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REFORMING EU FISHERIES SUBSIDIES

A joint NGO discussion paper and
technical resource

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Background to the report

Several non-governmental organisations (NGOs) have engaged with issues surrounding fisheries subsidies for many years, including actively participating in discussions on EU fisheries subsidies and their reform since the late 1990s. The reform of fisheries subsidies is also an important agenda item in the World Trade Organization subsidy reform debate.

While there have been some past successes in terms of redirecting EU fisheries subsidies towards more environmentally sustainable spending, there continues to be a need, given the critical and declining state of fish stocks, to press for further improvements. The ongoing policy reform taking place within the EU Common Fisheries Policy (CFP) and the concurrent preparations for the next EU budget period, 2014–2020, provide an unparalleled opportunity to move forward on this issue in a strategic and coordinated way. The financial crisis makes reforms to improve the impact and added value of EU expenditure all the more necessary.

This report, written by the independent consultant Clare Coffey, seeks to provide a balanced analysis of the last EU fisheries subsidy reforms resulting in the adoption of the European Fisheries Fund in 2006 and the changes that have followed in practice, before identifying current reform needs and priorities. The report reflects the thinking and recommendations on a range of issues related to EU subsidies reform by the relevant experts from several NGOs, but does not necessarily represent the conclusive views of their organisations. The report is intended to:

1. help informed discussion and negotiation for fisheries subsidies reform in the context of the 2012 CFP reform and the new EU budget 2014–2020; and
2. support more reform-minded Member States and Members of the European Parliament (MEPs) to become champions of fisheries subsidies reform.

Methodology

The report is primarily based on a review of literature including official documents on policy and implementation, as well as information collected and reports produced by NGOs and other organisations. The literature review and desk study provide the substance for the retrospective section of the report. On that basis, the report goes on to suggest ways in which the post-2013 EU fisheries budget and the CFP could more broadly be reformed. To this end, the consultant discussed ideas and options with key experts in the field, including those from several environmental NGOs working on CFP reform and the EU Budget post-2013.

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EXECUTIVE SUMMARY

The cost of fisheries to marine ecosystems

Despite the EU's target of halting biodiversity loss by 2020, the marine environment in Europe is deteriorating, with only 10 percent of assessed habitats and 2 percent of species in good condition. In terms of fish stocks, 30 percent of commercial fish stocks are below biologically safe limits.

Widespread overcapacity in the EU fishing fleet has led to 70 percent of European fish stocks being fished above maximum sustainable yield, with untold damage to global fish stocks where the EU is also active. Without urgent change, only eight of 136 northern European stocks will be healthy by 2022. Increases in aquaculture production are contributing further to environmental damage, and may undermine fish stock health as demand for fishmeal rises.

EU citizens are paying the price several times over. Excess fishing pressure has already cost billions of Euro per year in lost potential income and tax exemptions. EU taxpayers are additionally paying around 1.9 billion Euro in EU and national aid each year, which is fuelling overcapacity and overfishing and thus bringing us closer to marine ecosystem collapse.

EU subsidies and the role of the European Fisheries Fund

Of the approximately 3.4 billion Euro of annual subsidies to the EU fisheries sector, nearly 1 billion Euro comes from the EU budget, notably in the form of structural aid but also fisheries partnership agreements and market support. National-level aid – which is also regulated at EU level – is estimated at 973 million Euro per year, and this is in addition to lost revenue resulting from fuel tax exemptions (approximately 1.5 billion Euro per year).

Few EU fleets are profitable with no public support; most are either running losses or returning low profits. In several Member States the cost of fishing to the public purse is now greater than the value of catches, even ignoring the billions of Euro lost in potential revenue due to overfishing. Overall, the fisheries sector receives more than its fair share of the EU budget when compared to its contribution to GDP.

The EFF – meeting the promises?

The European Fisheries Fund (EFF) (2007–2013) sets the rules for EU structural aid but also frames national aid provisions. The initial focus of the EFF was on social, economic and environmental sustainability, including achieving a balance between stocks and fleet capacity. This focus was weakened by the emergency fuel package, as well as by the existence of *de minimis* rules and other subsidies. In practice, the EFF has not tackled the most critical issue of overcapacity. Less than one-quarter of the Fund has been directed at capacity reduction, and the funds that have been available have not been used exclusively for rebuilding fish stocks nor for reducing pressure in critical areas. Instead, funds have been used to help vessel owners overcome economic problems.

Aid for vessel 'improvements' is formally not allowed to increase the ability to fish. However, the rather basic nature of safeguards means that aid can be expected to increase capacity, or at least not help reduce it. Meanwhile, funding for environmental management and marine ecosystems restoration remains minimal, despite EU commitments that the Natura 2000 network would be financed in part through the EFF. Here as elsewhere, weak safeguards mean that funding may be diverted to less neutral uses.

In addition to poorly managed aid for vessel modernisation and fleet adjustment, nearly 40 percent of the EFF was committed to expanding port infrastructure, processing, and aquaculture by October 2010, representing an incoherent and contradictory set of measures that together significantly increase economic returns to enterprises and thus encourage increased production irrespective of environmental carrying capacity.

All this is taking place against the background of often very weak fisheries management systems and in the absence of clear strategic contexts. Thus aid is often being allocated on an ad hoc vessel-by-vessel basis, rather than being used as a strategic tool to bring production in line with environmental limits. The reduced role of environmental partners, as well as a lack of transparency over how aid is used, has contributed to implementation failures and reduced citizen oversight.

Moving beyond the EFF to 2014–2020

In times of financial austerity, the inefficiencies of European fisheries aid are brought into sharp focus, as is the overall cost to society of both fisheries subsidies and broader fisheries management failures. As such, decision-makers will need to act decisively in order to ensure that the Common Fisheries Policy (CFP) reform and the EFF successor fund provide sufficient clarity of objectives and momentum to put the sector on the path towards environmental sustainability before it is too late.

A new Fund needs to ensure that:

- any fleet adjustment aid that is permitted is transitional only and targeted exclusively at eliminating overcapacity and reducing environmentally harmful fishing practices in line with agreed multi-annual management plans;
- the EFF invests above all in restoring and maintaining marine ecosystems; and
- the EFF stimulates ecological innovation in the sector to increase resource efficiency.

Together, these three elements will help the EU meet its commitment to achieve maximum sustainable yield in fisheries by 2015, as well as to halt biodiversity loss, achieve good marine environmental status, and deliver a resource efficient economy by 2020. Aid should not be provided to other areas if it simply has the effect of reducing the cost of fishing without clearly contributing to the EU's sustainability goals. This includes aquaculture investment that may otherwise result in further pressure on the environment, including pressure on fish stocks from increased demand for fishmeal.

Discussions about a new Fund must go hand-in-hand with reforms to the CFP, which must provide the foundation and rationale, as well as the safeguards, for EU fisheries aid. The new funding arrangements need to be accompanied by manifest improvements in the planning, management, control and transparency around fisheries subsidies.

In order to have any real impact, changes introduced by the new Fund need to be reflected in other EU fisheries subsidy rules (e.g. State aid arrangements, fisheries partnership agreements) to ensure coherence and avoid duplication and wastage of scarce public resources.

There is widespread international recognition of the need to discipline harmful fisheries subsidies that contribute to overcapacity and overfishing. The reform of the CFP and preparations for a new EU budget for 2014–2020 provide the opportunity for the EU to regain its global environmental leadership role by eliminating the most harmful subsidies and redirecting the remaining funds to ensure they work to rebuild and support healthier ecosystems.

Policy recommendations are presented on section 4.5 p.22 of the report.

1. INTRODUCTION

Despite the EU's target of halting biodiversity loss by 2020, the marine environment in Europe is deteriorating, with only 10 percent of assessed habitats and 2 percent of species in good condition. In terms of fish stocks, 30 percent of commercial fish stocks are below biologically safe limits.

Widespread overcapacity in the EU fishing fleet has led to 70 percent of European fish stocks being fished above maximum sustainable yield, with untold damage done to global fish stocks where the EU is also active. Without urgent change, only eight of 136 northern European stocks will be healthy by 2022. Increases in aquaculture production are contributing further to environmental damage, and may undermine fish stock health as demand for fishmeal rises.

EU citizens are paying the price several times over. Excess fishing pressure has already cost billions of Euro per year in lost potential income and tax exemptions. EU taxpayers are additionally paying approximately 1.9 billion Euro in EU and national aid each year, which is fuelling overcapacity and overfishing and thus bringing us closer to marine ecosystem collapse.

Together, the reform of the Common Fisheries Policy (CFP) and preparations for a new EU budget for 2014–2020 provide the opportunity for the EU to regain its global environmental leadership role in eliminating harmful subsidies, putting an end to the most damaging ones, and redirecting remaining funds towards rebuilding and supporting healthier ecosystems.

1.1 MARINE ECOSYSTEMS HEALTH AND FISHERIES

Marine ecosystems in Europe are in a poor state and deteriorating. Examples of impacts in Europe's coasts and seas include the risk of ecosystem collapse (which has occurred in the Black and Baltic Seas), toxic algae blooms, anoxic (oxygen depleted) water, destruction of habitats, invasions of new species and chemical pollution of seafood. Of European marine species and habitat types assessed, the majority are in unfavourable or unknown condition; only 10 percent of habitats and 2 percent of species are in good condition (EEA, 2010). The state of Europe's seas, including its fish stocks, is a key concern in relation to the EU's commitment to halt biodiversity loss (including the marine implementation of Natura 2000).

