



# **Rural Development Programme**

**For Malta**

**2007 – 2013**

## **Annual Progress Report**

**For 2009**

**Managing Authority for Rural Development**

**Ministry for Resources and Rural Affairs**

**June 2010**

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# Managing Authority for the European Agricultural Fund for Rural Development

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## ABBREVIATIONS

AEM	Agri-Environmental Measure
BOV	Bank of Valletta
CAP	Common Agricultural Policy
CAPI	Computer Aided Photo Interpretation
CION	European Commission
EAFRD	European Agricultural Fund for Rural Development
EC	European Community
EERP	European Economic Recovery Package
ENRD	European Network for Rural Development
ETC	Employment and Training Corporation
EU	European Union
FEE	Foundation for Environmental Education
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GVA	Gross Value Added
Ha	Hectare
HC	Health Check
HICP	Harmonised Index of Consumer Prices
ICT	Information and Communication Technology
IT	Information Technology
IMCC	Inter-Ministerial Co-ordination Committee
LAG	Local Action Group
LDS	Local Development Strategies
LFA	Less Favoured Area
LPIS	Land Parcel Identification System
MA	Managing Authority
MC	Monitoring Committee

MEPA	Malta Environmental and Planning Authority
MEUSAC	Malta EU Steering and Action Committee
MRA	Malta Resources Authority
NGO	Non-Governmental Organisation
NRN	National Rural Network
NSP	National Strategy Plan
PA	Paying Agency
PPCD	Planning & Priorities, Coordination Department
RD	Rural Development
RDC	Rural Development Committee
RDP	Rural Development Programme
RP	Recovery Package
SMPPMA	Special Market Programme for Maltese Agriculture
SPA	Special Protected Area
SMR	Strategic Monitoring Report
Tu	tumolo

## EXECUTIVE SUMMARY

1.1 The Annual Progress Report to the European Commission on the Malta Rural Development Programme 2007-2013 covers the period 1<sup>st</sup> January to 31<sup>st</sup> December 2009 and is submitted in accordance with Article 82 of Council Regulation No1698/2005.

1.2 The structure and elements of the annual progress report are guided by Article 82 of Regulation (EC) No 1698/2005. In accordance with Community regulations, the annual report is accompanied by a detailed set of common monitoring tables setting out key input and output data in a format applicable to all Member States.

1.3 Malta's Rural Development Programming Document (RDP) for the period 2007-2013 sets out a strategic plan for the use of European Agricultural Fund for Rural Development (EAFRD). Following a detailed sectoral analysis four priorities were identified:

- Improving the competitiveness of the agricultural sector;
- Improving the environment and the countryside;
- Improving the quality of life in Rural areas and diversification of the rural economy;
- Leader.

In addition, Technical Assistance has been allocated to assist in the implementation of the Programme.

1.4 Each priority axis is divided into a number of measures. There is a total of 18 measures: 10 measures under Priority Axis 1; 2 measures under Priority Axis 2; 3 measures under Priority Axis 3; and 3 measures under Priority Axis 4.

1.5 In 2009 thirteen calls were launched eight of which under Priority Axis 1. One call for each of the following measures was carried out namely Measure 111, Measure 114, Measure 115, Measure 123, Measure 124, Measure 132, Measure 133 and Measure 142. Two calls under Priority Axis 2 also followed being one call for Measure 212 and another for Measure 214 respectively. Under Priority Axis 3, three calls were affected one call for Measure 313, another for Measure 323 and one for Measure 341. Under Measures 121, 212, 214 and 341 the selected applicants under the 2009 calls were contracted. By end of 2009 the necessary checks and controls for the calls under Measure 212 and 214 were completed.

1.6 Payments foreseen for 2009 were effected. Requests for reimbursement were submitted to the Commission as at end of 2009 for Measure 121 under Priority Axis 1, Measure 212 and Measure 214 under Priority Axis 2 and Technical Assistance, as explained under Section C.

1.7 The major risks include the following:

- Insufficient administrative capacity in key organizations including the Managing Authority;
- Delays in roll out of Measures with consequent delay in absorbing funds;
- Steep learning curve for new officers on the interpretation and implementation of certain EU procedures;
- Lengthy process in developing the Rural Development IT Database.

1.8 Action taken by the Managing Authority to mitigate these risks can be found under Section F.

1.9 By way of conclusion, the year 2009 was taken up primarily by the launching of thirteen Measures. There was also the renewal of commitments for applicants from previous year/s and the commencement of new commitments under Measures 212 and 214 of Priority Axis 2 and the controls and checks undertaken by the Control Unit for each respective Measure. Subsequently, there was the contracting of beneficiaries who applied under Measure 121 and Measure 341, the updating of the Manual of Procedures and the continual development of the Rural Development IT Database.

## **SECTION A CHANGES TO THE GENERAL CONDITIONS (ARTICLE 82(2)(A) OF REGULATION (EC) NO 1698/2005)**

This section examines changes in the agricultural and rural economy sectors in the period since the Rural Development Programme was approved by the Commission, updating as appropriate the information contained in the previous annual reports. In accordance with the structure prescribed in Article 82 of Regulation (EC) No 1698/2005, this part of the report provides information about changes to conditions and trends and main policy developments and the impact they had on agriculture and rural environment.

The Rural Development Programme is part of a wider programme of actions to deliver economic, social and environmental outcomes in rural areas. Consequently, one aim of this section is to explain any changes to the wider context within which the RDP operates.

### **LEGISLATIVE CHANGES IN 2009**

In accordance with Article 82(a) of Regulation (EC) No 1698/2005, there were no legislative changes during the period under review which had an impact on the conditions for implementing the Rural Development Plan for programming period 2007-2013.

Nonetheless, the Government of Malta allocated additional funds (€ 1.02 million) made available from the European Economic Recovery Package specifically to the dairy sector. Such funds were aimed at improving the management, efficiency and productivity of the sector, since dairy farmers are facing further market pressures due to the gradual removal of the milk quota system, and also due to the fact that Malta is unable to make use of market support measures such as private storage and export subsidies to maintain stability when there is a greater supply than demand.

### **THE ECONOMY IN 2009**

The strengths of the Economy of Malta are its limestone, a favourable geographic location, and a productive labour force. Malta produces only about 20% of its food needs, has limited freshwater supplies, and has no domestic energy sources. The economy is dependent on foreign trade, manufacturing (especially electronics), tourism and financial services. Malta joined the Euro area in 2007 with GDP growth, reflecting a combination of cyclical conditions on one hand, and structural reforms, wage moderation and higher productivity, on the other. In January 2008 Malta experienced a smooth and co-ordinated change-over from the Maltese Lira to the Euro currency. Undoubtedly, the ongoing global financial crisis has considerably increased the downside risks in respect of the near term economic prospects of the Maltese economy. In this regard it is pertinent to point out that the main impact of the global downturn on Malta is likely to influence the real sector rather than the financial sector of the economy.

While the international banking industry has suffered huge losses, prompting Government intervention to re-establish liquidity in the market and to restore institutional and consumer confidence, the effect of this international crisis on the Maltese banking sector was relatively limited. Maltese banks' exposure to the financial instruments which brought about the sub-prime crisis had been negligible. Moreover, the Maltese banking system continues to be characterised by a strong liquidity ratio, a capital adequacy ratio which is well above the statutory minimum, a prudent loan-to-deposit ratio and well diversified portfolios. In view of this and the minimal indirect effects of the crisis on the Maltese banks, there was no need for any rescue packages to be implemented by the Government. The Government followed Euro Zone guidelines and at



the beginning of October 2008 increased the level of protection under the relevant deposit protection scheme to € 100,000.

The second round effects of the international crisis which severely affected world demand, trade, investment conditions, as well as industrial production have impacted on Malta's real economy. It is pertinent to note that given the small size of the Maltese economy, the high degree of openness and the concentration in a few export-oriented sectors, the domestic economy is particularly vulnerable to downturns in global trade. Furthermore, the crisis has particularly challenged Malta's main trading partners, which account for a significant part of both manufacturing exports as well as tourism flows.

### **National income**

The level of nominal GDP generated in Malta during 2009 was estimated at € 5.7 billion, whilst GDP per capita stood at € 13,759. During this period, Malta's real GDP contracted by 1.9 per cent. This decline has been mainly underpinned by the performance of the tourism and wholesale and retail sectors and the export-oriented manufacturing sectors, which have been particularly affected by the global economic crisis.

During 2009 government consumption decreased by 1.9 per cent in real terms, while private consumption expenditure increased by 1.2 per cent. On the other hand, investment activity contracted by 19.3 per cent in real terms. The external sector mitigated the contraction in economic growth, since the decline registered in imports was greater than the decline registered in exports. Exports declined by 3.1 per cent, whereas imports declined by 8.7 per cent in real terms during 2009.

Latest National Accounts data indicate that following three quarters of contraction, the Maltese economy returned to positive growth during the last quarter of 2009, mainly on the back of a strong recovery in private consumption.

### **Developments in GVA by sector**

Gross Value Added registered a contraction of 0.3 per cent during 2009.

Positive contributions were mainly recorded in the services sector, namely the electricity, gas and water supply sector, financial intermediation, other community and social activities sectors and to a lesser extent in the real estate, renting and business activities and health and social work sectors. These were partially offset by drops mainly in the transport, storage and communication, wholesale and retail trade services and hotels and restaurants services. Meanwhile, the manufacturing industry evidenced a general drop throughout its sectors, with the major declines being registered in the radio, TV and communication equipment, transport equipment and chemicals and chemical products sectors.

Similar to other tourism destinations, the local tourism sector has been affected by the adjustment in tourist behaviour due to the prevailing global economic and financial conditions. Moreover, the local tourism sector was also negatively affected by weak currencies - in particular the sterling - compared to the euro. Tourist departures during 2009 declined by 8.4 per cent and reached 1,183,012 compared to 1,290,856 recorded in 2008. At this juncture it is pertinent to note that during 2009, both Government and the Malta Tourism Authority (MTA) continued in their marketing efforts to identify and tap new underserved routes through low-cost airlines.

## Agriculture Sector

Contribution by the Agricultural sector to the national Gross Value Added (GVA) accounted for around 1.6 percent and over € 80 million. This outcome represented a 3.92 percent growth rate in GVA for the Agricultural industry over the year 2008. Furthermore, such an augmentation to the GVA over the previous year reflected primarily two main points, namely an increase in the output and a decline in intermediate consumption

## Harmonised Index of Consumer Prices

The 12-month moving average inflation rate according to the Harmonised Index of Consumer Prices (HICP) was relatively high at around 4.5 per cent during the first half of 2009, but followed a downward trend thereafter. In December 2009 the inflation rate stood at 1.84 per cent. On an annual basis, the inflation rate was negative between October and December, at -0.5 per cent and -0.1 per cent in October and November, respectively, reaching -0.4 per cent in December.

## Employment

Data from the Labour Force Survey for July-September 2009 reveals that employment fell by 324 to 162,567 when compared to the same period in 2008. The fall in employment reflected a decline in female employment.

The unemployment level rose by 1,816 persons to 11,986 persons, compared to the same period in 2008. Moreover, the unemployment rate rose by 1.0 percentage point, from 5.9 per cent recorded in July-September 2008 to 6.9 per cent recorded in the comparable 2009 period, reflecting a rise in both the male and female unemployment rate. Total inactive persons reached 175,581. The activity rate for males was 76.9 per cent whilst that of females stood at 40.7 per cent. Furthermore, the employment rate stood at 55.1 per cent, 1.0 percentage point lower than that recorded in the comparable period in 2008. In particular, the male employment rate stood at 71.6 per cent whilst the rate for females reached 37.8 per cent. In July-September 2009, part-time employment stood at 9.9 per cent of total employment, being the same level recorded in July-September 2008.

## AGRICULTURE IN GENERAL

Local agricultural production consists mainly of fruits and vegetables, livestock and dairy products. These constitute inputs for the domestic processing of produce such as meat and meat preparation, canning of fruits and vegetables, wines and beer, and animal feeds. Even though the small size of the agricultural industry might be unfavourable to its performance, this industry still bears an important role in the Maltese economy. However, the Maltese agricultural sector faces problems of water for irrigation scarcity, a scenario of fragmented land ownership as well as the absence of economies of scale.

The agriculture sector comprises of a small share of the Maltese economy, over the last years the agricultural sector has maintained a low but stable share in the Maltese economy. Agriculture provides an integrated framework within the varied produce of its sector and in marketing and distribution. Agriculture serves the welfare of the farming community and also helps to enhance the islands` countryside as well as the rural landscape.

The Special Market Policy Programme for Maltese Agriculture (SMPPMA) provides financial assistance as well as incentive schemes with the aim of assisting the Maltese agricultural sector to adapt to the liberalised

trade environment as a result of the removal of levies on imported agricultural and agro-food products in 2004. The SMPPMA programme gave assistance to producers in the form of direct income support, additional aid on an area basis, marketing aid, plant aid, restructuring aid and quality enhancement. During 2009, the total aid given by the Maltese Government in agricultural support schemes amounted to € 12.15 million. The highest amounts were given to support Pig Meat Producers 1.63 million, Tomato Processors 2.48 million and Milk Producers € 3.17 million.

The total volume of pork slaughtered in 2009 amounted to 7,368 tonnes and 90,140 heads while beef slaughtering during the same period under review reached a total amount of 1,543 tonnes of 6,047 heads. The above resulted in a decrease of 13.29 per cent when compared to the total amount of pork slaughtered in 2008 and an increase of 4.26 per cent when compared to the total amount of beef slaughtered in 2008. Total volume of broiler slaughtering amounted to 2.7 million in 2009 which resulted in a decrease of 13 per cent when compared to the total amount of broiler slaughtered in 2008. Meat production in the last quarter of 2009 decreased by 7.3 per cent to a total amount of 3,639 tonnes. Pig-meat and broiler-meat production declined by 12.8 and 1.5 per cent respectively, while there was an increase of 5.0 per cent in the production of beef meat in last quarter of 2009. Beef meat production in the last quarter of 2009 rose as a result of a 14.3 per cent increase in the number of cattle slaughtered while broiler meat production declined on account of a 6.6 per cent drop in the number of broilers slaughtered. The value of animals slaughtered at licensed slaughterhouses during the last quarter of 2009 amounted to € 6.69 million and resulted in a decrease from of € 0.4 million in the comparative period (fourth quarter of 2008) of the preceding year. The producer value of slaughtered cattle decreased by 0.6 per cent due to lower prices fetched on the market, from an average € 2.63 per kilogram in the fourth quarter of 2008 to € 2.49 per kilogram in the fourth quarter of 2009. The producer value of pigs dropped by 12.8 per cent on account of a decrease in the number of pigs slaughtered. The producer value of broiler meat production increased by 6.2 per cent. This was due to an increase of 7.5 per cent in the average price per kilogram fetched on the market, from € 1.59 in 2008 to € 1.71 in 2009.

The volume of fresh fruit and vegetables passing through the official markets in the fourth quarter of 2009 rose by 4.7 per cent to 9.3 million kilograms over the comparative period of the previous year. On the other hand, during the period under review the wholesale value of fresh fruit and vegetables registered a decrease of 17.8 per cent, from € 4.67 million in the fourth quarter of 2008 to € 3.84 million in the fourth quarter of 2009.

During the fourth quarter of 2009, the supply of fresh vegetables advanced by 4.5 per cent, from 8.4 million kilograms in fourth quarter of 2008 to 8.8 million kilograms in the quarter under review. An increase was registered in the supply of Cauliflowers (+13.5%), Vegetable Marrows (+35.5%), Dry Onions (+8.2%) and Lettuce (+9.4%). On the other hand, the supply of Cabbages and Tomatoes declined by 10.7 per cent and 14.0 per cent respectively. The wholesale value of fresh vegetables in the fourth quarter of 2009 amounted to € 3.45 million, a decrease of 20.7 per cent when compared to the corresponding period in 2008, while the whole sale value of fresh fruit rose by 8.6 and 20.4 per cent respectively, on account of higher quantities of Grapes and Pomegranates which resulted an increase from € 0.33 million in the fourth quarter of 2008 to € 0.39 million in the fourth quarter of 2009.

## **SOCIO-ECONOMIC TRENDS**

According to the Population and Housing Census, the total estimated population of Malta at the end of 2007, stood at 410,290. Females accounted for 50.3 per cent of the total population while male accounted for 49.7 per cent. The number of residents having a Maltese citizenship amounted to 394,830 persons equivalent to 96.2 per cent of the total population.

During the third quarter of 2009, Labour Force Survey estimates indicate an employment rate of 55.1 per cent and an unemployment rate of 6.9 per cent. During the third quarter of 2009 the number of persons employed stood at 162,567. The number of unemployed persons totalled 11,986, while the number of inactive people stood at 175,581. During the period under review, 59.2 per cent of persons aged between 15 and 64, were either working or unemployed. The highest activity rates were recorded within the 25-54 year-old age groups.

The employment rate for the period under review stood at 55.1 per cent, with a gap of 33.8 per cent between male and female rates. The largest share of employed males, 17.7 per cent, were engaged in manufacturing activities, and followed by 15.5 per cent working in wholesale and retail trade. By contrast, most of the female employed population worked in education-related activities (17.1%), followed by 13.7 per cent employed in the health and social work sector. Employed persons were mostly engaged within service-oriented jobs. This category includes occupations such as hairdressers, policemen and salespersons. These were followed by technical associate jobs. This category was predominant among the female employed persons, whereas males were mostly engaged in craft and related trades and technical or associate professional jobs. In terms of professional status, the number of self-employed was estimated at 12.7 per cent of total employed persons. The number of full-time employed persons stood at 146,510, or 90.1 per cent of the total number of persons in employment. More females were likely to have a part-time job or a full-time job with reduced hours. The average gross annual salary of employees was estimated at € 13,873. This amount is the equivalent of the basic salary and excludes extra payments such as overtime, bonuses and allowances. The financial intermediation sector recorded the highest average gross annual salary by sector, whereas the highest average salary for employees by main occupation was in the legislators, senior officials and managerial occupational category.

The number of unemployed during the third quarter of 2009 was estimated at 11,986. Most of the unemployed were between 15 to 24 years of age. The majority of unemployed males were looking for a job for, at least 12 months.

