

European Fisheries Fund (EFF)

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The Commission presents its report on both the annual implementation of the European Fisheries Fund (EFF) for 2008 and on the implementation of Council Regulation (EC) No 744/2008 (the Restructuring Regulation). It is recalled that the content of the first Annual Report for 2007 was limited as only 19 (out of 26) Operational Programmes (OPs) were adopted. The remaining 7 OPs were adopted in the second half of 2008. Due to the late adoption of OPs, by the end of 2008 only a very small number of Management and Control Systems and Audit Strategies had been accepted by the Commission. The resulting low rate of implementation implies that the Commission report on the implementation of the EFF for 2008 concentrates more on the way the OPs are programmed than on the actual execution, which remained limited at that stage. The low implementation rate may also result from the reprogramming efforts undertaken by a number of Member States in order to implement the temporary specific action in the Restructuring Regulation.

Annual report 2008: for the 19 OPs adopted by the end of 2007, Member States' efforts concentrated on the preparation of the next implementation steps and, with the exception of Austria and France, no interim payment claims were submitted. The financial tables on the breakdown of EFF allocations between priority axes show an overall even distribution of funds between priority axes 1, 2, and 3. Axis 4 is less prominently funded is due to the fact that measures for the sustainable development of fisheries areas are new in the programming period 2007-2013 and their implementation will only become effective as from 2010, once the local groups have been set up and the local development strategies are being implemented. This still shows, however, the high interest of Member States in this innovative measure. The allocations per axis vary largely between the Member States, reflecting the highly diverging conditions and strategies of Member States for their fisheries sector. Funds for the adjustment of the fishing fleet vary for instance between 82% in Ireland and 4.3% in Romania. The analysis of Axis 1 shows that the **approach towards fleet adaptation measures, such as permanent cessation, depends largely on the general strategic approach for tackling overcapacity**. Thus, some Member States give priority to the scrapping of vessels whilst others prefer market mechanisms like Individual Transfer Quotas (ITQs) to reduce fishing capacity. As a result the capacity reduction targets vary between the OPs. Overall, the target set in the OPs for capacity reduction is around 15% (kW and GT) by the end of 2013. Very large differences can also be noted in the allocations for support to aquaculture and processing and marketing. Whereas, for instance, Ireland has opted out from such support landlocked countries naturally foresee a high share of support under Axis 2, e.g. 98% in Austria.

With regard to **budget implementation by the Commission**, in terms of commitments, in 2008 24.05% (EUR 607 763 784) of the total appropriations for 2007-2013 (EUR 4 304 949 019) were committed, of which EUR 459 679 025 for convergence and EUR 148 084 759 for non-convergence regions. In terms of payments 11.1% (EUR 249 361 192) of the total appropriations for 2007-2013 were paid. These payments were almost entirely made in the form of pre-financing payments, of which EUR 72 775 030 for the 7 OPs adopted in 2008. In addition, 14 Member States claimed a second pre-financing payment, a possibility introduced by the Restructuring Regulation, leading to additional pre-financing payments. Due to lack of payment appropriations, only 9 Member States received the second pre-financing in 2008 (EUR 176 248 671).

Implementation of the Restructuring Regulation: the report notes that the Restructuring Regulation was adopted in the context of peak prices of fuel and based on widely shared expectations that energy prices would remain on a very high level. By the second half of 2008, however, prices returned to levels well below those that launched the crisis in the sector (EUR 0'5/1) in November). Although prices have remained high (the break-even point for some fleet segments has been assessed as EUR 0'30/1), the

economic prospects in the last quarter of 2008 were generally better than at the time of adoption of the regulation. The picture changed again in the months following the financial crisis put new pressure on fishing operators through contraction of demand and declining fish prices. However, in spite of the financial crises, it appears that, overall, the incentives for operators to leave the fishing activity were lower than under the fuel crisis period. Hence, there was limited recourse to measures available under Fleet Adaptation Schemes, which eventually were adopted by only a few Member States. Similarly, the need for emergency relief, in particular through temporary cessation and socio-economic compensation, became less important, although in some Member States (e.g. Spain) important resources were freed for temporary cessation. There has been a wider use of the other general measures offered by the regulation: demand from the sector remained high for measures to support energy efficiency, in particular energy audits and on board investments. The full effect of the Restructuring Regulation cannot be ascertained until all the relevant administrative decisions, which can be taken until 31 December 2010, are known and executed to a fair proportion. Nevertheless, at this stage it can be concluded that the restructuring package will certainly contribute to promoting more energy efficiency onboard fishing vessels, but is **unlikely to make a significant contribution towards the objective of promoting a capacity reduction in those fleets that are structurally less resilient to economic pressure**. As a matter of fact, the extent to which the permanent cessation under the adopted FAS increased the capacity reduction target already foreseen in the OP is relatively limited. Lastly, it has become apparent from exchanges with Member States that the lack of additional EU funds was, for some of them, limiting the implementation of the restructuring regulation. The Communication noted that further funds could not be obtained without a major effort by Member States to re-allocate funds to Axis 1 for a permanent restructuring of the fleets. However, this would have required corresponding reductions on other axes and most Member States have preferred to retain the national strategies agreed between national governments and consulted parties.