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**REPORT FROM THE COMMISSION**  
**THIRD ANNUAL REPORT ON IMPLEMENTATION OF THE EUROPEAN**  
**FISHERIES FUND (2009)**

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## 1. INTRODUCTION

According to Article 68 of the EFF Regulation<sup>1</sup>, by 31 December each year, the Commission shall forward to the European Parliament, to the Council, to the European Economic and Social Committee and to the Committee of the Regions a report on actual implementation of the EFF. The report must be based on an examination and assessment by the Commission of the Member States' Annual Reports and on any other available information.

This third Commission Annual Report covers the implementation of the EFF during 2009, the third year of the EFF programming period (2007-2013). Accompanying this report is a Commission Staff Working Document which includes a short summary of the EFF implementation in each Member State as well as four tables with detailed information on financial execution<sup>2</sup>.

## 2. ANNUAL REPORT 2009

### 2.1. Main developments, trends and challenges in the implementation of the OPs.

#### 2.1.1. *Implementation of the European Fisheries Fund by Member States*

The delayed adoption of the EFF Regulation had as a consequence the late adoption of Operational Programmes (OP) in Member States. As a result, a small number of Management and Control Systems (MCS) and Audit Strategies had been approved by the Commission by the end of 2008. For this reason the Annual Reports for 2007 and 2008 focused on programming rather than actual execution.

In most Member States the proper implementation of the EFF took off in 2009. The overall EFF execution at the end of this third year was 18,4% (EUR 793 894 729) in terms of commitments and 4.1 % (EUR 175 029 780) in terms of payments. Out of 4.1 % paid, interim payments reached an amount of EUR 66 208 380, the rest was due to the pre-financing payments.

There are number of reasons for the slow rate of implementation, which were beyond the control of Member States. The programming stage was significantly delayed; besides the already mentioned late adoption of EFF Regulation and Implementing Regulation another reason was additional revisions of OP's, necessary in those MS which decided to implement the Restructuring Regulation<sup>3</sup>. Member States needed also to give priority to the programming and setting up of MCS for larger EU funds. This delayed the acceptance of MCS for the EFF;

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<sup>1</sup> Art. 68 of Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund, OJ L 120, 15.08.2006.

<sup>2</sup> Table I. Financial execution in convergence regions.  
Table II. Financial execution in non convergence regions.  
Table III. EFF programmed amounts by priority axes and by Member State.  
Table IV. EFF certified expenditure by priority axis and by Member State.

<sup>3</sup> Council Regulation (EC) N° 744/2008 of 24 July 2008 instituting a temporary specific action to promote the restructuring of the European EU fleets affected by the economic crisis, OJ L 202, 31.07.2008.

more importantly, setting up compliant MCS was a complex task managed for the first time by relatively small fisheries administration which, at the same time, had to finalize the implementation of the Financial Instrument for Fisheries Guidance (FIFG) 2000-2006. As a result, although many Member States had made payments to beneficiaries in 2009, these payments could not be reimbursed by the Commission prior to the acceptance of the MCS. The 10 OPs for which the MCS had not been accepted by December 2009 represented around 75% of the EFF budget allocated for the whole period. As these causes of delay are no longer present, it is expected that the rate of implementation will be accelerated throughout the remaining duration of the programme.

In addition, external factors linked to economic crisis made the absorption of the funds an even more difficult task for Member States. The economic and financial crisis hampered private investment and thus slowed down productive investment projects. At the same time, national austerity measures constrained national co-financing. Private beneficiaries in fisheries, aquaculture and processing sectors were most affected by the credit crunch which added to uncertain economic outlook for the fisheries sector in general.

As a result, by the end of 2009 Axis 1 (where permanent and temporary cessation measures combined with high aid intensity facilitate financial absorption) accounted for most of the payments certified by Member States (56% or EUR 66 432 494) while Axis 2 and Axis 3 accounted for, respectively, 17% (EUR 20 622 766) and 25% (EUR 29 489 870).

However, the figure of 18,4% of the overall EFF allocation committed to concrete projects, with some Member States exceeding 30%, indicates some forthcoming progress in the implementation. The commitments by axes amounted to 7,7% (EUR 333 489 343) for Axis 1, 5,3% (EUR 226 739 180) for Axis 2, 4,7% (EUR 200 252 175) for Axis 3 and 0,4% (EUR 15 872 583) for Axis 4. These figures show some progress not only for Axis 1 but also for the support under Axis 2 and 3. This means that the implementation of private and collective investment projects, notwithstanding the effects of the financial and economic crisis, may be picking up.

