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COMMISSION STAFF WORKING PAPER
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

**Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL**

**on the European Maritime and Fisheries Fund [repealing Council Regulation (EC) No
1198/2006 and Council Regulation(EC) No 861/2006 and Council Regulation No
XXX/2011 on integrated maritime policy**

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1. PUBLIC FINANCIAL SUPPORT TOOLS OF THE CFP AND THE IMP

The Common Fisheries Policy (CFP) has the following financial tools in 2007-2013:

- **The European Fisheries Fund (EFF)** (shared management) is the major financial pillar of the CFP. Budget: €4.304 million.
- **The Second Financial Instrument** (direct management) supports: **Control and enforcement** (€345 million), **Data collection and scientific advice** (€360 million), **Governance** (€45 million) and voluntary and obligatory contributions to **Regional Fisheries Management Organisations (RFMO)** (€9.8 million in 2010).
- **The European Agriculture Guarantee Fund (EAGF)** (direct management) finances the Common Market Organisation (CMO) for fisheries and aquaculture products (€15 million per year) and compensation for the additional costs incurred in the marketing of fishery products from the outermost regions (€15 million per year).
- Funding for **the Integrated Maritime Policy (IMP)** (direct management) was €20.4 million (2008-10). A new regulation, currently in co-decision, is to be adopted by the end of 2011 to finance the IMP in 2011-13.

The Second Financial Instrument finances also Fisheries Partnerships Agreements. These agreements, similarly to obligatory contributions to RFMO, have their own legal basis and will remain outside of the scope of the European Maritime and Fisheries Fund (EMFF).

2. PROBLEM DEFINITION

The CFP reform IA concluded that, notwithstanding progress since 2002, the CFP has failed to achieve its objectives of environmental, economic and social sustainability. Some part of the failure can be attributed to CFP funding. This can be explained by problems linked to their design and delivery mechanism, in particular the EFF, and by their lack of effectiveness in terms of content.

Regarding the design, each financial instrument has its own programming, monitoring, evaluation and control systems and is negotiated separately. This makes coordination and reaching critical mass difficult. Coordination with other structural funds through "demarcation lines" is also insufficient to ensure synergies and to avoid duplications.

Furthermore, the EFF lacks focus on the CFP strategic priorities. Operational Programmes (OP) often amount to a "menu" of measures from which MS can choose. Many MS give precedence to investment facilitating absorption rather than focusing on CFP priorities. This is reinforced by the absence of conditionalities linked to the compliance with these priorities and by a weak and heterogeneous monitoring and evaluation: each MS has set its own indicators, which impedes aggregation and comparisons.

In addition, 75% of the EFF is allocated on the basis of the historical share of the fisheries in the cohesion policy. For the remaining 25% (non convergence regions), allocation is based on the size of the fisheries sector. This results in huge disparities (as high as 30 to 1) in terms of the support per capita, to the detriment of non-convergence MS with big fisheries and

aquaculture, whereas other MS combine large financial allocations with a relatively small fishing and aquaculture sector. This, besides the long process of setting up Management and Control Systems and preparing OP, which are the precondition for EFF implementation, is the main explanation for the current low absorption of the EFF funds (20% by October 2011).

The lack of strategic approach explains also the lack of critical mass of many projects and the very limited use of the EFF possibilities in the environmental field.

These design problems refer mostly to shared management EFF part of the funding, which accounts for most of the overall funding available. For the instruments under direct management the most conspicuous problem relate to the fragmentation of the support to CFP and IMP and the high administrative burden related to central budgetary management.

Regarding the lack of effectiveness, in **environmental terms** CFP funding has not eliminated overcapacity. Despite €1.7 billion spent on scrapping since 1994, actual fishing capacity has not decreased in most of EU fleets. Overcapacity is a key driver for overfishing and for low economic profitability. Public funding had also very limited effect on the high level of discards of many EU fisheries. The new proposal for CFP reform includes discard ban, which should increase demand for selective gears and new fishing techniques.

Another key factor for the success of the reformed CFP is the supply of scientific advice and economic data. Scientific advice is currently available for 45% of commercial stocks for which the EU is responsible; this number must increase in the coming year in order to ensure the transition to sustainable fishing. Coordination with data from other maritime fields is poor and compliance is insufficient.

Aquaculture is another area where public financial needs to be more effective. More emphasis should be put on the strategic approach, promoting green growth in aquaculture. Public support shall also foster the environmental conservation services of extensive aquaculture in sensitive habitats (e.g. enhancement of biodiversity).