The latest data available from the Employment and Training Corporation (ETC) as at October 2009 the population of agricultural labour force stood at 2,659 of which full and part time stood at 2,437 while 222 were unemployed. Part-time employment amounted to 655 persons while 1,782 persons worked on a full time basis. Males' employment (88.7%) predominates in the agricultural labour force.

## **ENVIRONMENTAL POLICY**

Malta faces a number of environmental challenges due to its small size and its high population density whereby the islands possess limited natural resources. In fact, freshwater is scarce and fossil fuels (largely oil), which is one of the main sources of energy on which the country is dependant, is imported. Despite Malta's potential for renewable energy such as solar and wind power, penetration of these technologies remains limited and the country's energy demand is strongly linked to its economic performance.

The mid-term assessment report for the EU Biodiversity Action Plan indicates that on the basis of current efforts, it is highly unlikely that the overall goal of halting biodiversity loss in the EU by 2010 will be achieved. This assessment highlights that a "significant additional commitment" is required by the European Community and its Member States and also acknowledges that the integration of biodiversity concerns into other sectoral policies remains a key challenge. There was an increase in the coverage of the Special Protected Areas (SPAs) under the Birds Directive, with an extension of the previously designated SPA at Ta' Ċenċ, as well as the designation of a further SPA: Wied Moqbol to Il-Ponta ta' Benghisa.

Since 1992, ten LIFE projects have been funded in Malta on a total budget of € 4.1 million. The total EU contribution to these projects (including those ongoing) is € 2.8 million. Eight LIFE - Third Countries projects (focusing on the development of administrative structures and capabilities) have been completed. Malta's accession to the EU made it eligible for other strands of the programme and co-funding for a LIFE – Nature project was secured in 2006 to help protect a marine bird species in a Special Protection Area (SPA) on the islands. This project is by far the largest LIFE project to take place in Malta in terms of the budget allocated (€ 920 000 of which the EU will fund half) and is due to be completed in 2010. As part of what is now the LIFE+ programme Malta has one project, under the LIFE+ Information and Communication strand, that aims to raise awareness of the environmental issues and provide training for the prevention of forest fires. In May 2009, the project was modified and its title was changed to “Bird Migration & Trapping”. The Commission was notified accordingly. Furthermore, Measure 323 of Malta's Rural Development Plan (RDP) 2007-2013, (Conservation & upgrading of rural heritage) under Axis 3 envisages support for the development of Natura2000 management planning coverage for all terrestrial Natura2000 sites in the Maltese Islands.

The Department for Environmental Health is working in close collaboration with several authors from different sectors on a joint publication to be issued in 2010 on the health impact of climate change in the Maltese Islands. This is being done in collaboration with the WHO-EURO Global Change Rome Office. The document will present an initial assessment report intended to inform the public about the adaptation of policy in this regard. Malta's principal environmental health challenges relate to respiratory diseases, which are potentially related to air pollution. The incidence of asthma and other respiratory diseases among children is amongst the highest in Europe. The compilation of an emissions inventory revealed that the main contributors to air pollution in Malta are power generation and transport. Emissions from these sectors have increased owing to increasing demand for electricity and growth in private car ownership.

In 2004, 6.5 tonnes of waste (of any kind) per capita was generated in the Maltese Islands, while the EU average was at 3.5 tonnes per capita. In addition, the Cleaning Services Department indicates that 20,000 tons of material illegally dumped across the Maltese Islands was cleared during 2004, and 10,000 tons between January and August 2005. In 2007 municipal waste per capita was 652 kg per person, against the EU average of 522. Of this 92 per cent was land-filled and the rest recycled or composted. Emissions from the waste sector are equivalent to 6.6 per cent of total greenhouse gas emission, and consist mainly of methane. According to the recent waste management plan 2008-2012, the major obstacle in Malta to the prevention, minimisation, recycling and recovery of wastes is the existing situation that citizens are not charged directly for the collection and management of the wastes they generate. The fact that waste management is partly financed by the Government from the overall income tax system does not create a major incentive to minimise waste. The costs for land-filling were increased to 20 Euro per tonne by end of 2009.

A draft update of the solid waste management strategy and a waste management plan for 2008-2012 has been released in 2009 for consultation by the Ministry for Resources and Rural Affairs (MARRA). The document is meant to complement, rather than substitute, the previous 2001 Waste Strategy. Key aims of the strategy are to build new facilities for treatment, recycling and disposal of waste, provide new systems for waste control and enforcement, and raise public awareness.

In its 2009 pre-Budget document, the Government has set out plans to treat all sewage effluent discharged at sea by the end of 2009 and to reduce the water leakage index by 5 per cent compared to 2008 figures. Longer-term plans include the completion of the South Sewage Infrastructure that connects the Marsa pumping station to the planned sewage treatment plant at Ta' Barkat. Various infrastructural improvements and extensions have also been announced including 6 km of new water distribution infrastructure, 10 km of wastewater infrastructure and a 50 km addition to the country's electricity distribution network.

In the 2008-2010 National Reform Programme the Maltese government restated its intention to reform the country's motor vehicle registration tax and annual road circulation tax on the basis of the Polluter Pays

Principle in order to stimulate new vehicle owners to purchase smaller and less polluting vehicles. As a result, an emission-based vehicle registration tax reform was implemented as from January 2009. Registration Taxes are now based on CO<sub>2</sub> emissions and vehicle size, while the Annual Circulation Tax is based on the emissions and age of the vehicle. A car scrapping scheme for purchase of smaller and cleaner cars (€ 65 million), increased in incentives on the purchase of electric vehicles and bicycle grants are taken into account.

Two schemes for the purchase of solar water heaters for families and for investment in photovoltaic panels, which commenced in 2005, were renewed in 2009. The schemes refunded 66.6 percent of costs on solar water heaters up to a maximum of € 460, and 50 percent of investment in photovoltaic panels up to a maximum of € 3,000. Overall, € 2 million was allocated for the purchase of solar water heaters, and €500,000 for photovoltaic cell systems. The photovoltaic scheme also applies to the commercial sector. Feed in tariff for excess electricity produced through the solar panels is 0.07/kWh. Savings from this scheme are expected to amount to 1 Gg (Greenhouse gas) of CO<sub>2</sub> equivalent per year. Savings from the solar water heaters scheme have been estimated to be about 11 Gg of CO<sub>2</sub> equivalent in 2015/2020. The Government also launched a scheme encouraging the use of roof insulation and the installation of double-glazed glass in homes. The scheme consisted of grants of 33 percent of the costs up to a maximum of €300. In order to help further improve energy efficiency in households, a number of energy-saving light-bulbs were made available to families free of charge. The overall budget was € 4 million. The initiative was extended until the end of November 2009. Greenhouse gas emissions savings from reduced electricity demand is expected to be about 21 Gg of CO<sub>2</sub> equivalents. In addition, other measures were announced in the 2009 budget speech to improve energy efficiency in households and invest stimulate the uptake of renewable energy, such as: the introduction of an eco-contribution of € 0.25 on incandescent bulbs and €0.50 on fluorescent tube to encourage the purchase of more energy saving bulbs – leading to an estimated revenue of € 600,000; the allocation of € 200,000 to awareness campaigns on efficient energy use; and the request that all domestic appliances be marked with full information regarding their energy efficiency.

A draft air quality plan has been released in 2009 and has been finalised following a consultation period. The plan proposed a number of short to medium term policies that should contribute to improve compliance with the Air Quality Framework Directive (1996/62/EC). The measures aim to achieve reduction in vehicle emission (e.g. through improved monitoring and the provision of better quality buses), encourage modal shift (e.g. encouraging tele-working), reduce traffic impact of new developments, manage the road network and promote cleaner vehicle technologies.

In Malta, by the end of 2009, 100 schools (39,907 students) participated in the country's EkoSkola environmental education programme during the 2006/07 academic year. This represents 62.5% of the total number of schools on the island. In Malta, EkoSkola is managed by Nature Trust Malta which is in turn the representative of the Foundation for Environmental Education (FEE). There are a number of voluntary environmental schemes in Malta. One of these is the Malta Tourism Authority's tourism eco-certification scheme that was launched in 2002. At the end of 2009 eighteen hotels held this certification, while a further four hotels applied to join or re-join the scheme and are currently in the process of fulfilling all the scheme requirements before being awarded. Only one hotel on the island has been awarded a European eco-label.

Following extensive public consultations in 2008-2009, the 'EcoGozo vision document' was released in November 2009 and is going to be subjected to another phase of public consultations. The document is a compendium of ideas and measures to turn the Maltese island of Gozo into an eco-island by 2020. Key actions are distributed into four main priority areas: economy, environment, society and identity. An amount of € 25 million until 2012, of which 5 million by 2010, was allocated for the Eco-Gozo vision.

In 2009 the Malta Environmental and Planning Authority Reform was introduced. This programme of reform puts forward a set of measures, presented under each of the four pillars, which together constitute a

holistic reform to MEPA which will ensure the achievement of Maltese Government's ultimate goal – sustainable development. The four pillars and respective measures focus on delivering change in respect of the following area: Consistency, Efficiency, Accountability and Enforcement. Consistency should insure MEPA's policies and decisions to be consistent with national policy as well as with the organisation's own specific policies which are published from time to time. Efficiency should insure MEPA to provide the country with a value-for-money service and whether it is undertaking its responsibilities in a timely manner that takes into account the country's social, economic and environmental realities. Accountability should insure whether responsibility is entrenched as an individual and collective responsibility across all the facets of the organisation's workload and decision-making. Enforcement is the ability to ensure that the organisation's decision-making process is being faithfully translated into practice, as well as, the ability to take remedial action against defaulters. Main objective of the reform is to transform MEPA into a leaner organisation with regulatory competencies which need to be as clear and transparent as possible, easily accessible to all – be they small or big, professionals or common citizens. MEPA needs to ensure that its decision-making tempo is upped and made more efficient in order to assist entrepreneurs in executing their business plans or else shifting their focus to other endeavours, and avoiding the placing of projects in a limbo of uncertainty.

## BROADBAND IN MALTA

Broadband in Malta is provided by the following service providers and relative infrastructure: GO's ADSL Network, GO's WiMax Network, Vodafone's WiMax Network and Melita's Cable Network. There are three distinct Mobile 3G networks owned by Melita, Vodafone and GO and two additional market offerings of broadband services provided over networks built using unlicensed radio spectrum. Overall coverage in 2009 was approximately 100% of the geographic territory of Malta and Gozo. A total of 26.36% of Maltese population was subscribed in 2009 and 76.37 % of Maltese households. Given that the number of population is higher than the number of households in Malta, the percentage of subscribers within households is respectively higher than the percentage of subscribers among the Maltese population. Speeds, penetration rates and number of subscribers by type are provided by Malta Communications Authority (MCA) are shown in tables hereunder which clearly indicate the improvements that have been achieved over the recent years.

*Table 1: Broadband Speed in 2009*

Speed	Cable Broadband Melita	DSL Broadband GO	Broadband Wireless Access Vodafone	Total No of subscribers
<144 Kb	1,230	-	-	1,230
144kb-2Mb	1,364	-	-	1,364
2-10Mb	45,110	49,202	3,783	98,095
>10Mb	6,517	3,662	23	10,368
<b>TOTAL</b>	<b>54,221</b>	<b>52,815</b>	<b>3,813</b>	<b>110,849</b>

Table 2: Broadband Speed in 2008

Speed	Cable Broadband Melita	DSL Broadband GO	Broadband Wireless Access Vodafone	Total No of subscribers
<144 Kb	2,706	-	-	2,706
144kb-2Mb	2,649	-	-	2,649
2-10Mb	41,048	41,994	2,882	85,924
>10Mb	5,626	4,010	-	9,636
<b>TOTAL</b>	<b>52,029</b>	<b>46,004</b>	<b>2,882</b>	<b>100,915</b>

Table 3: Broadband Speed in 2007

Speed	Cable Broadband Melita	DSL Broadband GO	Broadband Wireless Access Vodafone	Total No of subscribers
<144 Kb	12,514	-	-	12,514
144kb-2Mb	25,405	14,303	-	39,708
2-10Mb	4,266	24,669	949	29,884
>10Mb	-	-	-	-
<b>TOTAL</b>	<b>42,185</b>	<b>38,979</b>	<b>949</b>	<b>82,106</b>

As shown in tables above, in 2007, internet connectivity with speed more than 10Mb was not available. In 2008 there were significant amount of subscribers with speed more than 10Mb within Cable Broadband and DSL Broadband while in 2009 number of subscribers increased for more than 15% in Cable broadband with speed more than 10Mb and decreased in less than 10% in DSL Broadband with the same speed compared to year 2008. Number of Cable Broadband and DSL Broadband subscribers with speed 2-10Mb increased in 2009 over the previous year for more than 10% and 20% respectively. Tables above show through increasing in number of subscribers in internet speed of 2-10Mb and more than 10Mb that Broadband speed has significantly strengthened over the recent years .



As a comparison below are figures for Broadband subscribers for years 2005, 2006, 2007, 2008 and 2009 respectively that shows increasing the number of subscribers through consecutive years along with % of Penetration rate per population.

*Table 4: Broadband Subscribers by type*

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Cable</b>	21,150	32,873	42,185	51,983	54,221
<b>DSL</b>	28,806	33,330	38,972	46,050	52,815
<b>BWA</b>	-	-	949	2,882	3,813
<b>Total Subs</b>	<b>49,236</b>	<b>66,203</b>	<b>82,106</b>	<b>100,915</b>	<b>110,849</b>

<b>% Penetration rate (per population)</b>	<b>12.16%</b>	<b>16.23%</b>	<b>20.01%</b>	<b>24.40%</b>	<b>26.80%</b>
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## **SECTION B PROGRESS OF THE PROGRAMME IN RELATION TO THE OBJECTIVES SET, ON THE BASIS OF OUTPUT AND RESULT INDICATORS (ARTICLE 82(2)(B) OF COUNCIL REGULATION 1698/2005)**

Following completion of negotiations with the European Commission, the Rural Development Programme 2007-2013 was formally adopted in December 2007 through Commission Decision CCI Number 2007 MT06RPO001.

In 2009, the Managing Authority (MA), in collaboration with the Paying Agency (PA), was responsible for the launching, management and reporting of the various measures funded from the European Agricultural Fund for Rural Development (EAFRD) through the Rural Development Programme 2007-2013.

The 1<sup>st</sup> quarter of 2009 was characterised with the submissions of applications under Measure 121 whereby the deadline of submission was 30<sup>th</sup> January. Following project selection, a total of 179 beneficiaries were contracted under this Measure. In February 2009, a further six Measures were launched, these being Measure 114, 115, 123, 313, 323 and 341, with a total Public Expenditure,<sup>1</sup> allocation of € 39,050,000. For all Measures this was the first call for applications. In total 302 applications were received for all the seven Measures.

In March 2009, the third call for submissions under Measure 212 and the second call for submissions under Measure 214 Sub-Measures 1 to 9 was launched for which the deadline for submission of applications was set for 15<sup>th</sup> May 2009 with an extension granted up to 9<sup>th</sup> June in accordance to Article 23 of Regulation (EC) No 1122/2009 which states that 25 calendar days is given to applicants for late submission which will lead to 1 per cent reduction per working day in the amounts to which the farmer would have been entitled for, A total of 5,846 applications were received for Measure 212 and 2,130 applications for assistance were received under Measure 214. For both Measures, the number of submissions corresponds to new applications as well as payment claims of the commitments originating from previous years. In September 2009, the MA launched an additional five Measures these being Measures 111, 124, 132, 133 & 142. For all five Measures this was the first call for applications. In total 23 applications were received for the all Measures, with a total sum of € 3,907,000 allocated from Public Expenditure.

### **PROPOSED CHANGES TO THE RDP FOR 2009**

The MA carried out the first programme modification in order to cater for the proposed allocation of € 1.02 million to Malta from the European Economic Recovery Package. These funds were subsequently allocated for one of the five challenges defined in the Health Check, namely Dairy Restructuring. The 100 per cent of the allocated funds were to address Axis 1, Measure 121 for the Modernization of Agricultural holdings, and more specifically for investments related to the competitiveness of the Dairy sector. This modification to RDP 2007-2013 was presented to the Monitoring Committee through written procedure and approved in July 2009. It is important to note that funds awarded for Dairy Restructuring had to be committed in part by 2009 and out of the € 1.02 million awarded to Malta € 600,000 had to be disbursed by end 2009 whilst the remaining € 420,000 were due for 2010. Furthermore, the necessary amendments to the NSP and RDP were carried out in accordance to Article 19 of EC Regulation 1698/ 2005. The following tables present a clear overview of the additional funds injected into the programme with Health Check and Recovery Package.

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<sup>1</sup> 'Public expenditure' refers to any public contribution to the financing of operations whose origin is the budget of the State and of the European Communities.