Axis 4 had a slower start, due to the longer time needed to set up local partnerships and adopt local development strategies. These delays are mainly due to the novelty of this bottom up approach which introduced a territorial dimension to OPs traditionally focussed on sector support. By the end of 2009 however, more than 90 Fisheries Local Action Groups (FLAGs) had already been selected in nine of the twenty-one Member States implementing axis 4. In total 245 FLAGs are expected to be established by mid-2011.

In order to accelerate the rate of EFF implementation and make the EFF assistance reach the beneficiaries in the fisheries, aquaculture and processing sectors, Member States need to act as soon as possible, in line with the financial discipline. The Commission will assist Member States in fostering programme implementation by a better design of measures, simplified administration of applications, use of facilitators or financial engineering or even modifications of OPs when these modifications are in line with the objectives of the EFF. The recommendations of the FIFG ex-post evaluation – such as better involvement of stakeholders with respect to project selection and monitoring, improved communication on EFF, provision of technical assistance to project holders, simplification of application and selection procedures and improved monitoring – are particularly relevant in this respect. Some Member States already successfully apply measures mitigating the situation with guarantees, loan funds and other financial instruments. Others use a simplified procedure for small projects to

speed up the application-evaluation process. The Commission will intensify dialogue with the Member States in order to better communicate and disseminate these practices.

According to the EFF regulation, by 30 June 2011 Member States shall forward to the Monitoring Committee and the Commission an interim evaluation of their OPs. The EFF Committee at the meeting on October 16<sup>th</sup>, 2009, approved the Commission's idea to set up the network of evaluators, with the objective of developing common evaluation methods and standards in order to provide the evaluators in the Member States with guidelines to allow for harmonised and high quality interim evaluations across the Member States. The ultimate objective of these evaluations will be to examine the effectiveness of the operational programmes with the aim of further improving the quality of EFF assistance and its implementation.

### *2.1.2. Budget implementation by the Commission*

In terms of annual commitments, in 2009 14.56% (EUR 626 982 387) of the total appropriations for 2007-2013 (EUR 4 304 949 019) were committed, of which EUR 476 025 821 for convergence and EUR 150 956 566 for non-convergence regions. In terms of payments in 2009 4.1% (EUR 175 029 780) of the total appropriations for 2007-2013 were paid, of which 61.93% for convergence (EUR 108 408 149) and 38.06% for non-convergence regions (EUR 66 621 631). These payments were partly made in the form of second pre-financing payments (EUR 108 821 400), an opportunity introduced by the Restructuring Regulation, claimed by 7 Member States in 2009. The other payments were made in the form of interim payments for a total of EUR 66 208 380. Detailed information is provided under point 4 of this report (table showing financial execution in the Member States) and in the COM Staff working Document accompanying this report (tables I, II, III and IV).

At the end of 2009, no Member State was concerned by a risk of de-commitment. The 2007 commitments were fully covered by pre-financings and interim payments.

## **2.2. Economic situation of the fishing sector**

### *Reduction of fishing capacity and economic performance*

Member States adopted until now 52 Fishing Effort Adjustment Plans (FEAS), foreseen by article 22 of the EFF Regulation. In addition, in 2009, 7 OPs have been modified following the adoption of the Restructuring Regulation with the objective of reinforcing and increasing the Community co-financing rate for Axis 1. In total, Member States adopted 13 Fleet Adjustment Schemes (FAS), which foresee the scrapping of 367 vessels accounting for 32 448 GT and 50 934 kW.

Between 01.01.2007 and 31.12.2009 the size of the EU fleet has been reduced from 1 970 860 GT to 1 797 292 GT and from 7 168 605 kW to 6 627 994 kW. Cumulated figures from Member States annual reports on EFF implementation for 2007-2009 show that fleet reduction with EFF assistance planned in this period is 138 427 GT and 442 232 kW. These figures show that the mid-term target of 7% reduction GT by 2010 (~ 140 000 GT) and 15% kW reduction envisaged for the period 2007-2013 has been achieved. Concerns expressed about proper measurement of KW in this context will be addressed in the framework of control implementing regulation.

According to Report on Member States' efforts during 2009 to achieve a sustainable balance between fishing capacity and fishing opportunities, EU assistance accounted for less than 50%

of the overall reduction of the EU fleet. This seems to indicate that economic problems and the overfished stocks are pushing down the size of the fleet. The result is a significant amount of capacity withdrawn without public aid which is not being replaced.

