraged.

**The future Fisheries Fund programme content will need to focus on supporting the sector's adaptation to sustainable ecosystem use.** To allow a structured evaluation of impacts in the next programme, measures from Axes 1 to 4 will need to be re-arranged into themes that can be linked logically to the objectives of the reformed CFP. Without prejudice of what these may be, we recommend four themes to expand on those used in the FIFG ex-post evaluation and on current WTO debates on "Green light" versus "Red light" subsidies (Lutchman *et al.*, 2009):

- Commercial and recreational fisheries ecosystem management
- Aquaculture ecosystem management
- Processing, marketing and promotion measures
- Development of professional and stakeholders partnerships and local areas.

**Finally, the future Fisheries Fund will need to focus on impacts.** In terms of impacts, widespread cross-EU discussions, sharing of good practice and planning such as initiated through the FARNET initiative<sup>18</sup>, will facilitate a strategic development of local fisheries areas across Europe, and a shared understanding of the economic, social and environmental objectives of a reformed EFF.

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<sup>18</sup> See <https://webgate.ec.europa.eu/fpfis/cms/farnet/> and FARNET, 2011



## 5. PROPOSALS FOR A REFORMED EFF

### KEY FINDINGS

- This chapter outlines four options for a reformed EFF, the key aspects of which are as follows:
- **Option 0 (Status Quo):** The **EFF retains the same objectives**; the **structure and measures**, procedures and programming **remain the same**; budget allocation (generic distribution etc.) remains the same.
- **Option 1 (Improved Status Quo):** The EFF remains a separate financial instrument with: i) Programming (NSPs and NOPs are **streamlined**); ii) Axes and measures **reorganised** in a coherent manner with environmental and social specific objectives included under each Axis.
- **Option 2 (Adaptive sustainable EFF):** The EFF is restructured as under option 1. However, there is no more capital/ production infrastructure funding as under previous EFF – **Axis 1 is removed**. Funds are redirected to: i) **adaptive** fishing/innovation; ii) improving **scientific basis** for fisheries management (including EBA) and aquaculture; iii) environmentally friendly fishing and aquaculture, **habitat and stock restoration**; iv) Axis 4 type measures focus on **sustainability of local coastal communities** including retraining, capacity building and diversification.
- **Option 3 (Decentralised EFF):** EFF focused on sustainable coastal development and **Axis 4 type measures**. All other Axes removed. Centralised micro-management of the fund is eliminated. Focus on integration of fisheries and aquaculture activities in rural areas, with a focus on **local value added**, social/capital, **local training and management**.

### 5.1. EFF in the context of the next multi-annual financial framework

At the end of June 2011 the Commission proposed its legislative proposal for the post-2013 MFF that is supposed to cover the 2014-2020 period. In the fisheries policy fiche some far-reaching changes are announced that appear to be moving in the direction of sustainability not just of fisheries but the broader marine environment. The newly announced European Maritime Fisheries Fund (EMFF) (replacing the EFF) notably focuses on supporting fishing which is more selective, producing no discards, doing less damage to marine ecosystems and relating to the science that supports these activities, thereby contributing to the sustainable management of marine ecosystems. A single fund is proposed, integrating all fisheries and maritime instruments under one framework, with the exception of fisheries partnership agreements and EU membership in regional fisheries management organisations. It is proposed that the new EMFF would have four axes on 1) smart green fisheries, 2) smart green aquaculture, c) sustainable and inclusive territorial development and 4) an integrated maritime policy. Our analysis of options comes close to what the Commission is considering, although the analysis was advanced separately.

Based on the above it is likely that in the post 2013 funding period there needs to be a greater coherence between funding instruments under the future Common Strategic Framework, something that currently is not the case. For instance, based on a study by

Centre for Industrial Studies (CSIL, 2010), there are three authorities performing controls in the cohesion/fisheries frameworks but only two main control bodies in the rural development policy framework and similar differences exist in implementation and programming requirements.

Links with Cohesion Policy are particularly relevant, as the legislative proposal for the post 2013 Cohesion Policy is entering inter-service consultation. It will be a major block of the future MFF.<sup>19</sup> The fifth Cohesion Report<sup>19</sup> sets the strategic outlook for future Cohesion Policy and establishes a Common Strategic Framework. It translates the targets and objectives of the Europe 2020 Strategy into investment priorities for all Community Funds under shared management among which are EFF together with Structural Funds, Cohesion Fund and the European Agricultural Fund for Rural Development (EAFRD). A special development and investment partnership contract, which will be negotiated between the Commission and Member States, will set out investment priorities, their respective funding allocations, agreed conditionalities and targets in line with the countries' National Reform Programmes. The Operational Programmes, the only element retained from the current programming period, will be the main management tool at national/regional levels.

The only other mention of EFF in the fifth Cohesion Report is in relation to policies having an explicit spatial dimension, especially in relation to the EFF fourth axis, reflecting the increasing relevance of territorial cohesion. In the Europe 2020, even if not mentioned specifically, fisheries policies could fit under the Europe 2020 flagship initiative of a 'Resource-Efficient Europe'.

We are unable to estimate what changes to the operation of the other funding instruments are likely to be post 2013. Therefore, the assessment of the efficiency or coherence of the options as part of this study will be done based on an assumption of a status quo in relation to the other funding instruments, even if we acknowledge the strong influence these other funding instruments will have on the future EFF.

## 5.2. Development of options for a future EFF

The IA process is considered in six steps, which structure the preparation of policy proposals (IA guidelines):

- Identify the problem
- Define the objectives
- Develop main policy options
- Analyse their impacts
- Compare the options, and
- Outline policy monitoring and evaluation

With respect to EFF reform, the European Commission has already identified the problem (step 1) and defined the policy objectives (step 2) as part of the on-going reform of the CFP and early indications of these are provided in the CFP Green Paper. The EFF reform will begin in earnest after the CFP reform process is concluded. So far the European Commission has published an Interim Evaluation of the EFF, which will be complemented by a synthesis of the interim evaluations performed by each Member State in June 2011

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<sup>19</sup> European Commission 2010. Conclusions of the fifth report on economic, social and territorial cohesion: the future of cohesion policy. COM(2010)642, Brussels

that will form the basis of their draft options which are still pending and due to be published in the autumn of 2011. This project also aims to provide the European Parliament with proposals and recommendations on the future EFF. This part of the study is therefore focused on steps 3-5 in the above IA process.

The Green Paper put forward questions regarding the future design of a funding instrument for the Common Fisheries Policy and its core objectives (Box 2).

**Box 2: Questions on the future design of Common Fisheries Policy in the Green Paper**

1. What should be the top priorities for future public financial support and why? What changes can the sector not manage to bring about on its own and therefore require public financial support?
2. How can we change the focus of EU financial resources to promote innovation and adaptation to new policies and circumstances? Does any new policy area require funding? Should public financial support be focused on specific transitions such as eliminating discards in the fishing industry?
3. How can a synergy and coherence of possible CFP funds with other EUs and national instruments be ensured?
4. How can a synergy between the pillars of a future CFP be achieved? Should public assistance be conditional on Member States' achieving policy objectives?
5. How can EU financial resources be developed to provide the flexibility needed to respond swiftly when a crisis occurs?
6. Should public financial support apply equally to all sectors (small and large-scale)? Should the European Fisheries Fund continue to distinguish between convergence and non-convergence regions?
7. Should indirect support such as services related to fisheries management (access, research, control) continue to be provided free to all sectors of the industry?
8. Should permanent fisheries subsidies be phased out, maintaining, on a temporary basis, only those aimed at alleviating the social impacts of the restructuring of the sector?

**Source:** European Commission, 2009b

In the remainder of this analysis we will also describe how the different options respond to the questions put forward. This analysis complements the assessment of options and measures as presented in Table 7 and the rest of this section.

### 5.3. Analysis of the options

Four main policy options have been developed and defined. The options analysed differ in their respective policy design as well as the degree to which they prioritise funding of different areas and measures. This concerns particularly different approaches towards investing into the resource base and associated benefits, rather than into production capacities. However, one needs to note that some measures retain the same priority under all options (such as a focus on small and medium-sized enterprises) whereas others sharply differ (see Table 7). Simplification of allocation and management of funding is a key concern in all options.

Under all options, the EFF remains a key European support tool to the Common Fisheries Policy, based on a regulation and having the need to co-finance several measures, with European Member States having a key responsibility in strategic programming and

implementation and ensuring that beneficiaries and stakeholders are well informed about the opportunities under the EFF.

A key distinction between the status quo and the first option on the one hand and the second and third option on the other hand relates to the overall eligibility of measures for funding and to what degree the current organisation of axes of spending is maintained or abolished. Whereas the “status quo” and also “option 1” options continue a major focus of EU Member States on “hard” capital investments (investments into vessels, equipment, infrastructure), options 2 and particularly 3 achieve a shift towards “soft” forms of investments into human, social and natural capital (e.g. individual skills, social networks, ecosystems and their services etc.), supporting transition management for affected enterprises and fisheries areas. Option 3 implies the furthest change as compared to the status quo, turning the EFF into a core-funding tool for the sustainable development of coastal fisheries-dependent communities. Under options 2 and 3, focus of funding is on increasing value (making more from less) and rewarding fishermen for providing additional public goods and services.

Table 7 provides for an overview of different measures funded under the EFF and to what extent they are being prioritised under the options for a reformed EFF.

**Table 7: Scoring of options and measures**

Key: High, Medium and Low priority for funding.