Table 5: Annual contributions from the EAFRD following additional EERP budget allocation

Year	2007	2008	2009	2010	2011	2012	2013	2007 - 2013
<b>Non convergence regions</b>								
<b>Convergence regions (*)</b>	€12,434,359	€11,527,788	€10,656,597	€10,544,212	€10,347,884	€10,459,190	€10,663,325	€76,633,355
<b>Outermost regions and smaller Aegean Islands (**)</b>								
<b>Voluntary modulation (***)</b>								
<b>Additional contribution to Portugal</b>								
<b>Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region</b>			€600,000	€420,000				€1,020,000
<b>Total EAFRD</b>	<b>€12,434,359</b>	<b>€11,527,788</b>	<b>€11,256,597</b>	<b>€10,964,212</b>	<b>€10,347,884</b>	<b>€10,459,190</b>	<b>€10,663,325</b>	<b>€77,653,355</b>

Table 6: Allocation of the amount injected with HC & RP by axes (2009-13)

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	€1,360,000	75	€1,020,000
Axis 2	€0		€0
Axis 3	€0		€0
Axis 4	€0		€0
Technical Assistance	€0		€0
<b>Total</b>	<b>€1,360,000</b>	<b>75</b>	<b>€1,020,000</b>

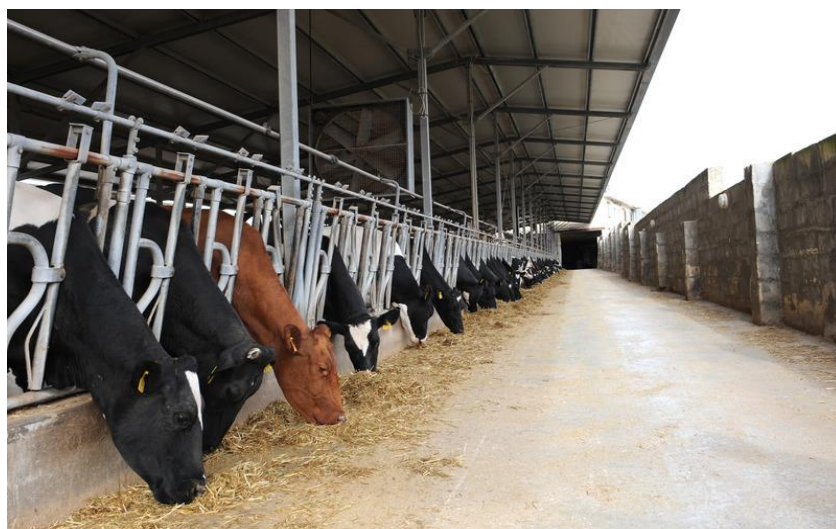
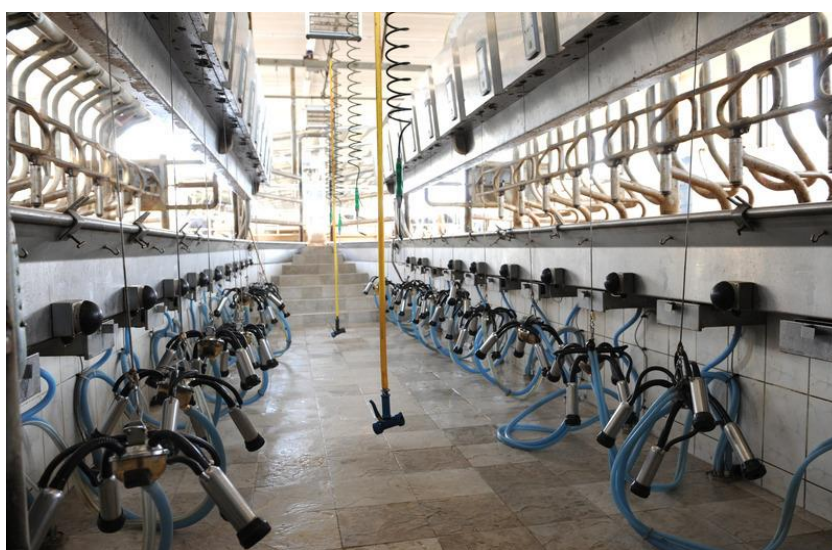


Figure 1: Investments in the Dairy Sector



### Commission Feedback on the revision:

- The final version of the revised NSP and RDP were officially submitted via SFC in November 2009 and accepted;
- These were presented during the Rural Development Committee held on the 23-24<sup>th</sup> November 2009 and subsequently approved by the Committee;
- The Commission published decision C(2009)10301<sup>2</sup> in which it stated that:
  - **Article 1** - The revision of the rural development programme of Malta, sent to the Commission in its final version is hereby approved.
  - **Article 2** - Article 2(1) of Commission Decision C(2008)730 of 18 February 2008 is replaced by the following text: "Public expenditure resulting from the implementation of the rural development programme shall be € 101 611 140 for the whole period and the maximum contribution from the EAFRD shall be € 77 653 355".
  - **Article 3** - Annex I to Commission Decision C(2008)730 of 18 February 2008 is replaced by the annex of this Decision.
  - **Article 4** - New expenditure added at the time of the revision of the programme shall be eligible from 6 August 2009.

In 2009, the Managing Authority has drafted a working document with the second set of programme modifications. Following consultation, the European Commission requested further clarifications/changes to the proposed modifications relating to demarcation in Measure 111 and 114. The necessary modifications have been approved by the Monitoring Committee during the 5<sup>th</sup> MC meeting held on 27<sup>th</sup> November 2009 with the aim of submitting the modifications formally to the European Commission by January 2010.<sup>3</sup>

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<sup>2</sup> COMMISSION DECISION of 15/12/2009 'Approving the revision to the rural development programme of Malta for the 2007-2013 programming period and amending Commission Decision C(2008)730 of 18 February 2008 approving the rural development programme' CCI 2007 MT 06 RPO 001

<sup>3</sup> The proposed modifications to the RDP set in the agenda of the 5<sup>th</sup> Monitoring Committee were postponed to a later instance due to the addition of other modifications from the MA. The Monitoring Committee's approval for the complete set of RD modifications is anticipated for the year 2010 through written procedure.

## MEASURES LAUNCHED IN 2009

### Measure 111 – Vocational training and information actions

The legal basis for this Measure is found in Article 21 of Regulation (EC) No 1698/2005.

This Measure seeks to improve the competitiveness and the sustainability of the agricultural sector by investing in human potential. The main aim is to provide the opportunity and the means for farmers and other adult persons involved in agricultural activities and those working within the agro-food industries to be trained and to improve their skills, thus meeting the challenges that result from the new standards and demands of the rural economy.

The specific objectives of this Measure are to facilitate the evolution and specialisation of agriculture and to enable acquisition of an appropriate level of technical and economic training, including expertise in new information technologies, as well as adequate awareness in the fields of product quality, sustainable management of natural resources, including cross-compliance requirements, and the application of production practices compatible with the maintenance and enhancement of the landscape and the protection of the environment.

In particular, the obligations for beneficiaries of Measure 121 and of Measure 214 to attend a minimum number of hours of training, will contribute to achieve these results.

Measure 111 was launched on 29<sup>th</sup> December 2009 with the call closing on 22<sup>nd</sup> January 2010. The allocation for this call was for € 47,000, from the total public expenditure for this Measure which amounts to €1,160,000. The EU co-financing rate for this Measure is 75%, with the EAFRD amount of € 870,000. The call for applications requested the services of a service provider to provide the above mentioned training for the beneficiaries.<sup>4</sup>

### Measure 114 – Use of advisory services

The legal basis for this Measure is found in Article 24 of Regulation (EC) No 1698/2005.

The aim of this Measure is to support farmers who make use of farm advisory services to obtain the information, advice and assistance that will enable them to improve the competitiveness of their business, adopt more sustainable practices and operate within the parameters set by the relevant Community legislation. This Measure is intended to encourage farmers to make the best possible use of the farm advisory services that will be set up, in order to align their practices and operations with new developments in the sector; direct farmers, through the use of advisory services, to adopt sustainable practices that lessen the impact of agricultural activities on the wider environment, facilitate access to farmers to rural development Measures, as a result of which, there will be an improvement of the farm holding, and an environmental benefit of service to the community;

Support for the use of advisory services is limited to 80% of the eligible costs related to the use of advisory services, and cannot exceed a maximum of € 1,500 per farmer per comprehensive service. Support for the use of advisory services is limited to a single event during the current programming period. Only in

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<sup>4</sup> One application was received under this call within the stipulated deadline and in the first quarter of 2010 the application was being processed in terms of eligibility.

exceptional cases, in which it can be demonstrated, that the use of advisory services was essential and was related to an entirely different issue, shall support be considered in respect of the same holding.

Measure 114 was launched on 20<sup>th</sup> February 2009 with the call closing on 29<sup>th</sup> May 2009. The allocation for this call was set at € 3,000,000 however no applications were received.

### **Measure 115 – Setting up of advisory services**

The legal basis for this Measure is found in Article 25 of Regulation (EC) No 1698/2005.

The objective of this Measure is to provide an incentive for farm advisory services to be set up and thus to provide farmers with the necessary support structures to adapt, improve and restructure business operations in line with mandatory standards and in order to increase their competitiveness.

The scope of this Measure is to include the setting up of farm advisory services bodies that are competent to provide advisory services related to at least the following:

- Statutory management requirements
- Good Agricultural and Environmental Conditions
- Animal welfare standards
- Good agricultural practices
- Occupational health and safety standards
- Preparation of supporting documentation required in terms of EAFRD Measures, including site plans, waste management plans, nutrient management plans, conservation plans, business plans, plant protection plans, etc.

Measure 115 was launched on 20<sup>th</sup> February 2009 with the call closing on 29<sup>th</sup> May 2009. The allocation for this call was set at € 600,000. A total of 5 applications were received for this call, however 2 were eligible but failed to obtain the minimum score required while the other 3 were considered as ineligible as they did not have the recognition from the Farm Advisory Service Board. Thus, no application was selected for funding.

### **Measure 121 – Modernisation of agricultural holdings**

The legal basis for this Measure is found in Article 20(b)(i) and Article 26 of Regulation (EC) No 1698/2005.

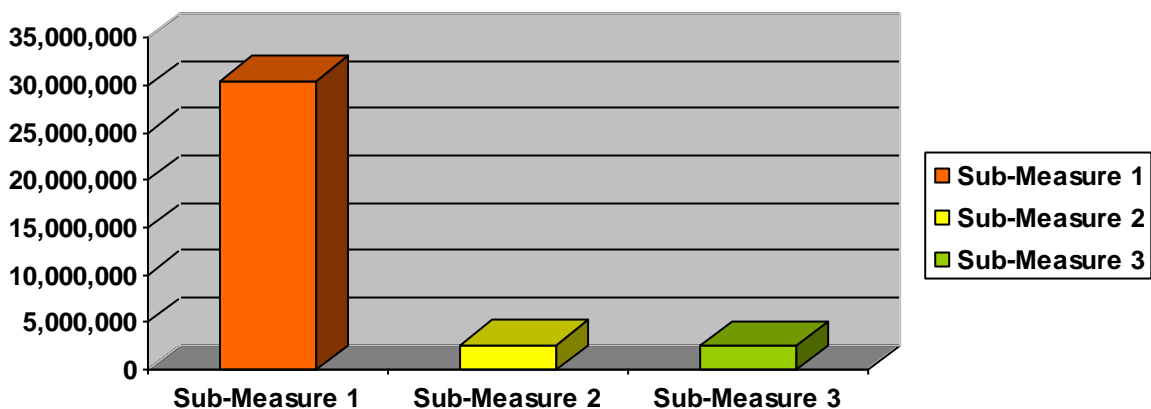
This Measure seeks to support farm investment to assist agricultural holdings to improve their economic performance through better use of the production factors including the introduction of new technologies and innovation, targeting quality, organic products, including non-food sectors and energy crops as well as improving the environmental, occupational safety, hygiene, and animal welfare status of agricultural holdings. Furthermore, this Measure is also intended to facilitate investments that are made in order to comply with the newly introduced Nitrate Directive that has come into force in Malta.

This Measure consists of three sub-Measures with the support to be granted towards three types of investments:

- Sub-Measure 1: General modernisation and improvements in the performance of agricultural holdings;
- Sub-Measure 2: Environmental investments;
- Sub-Measure 3: Investments in order to comply with the newly introduced Nitrate Directive.

As reported in the Annual Progress Report for 2008, a call was launched for all three sub-Measures on 15<sup>th</sup> November 2008 with the closing date set for 30<sup>th</sup> January 2009, were applicants could apply for one or more of the sub-Measures. A total of 360 applications were submitted of which 344 were deemed as eligible. The total eligible request for funds for the three sub-Measures of Measure 121 amounted to €35,582,684.

As revealed in Fig 1 the demand for the ‘General modernisation and improvements in the performance of agricultural holdings’ (sub-Measure 1) was the most popular with project values amounting to €30,482,674.36. The funds requested for the other two sub-Measures were comparable nonetheless distinctive from sub-Measure 1. For ‘Environmental investments’ (sub-Measure 2) the eligible requested amount was € 2,601,336.34, while in the case of sub-Measure 3 the eligible funds requested amounted to € 2,498,673.87.



*Figure 2: Funds requested under each Sub-Measure*

Out of a total of 344 eligible applications 212 applications were from the crop sector while 132 were from the animal husbandry sector. The figures below demonstrate that while there were more applicants for the crop sector than the animal sector, the total volume of investment and the public expenditure excelled for the investments in the animal sector.



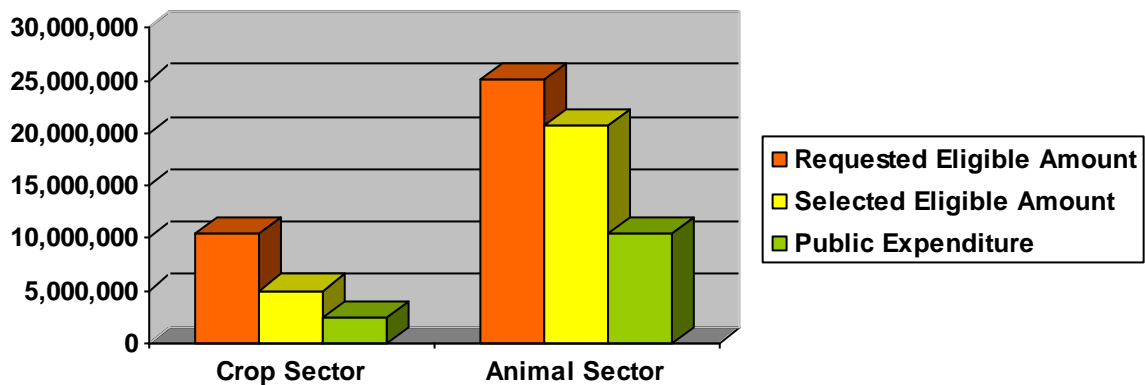


Figure 3: Funds requested by the Crop and Animal Sectors

The total budget allocated for this call was that of € 13,460,000. Out of the 344 applications a total of 181 applicants were selected for a total public expenditure of € 12,855,928.24. In 2009, actual public expenditure paid to beneficiaries under this Measure amounted to € 804,435.72, of which 75% is the EU co-financing. The amount paid concerned investments carried out by dairy farmers and this covered the €640,000 that Malta was obliged to disburse under the allocated budget from the Recovery package.

Table 7: M 121 Allocations by Sector

Measure 121	Number of Applications	Requested Eligible Amount	Selected Applicants	Committed Amount (Public Expenditure + Private Part)	Committed amount (EAFRD+GOV)
<b>Crop Sector</b>	212	€ 10,451,419.14	73	€ 4,981,223.38	€ 2,451,735.08
<b>Animal Sector</b>	132	€ 25,131,265.43	108	€ 20,785,176.88	€ 10,404,193.16
<b>Total</b>	<b>344</b>	<b>€ 35,582,684.57</b>	<b>181<sup>5</sup></b>	<b>€ 25,766,400.26</b>	<b>€ 12,855,928.24</b>

<sup>5</sup> Out of the 181 selected applicants, one beneficiary dropped the contract on 17<sup>th</sup> December 2009 amounting to an eligible public expenditure of €8,657.88, while another contract was signed on 6<sup>th</sup> May 2010 for the total eligible public expenditure of €121,994.74. Thus, in total number of beneficiaries in 2009 was of 179 beneficiaries.



*Figure 4: Investments by the Crop Sector under M 121*

### **Measure 123 – Adding value to agricultural products**

The legal basis for this Measure is found in Article 28 of Regulation (EC) No 1698/2005.

This Measure aims at rendering agro-processing enterprises more competitive. It complements Malta's strategic direction of increasing the value added by Maltese enterprises and builds on other funds which address this same priority for the manufacturing industry. It is specifically orientated at facilitating improvements in processing and marketing of agricultural products and concerns investments aimed at improving efficiency, opening new market opportunities for agricultural products, introducing new technologies and innovation, putting emphasis on quality, and improving environmental protection, occupational safety, hygiene and animal welfare.

Support through this Measure is only being granted to actions that, in addition to enabling the agro-food sector become more competitive, bring about a tangible benefit to the primary production sector, and are oriented to exploit or enhance certain intrinsic characteristics of the primary products.

Measure 123 was launched on 20<sup>th</sup> February 2009 with the call closing on 29<sup>th</sup> May 2009. The allocation for this call was set at € 7,000,000. For this call a total of 29 applications were received with a total request for assistance amounting to € 2,653,422.13. All applications were considered as eligible however 27 applications were selected for funding<sup>6</sup> while the remaining 2 applications did not attain the minimum score required.

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<sup>6</sup> Contracts with selected beneficiaries were being signed in 2010.

### **Measure 124 – Cooperation for development of new products, processes and technologies in the agriculture and food sector**

The legal basis for this Measure is found in Article 29 of Regulation (EC) No 1698/2005.

The general aim of this Measure is to increase the competitiveness of the farming sector and of the agro-food processing industry through the development of new products (goods and services), processes and technologies. This Measure also serves to instil better working relationships between producers and processors, to raise the level of innovation in the agricultural and food sectors, to increase the marketability of agricultural products and to broaden their consumer base, and to improve consumers' perception of high quality local food products.

Cooperation projects focus on the development of a:

- New product – the elaboration of product that finds a new use to fresh agricultural produce; the development of value added attributes, leading to the lodging of an application for a quality mark;
- New process – the development of an improved production process, especially at farm or holding level, geared at ameliorating agricultural production or having clear environmental benefits; and/or
- New technology – an innovative technological development related to primary production or agro-food processing that can be registered or patented.

Measure 124 was launched on 26<sup>th</sup> September 2009 with the call closing on 18<sup>th</sup> December 2009. The allocation for this call was set at € 1,000,000. For this call 3 applications were received with a total request for € 437,645.95.<sup>7</sup> All three applications were selected for funding.

### **Measure 132 – Participation of farmers in food quality schemes**

The legal basis for this Measure is found in Article 32 of Regulation (EC) No 1698/2005.

The general objective of this Measure is to provide consumers with assurances on the quality of the product or the production process used as a result of their participation in such schemes, to achieve added value for agricultural primary products and enhance market opportunities. The specific objective is to encourage farmers to participate in Community and national food quality schemes by supporting them financially to compensate for additional costs and obligations arising from participation in the scheme.

Support provided for under this Measure is limited to agricultural products intended for human consumption and recognised by either Community or national food quality schemes. In the case of organic farming, support is also provided to products that are still in the period of conversion.