Indeed, according to the latest Annual Economic Report on the European Fishing Fleet, in 2009 further economic deterioration of performance of EU fleets could be expected. In 2008, EU fleets showed on average a relatively low profit (representing around 4% of total income) and registered a significant reduction of Gross Value Added (by 20% compared to 2007). In 2009, fuel prices were lower on average than the previous year, so a marginal increase in crew revenues and profits could be expected compared to 2008. Nevertheless, the global economic crisis continued to affect the demand for seafood which in turn has been causing a negative impact on fish prices, and hence in the economic performance of EU fleets in 2009. In conclusion, we could expect reductions in employment in some important fleets, especially those with high fuel consumption, and a modest or low economic profitability in other fleet segments which, in turn, might limit available private investment.

### *Innovation in the fishing sector – EFF best practices*

The future of fisheries and aquaculture sector, given its dependence on limited natural resources and competition from third countries, is particularly dependent on its capacity to innovate and add more value to its products, in order to enhance the sustainability and profitability. Accordingly, an increasing amount of the EFF co-financed projects place emphasis on eco-innovations. Some projects use ICT applications in the fishery industry, such as innovative electronic devices coupled with fishing gears that minimize both incidental catches and damage caused by seals. Innovations are also found in aquaculture, such as testing new technologies with the aim to increase the nutritional value of aquaculture products. Yet another example is the Fisheries Innovation Platform, created with the aim to save costs and energy, increase the product quality and the profitability and reduce the impact of fishing on the ecosystem.

As the FLAGs are progressively starting to implement their integrated local strategies under the EFF, Axis 4 begins to generate innovative projects responding to the challenges faced by fisheries areas. Importantly, with its strong emphasis on diversification, axis 4 also offers a unique opportunity for women who play a key role in the creation of alternative economic activities and innovation in local fishing communities, such as pesca-tourism projects, building on the attractiveness of traditional fishing culture and life styles. In many fisheries areas women and their organisations are involved in the FLAG partnerships and benefit from support for adding value to local fisheries products and for diversifying their sources of income. EFF grants allow (shellfish gatherers) to better valorise their products: to purchase the equipment necessary to sell their shellfish directly and to organise guided tours and tasting sessions in order to raise awareness of their activity, their products and the environment they work in.

### **2.3. Coordination of the EFF with the structural funds and the EAFRD**

The OPs show that all Member States are aware of the need to ensure consistency and coordination in EFF implementation with the Structural Funds, the ERDF and the ESF in particular, as well as with the EAFRD. The OPs provide information about the systems set up (or being set up) in the Member States in order to avoid overlapping, as requested by Article 6 of the EFF Regulation.

New Axis 4 was implemented in close cooperation with the LEADER programme under EAFRD, since these two strands of local development share many characteristics (local partnership, integrated local strategy, territorial approach, networking, etc). This cooperation takes different forms such as the use of the same partnership for implementing the two strands of funding on the same territory: this was usually applied by Member States who decided to allocate a limited budget to Axis 4 (Finland, France, Sweden, etc.). Member States with larger budgets (Poland, Romania, Bulgaria, etc.) generally chose to set-up specific groups for delivering Axis 4. The cooperation is also well established between the Rural Development Network and the FARNET network, both in the Member States and at EU level.

## **2.4. Technical assistance**

### *2.4.1. Use made of Technical Assistance budget by the Member States.*

On the basis of the Annual Reports received and accepted so far, it results that 18 Member States committed amounts under the Technical Assistance budget. The Member States with larger amounts committed to TA were: Spain (EUR 5 904 139), Romania (EUR 1 896 429), Portugal (EUR 1 599 693), Lithuania (EUR 1 511 932) and Italy (EUR 1 128 831). Measures funded aimed to improve administrative capacity, develop IT, to launch studies, to increase publicity and information and to support the management and implementation of the OPs.

### *2.4.2. Use made of the Technical Assistance budget by the Commission*

In 2009 the Commission used EUR 3.564.291 of the EFF Technical Assistance budget on the following items:

#### *Information technology*

The Commission committed EUR 527.322 for provision of computer and related services related to the maintenance and development of DG MARE information systems necessary for the implementation of EFF.

#### *Support Unit for the European Fisheries Areas Network (FAR-NET)*

EUR 1.979.992 were committed for the Support Unit of the Fisheries Areas Network (FARNET) which was set up by the Commission in May 2009 to assist in the implementation of axis 4 of the EFF. The FARNET Support Unit acts as a platform for networking between FLAGs and for the exchange of good practices. In 2009 the Support Unit devoted most of the resources to the direct capacity building for both FLAGs and Member States' administrations in order to help them roll out an initiative so radically different from past programmes. For more information see [www.farnet.eu](http://www.farnet.eu).