<b>POLICY DESIGN</b>	<b>STATUS QUO</b>	<b>OPTION 1</b>	<b>OPTION 2</b>	<b>OPTION 3</b>
Legal base	TFEU, CFP, EU 2020	TFEU	CFP and EU 2020	CFP EU 2020
Number of priority axes	5	5	4	1
<b>MEASURES</b>	<b>STATUS QUO</b>	<b>OPTION 1</b>	<b>OPTION 2</b>	<b>OPTION 3</b>
Permanent cessation of fishing through national decommissioning schemes	High	High	Low	Low
Temporary cessation of fishing	High	High	Low	Low
Investments on board fishing vessels and selectivity	High	High	Low	Low
Support for small-scale fishing	Low	Medium	High	High
Socio-economic compensation for the management of the fleet (diversification and training)	Medium	High	High	High
Investments in aquaculture to increase production: i) Environmentally friendly aquaculture ii) New species with good market prospects iii) Traditional aquaculture practices	Low Medium/ Low Medium	Low Medium/ Low Medium	High High* High*	High High High
Aqua-environmental measures	Medium	Medium	High	High
Management of inland fisheries	Low	Low	High	High

Investments in processing and marketing, with a particular focus on small and micro enterprises	High	High	High	High
Collective actions e.g. removal of fishing gear from the seabed	High	High	High	High
Measures to protect and develop flora and fauna including rehabilitation of inland waters and spawning grounds and protection and enhancement of the environment in the framework of Natura 2000	Medium	Medium	High	High
Marine protected areas (for broader marine management purposes)	Low	High	High	High
Fishing ports, landing sites and shelters	Medium/ High	Medium/High	Medium/ Low	High
Development of new markets and promotional campaigns	Medium	Medium	Medium/ High	High
Pilot projects e.g., test alternative types of fisheries technical measures (e.g. gears; measures to deal with discards) including smart/innovative fishing techniques	Low	Low/ Medium	High	High
Modification and reassignment of fishing vessels to non-fishing activities	Low	Low/ Medium	Low	Medium
Transitional Strategies/reskilling <ul style="list-style-type: none"> <li>• Marine protection</li> <li>• Renewable energies</li> <li>• Sustainable Tourism</li> </ul>	Low	Low	High	High

Support for local development strategies	Low	Low	Medium	High
Support for exchange of best practices both inter and intra-regional	High	High	High	High
Enhancement of coastal communities	Low	Low	Medium	High
Support for producer organisations	Low	Low	High	High
Restoration measures	Low	Low	High	High
Ecological science and knowledge gaps	Low	Low	High	High
Combating invasive alien species	Low	Low	High	High
Data collection	Low	Low/ Medium	High	High
Capacity building for administrators to manage the fund	High	High	High	High
Ecolabeling initiatives/other marketing strategies	Low	Low	High	High
Support for civil society and other interest groups	Low	Low	High	High
Support for innovative approaches to support administrative approaches to support fisher applications, i.e. specific innovation agents or one-stop agencies	High	High	High	High

Source:

Authors

## 5.4. Option 0 - Status Quo

### 5.4.1. Definition

The EFF remains as a single funding instrument; it retains the same objectives; the structure and measures remain the same, as well as procedures and programming. Budget allocation (generic distribution etc.) remains the same.

### 5.4.2. Rationale

Under this option, the EFF would retain its current policy design and changes would focus on incremental improvements in programming and absorption of funding in EU Member States through better assistance and simplification of programming and implementation. EU Member State will need to better demonstrate result-orientation and good performance, following a stronger push for result-orientation, transparency and performance checking under the new multi-annual financial framework of the EU.

From an overall perspective, the EFF keeps the same objectives and the current five priority axes of funding. Procedures and programming remain unchanged and budget allocation (generic distribution etc.) remains largely the same. The EFF keeps a strong focus on production capacities and "hard" capital investment, hence on measures to adapt the fishing fleet, measures to support processing and marketing as well as technical assistance. Measures to promote sustainable development, protect the environment and foster resource conservation remain a lower priority of funding, and there is no push to tie funding to compliance with environmental objectives and integration criteria.

### 5.4.3. Priorities of funding

Table 8 presents an overview of allocation of aid distribution in 2007 in the 19 adopted operational programmes. The status-quo option prescribes a more or less similar share of overall aid distribution. Allocations per axis and per EU Member State vary largely and this pattern continues.

**Table 8: Share of measures in overall aid distribution in 19 operational programmes adopted in 2007**

MEASURES	SHARE IN OVERALL AID DISTRIBUTION (%)
Measures for the adaptation of the community fishing fleet	27
Aquaculture, inland fishing, processing, and marketing of aquaculture products	27
Measures of common interest	30
Sustainable development of fisheries areas	13

Source: European Commission

High priority under the remaining axis I is given to measures related to the permanent cessation of fishing through national decommissioning schemes as well as the temporary cessation of fishing and investments on board fishing vessels, slowing down the decrease in



fishing mortality by the EU 27. Investments into processing and marketing for continue relatively unchanged. Within the area of “collective” actions, emphasis is put on collective actions which contribute to the achievement of the new CFP objectives including collective actions to improve product traceability and labelling (measure 3.1), new marketing campaigns to improve the quality of products (measure 3.3); protection of aquatic flora and fauna (measure 3.2) and pilot projects line (measure 3.5), with the request for a better absorption of funds and better management and planning, support to increased capacity building is given a high priority as well.

While the EFF potentially provides for a lot of “soft” measures as those related to re-tooling, re-skilling, protecting the resource base and wider environment, it is assumed that EU Member States will continue with current priorities in terms of funding. Funding under this option concentrates on maintaining a smaller, but productive and modernised fisheries fleet and tackle wider social and environmental issues of adaptation and transition management in coastal communities rather marginally.

#### ***5.4.4. How does this option address the questions of the Green Paper?***

As outlined above the main priority is to continue funding modernisation of the fishing fleet. The main funding instruments would remain indifferent to current efforts to fund innovation and adaptation activities. Hence they will continue to focus largely on technical measures and cessation of fishing and as well as investments into processing and marketing. Under this scenario the EFF would not focus on special topics such as funding specific transitions (i.e. eliminating discards). Incentives to remain in an overcapitalised business would remain (see Markus, 2010).

The main strategy for increasing the synergy and coherence of the CFP with other sectoral policies under this option would be to focus on greater result-orientation and added-value. These would be pushed forward under the post-2013 Multi-annual Financial Framework of the EU. This change would be brought about by better capacity building for administrators. Accordingly, funding of some projects or measures which are rather unfavourable from an economic point of view would be questioned. This could result in strengthened synergies between the CFP and other funding instruments, also at the national level. However, improvements would reign in the marginal area, as the main core of the funding stays unchanged. There would not be an attempt to increase the synergy of the CFP with, for example, environmental policy through focusing more attention on the aspects of sustainable natural resource management or aquatic biodiversity protection. Concerning the synergies between the pillars of the EFF, the very basic structure of the pillars and the core of their funding would stay rather unchanged. Hence, the intervention logic would remain largely unclear as pointed out in the interim evaluation (Ernst & Young, 2011). No specific conditionality from an environmental point of view would be imposed on relevant funding such as investments on board fishing vessels. Moreover, there would not be huge increase in the flexibility for re-targeting funding in the case of an occurring crisis, as the current rules of budget execution would remain unchanged.

Support would not equally apply to all sectors and the EFF would continue to distinguish between convergence and non-convergence sections. Indirect services to fisheries management would continue to be provided to the sector on a largely free basis. Particularly large-scale fishing operators would be benefited at the detriment of the small-scale fisheries sector. Subsidies to the fisheries sectors might be reduced based on the

negotiations about the post-2013 multi-annual financial framework ceilings, but would be maintained.

## **5.5. Option 1 -Improved status quo**

### **5.5.1. Definition**

The EFF remains a separate financial instrument with: i) Programming (NSPs and NOPs are streamlined); ii) Axes and measures reorganised in a coherent manner with environmental and social specific objectives included under each axis.

### **5.5.2. Rationale**

The EFF remains as a separate financial instrument in support of the CFP delivery objectives. The EFF retains five axes renamed with new titles to reflect measures under individual axes and there is a reorganisation of measures in order to promote greater policy coherence and simplify programming and implementation. As in the status quo option, the main focus of the EFF in practice is kept on production capacities and “hard” capital investment and hence on measures to adapt the fishing fleet, measures to support processing and marketing as well as technical assistance. Yet measures to promote sustainable development, protect the environment and foster resource conservation gain a higher priority of funding.

The procedures for implementing NOPs are streamlined to allow for faster a delivery and implementation of the EFF objectives. The specific objectives will remain largely the same (although dependent on the objectives of the new CFP), yet the operational objectives and measures are re-organised under the priority axes.

### **5.5.3. Measures**

Table 9 provides for an overview of the reorganisation of measures under this option. A key aim of the reorganisation is a better integration and mainstreaming of sustainability and environmental concerns into overall axes. All axes and measures will allow for emergency support as a result of economic or environmental disaster.