Impacts are being driven by human activities including fishing and aquaculture. Fishing in most of Europe's seas exceeds sustainable levels. Since 1985 there has been a general decline in fish catches, with 30 percent of Europe's commercial fish stocks now fished beyond safe biological limits¹. In 2010, 70 percent of commercial stocks were fished above maximum sustainable yield (EEA, 2010). Impacts from EU fishing are not limited to EU seas, but reach also to the high seas and the waters of third countries where 20 percent of total EU catches are taken (2001–2005, after (NEF, 2011)). Globally, 85 percent of commercial stocks are estimated to be fully exploited, overexploited or depleted (FAO, 2010). Other damage from EU fishing includes the bycatch of unwanted fish; the destruction of sea-floor habitats; impacts on vulnerable species; and greenhouse gas emissions. Some scientists (Worm, et

¹ Stocks are regarded as within safe biological limits if there is a strong probability that the stock size is high enough to secure average future recruitment. Maximum sustainable yield refers to the largest catch that can be taken from a species' stock over an indefinite period.

al., 2006) have predicted a global collapse of all commercial stocks by the mid-21st century. In the EU, only eight of 136 northern stocks will be at sustainable levels by 2022 if management is not improved (European Commission, 2011 b).

A decline in European catches and a growing demand for fish have led to increased aquaculture production over the past 15 years, amounting to 1.3 million tonnes and representing 20 percent of total EU fish production (2007)². The greatest environmental pressures are associated with the most intensive production of finfish in marine, brackish and fresh waters, and sea bass and sea bream in the marine environment. Lesser pressures are associated with mollusc farming, but these include the removal of plankton and accumulation of organic matter. Escaped farm fish can interact with wild fish populations and compete for resources. In some places, aquaculture now involves high trophic level species, notably bluefin tuna capture production. It has been assessed that it takes 4kg of small pelagic fish to raise 1kg of salmon; in the case of tuna the ratio is much greater. This creates a large demand for smaller pelagic fish and thus contributes to, rather than resolving, fishing pressure (EEA, 2010).

Fisheries are costing Europe billions of Euro by compromising the ability of fish stocks to reproduce and marine ecosystems to replenish. Marine ecosystems contain vast resources and offer tremendous social, economic and environmental benefits, which have been estimated to be worth around 7 trillion USD per year (UN, not dated). These resources and benefits can be provided into the future only if ecosystems are functioning well. The importance of maximising the benefits will only grow as the world population increases and per capita consumption levels rise. Yet overfishing has, according to the World Bank, resulted in lost economic benefits from fisheries of at least 50 billion USD per year, and probably much more (World Bank, 2009). Very crudely, this could be translated into **lost revenue of 3 billion Euro per year in the EU**³. A recent study of cod stocks in the North Sea, Eastern Channel and Skagerrak suggests that just benefits forgone ‘due to unselective fishing, discarding of young juveniles of cod fish stocks instead of ensuring they reach maturity’ represents a loss of 8.5 billion Euro since 1663 (Crilly, 2011). The cost of total fish stock collapse would be much greater: the crash of Newfoundland cod stocks cost 40,000 jobs and stocks have not recovered after 15 years of fishery closure (TEEB, 2010).

1.2 FISHING PRESSURE, OVERCAPACITY AND EU SUBSIDIES

The current state of stocks and wider impacts from fisheries result from excess fishing pressure, with EU fleets in many cases able to exert a fishing pressure on the stocks which is “two to three times the sustainable level” (European Commission, 2008 b). This situation is propelled by poor management and enforcement⁵, coupled with overcapacity (Villasante, 2010). In turn, overcapacity undermines management and enforcement.

While there are no official figures on overcapacity, based on official Member State reports for 2007, **41 of the 43 EU fleet segments showed signs of overcapacity** (Lutchman, *et al.*, 2009). Overcapacity is not a static issue, however. The efficiency of a given tonnage and power is believed to increase continuously by 2 percent to 4 percent per year in many fisheries (European Commission, 2008 b), which represents an average 75 percent gain over the 25-year lifetime of a vessel. Given limited resources, increases in the ability to catch fish or reductions in stocks need to go hand-in-hand with reductions in fishing effort. In the absence of effective management and enforcement, that means removing fishing capacity.

Capacity not only refers to the power and size of vessels (quantitative) but is also a qualitative issue, as different types of capacity have differing environmental impacts, produce differing qualities of product and offer differing social conditions⁶. Thus, heavy trawls and dredges that scrape over or dig into the sea bottom have the greatest impact on the environment, both in terms of habitat destruction and selectivity and in terms of carbon emissions. In general, the more active the gear the greater the impacts. Larger offshore vessels are also responsible for higher levels of greenhouse gas emissions than smaller inshore vessels, especially when expressed in terms of carbon emission per value of the catch. Finally, the qualitative impact of fisheries is relatively higher where stocks are depleted (Gascoigne & Willstedt, 2009).

² [Http://ec.europa.eu/fisheries/documentation/publications/pcp_en.pdf](http://ec.europa.eu/fisheries/documentation/publications/pcp_en.pdf)

³ Based on EU catch representing almost 6% per cent of global catch (European Commission, 2010 d).

⁴ 7.5 billion pounds sterling.

⁵ Fines represent between 0.2 and 0.4% of value of landings (after Villasante, 2010).

⁶ OCEAN 2012 (2010). Bringing capacity in line with available resources. Briefing Paper 5.

Subsidies to the fishing sector have been identified as one of the key drivers of overcapacity and thus overfishing. Apart from subsidies that directly increase fishing pressure, e.g. through aid to vessel building and modernisation, a range of other subsidies have the effect of reducing the cost of producing fish and thus support higher levels of production than would be economically and environmentally optimal. Other less obvious subsidies are used to pay for research or management of fisheries, as well as wider environmental activities, and are generally not thought to be harmful if used properly.

EU and national aid to the fisheries sector is estimated at 1.9 billion Euro per year, although precise figures are lacking. If fuel tax exemptions were taken into account, this could add another 1.5 billion Euro, bringing the total to around 3.4 billion Euro per year⁷. This aid, as stated in the Green Paper on the Reform of the CFP (European Commission, 2009), “often contradicts with CFP objectives, in particular the need to reduce overcapacity, and has sometimes appeared as compounding structural problems rather than helping to solve them”⁸.

1.3 CFP AND EFF REFORMS - OPPORTUNITIES FOR THE EU TO TACKLE HARMFUL SUBSIDIES

There has been widespread international recognition of the need to discipline harmful fisheries subsidies that contribute to overcapacity and overfishing, including at the World Summit on Sustainable Development (2002) and within the World Trade Organization (Hong Kong 2005 mandate). The issue was also raised in the context of the Convention on Biodiversity, with countries meeting at Nagoya in 2010 calling for innovative financing, including the redirecting of harmful subsidies towards the delivery of global public goods.

Whereas the EU is frequently leading the global environmental agenda, its fisheries and fisheries subsidies record casts a shadow over its leadership role. The ongoing reform of the CFP and preparations for a new EU budget for 2014–2020 provide the opportunity for the EU to regain its leadership role by eliminating the most harmful subsidies that persist and redirecting all remaining funds to ensure the money works to rebuild and support healthier ecosystems, enhancing the benefits provided to society.

⁷ See also Oceana 2011, which comes to similar total estimates.

⁸ Com(2009)163 final, p. 21.

2. EU subsidies and the role of the European Fisheries Fund

Of the 3.4 billion Euro in annual subsidies to the EU fisheries sector, nearly 1 billion Euro comes from the EU budget, notably in the form of structural aid but also from fisheries partnership agreements and market support. National-level aid – which is also regulated at EU level – is estimated at 973 million Euro per year, not including lost revenue resulting from fuel tax exemptions (approximately 1.5 billion Euro per year).

Few EU fleets are profitable with no public support; most are either running losses or returning low profits. In several Member States the cost of fishing to the public purse is now greater than the value of catches, even ignoring the billions of Euro lost in potential revenue due to overfishing. Overall, the fisheries sector receives more than its fair share of the EU budget, when compared to its contribution to GDP.

The European Fisheries Fund (EFF, 2007–2013) sets the rules for EU structural aid, but also frames national aid provisions. The official focus of the EFF is on social, economic and environmental sustainability, including achieving a balance between stocks and fleet capacity. This focus was, however, significantly watered down by the ‘emergency fuel package’ and *de minimis* rules adopted in response to high fuel prices in 2008.

2.1 OVERVIEW OF EU FISHERIES SUBSIDIES⁹

The EU is the fourth largest producer of fish worldwide (European Commission, 2010 d) and has a record of being among the top fishing subsidisers globally (Sumaila & Pauly, 2006). In 2009 the amount of the **EU budget committed to the fisheries sector was 950 million Euro**, with 560 million Euro actually paid out¹⁰. The largest areas to receive EU funds are the structural policy, access to third country fisheries and marketing and market support. **Considerable national support is also made available to the sector, potentially adding another 973 million Euro in 2009¹¹** (Table 1), including money that is programmed alongside the EFF.

The **exemption of fishing vessels from fuel duties** could represent **1.5 billion Euro** across the EU. In Spain alone, which represents 15 percent of total EU engine power¹², the fuel tax exemption is estimated to represent 224 million Euro (Ortega Cerda, 2011). This brings the total of EU subsidies to around 3.4 billion Euro. Note however that these are estimates; official figures are lacking.

⁹ See Oceana 2011 for a more detailed examination of eu fisheries subsidies.

¹⁰ Total 2009 payments under budget for heading maritime and fisheries were 585 million euro; 25 million euro has been subtracted to reflect expenditure that relates to maritime only.

¹¹ *De minimis* figures are potential rather than actual. there is no accessible information on actual spend.