Measure 132 was launched on 26<sup>th</sup> September 2009 with the call closing on 18<sup>th</sup> December 2009. The allocation for this call was set at € 1,200,000. For this call a total of 8 applications were received with a total request for € 21,023.73. Furthermore, only 4 applications were deemed as eligible for funding under this Measure, and contracts will be issued in the 1<sup>st</sup> half of 2010.

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<sup>7</sup> Contracts with selected beneficiaries were being signed in 2010.

### **Measure 133 – Information and promotion activities**

The legal basis for this Measure is found in Article 33 of Regulation (EC) No 1698/2005.

The overall aim of this Measure is to support producer groups to promote products that have been certified under one of the community or national food quality schemes. This will in turn improve consumers' awareness of the existence and specifications of the existing products available on the market. The final intention is to induce consumers to buy agricultural food products conforming to any one of the established quality schemes and to increase the demand for these products thereby improving the financial situation of the producer groups and their members.

The specific objectives of this Measure are to improve the competitiveness of the local agricultural and food sectors by encouraging and enabling them to produce better quality products; to stimulate the development of quality products that exploit niche markets; to encourage the establishment of quality standards for products and their certification to enhance the marketing skills of Maltese farmers and agricultural food producers and support activities which enable them to connect with buyers.

Information and promotion activities co-financed under this Measure include, in particular, the organisation of, and/or participation in, fairs and exhibitions, similar public relation exercises and advertising via the different channels of communication or at the points of sale.

Measure 133 was launched on 26<sup>th</sup> September 2009 with the call closing on 18<sup>th</sup> December 2009. The allocation for this call was set at € 670,000. No applications were received for this call.

### **Measure 142 – Setting up of producer groups**

The legal basis for this Measure is found in Article 35 of Regulation (EC) No 1698/2005.

The aim of this Measure is to improve the market efficiency of the agricultural sector by encouraging and supporting the setting up of producer groups. These producer groups should aim to adapt the production and output to market requirements, to support the jointly placing of goods on the market, including preparation for sale, the centralisation of sales and supply to bulk buyers and to establish common rules on production information, with particular regard to harvesting and availability.

Support under this Measure is limited to cover the setting up and administrative operation of producer groups. Support is available to producer groups that are formally recognised by the Director of Agriculture of the Ministry for Rural Affairs and the Environment of Malta in accordance to the provisions of the Producer Organisations Act, Act IX of 2002 (Chapter 447 of the Laws of Malta). Producer groups that are supported financially through the common market organisation were not eligible for support under this Measure.

Support is also granted for the setting up of producer groups that bring together producers of a quality product that has been officially recognised in accordance to Community legislation or a national quality scheme.

Measure 142 was launched on 26<sup>th</sup> September 2009 with the call closing on 18<sup>th</sup> December 2009. The allocation for this call was set at € 990,000. A total of 11 applications were received with a total request for € 1,579,701.30. As at end of the period under review the applications submitted under this Measure were being evaluated.

## Measure 212 – Support for areas with handicaps

The legal basis for this Measure is found in Article 37 of Regulation (EC) No 1698/2005.

The objective of this Measure is to ensure the continued farming of areas that are naturally disadvantaged as a result of the poor climate conditions and low soil productivity prevalent in Malta. Support for areas with handicaps is aimed to compensate, at least in part, for the disadvantage that farming in these areas implies.

Support for areas with handicaps is available to all farmers who have at least a holding of 1 tumolo (0.1124 ha) of utilisable agricultural land in all the territory of Malta. Farmers receiving support commit to farm the area in respect of which compensatory payment is granted for a minimum of five years.

As reported in the Annual Progress Report for 2008, two calls were launched under Measure 212, one in 2007 and a successive call launched in March 2008. A third call for applications was launched in 2009 with a total of 5,831 applications being received out of which 568 were new commitments. For this Measure, the number of applications corresponds to new applications as well as payment claims of the commitments originating from previous years.

The total financial allocation for this Measure amounts to € 14,500,000 of which € 11,600,000 is the contribution from EAFRD. The EU co-financing rate for this Measure is 80%.

### 2007 Call

As reported in the Annual Progress Report for 2008, the total number of applicants who applied for LFA under the 2007 amounted to 6,042 covering an area of 9,040.54 ha. Upon completion of checks and controls, the Paying Agency issued a total of 5055 contracts of which, 4593 were accepted and signed by the respective beneficiaries while 264 beneficiaries lodged an objection and 198 contracts were returned to the Paying Agency. The process was completed and payments were issued during 2009 in relation to the 2007 call.

Payments were delayed in view of the late approval of the Rural Development Plan 2007-2013. Following the approval of the new programme in 2008, LFA commitment contracts were drafted to cover the 2007 applications and sent to the beneficiaries. Only those beneficiaries who returned the signed contract were paid for claims presented in 2007. Furthermore, in order to ensure the continuation of the 5 year commitments, an exercise was performed to ensure that parcels claimed in 2007 were claimed in 2008. Those beneficiaries who had employed parcels in 2007 but transferred their parcels to another beneficiary the following year were only paid for claim year 2007. Thus, from 2008 onwards these parcels were then taken over by the latter beneficiary and paid accordingly.

### 2008 Call

A second call under Measure 212 was launched on 17<sup>th</sup> March 2008 and the call was open for two months, closing on 15<sup>th</sup> May 2008. A total of 5,898 applicants applied under this call represented 9010Ha of land claimed by farmers under this call. The Control Unit undertook the necessary checks with 560 beneficiaries being selected for control.

As reported in the 2008 Annual Progress Report, during the checks undertaken on site, the inspectors verified whether the features found on the field match the features indicated on the site map. If any anomalies or discrepancies were found, the site map was corrected as to match with what was actually found on site and such changes were subsequently entered into the IT system. The process for the 2008 call was completed as at end of 2009 and the eligible beneficiaries signed contracts and were paid in 2009.

In 2008, the Maltese authorities conducted an LPIS update on the basis of the new orthophotos taken in May 2008. This task was subcontracted to an Italian Company. The exercise involved a refresh of the eligible area of the registered reference parcels (approx. 95,000 parcels), referring also to existing land use information. The new eligible area was implemented in the live system on 1st March 2009. However, payments related to claim year 2008 were cross checked with the new eligible area and discrepancies were report as administrative anomalies.

## 2009 Call

The third call for Measure 212 was launched on 15<sup>th</sup> March 2009 with the submission date originally set for 15<sup>th</sup> May but extended to 9<sup>th</sup> June 2009, in accordance to Article 23 of Regulation (EC) No 1122/2009. New commitments under this call amounted to 568 beneficiaries covering a total of 441.77Ha. Moreover, payments for the 2009 call amounted to € 2,097,091.10, representing a total of 5,758 beneficiaries, and a total area of 8,388Ha.

As with the previous two calls under Measure 212, the Control Unit conducted on-the-spot checks on applications submitted under the Less Favoured Area Measure in accordance with Article 12 of Commission Regulation (EC) 1975/2006. The total number of 350 on-the-spot checks carried out on eligible beneficiaries, 5,831 covering a total of 8717Ha of land, which were selected on the basis of 6% random/risk sample. The control sample was controlled through field visits and area updated through 2009 VHR images Measured by Computer Aided Photo Interpretation (CAPI).

In accordance with Article 27 of Regulation (EC) 796/2004, the control sample was selected according to the following criteria;

- Random 20 %
- Risk analysis 80 %

The risk based sample was composed of those beneficiaries who have the highest amount of points according to a pre-established weighting grid described in the risk analysis document. The criteria used for the selection of the risk based sample were the following:

- Amount of payment [euro]
- Sanction in previous year [%]
- Number of Schemes
- Total area claimed (ha)
- Total number of parcel claimed for any scheme
- Age group of the farmer (years)
- Number of parcel with area close to 1tu
- First application
- Farmers having parcels claimed for LFA in zones ML1 and GZ1
- Selected in previous year and had no anomalies

The inspections were conducted between the 5<sup>th</sup> August and the 21st October 2009.

- Total area declared: 1045 ha
- Total area found: 983 ha
- Total area not found: 62 ha
- % area not found: 6.3%<sup>8</sup>

The figure of 6.3% area not found is derived from an analysis of the control results as a total for both the risk based sample and the random sample. In fact, the preliminary results indicate that the percentage area not found in the random sample is 2.5%, while the rate of area not found in the risk based sample is 6.1%. This result indicates effective risk criteria. Therefore if one considers the area not found in the random sample as representative of the population, the error rate is quite close to the acceptable limit of 2%.

Preliminary findings indicate that the anomalies related to the area not found are mainly related to non-utilised agricultural land, which the Maltese Authorities consider as non-eligible land in terms of eligibility criteria. The Maltese Authorities define 'non-utilised agricultural land' as 'land that has sufficient soil depth to permit arable cultivation, but is currently not being cultivated.'

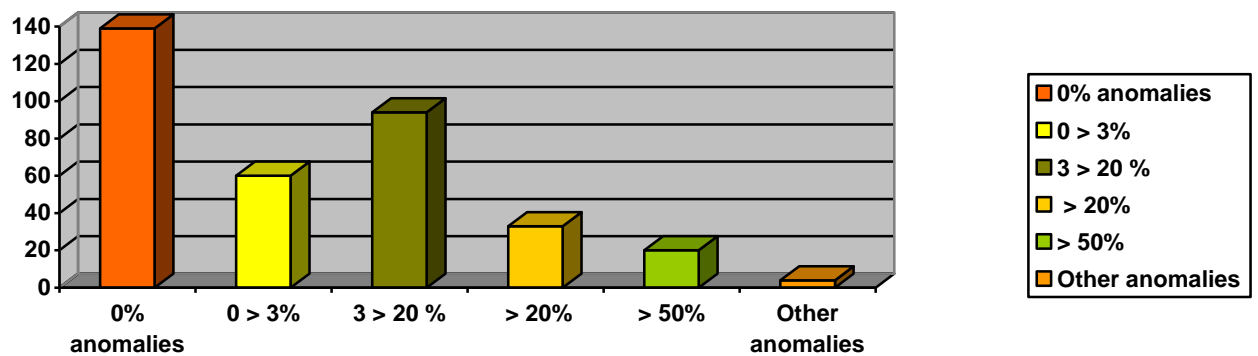


Figure 5: On-the-spot check findings for 3rd call of M 212<sup>9</sup>

### Measure 214 – Agri-environment Measures

The legal basis for this Measure is found in Article 39 of Regulation (EC) No 1698/2005.

Agri-environment Measures (AEMs) compensate farmers for voluntarily entering a 5 year commitment to carry out actions considered to be of benefit to the environment. This concept was introduced in Malta with the first Rural Development Programme for 2004-2006. Different actions carry different levels of support, however, across all sub-Measures the payment is calculated on an area basis.

The total public expenditure for this Measure amounts to € 10,525,000 of which € 8,420,000 is the contribution from EAFRD due to a co-financing rate of 80%, the remaining 20% is provided by the Maltese Government.

<sup>8</sup> The figures provided above were provisional as extracted from the IACS system. The final outcomes will be provided in the 2010 statistical report currently under compilation. However, the difference between the provisional and the actual figures published in the statistical report should be very minimal.

<sup>9</sup> Other anomalies refers to the outcome not finalised due to administrative anomalies

On 15<sup>th</sup> March 2009 the second call for submissions under Measure 214 Sub-Measures 1 to 9 was launched for which application period closed on the 15<sup>th</sup> May 2009 with an extension to 9<sup>th</sup> June. The extension was given in line with Article 23 of Regulation (EC) No 1122/2009, on late submissions which states that 'except in cases of force majeure and exceptional circumstances as referred to in Article 75, the submission of an aid application pursuant to this Regulation after the relevant time limit shall lead to a 1 % reduction per working day in the amounts to which the farmer would have been entitled if the application had been submitted within the time limit. If the delay amounts to more than 25 calendar days the application shall be considered inadmissible.'

There were a total of 2,130 applications for assistance under Measure 214. The number of applications corresponds to new applications as well as payment claims of the commitments originating from the 2008 campaign.

Table 8 below shows a low uptake of a couple of sub-measures. The main reason why no applications were submitted for AEM2, 'Traditional cultivation of sulla through crop rotation', was due to the fact that farmers perceived the amount of the aid provided under this sub-measure as too low when compared to the obligations the farmers would have had to adhere to had they benefitted from aid under this sub-Measure. Besides the financial issue, a number of farmers found it hard to submit a plan for five years during the application period. The low uptake for AEM8, 'Organic farming', reflects two realities in Malta mainly that the demand for organic products on the market is still quite low and that the prevailing operational scenario needs to be enhanced in order to allow the concepts of organic farming to be further expanded in Malta in view of the fact that local farmers are finding it hard to adhere to the organic requirements.

Nonetheless, to increase the uptake further the MA advertised all sub-measures of Measure 214, including AEM 2 and AEM 8. This was done using several different media channels namely through information meeting and seminars, while published informative material addressing this measure was made available and distributed both in English and Maltese. The MA also published adverts and participated in television programmes on the National TV station, set up billboards in strategic locations around Malta and Gozo as well as radio broadcasts were aired to promote the measure and bringing to the farmers attention the obligations and commitments that come with EU funding. The Ministry took responsibility of organising a monthly event, known as Naturalment Malti, where Maltese agricultural products and in particular organic farming were being promoted. Furthermore, many farmers were also met one-to-one during the application phases.

The following are the nine sub-Measures for Measure 214<sup>10</sup>:

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<sup>10</sup> The requested workings for new applications under AEM9.2, on the *Conservation of endangered plant species*, divided under the two different rates of support are not available at present. However, AEM9 payments are calculated as per RDP rate of support, meaning for Mulberry, Holm Oak or Carob €23.96 is paid per tree, and for Olives or Citrus €44.26 per tree. However, the payment has a threshold of €450 per hectare of eligible land. Thus, a Beneficiary may submit an application on any tree but will be paid on the eligible area per parcel. This should not exceed the threshold of €450 per hectare.



Sub-Measure	Name of the Sub-Measure	No. of new applications targeting the sub-Measure in 2009	New Area Committed by sub-Measure	Amount Requested (€) prior to controls by new applicants	Total number of applications by sub-Measure as at end 2009	Total Area Committed by sub-Measure as at end 2009	Total Amount (€) Requested by all applicants as at end 2009	Total Amount (€) Requested after Controls as at end 2009
1	Use of environmentally friendly plant protection products in vineyards	16	7.95ha	5,576.21	30	17.93	12,581.61	12,153.66
2	Traditional cultivation of sulla through crop rotation	0	--	--	3	0.3	106.81	52.75
3	Low input farming	519	357.41ha	235,954.93	1324	1173.17	774,509.33	736,260.10
4	Suppression of use of herbicides in vineyards and fruit orchards	164	114.16ha	68,984.60	498	327.63	197,980.00	174,279.50
5	Establishment and maintenance of conservation buffer strips	0	--	--	12	4.34	2,368.17	1,738.19
6	Conservation of rural structures providing a natural habitat for fauna and flora	28	11.69ha	6,399.57	139	82.38	45,141.06	42,030.90
7	Provision of healthy forage area for bees	11	4.81ha	2,064.45	44	16.19	6,948.91	6,327.68
8	Organic farming	2	--	--	7	2.28	1,427.44	1,378.25
8.1	Forage plants (Sulla and wheat)	--	0.52ha	318.76	--	--	--	--
8.2	Vines (and other fruit trees)	--	0.06ha	56.76	--	--	--	--
8.3	Open field vegetables	--	0.15ha	206.78	--	--	--	--
9	Conservation of species in danger of genetic erosion	--	--	--	--	--	--	--
9.1	Conservation of endangered breeds	1	5LU	6,190.00	2	7.4	6,685.20	6,685.20
9.2	Conservation of endangered plant species	107	52.82ha	46,055.57	247	84.52	41,696.83	20,215.79
Pak 1 (AEM 2&3)	Support for traditional cultivation of sulla through crop rotation and Support for low input farming	--	--	--	2	2.49	1,378.25	1,378.25
Pak 2 (AEM 1&4)	Support for reduced use of plant protection products in vineyards and Support to suppress the use of herbicides in vineyards and fruit orchards	1	0.01ha	10,185.89	70	28.76	36,838.19	35,406.79

Table 8: The nine sub-Measures for Measure 214

## On-the-Spot Control

The Control Unit conducted on-the-spot checks on applications submitted under M214 in accordance with Article 12 of Commission Regulation (EC) 1975/2006. The number of on-the-spot checks carried out on eligible applications (2,013)<sup>11</sup> received in the period 15<sup>th</sup> March and 9<sup>th</sup> June 2009 selected on the basis of 6.16% random/risk sample were 124. Furthermore, all the applications submitted under AEMs 2 and 8 were also selected for control, these amounting to 1 and 4 beneficiaries respectively. Thus, the total number of on-the-spot checks amounted to 129 farmers.

The control sample was controlled through on-the-spot checks and area updated through 2009 VHR images measured by CAPI.

In accordance with Article 27 of Regulation (EC) 796/2004, the control sample was selected according to the following criteria:

- Random 20 %
- Risk analysis 80 %

The risk based sample was composed of those beneficiaries who have the highest amount of points according to a pre-established weighting grid as specified in the risk analysis document. The criteria used for the selection of the risk based sample were the following:

- Amount of payment [euro]
- Sanction in previous year [%]
- Number of Schemes
- Total area claimed (ha)
- Total number of parcel claimed for any scheme
- Age group of the farmer (years)
- Number of parcel with area close to 1tu
- First application
- Farmers having parcels claimed for LFA in zones ML1 and GZ1
- Selected in previous year and had no anomalies

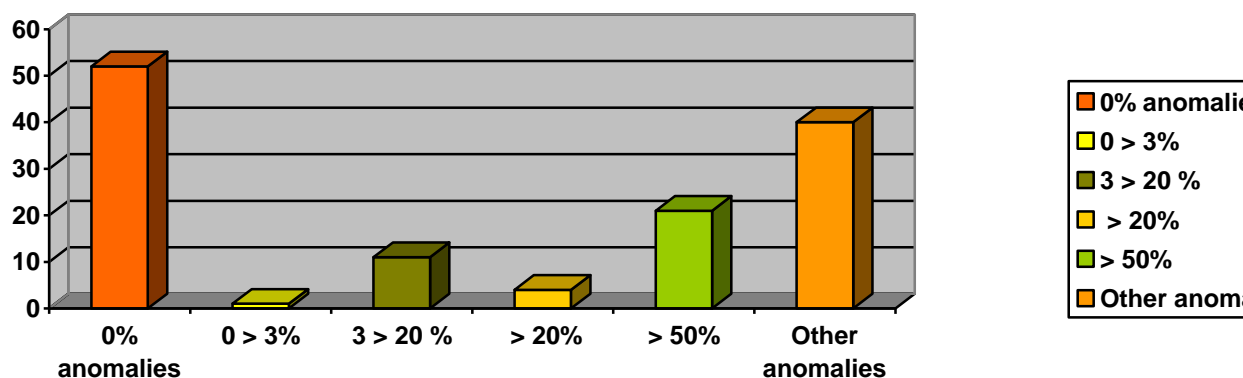


Figure 6: On-the-spot check findings for M 214<sup>12</sup>

<sup>11</sup> Therefore, 117 applications were considered as non-eligible out of the 2,130 applications received, amounting to 2,013 eligible applications.