**Table 9: Reorganisation of priority axes and measures**

PRIORITY AXIS	MEASURES
Axis I: Management of inland, coastal and marine fisheries	<ul style="list-style-type: none"> <li>• Permanent and temporary cessation of fishing (Art.23 ad Art. 24)</li> <li>• Investments in fishing vessels and selectivity (Art. 25)</li> <li>• Modification for reassignment of fishing vessels. (Art. 42)</li> <li>• Collective actions (Art.37)</li> <li>• Protect and develop aquatic flora and fauna (Art.38)</li> </ul>
Axis II: Sustainable development of aquaculture	<ul style="list-style-type: none"> <li>• Productive investments in aquaculture (Art.29)</li> <li>• Aqua-environmental measures – improving the aquatic environment (Art.30)</li> <li>• Public health (Art.31)</li> <li>• Animal health (Art.32)</li> </ul>
Axis III: Processing and marketing	<ul style="list-style-type: none"> <li>• Investments in processing and marketing (Art.25)</li> <li>• Development of new markets and promotional campaigns (Art.40)</li> </ul>
Axis IV: Sustainable development of fisheries areas	<ul style="list-style-type: none"> <li>• Small-scale fishing (Art. 26)</li> <li>• Socio-economic compensation for the management of the Community fishing fleet (diversification, training etc.) (Art. 27)</li> <li>• Eligible measures (Art.44)</li> <li>• Flags and local development (Art. 45)</li> <li>• Pilot projects (Art. 41)</li> <li>• Fishing ports, landing sites and shelters. (Art. 39)</li> </ul>
Axis V: Technical assistance	<ul style="list-style-type: none"> <li>• Capacity building and training to administer the funds</li> </ul>

Source: Authors

For many areas of measures a prioritisation similar to the status quo options occurs, i.e. strong support to cessation and modernisation measures, marketing and promotion and administrative capacity building and support to scale up the speed and scope of implementing funding activities. Yet EU Member States make greater use of “soft” measures than in the status quo option.

A difference concerns the support to small-scale fishing where a more extensive support is foreseen than under the status-quo option. In addition, strong levels of support are foreseen for marine protected areas in the wider sense of their maritime management functions as part of long-term management plans for fisheries, which will also include other supporting measures.

#### **5.5.4. How does this option address the questions raised by the Green Paper?**

As outlined above, the answer to the first question on priority issues under this option foresees a continuation of the existing priorities for many areas of measures. The top priorities thus remain unchanged as in the case of the “status quo”-option, with the exception of small-scale fishing support. This sector would receive more funding, in addition to the strengthening of funding available marine protected areas. Accordingly, the option would better respond to new funding requirements, i.e. funding the natural resource stock and related transitions, thus increasing the socio-economic compensation for the management of the fleet. Hence, public support through EFF would become more strongly

focused on buffering social transition management in affected coastal communities. We do not assume a major change of the generic focus on innovation and adaptation to new policies, however. The basic focus on cessation activities and investments in board fishing vessels as well as processing and marketing investments would continue.

These changes would also imply an overall increase of the coherence between the CFP and other policies, as environmental concerns would be taken into account in a more pronounced way, particularly in view of the increased focus on marine protected areas. A main tool to achieve better coherence is increasing the number of axes to better account for different policy needs. However, these changes would not suffice to address the core drivers of natural resource depletion and deterioration of aquatic ecosystems, and hence problems of policy incoherence would prevail to consist. Strengthening conditionality schemes is not a big priority under this option. Flexibility in terms of readdressing funding would be improved within the headings of the different axes through greater margins. A substantial improvement in flexibility would, however, not been achieved as the room for manoeuvre is constrained by the overall persistence of legal stipulations for spending under the EU budget.

While the support to all sectors would not be handled in a totally equal way, the support available to the small-scale fishing operators would be extended. The option would continue the differentiation of convergence and non-convergence regions maintain the overall subsidies regime, although with modifications as described above. Subsidies for the fisheries sector would be maintained on a broader scale, but a larger part of it than in the past would be devoted to environmental issues.

## **5.6. Option 2 – Adaptive and sustainable EFF**

### **5.6.1. Definition**

The EFF is restructured as under Option 1. However, there is no more capital/ production infrastructure funding as under previous EFF – Axis 1 is removed. Funds are redirected to: i) Adaptive and innovative fishing; ii) improving scientific basis for fisheries management (including EBA) and aquaculture; iii) environmentally friendly fishing and aquaculture, habitat and stock restoration; iv) Axis 4 type measures focus on sustainability of local coastal communities including retraining, capacity building and diversification.

### **5.6.2. Rationale**

EFF remains a separate funding instrument but the main rationale of the EFF is changed considerably under this option. Environmental objectives complement the main economic and employment objectives of the EFF, with a strong focus on technical efficiency improvements and sustainable marine environmental resource use. Priority axes are restructured and measures are re-prioritised and partially phased out. This particularly concerns the current Axis 1, which is abolished in favour of support to measures that promote smart and green fishing and sustainable coastal management as well as sustainable aquaculture. Funding for production and infrastructure development is phased out. Subsidies to the sector for adaptation of the fleet are no longer available too. As a result the sector is likely to considerably shrink.

### 5.6.3. Measures

The large bloc of permanent and temporary cessation measures as well as investments into capacity and fleet modernisation are successively abolished. Strong emphasis is put on socio-economic compensation measures for the fleet, particularly in terms of offers for re-tooling and re-skilling. Support to small-scale coastal fishing is given high priority. Freed funds are re-directed and re-distributed among four new axes, as Table 10 shows.

**Table 10: Priority axes and measures**

PRIORITY AXES	MEASURES
Priority Axis I "Adaptive and innovative fishing"	Innovative fishing with environmental standards Alternative fuels
Priority Axis II "Improving the database"	Data collection in support of EBA Long-term management plans Support to the Establishment of Marine Protected Areas
Priority Axis III "Environmental friendly fishing"	Habitat and stock restoration Establishment of MPAs Sustainable Aquaculture
Priority Axis IV "Local development of coastal communities"	Improved competitiveness Diversification

Source: Authors

Measures serving purely environmental or coastal development purposes thus gain a lot of relevance under this option, as opposed to the previous two options). Moreover, aid in support of the small-scale fisheries sector is promoted strongly and take-up is increased as a consequence. Funding technological improvements and other "soft" reskilling and re-tooling projects that cater to the needs of protecting the benefits derived from a decreasing resource base are a key priority. Support to better information provision but also support measures to increase the attractiveness of sustainable practices are additional priorities, such as compensation for days at sea restrictions or compulsory restrictions on quota uses. Funding priorities are geared towards more integrated projects, i.e. projects that combine fishing activities with recreational and other local development activities, which benefit a different development pathway of fisheries communities. This includes management support and training, as well as reskilling people and retooling capacities and equipment.

Payments for maintaining and restoring coastal habitats such as wetlands are an important objective for the EFF under this option too, as well as payments for restoration and maintenance of more traditional infrastructure tuned to the needs of small-scale coastal fishing and related markets. Training schemes and outreach activities are important measures as well.

### 5.6.4. How does this option respond to the questions of the Green Paper?

Under this option, the priorities for funding are largely redefined. EFF axes are restructured. The focus of funding shifts to innovations geared towards environmental-friendly or alternative ways of fishing, habitat and stock restoration, sustainable aquaculture and strategies for improving local socio-economic development and transition management as well as building up or strengthening new sectors and their

competitiveness. Policy action follows the notion that the sector is not in a position to sustainably manage its (natural) capital stock and ensure prospects of sustainable socio-economic development of many of Europe's coastal communities. Hence regulation and related funding would need to fill the gap. The EFF would contribute keenly to the implementation of the Marine Strategy Framework Directive (MSFD).

The focus of funding would be changed towards the promotion of green innovation (fishing gears and methods, alternative fuels), mainly at the expense of funding cessation and vessel investment schemes and other subsidies aimed at reducing traditional production costs. No subsidies would be provided for actions to reduce production costs, and thus increase production power, or commercial processing and marketing. Public support would not be applied equally to all sectors but would strictly prioritise small-scale fishing. In addition, financial support would be focused on sector adaptation strategies, such as re-skilling programmes, transition management and support to coastal ecosystem management.

Coherence with other policies and notably EU environmental policy would be increased to a larger extent through changing level of domestic discretion for spending under the rules of state aid, increased transparency of spending and the initial focus of EFF funded measures in line with the reference frame of a sustainable and efficient exploitation of fish stocks, which would be informed through ecosystem requirements (see Markus 2010). Pillars of future CFP funds would focus on a more restricted but more coherent set of objectives, and a stricter set of environmental conditionality criteria would need to be coupled with a greater ability to impose sanctions, thus increasing the synergy and coherence of funds at European and national level.

The reorientation would, however, come at the expense of (short-term) social transition costs in the sector, which would need to be buffered by adequate transition programmes and creation of alternative employment opportunities. EFF funding would need to be supplemented by domestic resources. It would cease to differentiate between convergence and non-convergence regions, leaving specific regional promotion to the Cohesion Funds and focusing on a rather equal treatment of small-scale fishers throughout Europe. Conditionality conditions would apply also to the more indirect support of services to the sector, including research.

## **5.7. Option 3 – Decentralised EFF**

### **5.7.1. Definition**

Option 3 (Decentralised EFF): EFF focused on sustainable coastal development and Axis 4 type measures. All other axes removed. Micro-management of the fund is eliminated. Focus on integration of fisheries and aquaculture activities in rural areas, with a focus on local value added, social/capital, local training and management.

### **5.7.2. Rationale**

Under this option, the main rationale of the EFF is completely redesigned. The EFF is changed into a core support tool for the sustainable development of fishing-dependent communities, focusing on protecting fish stocks and wider aquatic ecosystems and their services, specific local needs and development requirements and support to local fishermen

and communities in developing alternative employment opportunities. Transition management is key - all traditional subsidies allocated to infrastructure, technical assistance, supporting the sector (e.g. subsidies to modernise and adapt) are abolished and gradually redirected to include sustainable innovation measures, local development strategies including ports and local markets in response to local demands (as in option 2). The emphasis is on investments into “soft” measures. All priority axes are abolished, except for the previous priority axis 4.