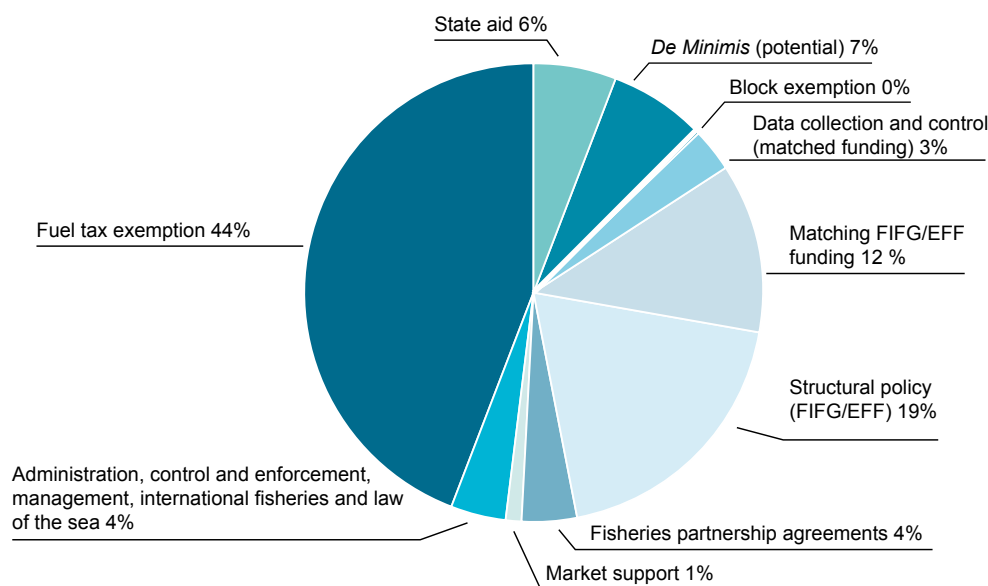
¹² See http://ec.europa.eu/fisheries/documentation/publications/pcp_en.pdf

Table 1: EU subsidies to the fisheries sector

EU and national fisheries subsidies (2009)	
	2009 – payments (commitments) € million
National sources	
- State aid	200
- <i>De minimis</i> (potential)	240
- Block exemption	8
- Data collection and control (matched funding)	104
- Matched FIFG/EFF funding	193 (421) ¹³
<i>Total national sources</i>	745 (973)
EU budget	
Structural policy (FIFG/EFF)	290 (631)
Fisheries partnership agreements	143 (148)
Market support	24 (33)
Admin ¹⁴ , control and enforcement, management, international fisheries and law of the sea	104 (138)
<i>Total EU budget</i>	561 (950)
<i>Total EU budget and national sources</i>	1306 (1923)
<i>Fuel tax exemption</i>	1493

Sources: (European Union, 2011) (European Union, 2007) (Ortega Cerda, 2011) (European Commission, accessed 2011) (Oceana, 2011).

When compared to the 6.4 million tonnes of fish produced¹⁵ by the sector in 2007 (Eurostat, 2009), EU budget commitments for 2009 represent 148 Euro per tonne of fish produced. The level of EU budget aid received, while small in real terms, is comparatively high for the size of the sector (see Box 1). Considering also national contributions, aid is equivalent to 283 Euro per tonne produced. With the fuel tax exemption included, **aid runs to 516 Euro per tonne.**



¹³ Equivalent to 40% of total funds programmed. calculated on basis that over 2007–2013, eff represents 60% of the total funds programmed.

¹⁴ Excluding 50% relating to maritime policy.

¹⁵ Including 5.1 million tonnes of catches (eurostat, 2010).

Box 1: EU fisheries budget expenditure in perspective

While EU aid to the sector is negligible when compared to the whole EU budget, receiving around 0.5% of the EU financial pie, it is considerable given that fisheries contributes just 0.1% of EU GDP (€ 10.9 billion), with most of this concentrated in a small number of coastal areas. (European Commission, 2011b)

Few EU fleets are profitable with no public support: for the period 2002–2008, on average, between 30 and 40 percent of the segments officially assessed made losses each year (Anderson & Guillen, 2010). In 13 Member States, subsidies in 2009 exceeded the total value of landings of fish in their ports (Oceana, 2011). This is without counting the billions of Euros lost in potential revenue due to overfishing.

2.2 THE EUROPEAN FISHERIES FUND

The EFF represents the single most significant EU budget item going to the sector, amounting to 4.3 billion Euro over the 2007–2013 period and leveraging another 2.9 billion Euro in Member State contributions. **The EFF sets the main conditions for national aid** and therefore has an importance far beyond the size of the Fund itself.

Representing the latest evolution in fisheries structural aid dating back to the 1970s, the EFF was seen as heralding the end of the most harmful subsidies that had contributed to EU overcapacity and overfishing, in line with broader CFP reforms secured in 2002.

Box 2: 2002 CFP reforms – key promises made regarding subsidy reform

The 2002 CFP reform agreement¹⁶ set a new direction for EU aid policy, which was to contribute to ensuring the exploitation of living aquatic resources that can be sustainably developed. The key 'promises' concerned:

- the phasing out of the most problematic subsidies, including phasing out subsidies to build new vessels and ceasing the export of capacity to third countries (including under joint ventures) by 2004;
- strengthening the link between fleet management and decommissioning aid, progressively, to reduce the EU's overcapacity, including additional aid to support the delivery of recovery plans;
- restricting aid for equipment and modernisation of vessels, with aid generally not to increase power or tonnage or the effectiveness of fishing gear;
- more rigorous control and enforcement provisions, with aid conditional upon national compliance with fleet capacity targets ('reference levels').

Concretely, the EFF is supposed to help secure a sustainable fishing and aquaculture sector, supporting the exploitation of living aquatic resources and aquaculture that is economically, environmentally and socially sustainable. A core element relates to balancing resources and capacity of the EU's fishing fleet, although the EFF also aims to support the sustainable development of inland fisheries, the competitiveness and economic viability of enterprises, and the protection and enhancement of the environment and natural resources. The measures aimed specifically at balancing capacity with stocks are to be backed up by largely national-level fleet management measures, including a cap on capacity and fishing effort adjustment plans (FEAPs).

Spending under the EFF is channelled through Member States' single operational programmes, which are to be set within the wider context provided by national strategic programmes. Within programmes, aid is broadly allocated among five Axes. Management and oversight of the EFF is heavily devolved to the Member States, which also hold information on expenditure.

¹⁶ Council Regulation 2369/2002 amending Council Regulation 2792/1999 laying down the detailed rules and arrangements regarding community structural assistance in the fisheries sector; Council Regulation 2370/2002 establishing an emergency community measure for scrapping fishing vessels; and Council Regulation 2371/2002 on the conservation and sustainable exploitation of fisheries resources under the common fisheries policy.

The EFF rules were adjusted in 2008 as a consequence of a set of interim measures contained in the **emergency fuel package**¹⁷. These were designed to ease problems associated with high fuel prices in 2008. They effectively broadened the scope and reduced the criteria for EFF so that fleet adjustment aid could also support economic restructuring, rather than being exclusively linked to stock management. The package was applicable between mid-2008 and the end of 2010.

2.3 ADDITIONAL EU AND NATIONAL-LEVEL AID TO THE SECTOR

Other sources of EU level aid for fisheries

Two other key fisheries budget items are fisheries partnership agreements and market support. The EU pays third countries to access 'surplus' resources, with such agreements existing with 15 developing countries, plus Greenland (European Commission, not given). The market intervention regime provides public support to storing and even destroying fish that is not marketable in order to maintain and stabilise prices. The European Agriculture Guarantee Fund contributes to the market intervention, in so far as it concerns the outermost regions.

Like other sectors, the fisheries sector can in theory also benefit from the Structural Funds, which amount to 308 billion Euro (2007–2013), and include measures to support employment. Most expenditure (82 percent) is focused on the poorest regions and Member States. LIFE is a much smaller EU fund (2.1 billion Euro, 2007–2013) that can support nature and biodiversity conservation, including in the context of fisheries. LIFE projects can be complementary to other EU funds, in particular by completing gaps in funding and by supporting innovative projects that could be scaled up within the EU's other funds.

National aid to the fisheries sector

Importantly, the EU sets the rules concerning the type of **national-level aid** that Member States can provide directly to the sector, apart from EFF co-financing (see Annex II for more detailed information). In key ways, these rules reflect the provisions of the EFF. The different types of national aid are as follows.

- **Normal State aid** – this can reach 1 million Euro per year per beneficiary and has to be in keeping with EFF rules. Aid has to be deemed compatible by the European Commission. In 2009, 200 million Euro was dispersed within the EU 27 Member States as State aid to the fisheries sector (European Commission, accessed 2011).
- **De minimis aid** – this can be made available to fishing, fish processing, trade and aquaculture firms. As a result of high fuel prices and, in some cases, falling catches and fish prices in 2008, the Commission increased the level of aid to 30,000 Euro per firm over a three-year period (a ten-fold increase), effectively also allowing direct fuel subsidies to the sector. The total possible amount that could be provided equates to 718 million Euro for a three-year period i.e. 240 million Euro per year (European Commission, 2007 a). Areas eligible for funding include modernisation of the main deck and the purchase or construction of fishing vessels, other areas, such as increases in fishing capacity are excluded. *De minimis* aid does not have to be reported to the Commission but Member States have to record and compile information on allocations which the Commission can then request to see. The Commission has not made such information public.
- **Block exemption** – this is aid from the Member States that falls entirely within the scope of EFF but is not funded within the EFF programmes i.e. it is additional. Member States have to notify the Commission of this type of aid, which can amount to the equivalent of EFF counter funding.

Member States are also required under the Energy Taxation Directive 2003/96 (European Union, 2003) to exempt fuel for fishing vessels from general duties that they have to place on energy products (Article 14). The exemption is set at EU level, but it is Member States who effectively 'pay' through the loss of revenues.

¹⁷ Regulation 244/2008 instituting a temporary specific action aiming to promote the restructuring of the European Community fishing fleets affected by the economic crisis. The regulation supplemented and was derogated from the EFF Regulation 1198/2006 and the basic CFP Regulation 2371/2002. The regulation ceased to apply at the end of 2010.

3. The European Fisheries Fund (2007-2013) - delivering on the promises?

The great promise of the EFF – to target aid so it helps reduce the most critical overcapacity in terms of fish stocks and the wider marine environment – has not materialised. Less than one-quarter of the EFF has been directed at capacity reduction. The effect in terms of rebuilding fish stocks has been watered down by the emergency fuel package, and also by the existence of other more harmful aid.

Aid for vessel ‘improvements’, while formally not allowed to increase the ability to fish, can on balance be expected to increase capacity due to the rather basic nature of the safeguards. Meanwhile, funding for environmental management and marine ecosystems restoration remains minimal, despite EU commitments that the Natura 2000 network would be financed in part through the EFF.