#### *Studies*

Under DG MARE framework contract for socio-economic studies the Commission committed EUR 399 953 for a study on a socio-economic analysis of fisheries regions. The main aim of the study is to review statistical data and socio-economic indicators for 24 EU fisheries areas (NUTS – 4, NUTS-5) and to support the discussion about the future CFP, in particular as regards the rationale for public intervention in the fisheries areas. The study will be completed and made available to the public by the end of 2010.



Under DG MARE framework contract for studies linked to the implementation of the EFF the Commission committed EUR 395 864 for the ex-post evaluation of the Financial Instrument for Fisheries Guidance (2000-2006). This study is available at

[http://ec.europa.eu/fisheries/documentation/studies/fifg\\_evaluation/index\\_en.htm](http://ec.europa.eu/fisheries/documentation/studies/fifg_evaluation/index_en.htm).

Under DG BUDG framework contract for performing audits and controls for the Commission services, the Commission committed EUR 261 160 for auditing the implementation of the temporary and specific action to promote the restructuring of the EU fleet affected by the economic crisis (Restructuring Regulation).

#### *Non-permanent staff*

The Commission committed EUR 850.000 for the salaries of non permanent staff involved in the implementation of the EFF, in particular in order to ensure proper language coverage allowing for equal treatment of all Member States.

### **3. STATE OF PLAY OF AUDIT STRATEGIES, MANAGEMENT AND CONTROL SYSTEMS AND ANNUAL CONTROL REPORTS**

Member States have to submit their management and control systems (MCS) to the Commission one year after the approval of their OPs. The Audit Strategies (AS) must be submitted within 9 months of approval. Due to the late adoption of OPs, by the end of 2008 only a very small number of MCSs and ASs had been accepted by the Commission. At the end of 2009 18 Member States had submitted their ASs, 17 of which were accepted and 1 was under analysis. As regards the MCS, all 26 were submitted at the end of 2009; 13 were accepted; 10 have been rejected or the period for their analysis have been interrupted; and 3 were under analysis. Given the low level of implementation of the programmes, most of the audit authorities in their annual control reports were obliged to provide a disclaimer of opinion due to the absence of sufficient audit activity.

#### 4. FINANCIAL EXECUTION IN THE MEMBER STATES

**TABLE: FINANCIAL EXECUTION CONVERGENCE AND NON-CONVERGENCE**

Member State		Decided a	Committed b	Paid c	% (b) / (a)	% (c) / (a)
<b>Belgium</b>	Period 2007-2013	26 261 648,00	8 455 876,00	3 676 630,00	32,20%	14,00%
	Financial year: 2009	4 263 970,00	4 263 970,00	1 838 315,00		
<b>Bulgaria</b>	Period 2007-2013	80 009 708,00	25 934 823,00	11 201 359,11	32,41%	14,00%
	Financial year: 2009	11 598 136,00	11 598 136,00	5 600 679,55		
<b>Czech Republic</b>	Period 2007-2013	27 106 675,00	10 580 186,00	3 794 934,50	39,03%	14,00%
	Financial year: 2009	3 693 682,00	3 693 682,00	0,00		
<b>Denmark</b>	Period 2007-2013	133 675 169,00	55 028 771,00	18 714 523,66	41,17%	14,00%
	Financial year: 2009	18 707 336,00	18 707 336,00	9 357 261,83		
<b>Germany</b>	Period 2007-2013	155 865 417,00	65 750 908,00	27 993 156,33	42,18%	17,96%
	Financial year: 2009	22 094 648,00	22 094 648,00	17 082 577,14		
<b>Estonia</b>	Period 2007-2013	84 568 039,00	29 992 004,00	10 594 324,53	35,46%	12,53%
	Financial year: 2009	10 889 823,00	10 889 823,00	4 674 561,80		
<b>Ireland</b>	Period 2007-2013	42 266 603,00	13 609 245,00	5 917 324,00	32,20%	14,00%
	Financial year: 2009	6 862 613,00	6 862 613,00	2 958 662,00		
<b>Greece</b>	Period 2007-2013	207 832 237,00	90 288 908,00	29 096 513,18	43,44%	14,00%
	Financial year: 2009	29 925 751,00	29 925 751,00	0,00		
<b>Spain</b>	Period 2007-2013	1 131 890 912,00	479 587 587,00	158 464 726,00	42,37%	14,00%
	Financial year: 2009	160 824 795,00	160 824 795,00	0,00		
<b>France</b>	Period 2007-2013	216 053 084,00	88 940 498,00	52 399 052,53	41,17%	24,25%
	Financial year: 2009	30 235 817,00	30 235 817,00	22 151 622,53		
<b>Italy</b>	Period 2007-2013	424 342 854,00	175 722 574,00	59 407 998,00	41,41%	14,00%
	Financial year: 2009	59 569 412,00	59 569 412,00	0,00		
<b>Cyprus</b>	Period 2007-2013	19 724 418,00	8 119 763,00	2 761 418,52	41,17%	14,00%
	Financial year: 2009	2 760 358,00	2 760 358,00	0,00		
<b>Latvia</b>	Period 2007-2013	125 015 563,00	44 767 413,00	29 139 082,74	35,81%	23,31%
	Financial year: 2009	16 282 146,00	16 282 146,00	20 387 993,74		