### **5.7.3. Measures**

The list of measures prioritised is similar to option 2. However, there is stronger emphasis of funding on measures designed by communities based on local requirements for sustainability of coastal communities. Moving towards sustainable fisheries management poses different demands on management infrastructure, including measures that are locally tailored, as for example specific management measures in Natura 2000 sites, and local markets development or developing new areas of work competency and specialisation, e.g. renewable energies. This shift will require new additional skills, such as a greater emphasis on voluntary agreements between authorities and operators and partnerships with local businesses. Restoration measures include restoration and maintenance of docks, villages and ports for the purpose of cultural services and fitting to the needs of small-scale coastal fishing based on extensive and more traditional production methods. Active stakeholder consultation in coastal regional development is a key prerequisite of success and therefore promoted much more strongly than in other options.

EFF has already supported the establishment of FLAGS. With a new EFF, which is also supported by other development-type funds, the scope of the FLAGS could be expanded to broader regions. The impacts of this option may take a longer time to realise but it helps building local social capital and implement long-term local and regional management plans. The EFF focuses on both one-off and continuous investments into the resource base and wider ecosystems, including measures to restore and maintain habitats, services for environmental clean-up, gear changes and adjustment but most importantly also longer-term payments for the continuous support of services.

Spatially explicit long-term management plans are a key governance tool to manage the balance between protecting the resource base and exploiting it in a sustainable manner, i.e. within natural limits. They are based on the analysis of the status and conservation and development needs of ecosystems and their services and become the main denominator for funding under the EFF. Their implementation is hence supported through funding by the EFF as well. Funding research into the specifics and dynamics of coastal and marine ecosystems is therefore another important aspect of this option.

### **5.7.4. How does this option respond to the question of the Green Paper?**

Under this option the EFF would be largely reorganised and have as its top priority the sustainable coastal development and funding of current Axis 4 type measures. All other Axes would be removed. The responses to many of the questions put forward by the Green Paper are similar to the response under option 2. The EFF would be largely decentralised in terms of priority setting and measures funding, with the overall constraint of having to set priorities and choose measures in view of their relevance for local and sustainable coastal development. This would allow greater flexibility to EU Member States but would also increase less control in terms of ensuring coherence of policy objectives and funding

activities. It would also allow EU Member States to react more flexible and directly to emerging situations such as crises. However, there is a major risk under this option that overarching crosscutting and transboundary priorities are neglected which could generate savings and growth but cannot be taken forward by the Member States on their own.



## 6. EVALUATION OF THE OPTIONS

### KEY FINDINGS

- Four options proposed for a reformed EFF are evaluated with ecological, economic, social and governance indicators for expected impacts. The main impacts of each option (summarised in Table 11) are:
- **Option 0** – Economic, social, environment and governance impacts likely to worsen due to state of stocks and economic crisis
- **Option 1** – Modified structure of the EFF and re-organisation of objectives, axes and measures likely to result in more efficient delivery and implementation of the EFF
- **Option 2**- Axis 1 of the current EFF abolished and funds redirected towards sustainable fishing in line with new CFP objectives and EU 2020 strategy. Impacts likely to result in positive economic, social, environmental and governance impacts in the medium to long term, but negative economic and social impacts in the short term, specifically for the large-scale sector.
- **Option 3** – Focused on supporting coastal communities and on their sustainable development. Likely to have social, economic and environmental benefits and foster sustainable coastal fisheries and communities.

### 6.1. Evaluation of Option 0 (Status Quo)

#### 6.1.1. Economic Impacts

**Under the status quo, the architecture, objectives and the measures of the EFF are retained e.g. business as usual.** Indicators used to evaluate the economic impacts of this option are divided into three categories relating to 1) the EU fleet including size, fishing effort and capacity 2) fish products – tonnage of fish landed, EU consumption demand and 3) economic turnover (see Table 11).

The EU fleet size has been declining over the last decade (Figure 1). Under option 0, it is expected that this trend will continue as vessels are forced to leave fishing due to rising fuel costs and the current economic crisis. Linked to this is the likelihood that the EU budget and Member States' contributions are likely to continue to decrease, which will result in exaggerated impacts in the same direction.

Under option 0, however, it is expected that with declining fish stocks fishing effort would continue to increase in the short and medium term, as fishermen need to apply more effort to catch less fish. In addition, economic turnover is also expected to decrease, at an increasing rate, due to the rising fuel costs.

The current trend in fishing capacity has been a decrease in fishing capacity over time. It is expected that this trend will continue under the status quo in the short, medium and long-term, assuming that the level of funding for Axis 1 remains the same but even if the overall EFF budget is reduced, as expected. Fishers are likely to be forced to leave fishing due to

the current economic situation throughout Europe and specifically, the rising cost of fuel. This is also expected to impact economic turnover negatively, albeit at an increased rate.

Tonnages of fish landed from marine fisheries, as well as from aquaculture and inland fisheries are also expected to continue to decrease under the option 0 scenario. The demand for fish from EU sources is however, likely to remain but with declining tonnages of fish products, will likely lead to an increase in imports from third countries to address consumer needs.

### **6.1.2. Environmental Impacts**

Over the last decade, fish stocks have been declining with a large proportion of EU demersal fish stocks outside safe biological limits. Whilst the development of long-term management and recovery plans has led to an improvement in stock situation, under the Status quo, it is expected that the number of stocks within safe biological limits will remain the same, in the short, medium and long-term. This is despite the overall size of the EU fleet and decreasing during the same period. Additionally, it would be expected that the number of fisheries likely to meet MSC standards is likely to decrease.

Since 2005, the marine trophic index of European seas has been declining<sup>20</sup>. Under option 1, it is unlikely that this trend will change positively as the pressures on 'fishing down the food web' continue with declining catches of the traditional top predators. Consequently, under the status quo, the number of species listed on the IUCN Marine list could increase. Furthermore, assuming that Member States will continue to focus their allocation of the EFF budget under the status quo, it is unlikely that the percent coverage of marine protected areas is likely to increase. It is expected to stay the same.

### **6.1.3. Social Impacts**

The social impacts of the options are qualified against employment in the fisheries sector, the percentage of the population dependent on fishing activities for their livelihoods, the level of diversification to other economic activities, and the territory covered by FLAGs.

Employment in the catching sector has decreased steadily alongside the reductions in the size of the fleet, and is likely to continue to do so, given the fleet reductions expected under option 0. The rate of employment in aquaculture has fallen since the 1990's, therefore it is anticipated that under the status quo option this trend will continue. Employment in the processing sector has remained stable over the same period, despite declines in landings; therefore employment in the processing sector is expected to continue to remain at current levels. In light of these trends, it is clear that the percentage of the population dependent on fisheries will continue to decline. At present the diversification of EU coastal economies from fisheries related industries to other economic sectors is not sufficient to sustain thriving and vibrant coastal communities. Under the status quo option this would be expected to continue, with member states not allocating sufficient funds to diversification measures. Lastly, the current allocation of funds and uptake has meant that coverage of FLAGs is patchy; therefore under option 0 the coverage would be expected to continue to be suboptimal.

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<sup>20</sup> <http://www.eea.europa.eu/data-and-maps/indicators/marine-trophic-index-of-european-seas/marine-trophic-index-of-european>

#### **6.1.4. Governance Impacts**

Indicators of the state of the governance include the simplicity/practicability and enforceability of the rules, the uptake of the measures, the level of compliance and non-compliance enforcement, and the administrative burden placed both on the fisheries sector and on national and regional Member State fisheries administrations. Under option 0 the format and content of the measures and axes remains unchanged, therefore the simplicity of the rules will remain at present levels, and the uptake of the measures is also expected to remain stable. With respect to compliance, the factors that will influence it are the economic pressures facing the industry, and the effectiveness of monitoring and surveillance measures. Due to declining stocks and the economic hardship that is likely to ensue, there will be greater incentives for poor compliance. Consequently option 0 may result in lower levels of compliance. There will also not be sufficient non-compliance enforcement to address this.

The biggest administrative hurdles of the EFF were the requirements on Member States to submit NSPs, OPs and MCS while still reporting on the FIG. These have been overcome now; therefore retaining the status quo is likely to result in a smaller degree of administrative burden on national fisheries administrations than there was during the early years of EFF implementation. The reporting requirements of the fishing sector will remain the same causing the administrative burden on the industry to remain stable.

### **6.2. Option 1 (Improved Status Quo)**

#### **6.2.1. Economic Impacts**

Under option 1, the EFF is now streamlined. Despite the changes to the architecture of the EFF, in particular, the reorganisation of the measures to ensure improved delivery and implementation of the EFF, the impact on the size of the fleet under option 1, are largely expected to be the same as under option 0. Under option 1, it is also expected that the trend in fishing effort in the short-medium and long-term will be similar to that under the status quo, despite the improvements to the structure and process of delivery of the fund. In terms of fishing capacity, it is expected to be the same as under the status quo.

#### **6.2.2. Environmental Impacts**

With the decrease in overall EU fleet, fishing effort and capacity, stocks are likely to recover and it is expected that the number of stocks within safe biological limits may increase in the long term, but in the short and medium term likely to be the same under option 1, as under the status quo scenario, as it will take time for the stocks to recover. This improvement to fish stocks at the top of the EU food chain is also likely to have a positive impact on the marine trophic index in the long-term but again the trend is likely to remain the same in the short-medium term. Finally, it is expected that the percentage coverage of MPAs, which may assist with recovery of the fish stocks and improve the overall marine environment is likely to remain at the same level under option 1, as the status quo.

#### **6.2.3. Social Impacts**

Regarding the indicator of employment in the fisheries sector, it is expected that option 1 will lead to continued reductions in the size of the fleet and therefore to a decline in

employment in the catching sector as witnessed in recent decades (at a similar rate to the status quo option). Measures to support aquaculture and processing may have slightly greater allocation of funds as a result of the reorganisation of measures, and consequently employment in those sectors may increase slightly. Similarly, the restructuring of axes and measures may lead to slightly higher funding allocations to measures for the diversification of economic activities and for supporting local action groups; as a consequence these indicators may improve marginally under option 1.