All this is taking place against the background of often very weak national fleet management systems and in the absence of clear strategic contexts. Thus aid is often being allocated on an ad hoc, vessel-by-vessel basis, rather than being used as a strategic tool to bring production in line with environmental limits. The reduced role of environmental partners, as well as a lack of transparency over how aid is used, has contributed to implementation failures and reduced citizen oversight.

In addition to poorly managed aid for vessel modernisation and fleet adjustment, continued aid for expanding port infrastructure, processing, and aquaculture represents an incoherent and contradictory set of measures that together significantly increase economic returns to enterprises and thus encourage increased production irrespective of environmental carrying capacity.

3.1 LOOKING BACK - IMPLEMENTATION OF THE EFF

This section assesses the EFF on the basis of a more detailed analysis of the policy framework (see Annex III) and drawing on available information as to the Fund’s implementation. With an initial focus on the substantive content of the EFF and how this has been applied, the section then identifies key issues relating to the EFF’s administration.

EFF and the most harmful subsidies

In line with 2002 promises, the most notorious forms of EU fisheries structural aid – relating to the construction and export of overcapacity to third countries – have now officially been removed. But, as the pressure to remove the most harmful subsidies has grown, others have been introduced through the backdoor. Thus, under the emergency fuel package, funds could effectively be used for construction (‘partial decommissioning’) as long as more capacity was permanently withdrawn. In addition, around 39 percent of aid committed by the end of 2010 was aimed at fish processing and marketing (17 percent),

port infrastructure (12 percent) and aquaculture (11 percent), all of which represent harmful subsidies in that they reduce operating costs directly and thus encourage production. **A considerable proportion of the EFF therefore still involves the most harmful form of subsidies that encourage more and more intensive production.**

Aid to adjust fleets in line with stock management

While **a large percentage of committed EFF funds (32 percent) relates to the permanent (21 percent) and temporary (11 percent) cessation of fishing aimed at tackling overcapacity**, the evidence suggests that Member States have used funds not as a strategic tool to tackle excess pressure on stocks but as an economic restructuring aid to help individual operators cope, in particular with high fuel prices. Indeed, in several key Member States, there has not been an attempt to assess levels and areas of overcapacity compared to stocks, which is clearly a precondition of effective targeting of aid. Not only does this weaken the value of decommissioning and tie-up aid, it supports arguments that – on balance – the continued presence of such aid may actually contribute more to capacity problems by reducing investment risk and injecting funds into businesses^{18,19}.

Similar conclusions can be drawn in relation to **‘investments onboard and selectivity’**. These are frequently presented as environmentally beneficial given their potential to reduce overcapacity qualitatively, but it is also clear that this will only be achieved if aid is highly circumscribed and managed in the context of the whole fishery. While aid is certainly not permitted – on paper – to increase the ability to catch fish, in practice aid is being applied rather blindly, with no information being requested on environmental circumstances and potential impacts of projects. In some cases, aid may not be worsening the situation but it is not necessarily improving it either. For example, engine replacements are funded as long as they result in a 20 percent reduction of power. While this may go some way towards addressing issues of technological creep (30 percent per decade), such projects are essentially renewing individual boats even though the overall fleets are too large. Similarly, there is limited value in introducing more selective gear if this is not done alongside quantitative reductions in the capacity of the fishery overall. Critically, however, there is simply too little information available as to whether these measures are a help or hindrance.

Consequently, decommissioning, tie-up and selectivity measures have led to the removal of some tonnage and power²⁰, helping to achieve reported **fleet capacity reductions** of between 2 percent and 3 percent per year (European Commission, 2011 a), disregarding the widespread underreporting of capacity that is believed to exist (European Commission, 2011 a). Where they have been achieved, qualitative and quantitative capacity reductions will have corresponded poorly to environmental limits and needs at the fishery level or sector-wide. Thus, capacity in the inshore fleet has been most significantly reduced and reductions have been ‘compensated’ by increases in offshore capacity under the EFF’s predecessor (FIG – the Financial Instrument for Fisheries Guidance) (Villasante, 2010). This situation is the direct result of a very weak accompanying management framework, which should actually provide the context for fleet adjustment aid to be delivered²¹. Importantly, given the poor control of aid and the fact that this represents an investment in the sector, it cannot be concluded that the net contribution of fleet adjustment aid to tackling too much and inappropriate capacity is positive.

Investment in fisheries or environmental management

The amounts of aid being used to invest in wholly environmentally neutral or positive measures represented only around 10 percent of EFF commitments (excluding Member States) by the end of 2010²². Within this, funding to restore ecosystems remains small, despite an EU commitment to co-finance the Natura 2000 network through the EFF and other mainstream funds. This is a far cry from the official estimation that 1.2 billion Euro²³ is needed for marine, coastal, wetland and inland water Natura 2000 sites where fisheries is likely to be an aspect to be managed²⁴. In the limited areas where such aid

¹⁸ OECD countries’ management regimes have not managed to prevent effort leaking back into the fishery from which vessels are being withdrawn. decommissioning schemes have helped to inject new capital into the fisheries sector and their provision has become embedded in the expectations of fishers (OECD, 2006).

¹⁹ See P. Salz: one off scrapping aid can be considered by the banks as guarantee of the level of loans, which they are likely to recover from an already economically weak client (Salz, 2009).

²⁰ In 2009 capacity reductions with public funds, accounting for 73% in gt and 79% in kw of net capacity reductions. (European Commission, 2011 a)

²¹ For example, member states’ capacity reduction targets have officially been met or exceeded by several member states (Ernst & Young, 2011) but the targets are redundant, having been overtaken by the exit-entry scheme, and do not cover all member states. the targets are also static while capacity is not, so that keeping to the targets means capacity increases.

²² This includes technical assistance (2.4%), pilot actions (3%), aqua-environment (2.5%), axis 3 - collective actions (7%) and aquatic flora fauna (3%).

is made available, notably the aqua-environmental measure, the conditions applied to funding are such that they do not provide funding that is needed for ongoing environmental management. Overall, Natura 2000 has not been seen as a relevant or key issue for EFF support by the majority of Member States (Kettunen, et al., 2011)²⁵.

As concerns other areas of apparently neutral funding, there is information emerging that some funding allocated to pilot studies (Axis 3) has not resulted in research reports being produced. Instead funds have been redirected to cover operational and even new build costs (Ambrosio, 2011). This highlights the potential for all aid to become harmful in the absence of rigorous management and controls.

Focus of investment under EFF

In terms of investment aid, the EFF continues to focus heavily on individual short-term investments to replace equipment, update it or change it to meet regulations. In some areas, EU aid is also being 'lost' amidst other stronger economic drivers. This calls into question the real added value of EU aid as a lever for significant change. This is perhaps most evident under Axis 2 (aquaculture investment, inland fishing and processing and marketing), which shows no real change compared to its predecessor, the FIFG, and no real shift towards environmental priorities. That said, there have been some innovations, notably through the inclusion of a new territorial approach, akin to the rural development/LEADER instrument that supports a range of bottom-up sustainable development actions in fisheries regions (Axis 4). The overall impacts of Axis 4 are thought to be positive, not least by strengthening social capital and increasing emphasis on exchange and networking.

Programming, implementation and evaluation

The lack of focus in the area of fleet adjustment and general ambition in terms of project funding could be rooted in weaknesses in **national strategic plans** (NSP). NSPs have tended not to provide a real strategic setting for the Operational Programmes (OP) (Ernst & Young, 2011). They have also widely failed to address the key issue of the EU nature conservation commitments (Kettunen, et al., 2011). Their focus on the fisheries sector rather than on fisheries in the context of marine or inland water areas means that wider contexts and opportunities are being missed. Importantly, **strategic environmental assessments** (SEAs) have not been required of NSPs, even though the NSPs should – in principle – provide the strategic framework for programmes.

Project-level arrangements are also not working in favour of environmental sustainability. There is an **absence of project selection criteria** that would encourage environmentally favourable projects. Overall, **decisions on project applications are being taken in the absence of information** as to the likely positive or negative environmental impacts of projects. This is in addition to the gaps in information on stocks and necessary adjustments at Member State level. Project application forms do require applicants to state that they have not engaged in illegal fishing (Ernst & Young, 2011) but this is not proving sufficient to prevent the EFF from going to vessel owners and vessels associated with **illegal activities**.

Monitoring, control and surveillance of the EFF has been problematic, with arrangements not permitting conclusions to be drawn as to the results and impacts of the EFF²⁶, including in relation to how far individual measures or the EFF globally contribute to or detract from the objective of achieving a balance between capacity and stocks and the wider environmental management. National indicators that do relate to results and impacts range widely in terms of quality and relevance, making aggregation and EU-wide comparisons impossible (Ernst & Young, 2011). There is also little evidence of EU-level effort being made to understand the impacts of the EFF on environmental sustainability.

²³ Within cost estimates provided by 10 EU member states in 2010, inland waters represented 7% of costs, wetlands 6%, coastal areas 6%, and marine 1%. combined, this related to 20% of expenditure estimates. extrapolated to the eu 27, these percentages represent 1.2 billion euro per year: 430 million euro for inland waters; 320 million euro for wetlands; 352 million euro for coastal areas; and 78 million euro for marine areas.

²⁴ The estimates for marine expenditure are almost absent as work to establish Natura 2000 in marine areas still requires significant effort. this means that actual figures are likely to be much higher.

²⁵ Three aqua-environment schemes outside of the EFF have been notified to the commission under the block exemption (see Annex II).

²⁶ The interim evaluation of the EFF states that the European Commission “does not have any common framework for monitoring indicators on results and impacts, which also partly results in the heterogeneity of set indicators and data that cannot be consolidated or compared”.

Environmental partnership and oversight

Environmental stakeholders have been relatively marginalised under the EFF, in the absence of a requirement for them to be involved in OP monitoring committees²⁷. Critically, the level of **transparency around expenditure has also worsened**. One study found that while the name of project beneficiaries is now available, there has been a significant overall reduction in the quality and detail of accessible EFF-related data, which is now kept at national level in dozens of often inaccessible sources and formats (Alfter, 2009). This – in addition to the lack of EU-led evaluations – considerably weakens the scope for citizen oversight over the EFF.