<sup>12</sup> The figures provided below were provisional as extracted from the IACS system. The final outcomes will be provided in the 2010 statistics currently under compilation. The Control Unit is currently reviewing the outcomes to determine the

- Total area declared: 541 ha
- Total area found: 555 ha
- Total area not found: 0 ha
- % area not found: 0%

The inspections were conducted between the 5<sup>th</sup> August and 21<sup>st</sup> October 2009. Additional checks were conducted in November and December 2009 to verify compliance with standards which could not be verified during the checks undertaken between August and October. Although anomalies were reported in the area not found within the outcome categories, the total area not found in the control sample was 0, since more eligible area was found during the on-the-spot inspections.

### Measure 313 – Encouragement of tourism activities

The legal basis for this Measure is found in Article 55 of Regulation (EC) No 1698/2005.

The objective of this Measure is to promote economic growth in rural areas and to promote the rural heritage as a tourist product. Support under this Measure:

- Covers actions that increase the potential for countryside recreation areas in Malta and Gozo and that contribute to offer a more interesting, varied and exciting experience in rural areas and that help these areas to become more attractive as a tourist destination. The scope of countryside recreation shall include support for activities that offer the necessary facilities for outdoor pursuits such as education, nature appreciation, sight-seeing, bird watching, country walks and hikes, abseiling and climbing, cycling, horse riding, and picnicking. Priority is given to projects that exploit the added value of the natural and manmade heritage as a backdrop for the outdoor activities, for example, walking routes and cycling trails that go through or pass in the vicinity of sites of historical, archaeological and cultural interest.
- Is directed to development and marketing of tourism services and products that are linked to the rural dimension. In the tourism market, where the purchase is often made prior to the consumption, the way the product is presented to potential buyers is of crucial importance. In this respect, the development of ICT-based services is presenting new opportunities in terms of marketing, distribution, and communication and therefore marketing services that make use of ICT technology shall be supported. The scope of support to tourism services and products includes the development of and marketing of small centres promoting and selling traditionally made crafts and hand-made products, the development of centres that produce and offer specialty foods typical of the region, and the organization and promotion of events, including fairs and festivals on a local level that are linked to the natural and man-made heritage of the areas.

Measure 313 was launched on 20<sup>th</sup> February 2009 with the call closing on 29<sup>th</sup> May 2009. The total public expenditure for this Measure is € 11,536,667 and the allocation for the abovementioned call was set at €7,000,000. For this call a total of 45 applications were received with a total request for € 23,634,774.89, an amount over the budget initially allocated. As at end of the period under review the projects submitted under this Measure were being evaluated.

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reason for discrepancy in order to take the necessary actions. Also note, *Other anomalies*, refers to the outcome not finalised due to administrative anomalies.

### **Measure 323 – Conservation and upgrading of the rural heritage**

The legal basis for this Measure is found in Article 57 of Regulation (EC) No 1698/2005.

The main objective of this Measure is to improve the quality of life in rural areas by undertaking tangible and intangible investments that serve to reverse the trends leading to ecological, economic and social decline, thus making the rural areas more attractive to live within and to visit. The specific objectives of the Measure are to support the conservation, restoration and upgrading of the rural heritage; to increase awareness of the value of the natural and built rural heritage; to instil a sense of ownership and civil pride in the rural community; to engage their participation in the conservation of the rural heritage in a way that adds value to it; and to ensure the sustained use of rural heritage resources for economic and social benefits.

The scope of this Measure includes support for preparatory work including studies and conservation plans, and support for restoration actions. Support under this Measure covers:

- the drawing-up of protection and management plans relating to Natura2000 sites and other places of high natural value, environmental awareness actions and investments associated with maintenance, restoration and upgrading of the natural heritage and with the development of high natural value sites.
- studies and investments associated with maintenance, restoration and upgrading of the cultural heritage such as the cultural features of villages and the rural landscape.

Measure 323 was launched on 20<sup>th</sup> February 2009 with the call closing on 29<sup>th</sup> May 2009. The allocation for the call was set at € 21,000,000 which is the full allocation available for this Measure. A total of 38 applications were received by the Paying Agency, with a total public expenditure request for €40,905,804.17. As at end of the period under review the applications submitted under this Measure were being evaluated.

### **Measure 341: Skills acquisition, animation and implementation**

The legal basis for this Measure is found in Article 59 of Regulation (EC) No 1698/2005.

The objective of this Measure is to provide a sound foundation for the Leader initiative and to facilitate its successful operation. By contributing to a series of activities - animation of rural actors about the possibilities offered by Leader and the way it operates; gathering of information about rural territories; dissemination of information about the rural area and promotional events and training of Leaders – this Measure will contribute to the mobilisation of broad-based partnerships and to the elaboration of the local development strategies.

Hence, the scope of this Measure extends to the financing of area-related activities for partnerships under the preparation phase as LAGs. Such activities cover studies of the region, animation of the territory to get rural actors together and to source their insights about the how well the study reflects the reality of the region and the soundness of the strategy in addressing weakness, building on strengths and tapping opportunities, dissemination of information about the rural territory and about the local development

strategy, skills acquisition for participants contributing to the local strategies and participating in future implementation of the strategy, and information and animation Measures designed to support and facilitate the introduction and implementation of rural development Measures via the Leader approach.

Measure 341 was launched on 20<sup>th</sup> February 2009 with the call closing on 29<sup>th</sup> May 2009. The allocation for the call was set at € 450,000. For this call a total of 4 applications were received by the Paying Agency. The applications for this Measure were processed, 1 application was ineligible while the remaining 3 were selected and contracted on the 19<sup>th</sup> June 2009 for a total amount of € 315,558. Contracting and implementation of Measure 341 was concluded in order for the development of Local Development Strategies (LDS) to kick off. The Foundations contracted are composed of Local Councils that are bordering localities as well as economic and social parties, civil society organisations and public entities within a public-private partnership. Once the LDS are fully developed the Foundations are to apply for the status of Local Action Groups under the Leader Programme. The respective LDS's were submitted by December 2009 in accordance with the grant agreement.<sup>13</sup>

### Measure 511: Technical Assistance Operations

The legal basis for technical assistance is Article 66 of Council Regulation 1698/2005.

The Technical Assistance allocation in the Rural Development Programme for 2007-2013 is used to finance activities and costs required to ensure the smooth implementation of the programme. The technical assistance is managed by the Managing Authority and has an allocated budget of € 4,084,473, 75% of which is the EAFRD contribution rate. The technical assistance is utilised for the preparation and programming, management and support, monitoring, evaluation, information and control functions of the programme. In addition, the technical assistance allocation is utilised for the establishment and operations of the National Rural Network including the implementation of the action plan and the structures required to run the network.

*Table 9: Amounts of Technical Assistance committed for funding in 2009*

Measure	EU Amounts (€)	EU Co-financing Rate	Malta Amounts (€)	Malta Co-financing Rate
Technical Assistance	289,972.07	75%	96,657.36	25%
<b>Total Amount –100%</b>	<b>€ 386,629.43</b>			

Table 9 above reveals that as at end of 2009, € 386,629.43 of EU funds were disbursed under the Technical Assistance allocation of the 2007-2013 programme. The funds allocated were distributed as follows:

<sup>13</sup> Payments were eventually concluded in 2010.

- **Preparation and programming** - the funds were utilised for training of personnel involved in the running of the programme and for the training programme of the National Rural Network.
- **Management and support** - funds were all allocated towards the setting up and running of the I.T system
- **Monitoring** - funds were taken up mostly for the service of professionals.
- **Evaluation** - financial support was directed towards contacting of professionals and information seminars regards the European Evaluation Network for Rural Development
- **Information** – this section of TA was divided mainly in two sections, namely € 0.4 million allocated for the Communication Action Plan, amounting to around 10% of the budget allocated for TA, and around another € 0.4 million for the implementation of the NRN action plan. The commitment of funds towards the Communication Action Plan were allocated for holding information meetings and seminars, printing and distribution of leaflets for the Measures launched, active participation in the Naturalment Malti Fairs, setting up of billboards, publishing of advertisements and articles in both in Maltese and English on national newspapers, press releases, and in the Government Gazette, and participating in programmes on national TV and radio broadcasts. For the implementation of the NRN funds were mainly allocated towards advertisement.
- **Control functions** - the focus of the funds was on the photo interpretation and digitalisation of non-eligible features.

## OTHER MEASURES OF THE RDP TO BE LAUNCHED IN 2010

### Priority Axis I:

No call was launched as at end of 2009 for the following Measures falling under Priority Axis 1:

- Measure 125: Infrastructure Related To the Development & Adaptation of Agriculture;

Due to the fact that no call had been launched for the above listed Measure, there was no progress to report in relation to the target indicators set for the respective Measure. A call for Measure 125 should be launched in 2010 the reason being that in 2009 a modification in the text was being presented to the Commission for approval.

*Table 10: Measures under Priority Axis I to be launched in 2010*

Measure No	Title of the Measure	Legal Basis	Scope of the Measure	Total Allocation (€) for the Measure	EAFRD Allocation (€) for the Measure	Implementation Status as at 31/12/2009
Measure 125	Infrastructure related to the development and adaptation of agriculture	Article 30 of Regulation (EC) No 1698/2005	<ul style="list-style-type: none"> <li>- to facilitate the development and adaptation of agriculture by supporting the development of the necessary infrastructure; and</li> <li>- to address two of the major limitations affecting agricultural land quality and productivity – water scarcity and farm accessibility.</li> </ul>	5,200,000	3,900,000	0

### Priority Axis 4:

No call was launched as at end of 2009 for the following Measures falling under Priority Axis 4:

- Measure 41: Implementation of Local Development Strategy. This Measure consists of three sub-Measures with the support to be granted towards three types of investments (competitiveness, environment/land management, and quality of life/diversification). The EU co-financing rate for this Measure is 80%.
  - Competitiveness: Sub-Measure 411 – the financial allocation for this sub-Measure amounts to € 780,000;
  - Environment/land management: Sub-Measure 412 – the financial allocation for this sub-Measure amounts to € 520,000;
  - Quality of life/diversification: Sub-Measure 413 – the financial allocation for this sub-Measure amounts to € 1,300,000;
- Measure 421: Inter-territorial and transnational cooperation;
- Measure 431: Running costs, acquisition of skills and animation;

Due to the fact that no call had been launched for the above Measure, there was no progress to report in relation to the target indicators set for the respective Measures. Calls for the above Measure will be launched once the Local Action Groups set out their respective strategy following the call to be launched under Measure 341 of Priority Axis 3.

*Table 11: Measures under Priority Axis 4 to be launched in 2010*

<b>Measure No</b>	<b>Title of the Measure</b>	<b>Legal Basis</b>	<b>Scope of the Measure</b>	<b>Total Allocation (€) for the Measure</b>	<b>EAFRD Allocation (€) for the Measure</b>	<b>Implementation Status as at 31/12/2009</b>
Measure 41	Implementation of Local Development Strategy	Article 64 of Regulation (EC) No 1698/2005	<ul style="list-style-type: none"> <li>- to stimulate local actors to successfully implement the strategy they developed for their region;</li> <li>- to effectively administer actions reserved to them under the RDP's Axis 1 and 3;</li> <li>- to animate local stakeholders especially farmers and land managers to tap funds under Axis 1, 2 and 3;</li> <li>- to utilise fully the funds they have at their disposal through Axis 4; and</li> <li>- to implement projects that result in improvement to their territory.</li> </ul>	2,600,000	2,080,000	0
Measure 421	Inter-territorial and transnational cooperation	Article 63 of Regulation (EC) No 1698/200	<ul style="list-style-type: none"> <li>- to spur cooperation initiatives within regions and across different countries by supporting local initiative and local drive for diversification.</li> </ul>	500,000	400,000	0
Measure 431	Running costs, acquisition of skills and animation	Article 63(c) of Regulation (EC) No 1698/2005	<ul style="list-style-type: none"> <li>- to provide LAGs with sufficient resources and expertise to effectively implement their strategy; and</li> <li>- to efficiently administer identified actions under mainstream Measures in axes 1 and 3.</li> </ul>	775,000	620,000	0



## TRANSITIONAL MEASURES

Transitional arrangements were only necessary for Agri-environment measures from RDP 2004-2006. Estimates showed that the bulk of disbursements related to commitments undertaken in relation to the programming period 2004-2006 were affected by June 2009, leaving a limited amount to be changed to the EAFRD as till 2011. The contractual conditions embodied in the previous set of regulations will continue to apply to commitments approved in 2004-2006. The good farming practice principle has to be respected in the case of commitments entered until end 2006.

In accordance with Article 5 of regulation 1320/2006, for commitments undertaken till 31st December 2006, payments accruing to 2007 and 2008 were charged to the EAGGF. Expenditure related to Agri-environment commitments undertaken as from 1st January 2007 was changed to EAFRD and shall comply with the provisions of 1698/2005.

Table 9 shows that during the year 2009, only commitments for Holm Oak and Organic Farming were paid from EAFRD funds. Commitments for Rubble Walls are still ongoing and were under controls during 2009 so the payments will be effected in 2010. Commitments for Maltese Ox from RDP 2004-2006 were closed in 2009.

*Table 12: Transitional Measures Payments in 2009*

<b>Measures of RDP 2004-2006</b>	<b>No of Beneficiaries</b>	<b>Area declared</b>	<b>Area paid</b>	<b>Amount paid</b>
<b>Rubble Walls</b>	-	-	-	-
<b>Maltese Ox</b>	-	-	-	-
<b>Holm Oak</b>	9	3.29ha	3.17ha	€1348.46
<b>Organic Farming</b>	5	8.22ha	6.56ha	€3933.24

**SECTION C FINANCIAL IMPLEMENTATION OF THE PROGRAMME GIVING, FOR EACH MEASURE, A STATEMENT OF THE EXPENDITURE PAID TO BENEFICIARIES (ARTICLE 82(2)(C) OF COUNCIL REGULATION 1698/2005)**

As explained in Section B above, the focus of 2009 centred around the launching of Measures, undertaking the necessary controls and checks on applicants for the calls issued under Measure 111, Measure 114, Measure 115, Measure 121, Measure 123, Measure 124, Measure 132, Measure 133, Measure 142, for Priority Axis 1. Another two calls were issued under Priority Axis 2, one for Measure 212 and Measure 214 respectively with the necessary checks and controls being undertaken during the period under review. A call was also launched for Measure 313, Measure 323 and Measure 341 respectively, all under Priority Axis 3.

Following the closure for the call for applications, the Paying Agency commenced administrative checks to ensure that applicants have submitted all the requested information with the aim to proceed to the selection process. The process of identifying the final beneficiaries and financial commitment due to the beneficiaries under the respective Measure (M121<sup>14</sup>, M212<sup>15</sup> and M214) were completed as at end of 2009. The table below represents the Measures launched, the final number of beneficiaries, the total allocation for the Measure and the payments issues as at 2009.

*Table 13: Payments issued for Measures as at 2009*

<b>Measure No</b>	<b>Title of the Measure</b>	<b>Legal Basis</b>	<b>Total Beneficiaries Contracted in 2009</b>	<b>Total Number of Beneficiaries Paid in 2009</b>	<b>Total Public (€) Expenditure Allocation for the Measure</b>	<b>Payments (€) Issued as at 2009</b>
Measure 121	Modernisation of agricultural holdings	Article 20(b)(i) and 26 of Regulation (EC) No 1698/2005	179	14	14,820,000	804,435.72
Measure 212	Natural handicap payments in other areas with handicaps	Article 37 of Regulation (EC) No 1698/2005	5,758	15,975	14,500,000	5,049,219.19
Measure 214	Agri-environment payments	Article 39 of Council Regulation (EC) 1698/2005	2,013	1,000	10,525,000	462,441.92

<sup>14</sup> Payments for M121 were issued for dairy farmers under EERP obligations.