<b>Lithuania</b>	Period 2007-2013	54 713 408,00	21 002 300,00	9 604 620,53	38,39%	17,55%
	Financial year: 2009	7 086 453,00	7 086 453,00	5 774 681,97		
<b>Luxembourg</b>	Period 2007-2013	0,00	0,00	0,00	0,00%	0,00%
	Financial year: 2009	0,00	0,00	0,00		
<b>Hungary</b>	Period 2007-2013	34 850 860,00	10 774 860,00	4 879 120,40	30,92%	14,00%
	Financial year: 2009	5 229 751,00	5 229 751,00	2 439 560,20		
<b>Malta</b>	Period 2007-2013	8 372 329,00	2 778 812,00	1 172 126,06	33,19%	14,00%
	Financial year: 2009	1 356 456,00	1 356 456,00	586 063,03		
<b>Netherlands</b>	Period 2007-2013	48 578 417,00	19 997 810,00	11 648 010,18	41,17%	23,98%
	Financial year: 2009	6 798 367,00	6 798 367,00	8 247 520,99		
<b>Austria</b>	Period 2007-2013	5 259 318,00	2 177 383,00	1 810 257,13	41,40%	34,42%
	Financial year: 2009	738 212,00	738 212,00	1 104 609,87		
<b>Poland</b>	Period 2007-2013	734 092 574,00	241 826 781,00	102 772 960,36	32,94%	14,00%
	Financial year: 2009	121 825 117,00	121 825 117,00	51 386 480,18		
<b>Portugal</b>	Period 2007-2013	246 485 249,00	102 283 331,00	34 507 934,00	41,50%	14,00%
	Financial year: 2009	34 639 430,00	34 639 430,00	0,00		
<b>Romania</b>	Period 2007-2013	230 714 207,00	67 440 811,00	32 299 988,49	29,23%	14,00%
	Financial year: 2009	30 156 234,00	30 156 234,00	0,00		
<b>Slovenia</b>	Period 2007-2013	21 640 283,00	8 031 420,00	3 029 639,62	37,11%	14,00%
	Financial year: 2009	3 921 112,00	3 921 112,00	1 514 819,81		
<b>Slovakia</b>	Period 2007-2013	13 688 528,00	5 735 396,00	2 181 455,18	41,90%	15,94%
	Financial year: 2009	1 821 708,00	1 821 708,00	265 061,26		
<b>Finland</b>	Period 2007-2013	39 448 827,00	16 239 518,00	8 427 052,63	41,17%	21,36%
	Financial year: 2009	5 520 715,00	5 520 715,00	5 665 634,74		
<b>Sweden</b>	Period 2007-2013	54 664 803,00	22 503 333,00	8 172 258,21	41,17%	14,95%
	Financial year: 2009	7 650 134,00	7 650 134,00	4 345 722,21		
<b>United Kingdom</b>	Period 2007-2013	137 827 889,00	44 774 819,00	19 295 904,46	32,49%	14,00%
	Financial year: 2009	22 530 211,00	22 530 211,00	9 647 952,23		
<b>Total</b>	<b>Period 2007-2013</b>	<b>4 304 949 019,00</b>	<b>1 662 345 130,00</b>	<b>652 962 370,35</b>	<b>38,61%</b>	<b>15,17%</b>
	<b>Financial year: 2009</b>	<b>626 982 387,00</b>	<b>626 982 387,00</b>	<b>175 029 780,08</b>		