3.2 KEY LESSONS FOR THE FUTURE

Much like its predecessors, the EFF is supporting a combination of structural measures that are being used simultaneously to promote economic, social and environmental objectives in a rather isolated ad hoc manner, while lacking a territorial perspective. The result is a Fund that disperses aid non-strategically in order to support, at times, competing objectives rather than dispersing it in a way that secures maximum synergy to really push the sector towards long-term ecological sustainability. Problematic and uncoordinated measures such as payments to the development of aquaculture and processing; poorly controlled vessel investments and untargeted long-term decommissioning and tie-up aid are together contributing to a sector that continues to operate at huge and increasing overcapacity. While some issues are inherent in the substantive provisions of the EFF itself and in arrangements for its administration, there are also fundamental weaknesses in the wider management set up that make it very difficult for the EFF to succeed.

The following provides a summary of the key lessons drawn from experiences with the EFF, so that a successor fund can avoid repeating its mistakes and build on its successes.

- Clarifying the strategic context for delivering aid is vital to ensure that measures work together to achieve agreed environmental sustainability objectives. A national strategic framework provides an opportunity to consider how public aid (from the EFF and other funds) and other management tools can be combined to address key challenges at a spatial level.
- In the absence of an explicit requirement, the strategic framework will likely not be subjected to strategic environmental assessment.
- The presence of significant aid that directly reduces operating costs without offering other stronger benefits is likely to contribute to overfishing and is thus inconsistent with the goal of achieving environmental sustainability.
- Aid for tackling overcapacity needs to respond to information on stock and wider environmental needs. This requires an understanding of existing overcapacity within fisheries, including quantitative and qualitative issues. If aid is not targeted, managed and controlled, it may simply serve to inject funds into the sector, if not to contribute directly to overcapacity problems.
- Aid for environmental management is of limited value unless it covers the ongoing costs of management, where necessary in combination with other funds. Even here, however, funding needs to be clearly managed and controlled in order to avoid abuses.
- Project selection criteria should encourage projects that are the most supportive of environmental sustainability, consider the wider context of the fishery, and do not contribute to environmental deterioration. Specific provisions are needed to ensure that project beneficiaries have a clean record of compliance.
- In the absence of explicit requirements, the participation of environmental interests in partnerships and monitoring committees is likely to be weak.
- Monitoring and evaluation needs to produce information on results and impacts (negative and positive) on stocks and the wider environment, of individual measures and the EFF globally.
- Information needs to be kept in a form that makes oversight by civil society groups possible; it should be supported by EU-level analysis on the impact and environmental implications of aid measures.

²⁷ Five member states' monitoring committees have no NGO member; many have less than 10% environment stakeholders (Ernst & Young, 2011).

4. Moving beyond the EFF to 2014-2020

Decision-makers will need to act decisively in order to ensure that the CFP reform and the EFF successor fund provide sufficient clarity of objectives and momentum to put the sector on the path to environmental sustainability before it is too late.

A new Fund needs to make sure that any fleet adjustment aid that is permitted is transitional only, and targeted exclusively at eliminating overcapacity and reducing environmental harmful fishing practices. The long-term focus of the EFF should be on restoring and maintaining marine ecosystems by funding research, cooperation and on stimulating sustainable innovation in the sector to increase resource efficiency. Aid should not be provided to other areas if it simply has the effect of reducing the cost of fishing, without clearly contributing to environmental sustainability goals. This includes aquaculture investment, which may otherwise result in further pressure on the environment, including pressure on fish stocks as a result of increasing demand for fishmeal.

Discussions on a new Fund must go hand-in-hand with reforms to the CFP overall, which must provide the foundation and rationale, as well as the safeguards, for EU fisheries aid. The new funding arrangements need to be accompanied by manifest improvements in the planning, management, control and transparency around fisheries subsidies.

In order to have a real impact, changes introduced by the new Fund also need to be reflected in other EU fisheries subsidy rules, including those setting out State aid arrangements, as well as fisheries partnership agreements and fuel tax exemptions.

4.1 THE CHALLENGE AHEAD – A RESOURCE-EFFICIENT AND ECOLOGICALLY SUSTAINABLE INDUSTRY

Globally and in Europe there is increasing emphasis on economies being build on **environmental sustainability, resource efficiency and competitiveness** in keeping with biodiversity and climate change objectives. This is a challenge across the sectors, but nowhere more so than in fisheries where the sector has stumbled from crisis to crisis, operating huge overcapacity, using resources inefficiently and maintaining environmentally unsustainable practices, with devastating results for marine and coastal resources in Europe and globally.

Box 3: Europe 2020 Strategy

This high level political strategy for the EU was adopted in 2010. It refers to sustainable growth involving the move to a resource-efficient, sustainable and competitive economy, exploiting Europe's leadership in the race to develop new processes and technologies and reinforcing the competitive advantages of businesses, as well as helping consumers to value resource efficiency. Such an approach is expected to help the EU to prosper in a low-carbon, resource-constrained world, while preventing environmental degradation, biodiversity loss and unsustainable use of resources.

Under the banner of Europe 2020, a *Flagship Initiative – A resource efficient Europe* was launched in 2011, underlining the necessity and opportunity provided by the EU's focus on resource efficiency. The initiative sets out a framework to help ensure that long-term strategies in areas including fisheries and environment policy produce results on resource efficiency (European Commission, 2011 f).

Box 4: EU Biodiversity Strategy to 2020

The EU's commitments in the area of biodiversity conservation are set out in a strategy that aims to halt the loss of Europe's biodiversity and degradation of ecosystem services by 2020, while stepping up the EU's contribution to averting global biodiversity loss. For fisheries this means achieving maximum sustainable yield by 2015. It also means achieving a population age and size distribution indicative of a healthy stock through fisheries management with no significant adverse impacts on other stocks, species and ecosystems, in support of achieving Good Environmental Status by 2020, as required by the Marine Strategy Framework Directive.

Source: (European Commission, 2010 c), (European Commission, 2011 e).

EU structural aid under the EFF is – superficially at least – more benign now than it was under previous programmes, but fundamental problems, contradictions and inefficiencies persist. The balance between resources and fishing pressure remains only an aspiration. We know that fleet decommissioning schemes are not having the necessary impact and that several other areas of EU aid support overcapacity.

In times of financial austerity, the inefficiencies of European fisheries aid are brought into sharp focus, as is the overall cost to society of both fisheries subsidies and broader fisheries management failures. Fisheries subsidies also go against the grain in terms of transparency. Not only does fishing take place largely out of public view, all too often so does the public funding of the fisheries sector.

The EU's policy commitments, including those within Europe 2020 and the EU biodiversity strategy, urgently demand new directions in EU fisheries aid, breaking away from past bad habits to secure massive change and improvements by 2020. EU aid must, from now on, work coherently so that different sources of funding and individual measures work in synergy in the context of common strategic frameworks in order to avoid further ecosystem decline but also to help create the right conditions for Europe to reap multiple benefits from highly productive marine ecosystems. EU aid must be rooted in a solid fisheries sector management framework, based on the development and implementation of multi-annual management plans and the identification of environmental limits that need to be met. Aid will need to be accompanied by other incentives, including rigorous and coherent enforcement. Expenditure will need to be subject to public scrutiny both before, during and after aid is dispersed.

4.2 CFP REFORM GOES HAND-IN-HAND WITH AID REFORMS

While this paper is focused on fisheries subsidies, it is evident that the impact of subsidies in fisheries depends heavily on the existence of an effective wider strategic and long-term management framework. Thus, the successful reform of EU aid policy will depend on an equally successful reform of the CFP itself.

- The revised CFP will need to put environmental sustainability at the heart of its objectives, and clearly state the role of the Fund as being one of several tools for securing implementation of that objective.
- The CFP will also have to ensure the adoption of fleet adjustment plans, anchored within multi-annual management plans. The plan will identify the amount and type of overcapacity in relation to specific stocks and wider environmental limits in marine areas. It will also include information on habitats and species in need of protection and other environmental objectives to be achieved.

4.3 A NEW FUND TO SUCCEED THE EFF

A new objective for a new fund – achieving ecologically sustainable fisheries by 2020

The fisheries sector needs aid to help it change direction and innovate so that it can once more become competitive, profitable and resilient, on the basis of healthy fish stocks and marine ecosystems. The new fund's **objective should be to provide the necessary financing to ensure the rapid transition to and maintenance of environmentally sustainable low impact and low pressure fisheries.** As such, it should ensure fulfilment of the EU's goals on halting biodiversity loss by 2020, delivering resource efficiency by 2020 and securing populations of harvested species above levels that can produce the maximum sustainable yield by 2015.

Key principles to inform the fund

With a view to maximising the Fund's effectiveness, the following principles should be applied.

- **Short term** – securing a rapid transition and avoiding expectations of aid becoming embedded in the decision-making processes of fishers by making aid time limited.
- **Adding value** – tackling barriers to change where EU aid can make a real difference by supporting innovation, rather than dispersing aid in areas where it has a limited ability to influence economic decisions in a way that supports achievement of long-term ecological sustainability objectives.
- **Conditional** – on the development and/or implementation of multi-annual management plans and beneficiaries demonstrating compliance with CFP and other relevant environmental directives.
- **Coherence** – with all measures under the new fund working towards ecological sustainability.
- **Spatially focused** – covering inland, marine and coastal regions and targeting fisheries and other marine actors placing pressures on fisheries and the wider marine ecosystem.
- **Simplification** – to support access to funding as well as to enable assessment of likely and actual impacts of funding in relation to its environmental, social and developmental objectives.