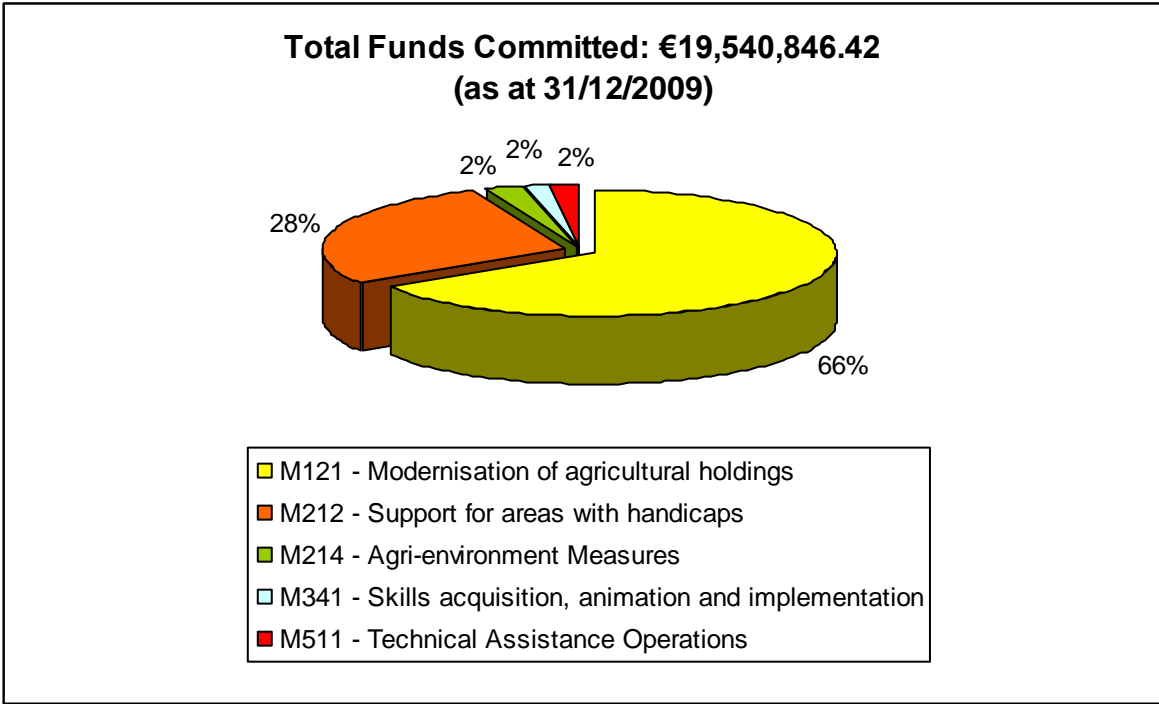
<sup>15</sup> In 2007 and 2008 no payments had been processed under RDP 2007 – 2013 from the EAFRD, thus the 15,975 beneficiaries paid in 2009 were for application years 2007, 2008 and 2009.

Additionally the remaining 11 Measures have not been included in the table above due to the fact that either applications were being evaluated or no payments were issued in the period under review. A case in point, the call for Measure 123 were the selection process was still on going by the end of the period under review, thus no eligible applicants had been drawn hitherto. Furthermore, as reported in Section B above, for Measures 114 and 133 no applications for either call were received in 2009, while for Measure 115 five applications were received however non were found eligible for funding. In conclusion no funds were paid to beneficiaries for the remaining 11 Measures launched in 2009.

Furthermore, until June 2009, financial allocation for Technical Assistance, for the RDP 2004–2006 was still being absorbed, thus public expenditure was disbursed under the allocation of the 2007-2013 programme only from July 2009 onwards. The table below represents the financial implementation for Measure 511 as at end of 2009.

*Table 14: Payments issued for Technical Assistance as at 2009*

Measure No	Title of the Measure	Legal Basis	Total Public Expenditure (€) Allocation for the Measure	Total Public Expenditure (€) Allocation for 2009	Payments (€) Issued as at 2009
Measure 511	Technical Assistance	Article 66 of Council Regulation (EC) No 1698/2005	4,084,473	386,629.43	384,629.36



*Figure 7: Funds Committed for Measures launched as at 2009*

**CUMULATIVE FINANCIAL SCENARIO AS AT 31ST DECEMBER 2009**

*Table 15: Cumulative Financial Scenario as at 31st December 2009*

<b>Priority Axis</b>	<b>Measure</b>	<b>Title of Measure</b>	<b>Funds (€) Allocated to the Measure as per RDP as at 31/12/2009</b>	<b>Funds (€) Committed as at 31/12 2009</b>	<b>Funds (€) disbursed as at 31/12/2009<sup>16</sup></b>	<b>Funds (€) certified to the European Commission as at 31/12/2009</b>
1	111	Vocational training and information actions	1,160,000	0	0	0
1	114	Use of advisory services	3,000,000	0	0	0
1	115	Setting up of advisory services	600,000	0	0	0
1	121	Modernisation of agricultural holdings	14,820,000	12,855,928.24	804,435.72	603,326.79
1	123	Adding value to agricultural products	7,000,000	0	0	0
1	124	Cooperation for development of new products, processes and technologies in the agriculture and food sector	1,000,000	0	0	0
1	125	Infrastructure Related To the Development & Adaptation of Agriculture	5,200,000	0	0	0
1	132	Participation of farmers in food quality schemes	1,200,000	0	0	0

<sup>16</sup> The payments indicated in this column have all been disbursed in 2009.

Priority Axis	Measure	Title of Measure	Funds (€) Allocated to the Measure as per RDP as at 31/12/2009	Funds (€) Committed as at 31/12 2009	Funds (€) disbursed as at 31/12/2009 <sup>17</sup>	Funds (€) certified to the European Commission as at 31/12/2009
1	133	Information and promotion activities	670,000	0	0	0
1	142	Setting up of producer groups	990,000	0	0	0
2	212	Support areas for with handicaps	14,500,000	5,507,224.36	5,049,219.19	4,039,375.35
2	214	Agri-environment Measures	10,525,000	475,506.39	462,441.92	369,953.54
3	313	Encouragement of tourism activities	11,536,667	0	0	0
3	323	Conservation and upgrading of the rural heritage	21,000,000	0	0	0
3	341	Skills acquisition, animation and implementation	450,000	315,558	0	0
4	41	Implementation of Local Development Strategy	2,600,000	0	0	0
4	421	Inter-territorial and transnational cooperation	500,000	0	0	0
4	431	Running costs, acquisition of skills and animation	775,000	0	0	0
5	511	Technical Assistance Operations	4,084,473	386,629.43	386,629.36	289,972.02
<b>Total</b>			<b>101,611,140</b>	<b>19,540,846.42</b>	<b>6,702,726.19</b>	<b>5,302,627.70</b>

<sup>17</sup> The payments indicated in this column have all been disbursed in 2009.

## **SECTION D SUMMARY OF THE ONGOING EVALUATION ACTIVITIES (ARTICLE 86(3) OF REGULATION (EC) NO 1698/2005)**

In accordance with Article 84 of Council Regulation 1698/2005, the Managing Authority commenced the necessary preparatory work to undertake on-going evaluation throughout the 2007-2013 programming period. Evaluation is a process of judgment of interventions according to the results, impacts and the needs they aim to satisfy, which looks at the effectiveness, the efficiency, and at the relevance of an intervention. Thus, the on-going evaluation is a means through which the Managing Authority and the Monitoring Committee examines the progress of the programme in relation to the objectives set out by means of the attainment of the indicators established in the RDP.

The overall objective of the ongoing evaluation is to provide an independent on-going review and evaluation of the RDP for the period 2007, 2008 and 2009 by means of an external evaluation carried out by 3<sup>rd</sup> party evaluators who are engaged through a service tender. The contract also provides a mid-term evaluation, scheduled for 2010, as per Article 86(4) of Council Regulation 1698/2005.

The specific focus of the ongoing evaluation is as follows:

- To report objectively on the progress of the programme in relation to its stated goals as well as its output, result and impact indicators;
- To identify possible weaknesses in the programme and to put forward recommendations on how the quality, efficiency and effectiveness of the programme can be improved;
- To suggest possible amendments to the programme where deemed necessary for the successful completion of the programme;
- To serve as a quality management mechanism and an early warning system;
- To identify data collection requirements necessary for the implementation of the programme as well as for reporting purposes;
- To collect the necessary data for the verification of result and impact indicators ;
- To review the programme indicators on an annual basis and to suggest possible refinements to such indicators.

The tender for the provisions of services for the ongoing evaluation was published on 22<sup>nd</sup> December 2009.<sup>18</sup> The successful bidder will present 2 evaluation reports in the latter half of 2010, outlining the progress of implementation of Rural Development Programme 2007-2013. The following are indicative timeframes:

1. The first evaluation (referred to as the On-going Evaluation) should cover the period 1<sup>st</sup> January 2008 to 31<sup>st</sup> December 2009. The first draft of this evaluation report should be delivered 10 weeks from the signing of the contract.
2. The second evaluation (referred to as the Mid-Term Evaluation) should cover the period 1<sup>st</sup> January 2008 to 30<sup>th</sup> June 2010. The first draft of this evaluation report should be delivered 31 weeks from the signing of the contract

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<sup>18</sup> A total of two bids were submitted within the stipulated deadline of 11<sup>th</sup> February 2010, and the adjudication process commenced immediately.

Based on the outcome of the evaluation exercise, revisions may be required to the Output and Result indicators or revisions of the definition of the methodology for data collection, reviewing and reporting as well as amendments to the RDP (which could be of either financial nature or changes in the Measure structure) may be required. Upon conclusion the ongoing evaluation should encompass the degree of utilisation of resources, the effectiveness and efficiency of the programming of the EAFRD, its socio-economic impact and its impact on the Community priorities, the goals of the programme and aim to draw lessons concerning rural development policy, the factors that contributed to the success or failure of the programme's implementation, including sustainability, the identification of best practice, and the measures to be taken to improve the quality of the programme and its implementation.

In accordance to Article 13(1) and (2) of Council Regulation (EC) No 1698/2005, Member State should also prepare and submit to the Commission as of year 2010 the Strategic Monitoring report (SMR). This report shall summarise the previous years' APRs (i.e. those covering 2007, 2008 and 2009) and shall describe in particular:

- (a) the achievements and results of the RDPs relative to the indicators set out in the NSP;
- (b) the results of the ongoing evaluation activities for each programme.

The SMR shall report the progress made in implementing its NSP and objectives and its contribution to the achievement of the Community strategic guidelines. The first report has to be submitted by 1st October, and the last one shall be submitted no later than 1 October 2014.<sup>19</sup>

As reported in the Annual Progress Report for 2008, the Managing Authority is a member of the Evaluation Expert Committee whereby Member State officials and the Commission representatives have the opportunity to exchange views on the objectives, methodology and procedures to be adopted in carry out evaluations on the Rural Development Plan. Complimentary to its involvement in the above committee the Managing Authority participated in the Evaluation Needs Assessment focus group workshop organised in Malta on 12<sup>th</sup> November 2009. Mr John Grieve, an expert from the European Evaluation Network on Rural Development as well as the co-ordinator of the focus groups for the Evaluation Network for Rural Development for Malta, England, Wales, Scotland and Ireland, was the main speaker of this workshop. The aim of this event was that of enhancing the local knowledge and capacity of the Evaluation Network in Malta. The focus group was given an update on ENRD activities and its action plan, and discussed mainly the RDP and its evaluation progress in Malta, the evaluation of LEADER, Quality of Life measures, the preparations for the Mid Term Evaluation and Ongoing Evaluation support needs.

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<sup>19</sup> The Commission Staff Working Document for Simplification identified possible needs for amending Council Regulation (EC) No 1698/2005. One of them is the reduction of the number of summary reports by Member States under the strategic monitoring from three to two, to be presented in 2010 and 2015, instead of as at present 2010, 2012 and 2014.

## **SECTION E STEPS TAKEN BY THE MANAGING AUTHORITY AND THE MONITORING COMMITTEE TO ENSURE THE QUALITY AND EFFECTIVENESS OF PROGRAMME IMPLEMENTATION (ARTICLE 82(2)(E) OF COUNCIL REGULATION 1698/2005)**

### **MANAGING AUTHORITY**

The Managing Authority as outlined in Article 74.2(a) of Regulation (EC) 1698/2005, is the representative of the Ministry for Resources and Rural Affairs (MRRA) for rural development policy, planning and implementation, and as reported in previous progress reports for the previous years, has the overall responsibility for the Rural Development Programme for the period 2007 – 2013.

Besides running of the RDP, the MA also has responsibility for formulating amendments to the programme after approval of the Monitoring Committee, and conducting evaluations in accordance with the Common Monitoring and Evaluation Framework. The MA is also responsible to see to the adequate provision of information and publicity to beneficiaries. In fact the MA is directly responsible for the dissemination of information, promotion and animation of EAFRD Measures.

The Managing Authority retained a relatively linear structure whereby the Authority is headed by the Permanent Secretary aided by a senior manager, one EU Fund Manager, four EU Funds Officers, one scientific officer and another officer engaged on contract basis. Each officer has been assigned a set of specific tasks which contribute towards the setting up of the initial structures of the programme, coherence with Community Policies, financial control, evaluation and collection of data. In addition, the MA also has the support from a Project Manager from the Malta Information Technology Agency who is responsible for the development of the Rural Development I.T system for the 2007-2013 programme.

The roles of the MA are clear and separate from those of the PA. The MA is responsible for programme implementation, whilst the PA is in charge of the execution of the measures. To ensure this separation of roles is reflected it was mutually agreed that the Monitoring Committee meetings will be chaired by the MA. However, reciprocal support between the two entities with regards to the programme execution is constant and continuous in order to strengthen the process required for the effective execution of the programme.

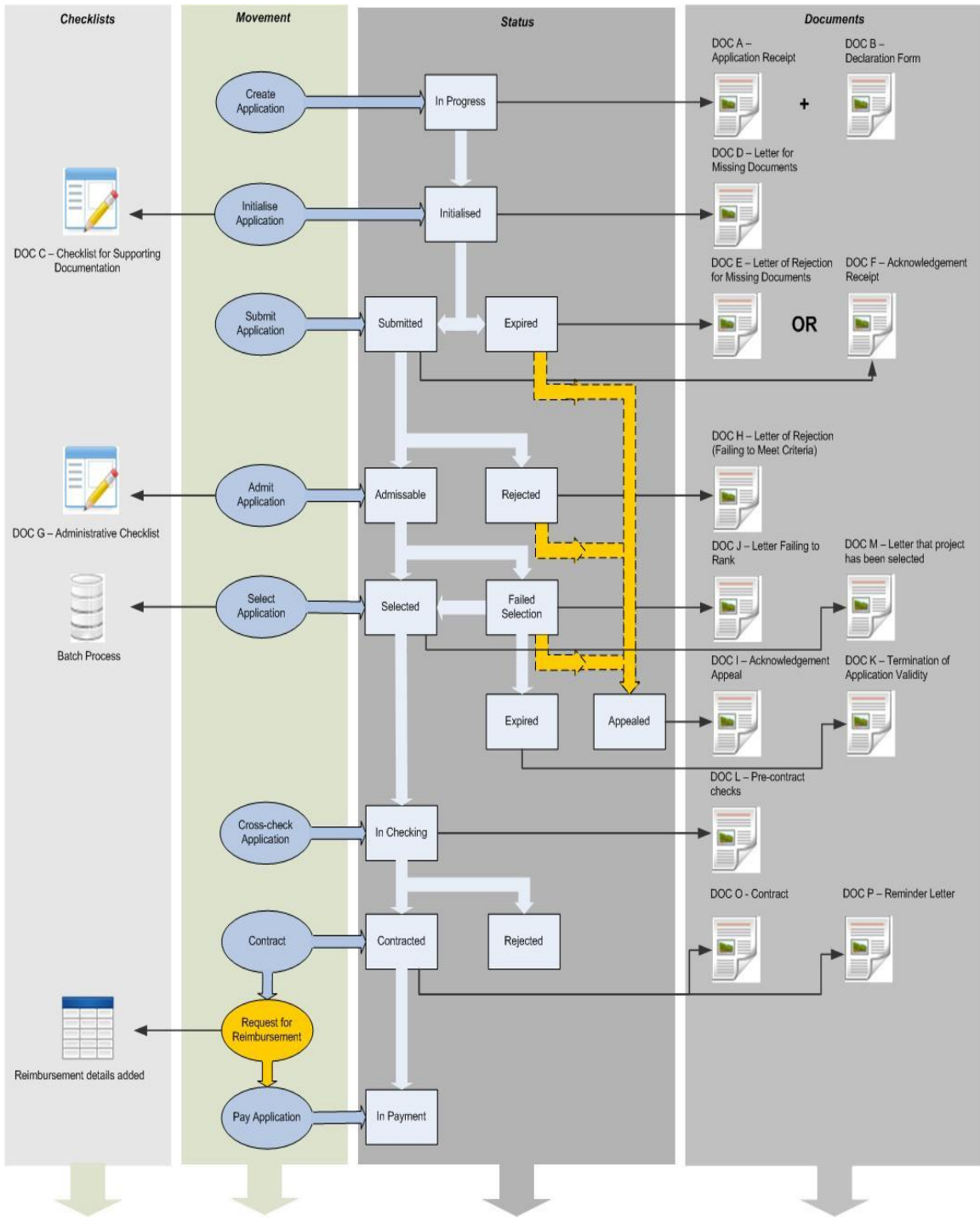
The MA commissioned the services of an I.T company to develop the Rural Development I.T system for the RDP 2007-2013 and the latter are developing the system under the supervision of the Project Manager from the Malta Information Technology Agency which is the national agency entrusted for the development of all Government I.T related systems.

On a day to day basis, the Managing Authority and the Paying Agency are now utilising an I.T system which supports the implementation of Rural Development Measures. The modules of this integrated system have been developed in the form of a software framework aiming to assist in the provision of data, project application process, controls, payments and monitoring, and to leave a chronological sequence of audit records, each of which contains evidence directly pertaining to and resulting from the execution of the process. The Framework supports the EU recognised hierarchy determined as Operational Programme.

The chart below shows that there are fourteen steps that one application might go through, which are: In Progress, Initialised, Submitted, Expired, Admissible, Amended, Rejected, Selected, Failed Selection, In Checking, Contracted, In Payment, Paid and Closed. The role functions of the I.T System are presented in flowchart here under.



Figure 8: Application Process Flow



## Monitoring and Evaluation Measures

The Monitoring Committee for the Rural Development Plan for 2007-2013 was established on 2<sup>nd</sup> July 2008 after the approval of the RDP as required by Article 77 of Council Regulation (EC) 1698/2005. The composition of the Monitoring Committee consists of Government representatives including officers from the Managing Authority for Rural Development, representatives from the European Commission (in an advisory capacity), representatives from social and economic partners, representatives from competent local and public authorities, representatives from the civil society, non-governmental organizations and other affiliated organizations. The composition of the Monitoring Committee was reviewed in 2009 whereby attention was placed on proposing (and subsequently approving) bodies which are representative on a national basis and which in themselves, as far as possible, do not constitute beneficiaries.