Finally, the current development of Maritime Spatial Planning is insufficient to address the competition for space among maritime activities, with its negative environmental and economic effects.

In **economic terms**, public financial tools have not addressed the innovation gap in the EU fisheries and aquaculture (labour productivity is 25% below the EU average). Low innovation explains part of the poor performance of the EU fleets and the stagnation of the aquaculture production for the last 15 years. The innovation gap is often related to the small size of firms: 91% of fishing firms own a single vessel and 98% of the aquaculture firms are SME. The small size limits access to finance and insurance.

The gap is particularly acute in marketing and commercialization. Another area is that of the high energy consumption, in particular of the catching sector.

Finally, the segmentation of maritime policies results in potential synergies not being exploited and a lack of adequate support for research for technological innovation. This also impedes a clear understanding of where the real potential for marine growth exists.

In **social terms** jobs offered by the catching sector are not attractive. The importance of fishing is declining in many coastal communities. New activities are replacing fisheries as sources of income and jobs in many of them, but some do not have diversification alternatives. Furthermore, the new CFP could result in short term, additional job losses in the catching and ancillary services. Hence, some communities may not be viable in the medium term.

3. WHO IS AFFECTED?

A successful CFP and IMP are the ultimate reason of being of public financial support. In view of that, stakeholders affected are the same identified in the CFP reform IA report:

<i>Stakeholder</i>	<i>Description of stakeholder</i>	<i>Key interests</i>
<i>Catching sector in the EU</i>	Vessel owners, operators and crew.	Maintaining profitability and livelihoods.
<i>Aquaculture sector</i>	Aquaculture producers	Idem
<i>Dependent businesses & communities</i>	Business and communities dependent upon fisheries.	Idem. Viability of communities in fisheries areas.
<i>Processing sector</i>	Those processing raw material both imported and caught within EU waters	Increasing value added. Get access to stable supplies.
<i>Sector regulators</i>	National, regional and local bodies regulating fishing	Optimize public financial support to achieve policy objectives. Guarantee food supply.
<i>Sector research</i>	Scientific bodies contributing to the conservation and management of stocks	Contribution to effective fisheries management r through the timely access to high quality data.
<i>Consumers</i>	Those consuming fisheries & aquaculture products	Availability, cost, quality and nutritional values of fisheries products with varying degrees of environmental scrutiny.
<i>Third countries</i>	Fishing sector competing with EU fleets. Aquaculture producers, exporters.	Conflicting interest between those who see the EU as export market and local fishing communities facing competition from EU fleets on access to local resources.
<i>NGOs, the civil society and EU citizens</i>	NGOs advocating sustainable management. The wider public with an interest in and concern for fisheries and the marine environment	Maintaining fish populations, biodiversity, and the amenity value of oceans, rivers and lakes together with an economically and socially sustainable industry. Adequate food supply.

4. THE RIGHT TO ACT

The EU has exclusive competence in the conservation of marine biological resources. Beyond that (i.e. the CFP parts under shared competence) the subsidiarity and proportionality principles apply. The proposal for the future budget of the EU has a strong subsidiarity justification as it focuses already on *"the policy areas where the EU can be more effective by acting through the EU level in the current climate of national austerity and financial consolidation"*.

Regarding fisheries and maritime activities, the proposal includes a new EMFF structured on 4 pillars: Smart, green fisheries, smart, green aquaculture, sustainable and inclusive territorial development and IMP. The first three are to be managed under shared management, the last under direct centralised management. In addition, the EMFF will include accompanying measures in the areas of data collection and scientific advice, control, governance, fisheries markets (including outermost regions), voluntary payments to RFMO and technical assistance.

5. THE EMFF OBJECTIVES

The EMFF shall support:

- the objectives of the new CFP, sustainable and competitive fisheries and aquaculture.

- further development of the IMP.
- balanced development of fisheries areas.

By achieving these objectives, the EMFF will also contribute to the Europe 2020 strategy, in particular to three flagship initiatives: a resource efficient Europe, an innovation Union and the agenda for new skill and jobs. The following specific objectives are defined.

5.1. Specific objectives related to the design of the EMFF

- Review allocation criteria,
- Focus on smart green investments and territorial development,
- Improve strategy and programming,
- Foster collective approaches,
- Set up a monitoring and evaluation framework, based on common indicators,
- Reinforce conditionalities,
- Exploit synergies between CFP and IMP financial instruments. Simplify delivery and reduce administrative burden, and
- Exploit synergies with other EU funds (e.g. LIFE).