#### **6.2.4. Governance Impacts**

Concerning compliance, it remains the case that declining stocks and the economic hardship that follows would be expected to incentivise poor compliance. Option 1 is expected to be more effective than the status quo as a result of the streamlining of procedures; however the option is not expected to reverse the trends in the state of stocks, and the economic crisis facing the industry in the short and medium-term. As a result option 1 is expected to result in lower levels of compliance, as stocks and profitability of the industry deteriorate, although to a lesser extent compared to option 0.

With respect to indicators on the simplicity/practicability of the instrument, due to the revision of measures and axes under option 1, it is expected to increase; indeed the rationale behind option 1 is clarification and simplification of the measures and application procedures. It is also intended that as a result of this simplification and streamlining the uptake of measures by the sector will rise, and that the administrative burden to both the national administrations and the fishing sector will decrease.

### **6.3. Option 2 (Adaptive and sustainable EFF)**

#### **6.3.1. Economic Impacts**

The impact on the size of the fleet is expected to be more dramatic under option 2, as Axis 1-type measures and support for the catching sector will no longer be available, with the redirection of the funds towards new Axes 1-4 and supporting measures with more environmental, innovative and a social focus. Under option 2, the level of fishing effort is likely to decrease in the short-term, as measures funded will be targeted at improving the state of the fish stocks and the marine environment, protecting the natural capital. In the medium to short-term, it is expected that fishing effort will fluctuate commensurate with the state of the stocks and available resources at any given time and in line with the long-term management plans aimed at sustainability.

The abolition of scrapping funds and funds for cessation and modernisation would have short and long term impacts on fleet capacity. On the other hand, Member States would no longer be able to use scrapping funds as a means of reducing fishing capacity and this would result in a negative impact on fishing capacity. Under option 2, the abolition of Axis 1 and the redirection of the subsidies used from adaptation and modernisation measures to other measures including more clean energy-efficient vessels, use of alternative fuel and shore-side electricity supplies is likely to increase resulting in a number of positive environmental impacts including an increase in the tonnage and quality of fish produced from marine fisheries. With increased investment (albeit with environmental conditionality) to aquaculture and inland fisheries, production is also likely to increase.

The associated impacts of these increases in tonnages include increased or stable economic turnover and increase supplies from EU sources. This in turn, is likely to result in a decrease in the demand for fish from sources outside the EU.

### **6.3.2. Environmental Impacts**

With the decrease in overall EU fleet, fishing effort and capacity, and other positive conservation measures, fish stocks are likely to recover and it is expected that the number of stocks within safe biological limits will increase in the medium to long-term under option 2. This improvement to fish stocks is also likely to have a positive impact on the marine trophic index and also have associated benefits for the marine ecosystems overall. There is likely to be less species threatened by either overfishing or to commercial extinction, which may have otherwise been considered for listing on the IUCN Marine Species list. Under this option, there would be more funds available for restoration of stocks and habitats to good ecological status through the designation of marine protected areas and therefore, there is likely to be an increase in the percentage coverage of marine protected areas. With the overall improvement of status of fisheries over time, it is also expected that under this option, there would be more fisheries certified as sustainable, for example, under the MSC standards.

### **6.3.3. Social Impacts**

Given the fleet reductions expected under option 2 employment in the catching sector will decrease in the short-term along the current trends. In the long-term the focus on smart green fishing and measures to preserve the marine environment should lead to improved stock status in EU fisheries, which may eventually lead to more jobs being created in the EU fisheries sector. However the number of jobs created will depend on whether large-scale or small-scale fleets will be able to take advantage of this expected increase in biomass, the latter generally creating more jobs. The option will lead to greater allocation and uptake of measures to support aquaculture and processing facilities; therefore employment in these sectors may increase, or at least stop declining and level out. In addition the level of diversification to other economic activities is expected to increase under option 2 as a result of the high rates of support that will be granted to diversification measures and local development of coastal communities. And on that latter point of local community development, the coverage of FLAGs is also expected to increase.

### **6.3.4. Governance Impacts**

Additional measures to support monitoring and surveillance are a feature of option 2 therefore under this option compliance is likely to increase.

The changes under option 2, in particular the introduction of new priority axes and measures and realignment of existing measures under different axes, aim to improve the simplicity of the regulation. Again, the simplification of the regulation should aid the uptake of measures by the industry, but more importantly, the removal of funds for production and infrastructure (Axis 2) will lead to a much greater allocation of funds to the other axes.

Following the simplification of the Regulation, the burden on both parties is expected to decrease in the long-term, however due to the changes to the instrument there are likely to be some administrative challenges in the immediate short-term.

## **6.4. Option 3 (Decentralised EFF)**

### **6.4.1. Economic Impacts**

Option 3 proposes a decentralised EFF, which is based on an expansion of the current Axis 4 of the EFF, aimed at encouraging sustainable development and the quality of life in areas with activities in the fisheries sector. Under this option, therefore, the impact on the size of the large-scale industrial fleet is expected to be as dramatic as under option 2. With the redirection of the funds to these measures it is expected that there would be an increase investment in the small-scale sector albeit with more conditionality and in response to local requirements. This is likely to lead to an initial increase in the scale fleet in the short-term but more stable fleet size over time, in line with available resources. It is also expected that fishing effort and fishing capacity are likely to decrease to levels which are in balance with available resources.

The tonnage of marine and inland fisheries is likely to increase from current levels with more investment in local production and supplies should stabilise in the medium to long-term. In addition, the quality of fish to also increase with more targeted investments on local and marketing projects and this should consequently result in sustainable supplies of fish products from local sources. With more funds available for local marketing campaigns, consumption is likely to increase and this should have a negative impact on the demand from third countries.

### **6.4.2. Environmental Impacts**

Under option 3, with decreasing fishing effort and capacity on large scale fleet, it is expected that the number of fish stocks under safe biological limits increase, supported by investments in to smart, green fishing techniques and the establishment of measures such as marine protected areas to maintain sustainable fisheries. Fishing at sustainable levels will also have a positive impact on the marine trophic index and the number of fish species threatened by overfishing will decrease in the medium to long-term.

### **6.4.3. Social Impacts**

As under option 2, it is expected that under option 3 employment in the catching sector will decline alongside the reductions in the fleet, with the possibility for long-term increases in employment pending increases in biomass. Again, like option 2, employment in aquaculture and processing will be expected to increase under option 3 following the diversion of funds to these areas. In the same way, the level of diversification to other economic activities would be expected to increase under option 3 as a result of the simplification of the application procedures, and the greater relevance of the projects to local communities (as it is intended that funds will be targeted to locally specific employment needs). The territory covered by the FLAGs is also expected to increase alongside the same lines as option 2, but with even greater uptake likely to arise from decentralising programmes.

### **6.4.4. Governance Impacts**

In terms of governance indicators, option 3 is likely on the whole to have similar impacts to option 2, with a few differences. Moreover, shifting the onus onto coastal communities to develop projects is expected to improve the uptake of measures, since they will be adaptable to local situations and circumstances. Although the simplification of the

instrument under option 3 may lead to a slight decrease in the administrative burden compared to the status quo, the increased responsibilities of the sector in terms of initiating projects from the grassroots is likely to result in an increased burden, to both the sector and the regional administrations.

Regarding the compliance indicator, option 3 shifts the initiation of projects to the grassroots, a feature that might be expected to improve compliance given the increased responsibility and buy-in from the industry likely to arise from bottom-up decision making.

Restructuring of the priority axes and measures under option 3 is likely to improve the simplicity of the regulation; despite introducing new measures and realigning existing measures under different axes, the structure will be logical and coherent. Again, the simplification of the regulation should aid the uptake of measures by the industry.

**Table 11: Qualitative evaluation of future options –economic, environmental and social impacts**

	OPTION 0 - STATUS QUO	OPTION 1- IMPROVED STATUS QUO	OPTION 2 – ADAPTIVE AND SUSTAINABLE EFF	OPTION 3 – DECENTRALISED EFF
	The EFF remains unchanged. Objectives, axes and measures are retained in current format and content.	EFF is modified in terms of structure for improved delivery and implementation of the EFF. Specific and operational objectives remain unchanged. However Axes are redefined and measures are reorganised under Axes in a more coherent and logical manner. Core principles remain unchanged	Under this option, the architecture of the EFF consistent with option 1. However core principles are now altered. Axis 1 is removed. Specific objectives modified to deliver new objectives of the CFP and EU 2020 strategy. Measures under new Axes modified accordingly.	This is a radical option proposing that the EFF is now a fund in support of local development of coastal communities along the lines of the current axis 4. Territories are expanded to cover most coastal communities. The objectives are closely aligned to CFP and EU 2020 objectives operational objectives and measures are modified and allow flexibility to ensure implementation and the needs of the region.
<b>Economic</b>				
Size of fleet	± ↓	± ↓	± ↓	+ ↑
Fishing effort of fleet	- ↑	- ↑	+ ↓	+ ↓
Fishing capacity of the fishing fleet (tonnage (GT) and Power (kW)	+ ↓	+ ↓	+ ↓	+ ↓
Tonnage produced in aquaculture and inland fisheries	- ↓	- ↓	+ ↑	+ ↑
Fish landed from marine fisheries	- ↓	- ↓	+ ↑	+ ↑