The functions of the Monitoring Committee transpire in Article 78 of Council Regulation 1698/2005. Its main aim is:

- To assess and approve the selection criteria for operations that will be financed through the programme;
- To review progress made towards achieving the specific targets of the programme on the basis of the documents submitted by the Managing Authority;
- To examine the results of implementation, particularly achievements of the targets set for each axis and ongoing evaluations;
- To consider and approve annual progress reports and the last progress report prior to onward submission to the European Commission;
- To propose to the Managing Authority any adjustments or review of the programme aimed at achieving the objectives of the programme as defined in Article 4 or in improving the management of the programme; and
- To consider and approve any proposal to amend the content of the Commission decision on the contribution from the EAFRD.

In 2009 three Monitoring Committee meetings were organized, one on 2<sup>nd</sup> March, followed by a second meeting held on 29<sup>th</sup> May and the last one for the year under reviewing being held on 27<sup>th</sup> November. Through the first Monitoring Committee meeting of 2009, the members approved the selection criteria for Measures 114, 115, 123, 313, 323 and 341 whilst the selection criteria for Measures 124, 125, 132, 133 and 142 were approved during the 2<sup>nd</sup> meeting held on 29<sup>th</sup> May together with the Annual Progress Report for the RDP 2007-2013 for 2008. During the third and last Monitoring Committee meeting for 2009 the members approved the selection criteria for Measure 41 and the modifications outlined in Section B above were also presented and approved.

Written procedure was also adopted throughout 2009 whereby the modifications of the NSP and the RDP in relation to the additional budget deriving from the European Economic Recovery Package were approved by the Monitoring Committee members in July. The MA noticed a lack of participation by a number of members of the MC. For this reason the MA compiled a table to identify those members who have attended the last MC meeting and contacted those not attending to confirm their interest in attending the next MC meetings and if not to point out a person to attend in their stead. All members contacted gave a positive reply, except one who showed no interest in attending the meetings. In this regard the MA started contacting other voluntary organisations to replace this vacant position.

As explained above, the Managing Authority has delegated some implementing functions to the Paying Agency. Through this delegation of functions the Paying Agency has a regular contact with the individual project beneficiaries whereby the progress in implementation of the individual project is closely viewed by the officers within the Paying Agency. In fact the latter has a pool of resources whereby each officer has been assigned specific tasks including day-to-day progress of the individual projects assigned to the respective officer. The Paying Agency adopts a *desk-officer* approach to review progress whereby each officer in the PA has been assigned responsibility to review the progress of a number of the Measures and

this is carried out through regular contact with the beneficiaries which enables the respective officer to gauge a thorough understanding of the individual project, its complexities and likelihood to achieve the expected outcomes within the timeframes stipulated in the respective grant agreement.

On the other hand, the MA has retained the responsibility of monitoring for the programme. In fact, whilst the officers within the PA have the day-to-day contact with the beneficiaries, the information being received from their end is fed to the MA whereby the latter utilizes this information to monitor programme implementation at Measure and Priority Axis level. Where difficulties are encountered, the officers within the MA draw the attention of their superiors for the necessary action to be taken and for liaising with relevant stakeholders (where necessary). It is important to note that throughout 2009 the officers within the MA mainly focused on the preparation for calls for applications under the relevant Measures which were launched in 2009 and the setting up of the structures of the horizontal issues thus, monitoring of implementation will be carried out more thoroughly by the MA once the implementation of the programme is in full swing.

Moreover, day-to day monitoring is also undertaken through the IT system as explained in this report. The IT shall assist the MA to monitor the progress of the RDP, particularly in monitoring ongoing progress both in terms of payments as well as achievement of the indicators.

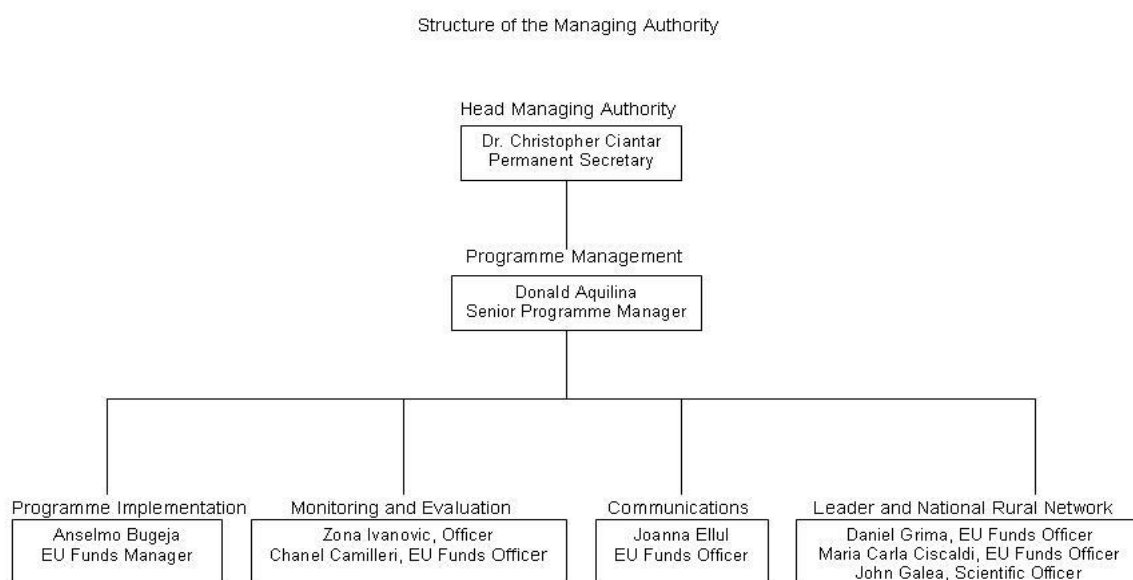
### **Annual meeting between the Commission and the Managing Authority**

The annual meeting between the European Commission and the Managing Authority was held on 14<sup>th</sup> December 2009 to discuss the main results of the Annual Progress Report for 2008 for the 2007-2013 programming period and targets to be set for 2010.

The following issues were discussed and agreed upon:

- **Annual Progress Report 2008:** The European Commission confirmed that the Annual Progress Report for 2008 in respect of the RDP 2007 - 2013 was accepted. However, the Commission stressed that in future APRs', in view of COM (2009) 103 of 03.03.2009 on "Better access for rural areas to modern ICT", the Managing Authority should make appropriate reference to the ICT-related actions undertaken in each report year. Furthermore, Commission also remarked that in next APRs' Malta should report updated information with the current situation and actions taken with regards to Broadband speed in Malta.
- **State of implementation of the RDP 2007 – 2013:** Information on Measures launched in 2009 was provided; with regards to monitoring and evaluation Commission suggested the Maltese authorities to contact the non-governmental members of the MC in order to enhance their participation (currently not sufficient) throughout the monitoring process taking place at Monitoring Committee level. The Managing Authority agreed to review the participation of such entities and in cases where no justified reasons are given for lack of participation the Managing Authority reserve the right to propose a change of membership. The Commission also formulated some concern on the feasibility to perform a thorough mid term evaluation in view of the short delay that will be available for the chosen evaluation consultancy team and taking into account that no material is available as the ongoing evaluation is still not up and running. The Commission also pointed out that the administrative set-up within which documents are being cleared and sent to the European Commission, should be revised in order to avoid delays in the submission of official documentation.

- Planned RDP modifications:** The Commission requested further clarifications/changes to the proposed modifications relating to demarcation in Measure 111 and 123 as well as the need to include updated targets for indicators in the RDP.
- Management of the RDP:** The Commission was informed about personnel changes and the new structure of the Managing Authority. As the Director's post at the Managing Authority is still under discussion and vacant, the Permanent Secretary of the Home Ministry, Dr. Ciantar, will be serving as Head of the Managing Authority whilst Donald Aquilina will be the focal person with regards to Programme implementation. The organisational chart, Figure 9, below clarifies how the new structure for the MA will work. Furthermore, Figure 10 below illustrates the main roles of the PA, with Mr Joseph Caruana as the Head of the Paying Agency. Albeit mutual support between the MA and the PA is continuous, the diagrams show clearly the distinct functions binding the two entities.



*Figure 9: Organisational Chart for the MA*

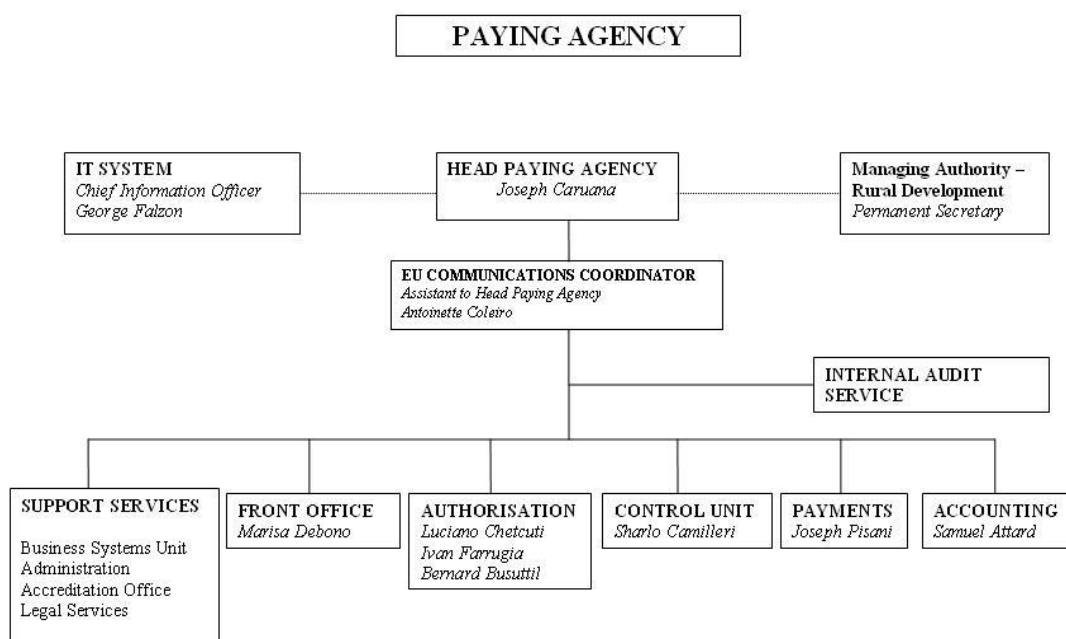


Figure 10: Organisational Chart for the PA

## Rural Development Committee

The Rural Development Committee (RDC) presides over the implementation of the Rural Development Programmes of each Member States and meetings are regularly held in Brussels. The Committee provides the different member states with the opportunity to give their input and feedback in relation to important policy decisions, financial implementation and programme revisions that have an effect on rural development at a national and supranational level.

In 2009, the 30<sup>th</sup> to the 39<sup>th</sup> RDC meetings were held, to which the MA participated in all the 10 Committee Meetings. The revisions to the RDP of Malta came into effect with the approval from the 38<sup>th</sup> RDC in November 2009 amending Commission Decision C(2008)730. The revisions saw an additional influx of EU funds amounting to € 1.02 million, which derived from the reallocation following the Health Check & Recovery Package. All of the additional funds were addressed by the Maltese Government to Measure 121.

## Summary of the Major Problems Encountered in Managing the Programme

### I. Insufficient administrative and technical capacity

In 2009 several events led to periods of limited administrative capacity in a number of organisations, including the Managing Authority. During 2009 as a result 7 officials left the Managing Authority taking up employment elsewhere, while 6 new employees were recruited by MA. The newly assigned officers required time and training to familiarise themselves with the procedures and responsibilities, thus they experienced a steep learning curve.

### **Action Taken**

The newly recruited officers were encouraged by the Managing Authority to attend a series of training programmes aimed to enhance the structure and human resource compliment as required. As a means of accelerating the process of the implementation of the RDP 2007–2013, the MA also hired the service of third parties. The MA was also complemented with staff from the Paying Agency that was responsible for the execution of the measures.

## **2. Incomplete I.T system development**

In 2009 constant progress was achieved on the development of the I.T system, which is established to cater for all the stages of programming from application receipt to authorisation of payments and monitoring. Furthermore, the development of this specialised I.T system has been designed in a number of phases. The system as a whole was not finished by end of the year under review.

### **Action Taken**

The Managing Authority constantly supervised the evolution of the various phases of the I.T system in order to ensure that the roll out of the system is achieved at the earliest possible due to the fact that in order to fulfil the accreditation of PA and reporting requirements successfully, the I.T system needs to be in place. Whilst good progress was achieved in 2009, further development of the system needs to be undertaken in 2010.

## **3. Evaluation of Measures**

Whilst substantial progress was achieved in 2009 in terms of the roll out of various Measures of the RDP, delays were encountered in the evaluation and selection of the projects under the respective Measures. This was mainly due to the limited resources available within the Paying Agency to undertake the necessary administrative checks required following submission of the project proposals.

### **Action Taken**

As a means to speed up the process, newly recruited officers were assigned to undertake the necessary administrative checks. However, due to the limited knowledge and prior exposure to such tasks, the officers required guidance and supervisions whilst undertaking this task which, has now proved to be beneficial for the Measures which were subsequently launched.

## **4. Setting Up of the NRN**

Delays were also encountered in the setting up of NRN mainly due to the limited human resources compliment within the Managing Authority during 2009 making it difficult to assign specifically dedicated staff to the NRN.

### **Action Taken**

Following the engagement of new officials, an EU Funds Officer was specifically assigned to undertake the tasks required for the setting up and running of the NRN with the assistance of another two officers from

the Managing Authority. The officers engaged on the National Rural Network attended to preparatory training courses and seminars to enhance their understanding of the area under discussion. The guidance sessions provided, together with the assistance provided by ENRD, resulted in the successful official launch of the NRN, on July 2009, and also with the drafting of the NRN action plan. In addition, the Managing Authority engaged the services of third parties who provided their input through their experience in managing Leader and NRN programmes in other Member States

## Use of Technical Assistance

The Technical Assistance allocation in the Rural Development Programme for 2007-2013 as under Article 66 of Council Regulation 1698/2005 is used to finance activities and costs required to ensure the smooth implementation of the programme.

The technical assistance managed by the Managing Authority has an allocated budget of € 4,084,473, of which 75% is the EAFRD contribution rate. The MA is responsible for the management and approval of requests for support under technical assistance. The eligible beneficiaries under this Measure include the Paying Agency, the Managing Authority and other Government Departments that all have connections with activities linked with the implementation of the RDP. These requests are subject to eligibility checks and other controls.

In 2009 the MA prepared a specific template and guidelines to assist potential applicants of the TA in preparing their request for use of the fund. As at end of 2009, € 386,629.43 of EU funds were disbursed under the Technical Assistance allocation of the 2007-2013 programme.

## Other programme-wide activities

### I. Information and Publicity

The scope of Information and Publicity emerges from Article 76 of Council Regulation 1698/2005. The aim of the communication plan, as under Article 58 of Commission Regulation (EC) No 1974/2006 and Annex VI of the same regulation, is to inform all the different stakeholders as well as the general public about the Rural Development Programme 2007 - 2013. In 2009 the drafting of the communication plan was finalised, and submitted to the European Commission for approval on 15<sup>th</sup> October 2009.<sup>20</sup>

The Communication Plan is implemented and financed through individual projects under Technical Assistance. The indicative budget for the implementation of the Communication Plan for the period 2007-2013 amounts to around 10% of the budget allocated for Technical Assistance which translates to approximately € 0.4 million. The Communication Plan sets out:

- The aims and target groups of the Rural Development Programme;
- The content and strategy of the communication and information measures, stating the measures to be taken;
- The indicative budget for implementation of the plan;

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<sup>20</sup> Following this submission however, further revisions were requested. The final revised version was then submitted on the 4<sup>th</sup> January 2010.

- The administrative departments or bodies responsible for implementation of information and publicity measures;
- The criteria to be used to evaluate the impact of the information and publicity measures in terms of transparency, awareness of the Rural Development Programme and the role played by the Community.

To compliment the Communication Plan, the Managing Authority also drafted a plan of initiatives and actions mapping out the events and activities to be undertaken on an annual basis. Due to the discrepancy in timing, communication activities planned by the Managing Authority have preceded the actual plan. To this effect the Managing Authority forecasted coordination with involved entities so as to assure that all activities already held were in line with the contents of the drafted communication plan as well as in accordance with the requirements of the EU regulations which outline the framework of the communication activities.

In 2009 the Managing Authority was responsible for two types of communication activities which consisted of information that relates to the various opportunities offered via the Rural Development Programme and Measure specific actions which summarise the contents of the specific Measure/s.

Publicity actions consisted of information meetings and seminars with different entities, namely cooperatives, farmers' groups, and other socio-economic actors, to provide information on what type of aid is available. To this end various informative material was published and distributed, with the content addressing the specific audience being targeted. In February 2009, 30 sec spots were aired on the National TV station concerning the aid available under Measure 212 and 214 in order to raise awareness amongst potential applicants. Footage included the obligations and the commitments for LFAs and Agri-Environmental Measures. Furthermore, billboards were also set up in three strategic locations, namely Ta' Qali, Ghammieri and Gozo as a means to convey the registration period of AEMs and LFAs. As of the 3<sup>rd</sup> quarter of 2009, the MA also started participating in a programme on national TV, where during a 2 minute feature, different topics concerning the RDP and Measures were presented. Radio broadcasts were also aired in the last quarter of 2009 to promote the new Measures, M124, M132, M133, M142, M212 and M214.

**MINISTERU GĦAR-RIŻORSI U L-AFFARIJJIET RURALI**

**Għajnuna diretta lill-bdiewa u lir-raġġala -**  
Kampanja ta' tagħrif 2009

L-applikazzjonijiet jintlaqgħu mit-  
**23 ta' Marzu, sal-15 ta' Mejju,**  
2009

Din l-informazzjoni qed tigi ffinanzjata mill-assistenza teknika tal-Fond Agrikolu Ewropew għall-Izvilupp Rurali (2004-2006)  
Ko-finanzjament: 80% Unjoni Ewropeja, 20% Gvern Malti  
Program ta' Zvilupp Rurali (2007-2013)

Figure 11: Artwork of billboard set up for M212 & M214 in 2009



In 2009 five information sessions were organised, the first focused on M313 and M323 of Priority Axis 3 which was held on 16<sup>th</sup> March 2009 in collaboration with Malta Tourism Authority and the Planning and Priorities Co-ordination Department. The second and third sessions were held on 18<sup>th</sup> and 20<sup>th</sup> March 2009, provided information on M114 and M123 respectively. These two meetings were all held in collaboration with Malta EU Steering and Action Committee (MEUSAC) and Bank of Valletta (BOV). The fourth session tackled M313 and M323 of Priority Axis 3, and was organised on 6<sup>th</sup> April 2009 by MEUSAC and the Secretariat for Local Councils. On the 30<sup>th</sup> July the MA participated in seminar aiming to promote the Leader programme. Finally, the last session was held on 20<sup>th</sup> November 2009 by MEUSAC and BOV, and presented information on Measures 111, 124, 132, 133, and 142 of Priority Axis 1.