5.2. Specific objectives related to the content of the EMFF

- Eliminate ineffective subsidies,
- Reduce environmental impact of fisheries,
- Contribute, in the context of sustainable fishing, to the management and preservation of marine ecosystems and to the objectives of MSFD and Natura2000,
- Promote the green growth of aquaculture,
- Increase the availability of scientific advice and data. Coordinate fisheries and IMP data,
- Ensure compliance with CFP,
- Promote cross-border/ecosystem-based management of EU sea basins,
- Increase innovation,
- Promote animal health and welfare.
- Tackle segmentation of maritime policies and contribute to the identification of growth opportunities,

- Reduce energy consumption, and
- Improve job attractiveness and the viability of coastal communities.

6. POLICY OPTIONS

Three reform options are developed. In line with the CFP reform and the proposal for the future budget of the EU, the "no policy" and "Status Quo" options are discarded. The later is nevertheless kept as baseline.

6.1. Common elements

Reform options have common elements predetermined by the proposal for the new CFP and the Commission Communication on MFF:

- EMFF is included into the Common Strategic Framework and the scope of Common Regulation.
- Allocation criteria aligned with the size of the fishing sector.
- Most fleet subsidies discontinued.
- CMO integrated into the EMFF, out of 6 intervention instruments only storage aid is maintained.
- Scheme to compensate the outermost regions integrated into the EMFF.
- Critical mass is achieved through emphasis on collective actions, Producer Organisations (PO), other collective bodies and local action groups under territorial development.
- Conditionalities are introduced based on: scope of eligibility and content, compliance with the control and the IUU Regulations, compliance with data collection obligations and compliance with the requirement of adopting national Strategic Plan for Aquaculture.
- Monitoring is based on a common framework and a set of common indicators.

The financial allocation for the EMFF is €6.692 billion (in current prices). Based on ex ante evaluation its distribution between policy areas should be as follows:

Areas	Percentage of 2014-2020 EMFF
Ex - EFF part (out of which)	67 - 70%
- Fisheries	30 – 35%
- Aquaculture	15-17,5%
- Local development	15-17,5%
Voluntary contribution to international organisations including RFMOs	1,5 -2,0%
Data collection and scientific advice	7 -8%

Control and enforcement	10 - 11%
Market Policy including compensation to outermost regions	2,5 – 3%
Governance	0,8-1%
IMP	6 – 7%

6.2. Contents

Option 1: “EFF +” (equivalent to options 1 and 1a in the CFP Reform IA) tests the impact of addressing all the design and content issues related to ex – EFF part, including discontinuation of the permanent and temporary cessation of fishing activities, stronger strategic programming (CSF), conditionalities linked to CFP objectives, new evaluation and monitoring framework and priority given to collective projects. Territorial development is reinforced and better coordinated with other local development initiatives. The current architecture of financial instruments is maintained, although an effort is made to better coordinate their scope and objectives.

Option 2: “EFF + Integration”: In addition to Option 1, all CFP financial instruments are included into the new fund, but continue to be managed separately, under the current implementation modes (shared or direct management). IMP remains outside the future fund.

Option 3: “EMFF Convergence”: Integration of data collection, control, CMO and the instrument for outermost regions into EMFF under shared management. IMP included into the future fund.

7. ASSESSMENT OF OPTIONS / THE PREFERRED OPTION

The comparison of options is based on the analysis of their potential to reduce discards, close the innovation gap and create jobs in coastal communities. Option 3 is preferred both in terms of impacts and in cost-effectiveness of EU action.

	Environmental sustainability	Economic Sustainability	Social sustainability	Simplification & administrative burden	Cost-effectiveness
Status Quo	(-)	(-)	(-)	(-)	(-)
EFF+	(XX)	(XX)	(XX)	(XX)	(XX)
EFF+ Integration	(XX)	(XX)	(XX)	(XXx)	(XXx)
EMFF Convergence	(XXx)	(XXx)	(XXx)	(XXX)	(XXX)

8. MONITORING AND EVALUATION

The EMFF should have a strong monitoring and evaluation system. There should be common output, result and impact indicators based on data collected at measure/program level and aggregated at national / EU level, to be agreed between the Commission and MS.