

European Fisheries Fund (EFF)

2004/0169(CNS) - 21/12/2011 - Follow-up document

In accordance with Council Regulation (EC) No 1198/2006 European Fisheries Fund (EFF Regulation), the Commission presents a report the implementation of the EFF during 2010.

Implementation of the European Fisheries Fund by Member States: the reasons for the belated take off of EFF implementation were analysed in detail in the earlier Annual Reports – the late adoption of EFF Regulation and Implementing Regulation, the priority given by the Member States to the larger EU funds, the complexity of setting up compliant management and control systems and finalising the implementation of the Financial Instrument for Fisheries Guidance (FIFG) 2000-2006.

Another reason was the **effects of the economic and financial crisis** which constrained funding available to national co-financing in some Member States and hampered private investment. According to the mid term EFF evaluation, fishing and aquaculture were also exposed to increased economic pressure due to **rising fuel costs**, fish feed costs increase and rising levels of general unemployment resulting in some decline of demand for fisheries' products and stagnation of prices. On the other hand, for some Member States the impact of fuel crisis was rather temporary and been seen as an opportunity to promote innovation and higher productivity in the sector, to switch to more economical methods of fishing and to restructure the fleet.

The current figures show that **the implementation of EFF started to accelerate**, as expected in the 2009 Annual Report. By the end of 2010, 36.13% of the overall EFF allocation was committed to concrete projects, almost double the amount committed at the end of 2009, with some Member States exceeding 50%. The 36.13% of the overall EFF allocation was committed for the 4 priority axes as follows:

- 13.2% (EUR 567 485 078) for Axis 1 (measures for the adaptation of the Community fishing fleet,
- 11.7% (EUR 504 633 674) for Axis 2 (aquaculture, inland fishing, processing and marketing of fishery and aquaculture products),
- 9.7% (EUR 418 147 084) for Axis 3 (measures of common interest) and
- 0.7% (EUR 33 844 305) for Axis 4 (sustainable development of fisheries areas).

These figures reflect some progress not only for Axis 1 (where the financial absorption is facilitated by high aid intensity) but also for support under Axis 2 and Axis 3. This is a further confirmation that implementation of private and collective projects is picking up.

In terms of **payments**, by the end of 2010 EFF certified expenditure amounted to EUR 645 829 316, 15 % of the total EFF allocation. This is an increase by more than 10% in comparison with the situation at the end of 2009 (4.1%). Axis 1 accounted for most of the payments certified by Member States (60%) the high percentage of which is due to high aid intensity of this measure and the difficulties facing private and public co-financing, which have slowed down the implementation of measures under the other axes.

Budget implementation by the Commission: in terms of annual commitments, in 2010 14.8% of the total appropriations for 2007-2013 (EUR 4 304 949 019) were committed, of which EUR 485 174 453 for convergence and EUR 153 887 719 for non-convergence regions. In terms of payments in 2010, 8.85% of the total appropriations for 2007-2013 were paid, of which 66.9% for convergence and 33.1% for non-convergence regions. These payments were made in the form of interim payments.

At the end of 2010, two Member State (Germany and Slovak Republic) were concerned by a de-commitment according to the "N+2" rule referred to in Article 90 of the EFF for an amount of 2 154 026 and 108 599 respectively.

Reduction of fishing capacity and economic performance: during 2010, the **number of vessels decreased** by 0.82 %, while tonnage and power decreased by 3.6 % and 2 % respectively. These figures include the vessels registered in the outermost regions. The capacity reductions in 2010 are in line with those observed in the previous years and of the same magnitude as an estimated average annual increase of fishing capacity due to technological progress. According to the latest available Annual Economic Report on the European Fishing Fleet for 2009, the **gross value added of the EU fleet increased by 13%** in 2009 compared to 2008.

Despite this improvement, taking into account the capital costs, **the EU fleet as a whole moved into a loss making position.** Furthermore, if direct income subsidies were removed from the profit calculation, in 2009 the overall loss position would be still more significant (from -1.5% of total income to - 4.6% of total income).

In the same line, due to lower fuel costs during 2009, data suggest that **employment and average wages slightly increased in 2009** compared to 2008. However, both the total number of fishermen employed and the average wages were lower in 2009 than in 2004. As for the size of the EU fishing enterprises, the situation remains unchanged throughout the EU. The vast majority of around 41,000 EU fishing enterprises (91%) owned only one fishing vessel, while 8.5% of enterprises owned between two and five vessels, and 0.5% six or more vessels.

The **analysis of the economic performance by EU fleets reveals a mixed picture** in 2009, with 11 Member States making an economic loss during that year. The analysis between 2005 and 2009 at fleet segment level reveals that between 30-50% of all EU fleet segments made losses on average depending on the year i.e. vessels in these segments on average made insufficient returns on the capital invested. The data also suggests that between 2005-2009 the passive gear segments were more profitable than the mobile gears and beam trawlers were the least profitable.

Importantly, available data suggest that in the last years capital costs have been increasing for several segments of the EU fleet. In the same vein, the financial position has been also deteriorating for some fleet segments in parallel to the increase of the financial costs (e.g. interest paid by loans).