Economic turnover	- ↓	- ↓	+ ↑	+ ↑
Added value of fish products and sold	± =	± =	+ ↑	+ ↑
Level of consumption of EU fish products	- ↓	- ↓	+ ↑	+ ↑
Demand for fish products from third countries	- ↑	- ↑	+ ↓	+ ↓
<b>Environmental</b>				
Number of fish stocks within safe biological limits	- =	- =	+ ↑	+ ↑
Marine trophic index	- ↓	- ↓	+ ↑	+ ↑
Number of marine species listed under the Marine IUCN Red list	- ↑	- ↑	+ ↓	+ ↓
Marine protected areas (square kilometres)	+ ↑	+ ↑	+ + + ↑	+ + + ↑
Number of certified fisheries – e.g. MSC standards	- ↓	- ↓	+ ↑	+ ↑
Smart green innovative fishing initiatives	- ↓	- ↓	+ ↑	+ ↑
<b>Social</b>				
Employment in the				

fisheries sector:	- ↓	- ↓	- ↓	+ ↑
- Short-term				
- Long-term	- ↓	- ↓	± ↑	± ↑
Level of diversification into economic activities other than fishing e.g. tourism	± -	± -	+ ↑	+ ↑
Territory covered by Fisheries local action groups (FLAGs)	- =	- =	+ ↑	+ + ↑
<b>Governance</b>				
Simplification of the rules	- =	+ ↑	+ ↑	± ↑
Uptake of measures	- =	+ ↑	+ ↑	+ ↑
Level of compliance	- ↓	± =	+ ↑	+ + ↑
Administrative burden				
i) To the sector	± =	± =	+ ↓	- ↑
ii) To the national administration	+ ↓	+ ↓	+ ↓	+ ↓

## 7. CONCLUSIONS AND RECOMMENDATIONS

### KEY FINDINGS

- **A future EFF will play a critical role** in supporting the new strategic priorities of the CFP implementation post 2013 which are proposed to focus on sustainable management within safe biological limits. It also needs to support new approaches to fostering local and regional coastal development and promoting a competitive fisheries sector.
- Current implementation of EFF is hampered by unclear and incoherent intervention logic and oftentimes cumbersome procedures.
- Four options have been analysed for a future reform of the EFF. However, not all of them qualify as a suitable model for the future EFF:
  - **Option 0** clearly is not an option as no reform is envisaged.
  - **Option 1** addresses the needs for reform to the structure and architecture of the EFF, though, not likely to fully address other reform needs (environmental sustainability, future sustainability of the sector, and compliance with commitments).
  - **Option 2** focuses on resource efficient, environmentally sustainable use of natural assets taking social concerns into account and would do most in the transition to a resource efficient, green economy
  - **Option 3** is a more radical reformulation, though while it has good merits in having a clear focus, it is likely to be seen as too far-reaching by many given that fisheries is not only a local activity.

In summary, a political discussion on the future EFF within the context of the recently proposed changes by the Commission in the legislative proposal on the MFF should centre itself on options 2 and 3.

### 7.1. Conclusions – EFF achievement, challenges and issues

The EFF was adopted in 2007 and the Commission has published three annual reports on its implementation by Member States. A key aim was to strengthen the balance of sustainability and help address problems of over-capacity and stock reduction. In principle terms, the EFF allows for quite a wide range of sustainability related measures. In the last annual report on EFF implementation, Member States reports on EFF implementation for 2007-2009 show that the mid-term targets of reducing EU fleet gross tonnage (GT) by 7% by 2010 and reducing kilowatt power (kW) by 15% for 2007-2013 have been reached.

However, only half of the overall reduction occurred due to EU assistance. Rather, it seems that economic difficulties and over-exploited fishery resources have led to significant numbers of vessels being withdrawn without public aid. In the future, further reductions in employment - especially in fuel intensive fleet segments - are to be expected under a scenario that prescribes the current policy orientation, paralleled by modest or low economic profitability of other fleets which, in turn, might also limit private investment. In order to promote sustainability and profitability, the Commission therefore puts emphasis on eco-innovations, which are also increasingly supported via EFF co-financed projects (DG MARE, 2010b)

## 7.2. Future of the EFF – Recommendations

In 2011, the European Commission will publish the new draft EFF regulation and impact assessment of the options. At the seminar on 'the EFF post-2013' in 2010, the Commission gave an early insight into the direction of the future of the EFF debate highlighting that due to a number of factors including the economic situation, financial perspectives, on-going WTO debates on the future of subsidies, the new economic strategy for Europe (Europe 2020) and the impact assessment of the options for the new CFP, it is certain that the EFF post 2013 would have to cost less, build stronger links with the environmental objectives of the CFP, introduce stronger conditionality, demonstrate clear rationale and legitimacy in line with the Europe 2020 objectives and be closely coordinated with other EU funds. These assumptions have been reconfirmed by the broad principles on EFF reform that the Commission has put forward in the legislative proposal on the post 2013 MFF.

The inefficient use of natural assets, which can be broadly described as us "*running down our natural capital without being truly aware of the value of what we are losing*", argues strongly for a fundamental reform of the EFF that integrates the medium and long-term considerations on an equal footing with the short-term, integrates the interrelations between productive output and the ecosystems that are needed to support it, and the interactions between the economic systems, social systems and ecosystems, including wider considerations – e.g. benefits of marine ecosystems beyond fish productivity alone – tourism, coastal protection, recreation, science and bio-prospecting and bio-mimicry, to name but a few (TEEB, 2011). The whole picture needs to be reflected in the policy if there is to be „good governance“ of our natural assets.

Four options for a future EFF have been developed and presented in section 5 and 6. Table 12 below presents a summary of the four options highlighting the pros and cons of different options from different perspectives.

Our analysis concluded that the EFF programme as a whole has weak intervention logic. Its specific objectives are not expressed precisely or in a verifiable way, a weakness carried over from the FIG. The axes and measures of the EFF should be reorganised, to allow a clear evaluation of impacts and include some adaptive measures.

Option 1 proposes modifications to the structure of the EFF and reorganisation of objectives, axes and measures to improve the delivery and implementation of the EFF. However, option 1 is unlikely to be a sufficient driver and catalyst for meeting EU's and countries' commitments. While attractive in the sense that it is a step forward, it does little to really ensure the economic, environmental or social sustainability of the sector.

On a governance level, option 2 is arguably more practical and realistic than option 3 – though option 3 has benefits of building strong local and regional governance. The rationale being that EU support should provide value added to where it is needed – i.e. the local communities, the smaller fishing boats and not the bigger already profitable operators, this ambition is most likely to be done most effectively under option 3. Resistance will inevitably be larger.

Both options 2 and 3 are attractive from a coherence perspective with other EU policy objectives, notably the EU 2020 strategy and in the field of biodiversity, where the EU and Member States have made commitments to halt biodiversity loss.

**Table 12: Summary evaluation of the options**

Policy option/scenario	Economic	Environmental	Social	Governance
<b>Option 0 - " Status quo"</b>				
The EFF retains the same objectives; the structure and measures remain the same, as well as procedures and programming. Budget allocation (generic distribution etc.) remains the same.	Worsening of the economic situation in the short, medium and long-term with severe impact on the sector	Expect continued erosion of the natural capital – losses of fish stock, yield levels, ecosystem health and associated services	Continued losses in short-term and further losses in the long-term – socially unsustainable	Uptake of measures likely to remain stable. Level of compliance likely to remain poor as there is less incentive to comply with rules. Monitoring and enforcement likely to be at current levels.
<b>Option 1 - "Improved status quo"</b>				
The EFF remains a separate financial instrument with: i) Programming (NSPs and NOPs are streamlined ii) Axes and measures re-organised in a coherent manner with environmental and social specific objectives included under each Axis.	Continued negative impact on the sector, supplies of fish and overall economic turnover	Expect continued erosion of the natural capital – losses of fish stock, yield levels and ecosystem health	Continued losses in short-term and further losses in the long-term – socially unsustainable	Some improvements to the level of governance due to improvements in the architecture of the EFF under this option.
<b>Option 2 – "Adaptive and sustainable fishing"</b>				
The EFF is restructured as under option 1. However, there is no more capital/production infrastructure funding as under previous EFF. Axis 1 disappears. Instead funds are redirected to: <ol style="list-style-type: none"> <li>Adaptive and sustainable fishing.</li> <li>Improving scientific basis for fisheries management and (including EBA) and aquaculture</li> </ol>	Overall economic benefits to increase over short, medium and long- term and stabilise.	Environmental benefits expected to increase over time for fish stocks and the wider environment. Improved ecological status, will improve ecosystem functions and improve stock levels	More jobs in the small-scale and environmentally friendly fishing sector  Possible loss of jobs in large-scale sector in the short-term. More sustainable resource base for activities in the long-term.	Transparency, and intergenerational aspects of governance much improved

<p>3. Environmental friendly fishing and aquaculture, habitat and stock restoration</p> <p>4. Axis 4 type measures focused on sustainability of local coastal communities including retraining, capacity building and diversification</p>				
<p><b>Option 3 - "Towards regional sustainable development"</b></p>				
<p>EFF focused on sustainable coastal development and Axis 4 measures type measure.</p> <p>All other Axes removed. Micro-management of the fund is eliminated. Focus on integration of fisheries and aquaculture activities in rural areas, with a focus on local value added, social/capital, local training and management.</p>	<p>Economic benefits to coastal communities to increase in short, medium and long-term.</p>	<p>Environmental benefits expected to increase over time for fish stocks and the wider environment. Improved ecological status, will improve ecosystem functions and improve stock levels</p>	<p>Huge benefits to coastal communities in terms of job in fisheries and diversification into other related sectors</p> <p>Possible loss of jobs in large-scale sector in the short-term. Longer term more sustainable resource base for activities.</p>	<p>Transparency, and intergenerational aspects of governance much improved as well as empowerment of local communities and support for local development</p>

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## ANNEX A – SUPPLEMENTARY TABLES AND FIGURES