In practice, there is room for a mix of measures to support the attainment of the Fund's new objective, including – but only if properly managed – short-term measures to directly adjust fishing capacity; measures to stimulate sustainable innovation in state-of-the-art fishing technology that respects environmental limits and secures resource efficiency; and measures aimed at securing public goods including payments for environmental services; or measures to help capture market benefits associated with low impact fishing/farming. Territorial measures and socioeconomic measures are compatible in principle, but can be drawn down from national schemes and EU funds. Critically, there must be 'internal coherence' between the Fund's own measures and other funds available to the sector.

Balancing capacity with stocks and the environment – short-term adjustment

Building on lessons learned under the EFF, aid should only continue to be targeted at reducing overcapacity if strict safeguards are in place, and these are enforced and monitored. Apart from the development and implementation of multi-annual management plans, Member States will have to identify the necessary combination of capacity reductions or adjustments needed, and ensure that aid is used exclusively to deliver these adjustments. Importantly, each Member State should only offer decommissioning schemes once and for a short period only, e.g. six months after agreement on multi-annual management plans.

For both decommissioning and impact-reduction grants, an absolute precondition is that projects contribute rapidly to achieving existing and up-to-date fleet management plans, and that Member States fully report on progress in balancing capacity with stocks.

Note that temporary cessation or **tie-up aid** essentially rewards individuals for overfishing. This should not be continued and instead the sector should be helped to set up its own tie-up fund. Other government social schemes may be used, as necessary, to support incomes while stocks rebuild.

Restoring and maintaining healthy ecosystems for the longer term

Building on the small steps taken under the EFF, the new Fund should substantially shift its focus towards restoring and maintaining healthy and productive ecosystems, in line with EU environmental commitments. as follows.

- Supporting fisheries and marine research, management, control and enforcement – this includes supporting the implementation of the Marine Strategy Framework Directive (MSFD), as well as the designation, management, planning and monitoring of Natura 2000 sites and the establishment of management measures (e.g. installation of buoys). Natura 2000 support should be provided in accordance with Natura 2000 financial plans (Prioritised Action Frameworks).
- Payments for specific ecological services provided in marine or freshwater areas affected by fisheries – either one off or longer term payments to build and maintain nursery areas, important habitat types and other ecological infrastructure, manage Natura 2000 sites, etc. This does not mean paying for a reduction in fishing. Payments for environmentally friendly aquaculture practices in wetland areas²⁸ should be designed along the lines of Article 38 (Natura 2000 payments) and Article 39 (agri-environment payments) of Regulation 1698/2005 (Rural development regulation).
- Common projects relating to fisheries and marine management – as long as there are public benefits going beyond those of the sector, for example, aid should be made available to facilitate the implementation of multi-annual management plans by providing support to the decentralised or co-management structures that will contribute to, implement and review plans at regional level. Aid should also support effective participation of key stakeholders in decision-making.
- Technical assistance – using opportunities to undertake environmental impact assessments (EIAs) and baseline studies, the networking of authorities, scientists and others interested in addressing/managing fisheries environment interactions, and supporting outreach to get to relevant beneficiaries to apply for innovative projects, etc.

Rigorous monitoring and control will also be required in this area, in order to prevent aid being diverted for private benefit.

Stimulating innovation in state-of-the-art resource efficiency

The new Fund should see an end to conventional aid for investment in areas such as processing, marketing and, indeed, vessel ‘improvements’. Similarly, investment in increased and more intensive aquaculture production should end, not least as this is expected to exacerbate marine ecosystem pressures and decline.

²⁸ As defined by the Ramsar Convention.

That said, it would be considered useful for the new Fund to be used to stimulate the development of new cutting edge technologies and approaches that will contribute significantly to ‘smart’ fishing and aquaculture that is resource efficient and respects environmental limits. Beneficiaries would need to be able to demonstrate significant improvements, e.g. 50 percent reductions in waste, protein or energy use, while not contributing to problems, e.g. increasing demand for fishmeal or overfishing.

Funding in this area must be accompanied by rigorous criteria to ensure overall positive impacts in terms of ecological sustainability, not only at the level of individual operators but also at supply chains and fisheries levels. To this end grants must fit within multi-annual management plans. They should include an element of funding to ensure ex-post assessment of likely and actual impacts in terms of production capacity and impacts on the environment, both in the EU and beyond.

Ensuring the appropriate administrative conditions for the new fund

A number of technical needs would have to be met in order to improve upon current arrangements, including the following.

- **National strategies**, in the form of **Common Strategic Frameworks and Development and Investment Partnership Contracts**, must identify the current situation and policy framework, the overarching direction of change needed, challenges to overcome and how aid will deliver on this. They should ensure coherence between fisheries management and biodiversity objectives, including implementation of the MSFD and Natura 2000 in marine, coastal, inland and wetland areas, in line with Member States’ Prioritised Action Frameworks. They should outline how the EFF’s successor will be drawn down with other EU funds in order to provide comprehensive support to initiatives, including support for a range of types of activities such as testing and applying new approaches to managing a particular habitat type. As such, they will contribute to more transparent and accessible, as well as more coherent, funding.
- National strategies need to be subject to **strategic environmental assessment**.
- **Environmental stakeholders** need to be explicitly included within partnerships at all levels (national, regional and local) during planning and implementation.
- **Project applications must include information on the environmental context and how the project fits into plans to improve it**. Selection criteria should ensure projects contribute strongly to sustainability. They should ensure compliance with EU fisheries, environment and nature conservation rules and prevent, through reference to official lists, the awarding of grants to IUU (illegal, unreported and unregulated) fishing operators or vessels.
- Project-level **monitoring** should focus on progress compared to key parameters (e.g. “no increase in fishing pressure”). At programme level, monitoring should permit evaluation of results and impacts in relation to the core objective of balancing the sector with environmental limits. Information should be collected in a way that allows EU-level aggregation and analysis.
- Information should be made available in such a way as to ensure **transparency** and **accountability**. This means holding data and information in a single format and place. Moreover, the European Commission should produce information on expenditure and compliance, and the extent to which impacts are in line with EU environmental objectives. Such an EU ‘accountability’ report should include information on national and State aid expenditure.

4.4 IMPLICATIONS FOR OTHER FORMS OF AID

The **different national aids** available to the sector, including the ceiling for *de minimis* aid, should be brought in line with the new Fund. In addition, provisions need to be included concerning the publication of information on the allocation of aid and assessments of the effect of aid on environmental sustainability objectives. The European Commission should include this information in an annual accountability report on EU fisheries aid.

Past experience shows that subsidising fuel is not a long-term solution for European fisheries. There should be no increase in fuel subsidies, instead they should be taken out and complemented with appropriate and timebound 'adjustment' support to prevent short term economic shocks particularly to small fishing communities.

In addition, European fleets must over a phased period shoulder the full cost of paying for access in third countries. These costs must represent a fair share of the value of the fish caught and help promote responsible fishing practices, local added-value and job creating activities in third countries.

4.5 MAKING IT A REALITY - RECOMMENDATIONS FOR POLICY-MAKERS

Discussions on future fisheries aid and the broader CFP reforms are set to continue into 2013 and will during that time provide an opportunity for a range of actors to contribute to discussions and negotiations. The following provides concrete suggestions that different actors should take forward in order to ensure that the future EU fisheries aid works effectively and rapidly towards environmental sustainability which is a precondition to achieve economic and social sustainability in European fisheries.

The European Commission should ensure that proposals for the new fisheries fund are ambitious, clear and enforceable, and firmly anchored in the basic CFP regulation. The emphasis should be on removing harmful subsidies and redirecting funds towards investment in a healthy ecosystem that ensures a resource-efficient sector in order to meet existing biodiversity, marine environmental status and international development commitments. Changes proposed by the Commission must be followed by proposals to discipline other EU fisheries subsidies, ensuring coherence and avoiding the wastage of public funds that will otherwise occur.

The European Parliament will have a clear role to play in ensuring the adoption of strong positions on the new funding proposal. Specifically, MEPs are called upon to:

- commit to securing the long-term health of the sector and accepting that the prerequisite is having and maintaining healthy marine ecosystems;
- insist on eliminating all harmful subsidies that clearly undermine EU and global commitments, in particular the fuel tax exemption and vessel modernisation;
- pay full attention to the global impacts of EU fisheries, ensuring that aid does not lead to increased pressure on global or developing country fish stocks, either by allowing capacity to be displaced or by driving increased aquaculture production and associated demand in fishmeal;
- consider the proposal in its entirety, so that the final position ensures the new fund is coherent rather than representing a collection of contradictory measures;
- ensure transparency in the allocation, use and effects of funding. The Commission and Member States need to be held to account in terms of implementation of a new fund, so that funds are not diverted against the public interest in the EU and beyond.

At the level of the Council of Ministers, the following actions are called for.

- **Finance Ministers** are called upon to avoid the new fund being used as a bargaining chip in wider EU budget negotiations, so that aid is not again used to support harmful subsidies in the interests of a small number of national governments. An overall reduction in EU aid to fisheries would be preferable to poor targeting of aid.

- **Environment Ministers** are called upon to ensure that the new fund is focused on restoring and rebuilding fish stocks and the wider marine environment, bringing fisheries on target to deliver against biodiversity and achieving good environmental status and resource efficiency commitments. The new fund should also be easily accessible to a range of stakeholders, in combination with other suitable funding sources. Environmental interests and perspectives need to be secured through membership in monitoring committees and strategic environmental assessments.
- **Fisheries Ministers** should support an emphasis on rapidly transforming the sector to achieve environmental sustainability and ensure the rebuilding and maintaining of fish stocks above levels that can produce maximum sustainable yield by 2015. They should resist the pressure to re-introduce harmful subsidies that will worsen the situation for the sector; and instead take tough decisions in the long-term interests of fishing communities. Aid that is introduced should be firmly tied to compliance with existing EU rules and implementation of fleet management plans embedded within mandatory multi-annual management plans.