**Table 13: EFF Priority axes and eligible measures (Reg. No 1198/2006)**

NB.	REG.	NAMES
<b>Priority axis 1: Measures for the adaptation of the Community fishing fleet</b>		
1 1	Art. 23	Permanent cessation of fishing activities
1 2	Art. 24	Temporary cessation of fishing activities
1 3	Art. 25	Investments on board fishing vessels and selectivity
1 4	Art. 26	Small-scale coastal fishing
1 5	Art. 27	Socio-economic compensation for the management of the Community fishing fleet (diversification, training etc.)
<b>Priority axis 2: Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products</b>		
2 1	Art. 29	Productive investments in aquaculture
2 1	Art. 30	Aqua-environmental measures - Improving the aquatic envt.
2 1	Art. 31	Public health, Art. 32 Animal health
2 2	Art. 33	Inland fishing
2 3	Art. 34	Investments processing and marketing (and Art. 35 Eligible measures)
<b>Priority axis 3: Measures of common interest</b>		
3 1	Art. 37	Collective actions
3 2	Art. 38	Protect and develop aquatic fauna and flora
3 3	Art. 39	Fishing ports, landing sites and shelters
3 4	Art. 40	Development of new markets and promotional campaigns
3 5	Art. 41	Pilot projects
3 6	Art. 42	Modification for reassignment of fishing vessels
<b>Priority axis 4: Sustainable development of fisheries areas</b>		
4 1	Art. 44	10 Eligible measures
4 1	Art. 45	FLAGs, local development strategies

**Source:** EC Regulation No 1198/2006, and Ernst & Young (2011) for measure numbers

**Table 14: FIFG Priority Axes and Measures**

<b>REG.</b>	<b>NAMES</b>
<b>Priority axis 1: Adjustment of fishing effort</b>	
1 1	Scrapping
1 2	Transfer to 3rd country / reassignment
1 3	Joint enterprises
<b>Priority axis 2: Fleet renewal and modernisation</b>	
2 1	Construction of new vessels
2 2	Modernisation of existing vessels
2 3	Withdrawal of vessel (without public aid) in association with fleet renewal with public aid
<b>Priority axis 3: Protection and development of aquatic resources, aquaculture, fishing port facilities, processing and marketing and inland fishing</b>	
3 1	Protection and development of aquatic resources
3 2	Aquaculture
3 3	Fishing port facilities
3 4	Processing and marketing
3 5	Inland fishing
<b>Priority axis 4: Other measures</b>	
4 1	Small-scale coastal fishing
4 2	Socio-economic measures (early ret, cessation premium)
4 3	Promotion
4 4	Operations by members of the trade
4 5	Temporary cessation of activities and other financial compensation
4 6	Innovative measures

**Source:** EC Regulation No 2792/1999, and Ernst & Young (2010) for measure numbers

**Table 15: Correspondence between EFF and FIGG axes and measures**

EFF	MEASURES	Axis 1. Adjustment of fishing effort			Axis 2. Fleet renewal and modernisation			Axis 3. Protection and devt. aquatic res., aquaculture, port facilities, processing, marketing					Axis 4. Other measures					
		1 1	1 2	1 3	2 1	2 2	2 3	3 1	3 2	3 3	3 4	3 5	4 1	4 2	4 3	4 4	4 5	4 6
Axis 1. Adaptation of Community fishing fleet	1.1	Permanent cessation of fishing activities	X															
	1.2	Temporary cessation of fishing activities																X
	1.3	Investments on board fishing vessels and selectivity					X											
	1.4	Small-scale coastal fishing											X					
	1.5	Socio-economic compensation fishing fleet (diversification, training etc.)												X				
Axis 2. Aquaculture, inland fishing, processing & marketing	2.1	Productive investments in aquaculture								X								
	2.1	Aqua-environmental measures, human and fish health								X								
	2.2	Inland fishing					X						X					
	2.3	Investments processing and marketing												X				
Axis 3. Measures of common interest	3.1	Collective actions															X	X
	3.2	Protect and develop aquatic fauna and flora								X								
	3.3	Fishing ports, landing sites and shelters										X						
	3.4	Development of new markets and promotional campaigns													X			
	3.5	Pilot projects															X	X
	3.6	Modification for reassignment of fishing vessels		X														
Axis 4. Sustainable dev. fisheries areas	4.1	10 Eligible measures + FLAGS, local development strategies													X			
	4.1	FLAGS, local development strategies																

Source: Authors

**Table 16: EFF by Priority Axis and Member State (new MS in bold)**

€'000	AXIS 1	AXIS 2	AXIS 3	AXIS 4	AXIS 5	TOTAL
Austria	0.000	5.164	0.050	0.000	0.045	5
Belgium	11.500	3.500	7.900	1.900	1.300	26
<b>Bulgaria</b>	<b>8.001</b>	<b>36.004</b>	<b>20.002</b>	<b>12.001</b>	<b>4.000</b>	<b>80</b>
<b>Cyprus</b>	<b>2.200</b>	<b>3.250</b>	<b>12.924</b>	<b>1.000</b>	<b>0.350</b>	<b>20</b>
<b>Czech Rep.</b>	<b>0.000</b>	<b>11.927</b>	<b>13.824</b>	<b>0.000</b>	<b>1.355</b>	<b>27</b>
Denmark	40.365	37.650	36.515	12.461	6.684	134
<b>Estonia</b>	<b>15.265</b>	<b>24.584</b>	<b>21.210</b>	<b>19.282</b>	<b>4.228</b>	<b>85</b>
Finland	3.445	16.990	14.784	3.606	0.624	39
France	65.621	59.029	83.049	5.700	2.653	216
Germany	8.145	57.560	68.688	19.438	2.034	156
Greece	77.272	59.690	32.320	33.300	5.250	208
<b>Hungary</b>	<b>0.000</b>	<b>24.164</b>	<b>8.944</b>	<b>0.000</b>	<b>1.743</b>	<b>35</b>
Ireland	34.766	0.000	6.000	1.501	0.000	42
Italy	165.494	106.086	108.207	23.339	21.217	424
<b>Latvia</b>	<b>20.861</b>	<b>46.129</b>	<b>24.153</b>	<b>28.911</b>	<b>4.961</b>	<b>125</b>
<b>Lithuania</b>	<b>13.668</b>	<b>22.431</b>	<b>9.249</b>	<b>6.694</b>	<b>2.672</b>	<b>55</b>
<b>Malta</b>	<b>2.175</b>	<b>1.760</b>	<b>4.095</b>	<b>0.000</b>	<b>0.342</b>	<b>8</b>
Netherlands	16.913	7.379	16.903	4.987	2.395	49
<b>Poland</b>	<b>168.841</b>	<b>146.819</b>	<b>146.819</b>	<b>234.910</b>	<b>36.705</b>	<b>734</b>
Portugal	53.065	78.058	90.027	17.403	7.931	246
<b>Romania</b>	<b>9.975</b>	<b>105.000</b>	<b>30.000</b>	<b>75.000</b>	<b>10.739</b>	<b>231</b>
<b>Slovakia</b>	<b>0.000</b>	<b>10.468</b>	<b>2.536</b>	<b>0.000</b>	<b>0.684</b>	<b>14</b>
<b>Slovenia</b>	<b>2.164</b>	<b>7.141</b>	<b>7.574</b>	<b>2.164</b>	<b>2.597</b>	<b>22</b>
Spain	442.907	322.048	298.756	49.212	18.967	1,132
Sweden	13.666	10.933	19.133	8.200	2.733	55
United Kingdom	39.635	33.590	49.621	11.598	3.384	138
<b>Total</b>	<b>1,216</b>	<b>1,237</b>	<b>1,133</b>	<b>573</b>	<b>146</b>	<b>4,305</b>
%	28.25%	28.74%	26.33%	13.30%	3.38%	100%

Source: EC Annual Report for 2008

**Table 17: EFF Interim evaluation questions**

EQ1: How effectively is the principle of partnership applied in the EFF implementation? Are stakeholders effectively involved in the EFF implementation? Is EFF implementation well-coordinated between the national/local levels? Are stakeholders, such as (in particular) women's organisations/ organizations promoting equal opportunity and environmental stakeholders/ NGOs involved in the EFF implementation?
EQ2: To what extent do the management processes in place, from project application to payments, enable the effective implementation of projects that best achieve the program's objectives?
EQ3: How effective is the program monitoring system?
EQ4: What is the program's state of progress at the end of 2010?
EQ5: What are the preliminary results achieved by the Axis 1 projects in relation to mid-term targets of OP? Which measures are the most effective in achieving these targets?
EQ6: What are the preliminary results achieved by the Axis 2 projects in relation to mid-term targets of OP? Which measures are the most effective in achieving these targets?
EQ7: What are the preliminary results achieved by the Axis 3 projects in relation to mid-term targets of OP? Which measures are the most effective in achieving these targets?
EQ8: How far has the Axis 4 implementation process progressed in the country (groups operational, groups formed but not implementing local strategy, groups not yet formed...)? How did the national institutions, in particular the Managing Authority, adapt to the territorial character of Axis 4? To what extent did the instruments/measures of the EFF contribute to an efficient implementation process? To what extent did the support by FARNET foster the implementation of Axis 4?
EQ9: What are the outputs and results of Axis 5?

Source: Ernst &amp; Young, 2011

## ANNEX B – ONLINE SURVEY QUESTIONS

**Table 18: Online Survey questions to EFF administrators**

<b>FIFG Evaluation</b> (if relevant). Were you / your team consulted for FIFG mid-term evaluation? Y / N
If consulted, did you feel your input was taken into account in the design of the EFF? Y / N
If Not consulted on the FIFG, what is the single most important improvement still needed?
The <b>EFF programming</b> is rationalised and simplified compared to FIFG. Do you agree? Y / N
Was the National Strategic Plan (NSP) submitted on time? Y / No, it was delayed
If NSP delayed, what is the single most important reason for delay?
If delayed, by how many months (number)?
Operational Programme (OP) EFF <i>ex ante</i> consultation
• How many weeks was your <i>ex ante</i> consultation period (number)?
• How many consultees were involved (number)?
• How many consultation responses were obtained (number)?
Did the consultation lead to substantive changes in your OP? Y / N
Was the final OP submitted on time? Y / N
If OP delayed, by how many months (number)?
If OP delayed, what was the single most important reason for delay?
From your point of view does programming need improving for EFF 2013? Y / N
If EFF programming needs improving, what is the most important suggested improvement?
What is your (sub-) national overall % split between Axes 1 to 5 (each between 0 and 100, must add to 100)?
Are you planning to revise the % between Axes for EFF 2013? Y / N
If Yes, what overall (sub-) national % split between Axes 1 to 5 do you foresee? (each between 0 and 100, must add to 100)
If Yes, what is the most important reason to change allocation between Axes?
What is the EFF single MOST EFFECTIVE measure in support of your (sub-) national fisheries and aquaculture sector to end 2010?
How do you measure the effectiveness of the best measure (please give indicator and units)?
Are you planning to EXCLUDE existing MEASURES in EFF 2013? Y / N / Not sure
If Yes, please give axis, measure name and why - For up to three most important measures to EXCLUDE:
Are you planning to introduce NEW MEASURES in EFF 2013? Y / N / Not sure
If Yes, please give axis, NEW measure name and why - For up to three most important NEW MEASURES:
Do you think EFF 2013 needs to keep separate convergence/ non-convergence budgets? Y / N
If Yes, most important single reason convergence/ non-convergence budgets are needed in future?
If No, most important single reason convergence/ non-convergence budgets are not needed in future?
Do you think EFF 2013 should be available to support TRANSITIONAL planned adaptation, such as for the reduction of discards? Y / N
If Yes, please give examples of TRANSITIONAL needs.
Do you think EFF2013 should be available to support EMERGENCY unforeseen adaptation, such as for natural and man-made disasters? Y / N
If Yes, please give examples of EMERGENCY needs.

Source: Authors

## Questions to EFF administrators (continued)

Was the <b>EFF implementation</b> delayed? Y / N
If Yes, by how many months (number)?
If Yes, what is the one major reason for delay?
EFF reporting mechanism for administration is simpler than FIG. Do you agree? Y / N / Not sure
EFF procedure for applicants is simpler than FIG. Do you agree? Y / N / Not sure
Do you have local advisors to help applicants? Y / N
If Yes, how many in total at your (sub-) national level?
From your point of view does implementation need improving for EFF 2013? Y / N
If EFF implementation needs improving, what is the most important suggested improvement?
How many project applications have you received up to 2010 included (number)?
How many project applications have you approved up to 2010 included (number)?
By the end of 2010, did you feel the % split between Axes in the NOP correspond to CURRENT NEEDS? Y / N
If Needs are different, what is the one most important change in CURRENT needs compared with 2007-8?
If Needs are now different, what is your suggestion to improve adequation between funds and needs for EFF2013?
Do you have sub-national (or regional) implementation teams? Y / N
If No, do you plan to devolve implementation further for the next round of EFF? Y / N
If you have sub-national implementation, at what level? Nuts 2 / Nuts 3 / Other
Did you have an annual <b>monitoring and evaluation system</b> in place by end 2010? Y / N
If Yes, are you confident that the indicators you have selected can demonstrate the short-term (inside 5 years) impact of EFF support? Y / N
If your current indicators cannot demonstrate impact, what is the main problem?
What could be a solution to your monitoring main problem?
Do you think EFF funding should be conditional on demonstrable impact during the programming period? Y / N / Not sure
If funding cannot be linked to short-term impacts, what monitoring mechanism do you suggest?
What is your total (sub-) national EFF budget?
Your (sub-) national EFF budget is adequate for current needs?
If the total (sub-) national EFF budget is not adequate, how many more euros would it need (€)?
What is the most important budget change you suggest for EFF2013?

**Source:** Authors

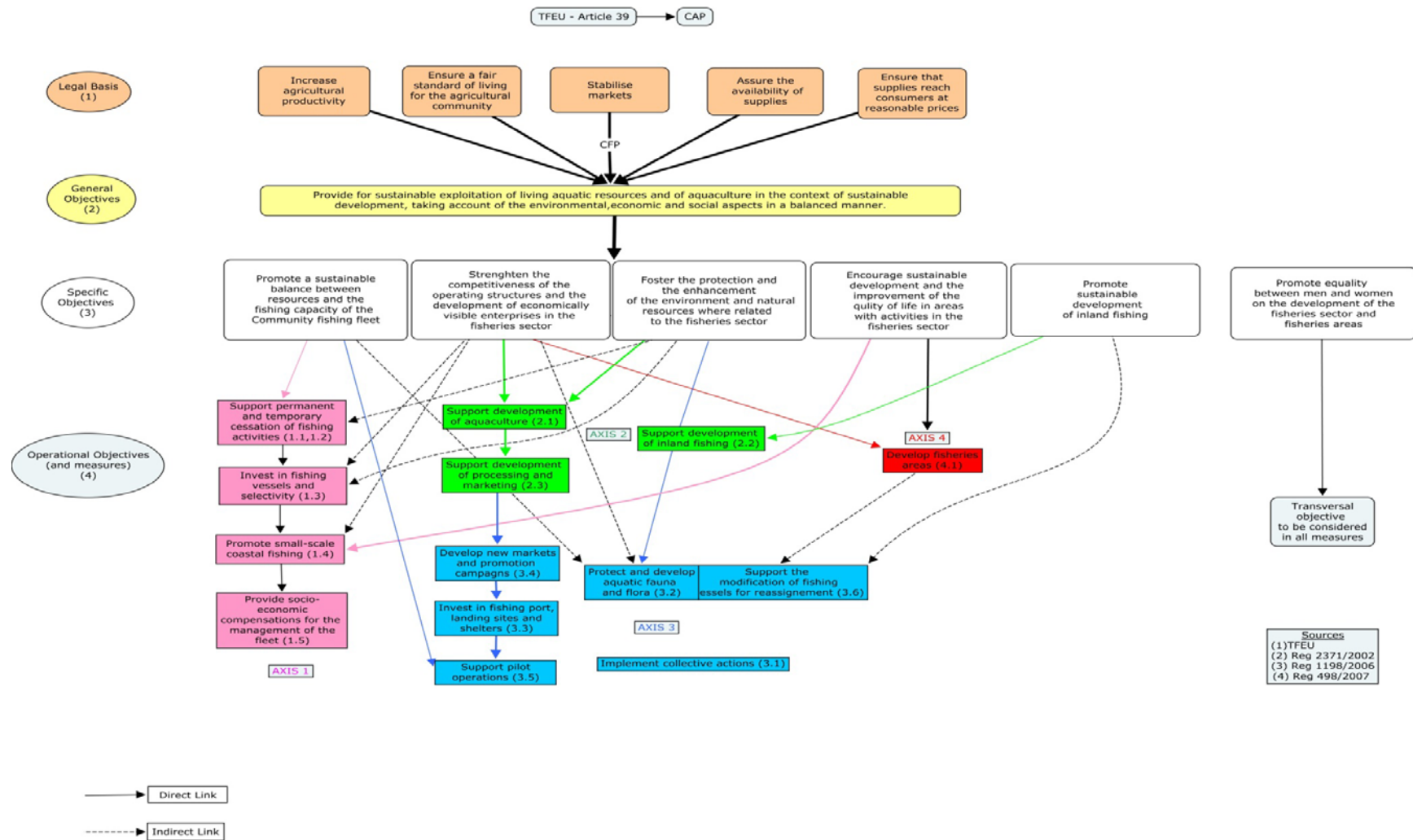


**Table 19: Online Survey questions to EFF target groups and individuals**

Do you operate or represent the views of: drop down choice of sub-sector as per Fig. 2
Do you use trawled / dragged fishing gear? Yes / No / Not applicable
Are you in a convergence or non-convergence (ex-Objective 1 or 2) area? Y / N / Not sure
Were you consulted on the National Strategic Plan (NSP) for the EFF? Y / N
If Yes, did you respond? Y / N
How can the next NSP be improved?
Were you consulted on the Operational Programme for the EFF? Y / N
If Yes, did you respond? Y / N
How can the next OP be improved?
Do you have a local EFF contact who provides information and advice? Y / N / Not sure
Do you feel the information on EFF funding opportunities for your business has been adequate? Y / N
If No, what is your one suggestion to make it better for EFF 2013?
What are the Priority Axis and measures most relevant to your business situation (please tick only one response per line and all lines)? List of axes and measures with Not relevant / Relevant / Very relevant
Have you applied for EFF funding? Y / N
Why did you not apply? No need / Not eligible / Not enough match funding / other reason
Are you planning to apply by 2012? Y / N
What is the most important aspect of the Application Process to improve?
Under what Axis is your EFF application? Axes 1 to 4
If You have applied: What measure / what year / Total project cost / % to fund
If You have applied, have you been successful? Y / N / Not sure yet
Did you find the application process adapted to your project? ? Y / N
In the context of delivering a reformed CFP, please indicate for your business the EFF measures that will need: Less funding / No change / More funding (please tick only one response per line and all lines)
What NEW MEASURES would you like to see in the EFF2013 that would help your business and/or local community? Up to three proposed measures and reasons

**Source:** Authors

Figure 9: EFF Objective tree



Source: Ernst & Young, 2010



DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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