ACRONYMS

CFP	Common Fisheries Policy
EEA	European Environment Agency
EFF	European Fisheries Fund
EMAS	Environmental Management and Audit Scheme
EU	European Union
FAS	Fleet Adaptation Scheme
FEAP	Fishing Effort Adjustment Plan
FIFG	Financial Instrument for Fisheries Guidance
FLAGs	Fisheries Local Action Groups
GDP	Gross Domestic Product
IUU	Illegal, Unreported and Unregulated (fishing)
LIFE	L'Instrument Financier pour l'Environnement
MEP	Member of the European Parliament
MSFD	Marine Strategy Framework Directive
NSP	National Strategic Plan
OP	Operational Programme
SEA	Strategic Environmental Assessment
TEEB	The Economics of Ecosystems and Biodiversity
WTO	World Trade Organisation
WWF	Worldwide Fund for Nature

ANNEX I

Comparing expenditure across the categories under FIFG and the EFF

The table below provides an overview of allocations under the EFF and its predecessor FIFG. Given the differences between the two programmes, figures are often not directly comparable. Importantly, Member States' operational plans do not need to provide details at the level of individual measures so that programmes only state what is planned at the level of axes'. Some Member States also do not provide a breakdown to measure level in their ex-post reporting (Ernst & Young, 2011).

	FIFG expenditure (2000-2006) million EUR – committed	EFF expenditure (2007-2013) million EUR - programmed
FIFG/EFF total	4.2 billion EUR	4.3 billion EUR
Scrapping	891	1215
Export of capacity to third countries, establishing joint ventures	75	
Temporary cessation	281	
Coastal fisheries	20	
Socioeconomic measures	51	
Modernisation/selectivity	184	
Construction	495	0
Aquaculture	414	1237
Aquatic resources	66	
Inland fishing	4	
Processing and marketing, promotion	972	
Common interest	253	1133
Fishing port facilities	430	
Innovative measures	211	
Territorial measures		573
Technical assistance	74	146

ANNEX II

NATIONAL SOURCES OF FISHERIES STRUCTURAL AID

The following provides additional information on aid or other subsidies that Member States can give to the sector, based on EU rules.

National state aid

Normal State aid has to meet a number of conditions:

- the annual amount **per beneficiary** may not exceed 1 million Euro, while the total amount of eligible costs **per project** may not exceed 2 million Euro;
- it must be aimed at small and medium-sized enterprises; and
- it has to be in line with the EFF regulation.

The aid has to be reported to the Commission, which has to deem it compatible with the EFF and the guidelines produced²⁹. In 2009, 200 million Euro was dispersed within the EU 27 Member States as State aid to the fisheries sector (European Commission, accessed 2011).

National *de minimis* aid

De minimis aid is 'small' amounts of national State aid that Member States can make available to fishing firms as well as to companies in fish processing, trade and aquaculture. Given the particular economic difficulties faced by the EU fisheries sector in the late-2000s as a result of high fuel prices and in some cases falling catches and fish prices, in 2007 the Commission adopted Regulation (875/2007). The new Regulation increased the level of aid by a factor of 10 and effectively allowed Member States to provide direct fuel subsidies to the sector. Areas eligible for funding include modernisation of the main deck and the purchase or construction of fishing vessels; other areas such as increases in fishing capacity are excluded.

The current *de minimis* aid is set at 30,000 Euro per firm (increased from 3,000 Euro previously). The total possible amount that could be provided within this context equates to 718 million Euro for a three-year period (European Commission, 2007 a). Essentially, this is calculated on the basis of there being 24,000 eligible firms; it roughly translates into 240 million Euro per year.

Actually, expenditure is difficult to ascertain as, unlike normal State aid, *de minimis* aid does not have to be reported to the Commission by the Member States as it is not considered to distort competition. Member States are required to record and compile information on allocations, which the Commission can then request to see. Despite these requirements, the Commission has not made public information on the beneficiaries, amounts or indeed the impacts of *de minimis* aid schemes implemented.

That said, a report was produced in 2009 for DG MARE on *de minimis* aid in order to assess the potential impact that an increase in *de minimis* aid might have. According to this report: "It must be pointed out that the incentive of *de minimis* is to keep vessels in operation. This may be in direct competition with the objectives of the conservation and structural policy to reduce the size of the fleet and the fishing effort." (Framian BV, in coop with Symbeyond Research Group, 2009).

²⁹ Guidelines for the examination of State aid to fisheries and aquaculture (Official Journal C84, 3.4.2008).

National aid – block exemption

This essentially relates to aid from the Member States that falls entirely within the scope of EFF but is not funded within the EFF programmes, i.e. it is additional. This essentially relates to aid from the Member States that falls entirely within the scope of EFF but is not funded within the EFF programmes, i.e. it is additional. Member States have to notify the Commission of this type of aid, which can amount to the equivalent of EFF counter funding (European Commission 2008 a).

Member State notifications published on the European Commission web site amount to approximately 9 million EUR per year, although schemes have differing start and end dates. An analysis of notifications supplied to the Commission show that several Member States have funded aqua-environmental measures outside of the EFF. Decisions to provide such additional funding is often as a result of these issues not having been included in national EFF programmes, even though they may be priorities for regional level authorities.

Fuel duties exemption

The emergency fuel package should be seen in the context also of the Energy Taxation Directive 2003/96. (European Union, 2003) This exempts fuel for fishing vessels from general duties that Member States are to place on energy products (Article 14). An estimate covering the Spanish fishing fleet, which accounts for 15% of total EU fleet power (European Commission, 2010 d), suggests that fuel tax exemptions may represent 224 million EUR per year. Crudely extrapolated to the whole EU fleet, this could make fuel tax exemptions more significant a subsidy than the whole of the EU's financial aid to the sector, in excess of 1.5 billion Eur per year.





Data and control matched funding

Member States receive a financial contribution from the EU for improving the administrative capacity and the means for control and enforcement of CFP rules, as well as for data collection to assess the state of the resources, the level of fishing and the impact that fisheries have on the resources and the marine ecosystem. However, Member States can only claim up to 50% of eligible expenditures. The remaining 50% is covered by national budgets. Recent estimates suggest this matched funding amounts to € 104 million (Oceana, 2011).





ANNEX III

DETAILED ANALYSIS OF THE EFF MEASURES COMPARED TO THE 2002 CFP REFORM

The following table presents an analysis of the EFF axes and measures in order to understand how far the EFF has met the promises of the CFP reform. The aim is to show the state of the EU aid under the EFF, while indicating the overall direction of change compared to 2002 and noting key areas where further progress is necessary.

Issue	2002 CFP reform agreement	EFF 2007-2013 Compared to 2002	Emergency fuel package' July 2008 to 31 Dec 2010 Compared to 2002	Implementation in practice	Committed Oct 2010 EUR mln (% of EFF committed Oct 2010)
VESSEL CONSTRUCTION	From 2004, subsidies for construction of new vessels were to be eliminated. Until 2004, such aid was limited to vessels under 400GT.	No aid for the construction of vessels. (Note: aid is available for young (under 40 years of age) fishers to buy all or part of their first vessel as long as it is under 24 metres in length and between 5 and 30 years old. See 'Socioeconomic measures' below.)  NEGATIVE	Aid to vessel owners permanently withdrawing one or more vessels included in a Fleet Adaptation Scheme (FAS), which is a new Fishing Effort Adjustment Plan (FEAP), in order to build a new vessel of lesser fishing capacity and lesser energy consumption. Total capacity (tonnage/power) after the removal and partial replacement should be 40% lower.  NEGATIVE	The boat buying provision – inserted under 'Socioeconomic measures' – could be seen as a backdoor way of funding capacity enhancement. In practice, it has been used to a very limited degree (end 2010).	
REMOVAL OF EXCESS CAPACITY	Aid for the permanent cessation of fishing activities through scrapping vessels, with additional funds for scrapping under recovery plans. Vessels could be reassigned for non-profitable purposes, other than fishing. Transfer of capacity to third countries outlawed from 2004. Withdrawn capacity using public aid not to be replaced.	All aid for permanent cessation placed within context of FEAP i.e. recovery, management, emergency, etc., plans. Ways of removing capacity include: • scrapping (using 2-year decommissioning schemes); • reassignment outside fishing but remaining within the EU register; • reassignment to create artificial reefs (in compliance with EIAs). Removed capacity not to be replaced.  POSITIVE	Eligibility also for vessels covered by FAS. FAS concerned with economic restructuring for fuel intensive vessels. 25% of capacity that is withdrawn can be reallocated to other vessels under 'Partial decommissioning'.  NEGATIVE	Commitments were relatively advanced by the end of 2010, representing 22% of all EFF commitments. Member States had, however, been criticised for not making sufficient use of this option (European Commission in supplementary memorandum to House of Lords [House of Lords EU Committee, 2008]), with between 20 and 25% of the EFF aid being programmed for decommissioning (House of Lords EU Committee, 2008).	263 (21%)

COMPENSATION FOR MANAGEMENT CLOSURES	<p>Aid available to those temporarily having to stop fishing ('tie-up'), in context of:</p> <ul style="list-style-type: none"> recovery or management plans, or EU and national emergency measures (aid available for 1 yr, with 1 yr extension); non-renewal/ suspension of fisheries agreement (6 months, with additional 6 months); unforeseeable circumstances, notably biologically caused. <p>Max aid 1 million Euro or 4% of total to the sector in the Member State. More if recovery, management or emergency measures included decommissioning of equivalent effort.</p>	<p>Aid contingent upon FEAPs:</p> <ul style="list-style-type: none"> recovery plans (1 year, with a possible extension of 1 year); EU/ national management plans (8 months); emergency plans (3 and 6 months). <p>Outside FEAPs, aid for:</p> <ul style="list-style-type: none"> natural disaster or national closures due to public health or other exceptional occurrences not the result of resource conservation (6 months); substantial cuts in fishing opportunities under fisheries agreements (6 months, with possible extension of 6 months); during engine replacement within context of rescue and restructuring plans (3 months). <p>Max aid is 1 million Euro or 6% of aid to the sector in a Member State, excluding aid linked to natural disasters. This limit can be raised.</p>	<p>Tie-up aid additionally allowed for those affected by restructuring measures, including decommissioning schemes and engine replacements and in FAS. Covers the costs of tying up in port or salary for 3 months. Max is 6 million Euro or 8% of the EFF allocated to the Member State.</p>	<p>In practice, the innovative concept of 'fishing effort adjustment plans' has not met its potential, with much confusion about its interpretation among Member States. (Ernst & Young, 2011). "In Denmark, the overall effect of the fuel package was a reduction in ... fuel consumption of 37%", Report to the European Commission (Ernst & Young, 2011).</p>	138 (11%)
MODERNISATION OF EQUIPMENT	<p>Aid for modernisation or equipment that does not affect power or tonnage or increase gear effectiveness. Tonnage increases only for improvements above main deck to improve safety, working conditions, hygiene or product quality. Ability of vessels to catch fish is not to increase.</p> <p>Amendment allows "technical adjustment" compensation where EU law imposes technical restrictions on the use of certain gear/methods. To be paid for max 6 months.</p> <p>No explicit provision for engine replacement.</p>	<p>Investment onboard fishing vessels and selectivity for fishing vessels older than 5 years to improve safety onboard, working conditions, hygiene, product quality, energy efficiency and selectivity. No increase in ability to catch fish. No aid to increase fish holds, but equipment and modernisation can be used to hold discards that can no longer be thrown overboard.</p> <p>As long as not increasing effort, aid also for:</p> <ul style="list-style-type: none"> preparation for or trial of new EU measures; reduce impacts on non-commercial species, ecosystems and sea bottom; protect catches and gear from wild predators. <p>Aid for one engine replacement:</p> <ol style="list-style-type: none"> for vessel under 12m with passive gear – the new engine has the same or less power; for vessels up to 24 metres – there is a 20% reduction in power; for trawlers above 24 m – the power goes down by 20%, and the vessel is part of restructuring plan and changes to less fuel intensive engine. <p>For the larger vessels (b and c), this can also be done by groups of vessels.</p>	<p>Private contributions to projects reduced from 50–60% to 40% for certain projects, notably for energy efficiency measures.</p> <p>Vessel age limit removed if within the context of a fuel package, for gear or equipment replacement.</p> <p>Extended engine replacement, allowing one engine replacement for all vessels (not just trawlers) over 24m as long as this reduced power by 20% and increased energy efficiency, within the context of FAS.</p>	<p>In contrast to FIFG, take up of this measure has been limited compared to permanent and temporary cessation during the first half (2007–2010), due in the main to a lack of financing from the private sector. Projects that have been funded have focused on working conditions, safety and the environment (Ernst & Young, 2011).</p>	44 (3.5%)

SMALL SCALE SUPPORT	Minor changes to existing small-scale fisheries aid, including stronger link to conservation and restricting eligibility, to exclude vessels using towed gear. Funding available for “integrated projects of collective interest”.	<p>Small-scale actions within the fleet adjustment Axis 1. Aid available as premiums to individuals. Aid for:</p> <ul style="list-style-type: none"> • market organisation, processing and market chain; • improved skills or safety; • improved management and access control; • voluntary steps to reduce fishing effort; • more selective fishing going beyond legislation or protection from predators but not increasing effort. <p>Rates of private co-financing 20% lower. Rates also applicable to small-scale sector socioeconomic projects.</p>	 POSITIVE	This measure has received little interest from Member States, the exceptions being Finland and Estonia. Reasons for low programming were the strict criteria as to what constitutes small-scale coastal fishery and the issue simply not being a priority for those programming and for the sector itself (Ernst & Young, 2011).	2.9 (0.2%)
SOCIO-ECONOMIC MEASURES	No specific changes.	<p>Socioeconomic measures cover:</p> <ul style="list-style-type: none"> • diversification to multiple jobs for fishers; • professional skills particularly for young fishers; • retraining for jobs outside sector; • early retirement/ departure; • compensation for fishers from decommissioned boats. <p>Also, premiums for fishers under 40 years old who acquire their first (under 24m, second-hand) boat. They can qualify for up to 50,000 Euro or 15% of the cost of purchase.</p>	 POSITIVE  NEGATIVE	Overall, the measure has been used mainly in the context of temporary and permanent cessation. As regards boat buying for young fishers, this has proven difficult to implement in the current climate (Ernst & Young, 2011).	19 (1.5%)
AQUACULTURE INVESTMENT	No specific changes.	<p>Support for Axis 2 aquaculture production. If a project is to comply with EU law, the project is only eligible before law becomes obligatory. Member States to avoid surplus production or effects on fish stock conservation.</p> <p>Productive investment permitted for:</p> <ul style="list-style-type: none"> • diversification to new species/markets; • more environmentally friendly methods; • traditional activities that are socially, economically and environmentally important; • equipment to protect from predators; • improving working and safety conditions. 	 NEUTRAL	Actual take up of funding has been affected by a poor financial situation and difficulties in securing private sector loans as match funds. In practice, there have been increases in production but no causal link between EFF (or FIG) and those increases.	137 (11%)

AQUACULTURE INVESTMENT		<p>Aid for aqua environmental measures:</p> <ul style="list-style-type: none"> enhancing the environment, supporting environmental management and audit scheme (EMAS) certification; organic production – one-off payment for 2 years during conversion; aquaculture in line with Natura 2000 – one-off payment for max 2 years after Natura 2000 designation. <p>Need to sign up to 5-year schemes, and go beyond good aquaculture practice.</p>	<p style="text-align: center;">↑ POSITIVE</p>	<p>Applying measures, especially in relation to Natura 2000, has been problematic. Despite Natura 2000 sites needing recurring management, one-off payments are offered under schemes. Payments limited to a max of 2 years within site designation. (BirdLife International, 2011) There has been confusion as to the purpose of this sub-measure. By end-2010, only Latvia and Lithuania had made significant use of it. (Ernst & Young, 2011) Commitments under the sub-measure were 32.3 million Euro by end Oct 2010 or 3.9% of all EFF committed.</p>	<p>32 (2.5%)</p>
MARKETING AND PROCESSING	<p>No change to existing provisions.</p>	<p>Aid available for investment in construction, extension, equipment and modernisation of facilities to improve safety, working conditions, hygiene and product quality, human and animal health or environment. Support also for vessel reassignment and temporary cessation due to EU law for species recovery.</p>	<p style="text-align: center;">■ NEUTRAL</p>	<p>There has been very limited take up of this measure, with 95% of projects concentrated in 5 Member States. (Ernst & Young, 2011)</p>	<p>4.4 (0.3%)</p>
	<p>No change to existing provisions.</p>	<p>Support only for human consumption of fish (apart from waste management projects). Compliance costs only covered until laws become obligatory. Projects must aim to improve working conditions, public health and hygiene conditions, product quality, and high quality products for niche markets; reduce environmental impact, increase use of little-used species, waste, by-products, new products and production methods; and improve marketing of local products. Priority to be given to micro- and small enterprises.</p>	<p style="text-align: center;">■ NEUTRAL</p>		<p>213 (17%)</p>

COLLECTIVE PROJECTS	Existing provisions not significantly changed in 2002.	<p>All Axis 3 measures are considered here together. Promotion of collective initiatives normally not covered by private investments. Projects should foster collaboration within, and organisation of, the sector.</p> <p>The Axis concerns:</p> <ul style="list-style-type: none"> • collective actions (88 million Euro, 7%) for organisations to carry out joint projects, such as developing management plans or carrying out clean up campaigns; • aquatic flora fauna (38 million Euro, 3%); • ports, landing sites, shelters (147 million Euro, 12%); • new markets and promotion (45 million Euro, 4%); • pilot projects (42 m Euro, 3%); • modification for reassignment (0.48 million Euro). 	<p>↑ POSITIVE</p> <p>Addition of:</p> <ul style="list-style-type: none"> • energy audits for groups of vessels; • expert advice to develop restructuring plans; • financial compensation to producer organisations. <p>↑ POSITIVE</p>	By the end of 2010, projects had focused in particular on ports, common interest projects and pilot projects. (Ernst & Young, 2011) Some Natura 2000 funding has been provided under Axis 3, most often relating to the restoration of anadromous species' spawning areas (Kettunen, et al., 2011). However, NGOs can lack the necessary part-funding to access the EFF here.	360 (28%)
ADAPTATION OF FISHERIES DEPENDENT AREAS	Not mentioned in the CFP reforms.	<p>New approach (Axis 4) combining territorial and bottom up approach, with multi-stakeholder partnerships – Fisheries Local Action Groups (FLAGs), which define local funding strategies. Aid to contribute to:</p> <ul style="list-style-type: none"> • maintaining economic and social prosperity of areas and adding value to fish products; • maintaining and developing jobs through support for diversification or the economic and social restructuring of areas facing socioeconomic difficulties as a result of changes in the fisheries sector; • promoting the quality of the coastal environment • promoting national and transnational cooperation between areas. 	<p>↑ POSITIVE</p>	Increased networking among fisheries communities from different areas, through FARNET and national networks as well as collaboration with other stakeholders within the same territory, has been generally perceived as a very positive result of this first stage of implementation (Ernst & Young, 2011). Many of the newly established FLAGs seem to have set up strategies that also include restoration of natural habitats. As many of them are located in Natura 2000 areas, this is likely to have significant consequences for Natura 2000 management co-financing in future.	29.9 (2.3%)
TECHNICAL SUPPORT	Not affected by the CFP reforms.	<p>Axis 5 aid for programme preparation, management, monitoring and evaluation, publicity, control and audit, as well as networking activities. Support also for increasing capacity of administrations in convergence objective regions.</p>	<p>■ NEUTRAL</p> <p>As part of the emergency measure, the scope was widened to include pilot projects to test new technologies that are energy efficient.</p> <p>■ NEUTRAL</p>	In Cyprus, Axis 5 is funding a mapping exercise of Neptune Grass meadows (Posidoniaoceanica) around Cyprus. As part of this exercise, the meadows located in marine Natura 2000 areas will be analysed as a baseline which will be key to future monitoring of the Cypriote marine Natura 2000 management plans. UK uses Axis 5 to fund project facilitation, to support potential applicants with project proposals.	30.1 (2.4%)

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