Figure 12: March MEUSAC Info-session on M 114



Figure 13: March MEUSAC Info-session on M123



*Figure 14: April MEUSAC Info-session on M 313 and M 323*



*Figure 15: November MEUSAC Info-session on M 111, M 124, M 132, M 133, and M 142*

For an effective publicity campaign, in March 2009 Measure specific information leaflets were printed and distributed for Measures 114, 115, 123, 313, 323 and 341, and in November 2009 for Measures 124, 125, 132, 133, and 142. The aim was to give a brief overview of the Measures in question, eligibility conditions and administrative procedures to be followed to qualify for the specific schemes and project type of investment embedded in the Rural Development Programme.

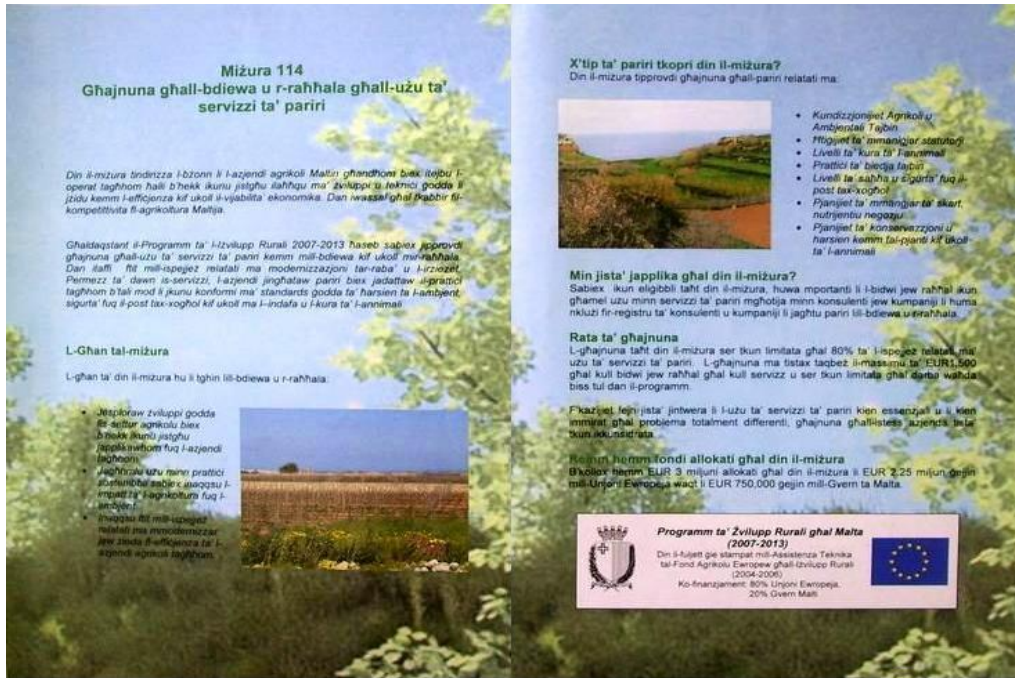


Figure 16: An information leaflet published for M 114



Figure 17: Information leaflets were published for all Measures launched

Furthermore, for broader coverage of information a number of articles were also included in the leaflets printed for the Naturalment Malti Fairs.<sup>21</sup> These articles focused on Measures M111, 114, 115, 121, 123, 124, 125, 132, 133, 142, 313, 323, and 341.

<sup>21</sup> The aim of the Naturalment Malti fairs is to promote locally produced products. The Managing Authority participated in these fairs to promote the RDP and raise further awareness on the funding opportunities under the RDP 2007-2013 available for the local agricultural sector to improve its competitiveness, viability and added value to products and services.



## Aktar investment fis-settur agrikolu

**W**aqt seminar organizzat mill-MEUSAC u l-Centru Nazzjonali tal-BOV gew diskussi fakkar dettali hames mizuri li jiffurmaw parti mill-pjan ghall-izvilupp rurali li fih pakkett ta' €100 miljun.

Bejniethom dawn il-hames mizuri jammontaw ghal €4 miljun. Il-Mizura 124 li se taghri ghajna ghall-izvilupp ta' prodotti, processi u teknologiji godda fil-biedja u s-setturi tal-ikel, bhal fost ohrajn l-akkwist ta' *patent rights* u licenzi, ix-xiri ta' makkinarju u taghmir gdid ghall-prodotti jew processi godda u l-izvilupp ta' *resting pigs* u *protopypes*. Il-Mizura 132 se tghin lill-bdiewa f'partecipazzjoni fi skemi ta' kwalita tal-ikel, kif ukoll tipprovdi kumpens ghall-ispejjez relatati ma' certifikazzjoni. Il-Mizura 133 se tipprovdi ghajna sabiex isiru attivitajiet ta' informazzjoni u ta' promozzjoni ta' skemi ta' kwalita tal-ikel bhal *casing events* u reklamar fuq il-mezz ta' xandir minn ghaqdiet ta' produtturi. Il-Mizura 142 hija indirizzata gha' rwaqqij ta' ghaqdiet tal-produtturi fis-setturi tal-halib, gbejniet, majjal, fniek, tigieg, ghasel, parata u dwieli tal-inbid. Il-Mizura 111 se toffi tabrig u informazzjoni ghall-bdiewa u rahlala biex kejbju l-kapacitajiet taghhom u b'hekk ikunu jinghu jgu f'faccjoni l-istidi li jrrizukaw minn *standards* godda u l-esigenzi tal-ekonomija rurali. Il-Ministru ghar-Rizorsi u l-Affarijiet Rurali



ghal €27 miljun. Din il-fiducja fis-settur giet espressa wkoll mill-Gvern fil-bagis li ghadu kif chabbar ghas-sena li geja, fejn issemmev diversi mizuri u incentivi sabiex ikompli jir avanz f'dan is-settur, sostna l-Ministru Pullicino.

Figure 20: Article published on MEUSAC Newspaper

The publicity channels employed also included written press, mainly articles in national newspapers both in Maltese and English, press releases, and announcements in the Government Gazette as well as articles in relevant newsletters. All the material produced or printed, featured the EU flag and the Maltese emblem as well as the wording which indicated the source of funding.



**Rural Development Programme 2007-2013**  
**Leaflet part-financed by the European Union**  
**The European Agricultural Fund for Rural Development**  
**Co-Financing Rate: 75% EU Funds; 25% National Funds**



*Europe Investing in Rural Areas*

Figure 21: Banner used for publicity to indicate EAFRD funding

In April 2009 calls for applications were published in both the Government Gazette and all local daily newspapers for Measures M114, M115, M123, M 313, M 323, and M 341 with the scope of ensuring that the notification reached the widest spectrum of audience possible. In June 2009 advertisements for the launch of the National Rural Network were also printed on all local daily newspapers. In the last quarter of the year 2009, adverts for the calls for applications for Measures M124, M132, M133, and M142 were in print on both local newspapers and the Government Gazette.



Russian President Dmitry Medvedev (left) shakes hands with Nigerian President Umaru Yar'Adua in Abuja, Nigeria yesterday.

## Medvedev in Nigeria to seal nuclear, gas pacts

Russian President Dmitry Medvedev arrived in Nigeria yesterday to sign a raft of pacts including key energy deals as part of a tour aimed at challenging Chinese and Western interests in Africa.

The first Kremlin leader to visit the energy-rich nation was greeted with a machine-gun salute - reserved for visiting heads of state - at President Umaru Yar'Adua's palm-lined villa in the capital Abuja.

Russia is negotiating to build a nuclear power plant in Nigeria and

to challenge Chinese and Western interests in Africa relinquished in early post-Soviet times.

"We have in principle agreed that we need to create conditions for cooperation in nuclear projects," said Sergei Kiriyenko, chief of Russian nuclear state corporation Rosatom.

The broad agreement to be signed will allow for the construction of a nuclear station and a research reactor and training of personnel, he said.

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GOVERNMENT OF MALTA  
 Ministry for Resources and Rural Affairs

As part of the activities that form part of the Rural Development Programme (2007-2013), the Managing Authority within the Ministry for Resources and Rural Affairs shall organise a seminar regarding the setup and implementation of the National Rural Network in collaboration with the European Network for Rural Development together with a group of Irish experts. The seminar shall be held on Wednesday, 1st July 2009.

Producer groups, producer organizations, farmers associations, agricultural organizations and cooperatives, public entities, non-governmental organizations, local action groups as well as other entities active in Rural Development are invited to attend.

Those interested are requested to call on Tel NoG 25904 158 or send an e-mail on joannee@agriculture.gov.mt by not later than Friday, 26th June, 2009.

This event shall be co-financed from the Technical Assistance of the Rural Development Programme (2007-2013), European Agricultural Fund for Rural Development (EAFRD). Co-financing rate 75% from the European Union, 25% from the Government of Malta.

Figure 22: Advertisement for the Launch of NRN on a local daily newspaper



Figure 23: The Official Launch of NRN in July 2009

In December 2009 three meetings were held, both in Malta and in Gozo, with co-operatives and producer groups to raise awareness on the aid available under the RDP and the respective Measure launched. This source of publicity has been successful in promoting the call for applications and raising awareness among potential applicants in the agricultural sectors. This is demonstrated by the high level of response to calls for project applications.

The official website for the Ministry for Resources and Rural Affairs ([agric.gov.mt](http://agric.gov.mt)) has a dedicated page to Rural Development including the Rural Development Programmes for 2007-2013. The aim is to give information to interested bodies or parties on the progress of the programme.

The website includes:

- General information about Rural Development;
- The respective Rural Development Programme;
- The Consultation Process;
- The National Rural Development Strategy for Malta;
- Information on Leader;
- Legal framework within which the RDP operates in;
- Downloads of templates, applications and guidelines for calls under EAFRD.

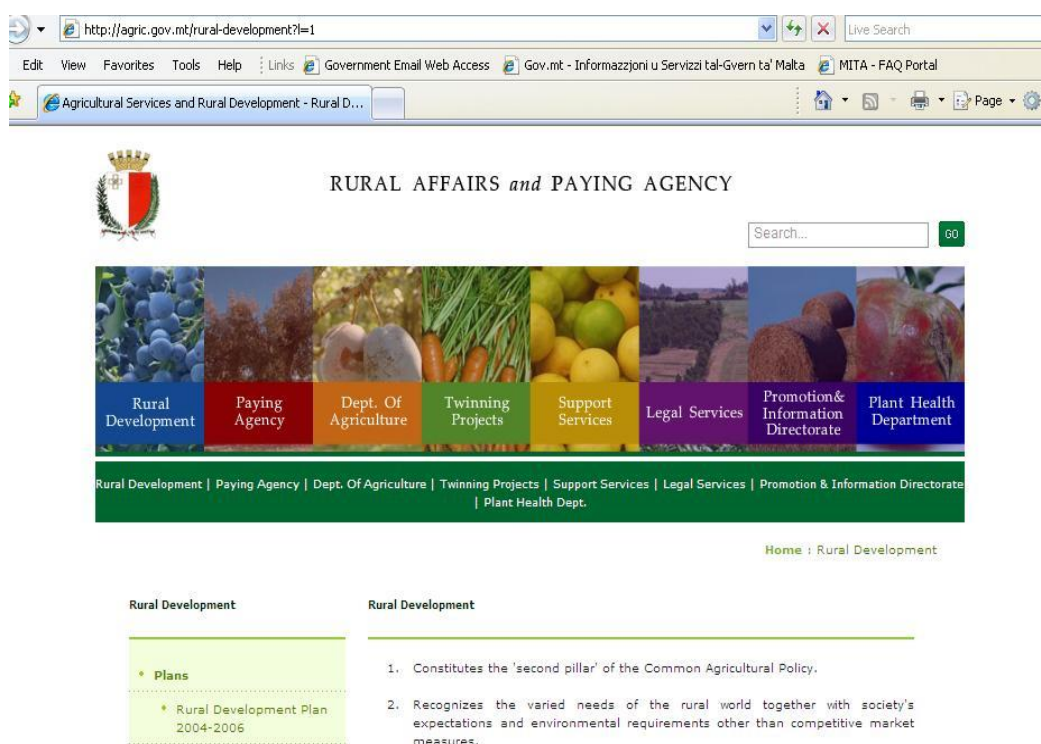


Figure 24: Official website for the Ministry for Resources and Rural Affairs

Furthermore, the MA is in the process of finalising the design of a dynamic website having direct links to the various local and international rural stakeholders. The scope of the website is to broaden the knowledge of the rural development policy among the local population, encourage the transfer of best practice among member states and also facilitate transnational cooperation. The website shall have information on each function of the Managing Authority and separate brief information on each Axis and measure. Any presentations delivered to the general public from time to time shall also be uploaded and shall be available for download. Rural stakeholders will be encouraged to access the website often to keep updated with any news and events organised by the MA.

## **2. Manual of Procedures**

The Manual of Procedures (MoP) has been designed as a guide to all key players involved in the management and implementation of Malta's Rural Development Programme (RDP) 2007-2013 Axis 1, 2, 3, 4 and Technical Assistance Measures. The MoPs are periodically reviewed and updated by the Managing Authority (MA) in order to fully comply with EU Legislation.

The latest update, version 2 of the MoP, was done on 16<sup>th</sup> November 2009 and submitted for certification in accordance with EC Regulation No 885/2006. Version 2 is to be approved in 2010 by the certification body, namely, the Internal Audit and Investigations Directorate.

## **3. Coordination with relevant stakeholders to ensure complementarity and demarcation with other EU Financial Instruments**

Malta has demarcation obligations as laid down in Article 9(4) of EC Regulation 1083/2006. In order to ensure that there is a clear demarcation between the type of actions to be funded through the EAFRD and other financial instruments, demarcation criteria have also been established in the RDP.

The Managing Authority has also held consultation and cross-checking with relevant entities whenever deemed necessary. In order to ensure coordination with other stakeholders, representatives from the MA for the Cohesion Policy 2007-2013 (namely the Planning & Priorities, Coordination Division) are members of the Monitoring Committee for EAFRD. It is worth pointing out that during the Monitoring Committee meeting held on 27<sup>th</sup> November 2009, discussions were held on the enhancement of the demarcation criteria with other EU financial instruments in particular those for Measure 111 & 114. Revisions of these criteria in the RDP are envisaged for the year 2010.

In addition, the MA for EAFRD also participated in the Coordination Committee, with the first Inter-Ministerial Co-ordination Committee (IMCC) on demarcation held on 9<sup>th</sup> April 2009. The Committee is chaired by PPCD, and it is attended by national contact points involved in the management of EU financial instruments. The scope of this Committee is to ensure that coordination and demarcation are adhered to.

Eventually, the Committee split into two with one committee being the Inter-Ministerial Coordination Committee on EU Infrastructure and Productive Funding Programmes and the other being the Inter-Ministerial Coordination Committee on EU Human Capital Investment Funding Programmes. The MA for EAFRD is a member of both these Inter Ministerial Committees, where meetings are held on a bi-annual basis, with the first meeting of both committees being held on 21<sup>st</sup> December 2009.



## **SECTION F DECLARATION ON COMPLIANCE WITH COMMUNITY POLICIES, INCLUDING IDENTIFICATION OF THE PROBLEMS ENCOUNTERED AND THE MEASURES ADOPTED TO DEAL WITH THEM (ARTICLE 82(2)(F) OF COUNCIL REGULATION 1698/2005)**

The execution of the Rural Measures took place according to EC Regulations No 1257/1999 and Regulation No 1698/2005 in compliance with Community policies and has respected conformity to regulations.

Within the Rural Development Programme for Malta 2007-2013, management arrangements have been put in place to ensure that there is effective demarcation with other EU funding streams, in order to ensure that fair competition is neither distorted nor restricted. Additionally these arrangements were created to ensure that that open and transparent procedures lead to more competition, stronger safeguards against corruption, better services and value for money and, ultimately, a more competition, whilst ensuring that there is no duplication of funding. Thus being in line with the Community Strategic Guidelines for Rural Development and other European treaties and directives will encourage synergies between the funds concerned, ensuring complementarity and coherence.

The Rural Development Department ensured coherence in the day to day management of socio-economic support under the EAFRD. Administrative arrangements were in place to ensure complementarity and co-ordination.

The Managing Authority has taken all necessary steps within the framework of assistance to ensure conformity with Community policies in particular respect of the Common Agricultural Policy as well as environmental policies. In order to ensure such compliance from the onset, the Managing Authority has taken the necessary steps to inform all potential applicants of their obligations emanating from such policies and attendant regulations. This was done through various publications distributed to potential applicants as well as information in the guidelines for applicants of the respective measures. Moreover applicants were asked to seek the advice of the relevant entity responsible for the main policies, in particular MEPA for planning permits and environmental policies, and to submit where relevant the required supporting documentation with the application form. In addition, to ensure protection of the environment, applicants have been informed that their proposed investment as, for example under Measure 121, investments related to water management must be in conformity with the Water Framework Directive. Where proposed investment concerned water facilities, applicants have been instructed that the Malta Resources Authority (MRA) must verify that the proposal respects the provisions of the Water Framework Directive.

The Managing Authority strengthened its close coordination and collaboration with the various Government entities such as the State Aid Monitoring Board and the Superintendence for Cultural Heritage as well as Departments and Ministries to ensure conformity and compatibility with Community Policies.

Applicants for the Measures launched in 2009 through the PA, and for Technical Assistance, have been asked to submit three quotations for the respective cost component envisaged in the respective application. In addition where public entities are eligible to apply for calls under EAFRD, the MA and PA has issued instructions in the respective guidance notes that such entities must ensure compliance with public procurement regulations, such as the Public Contracts Regulation, as well as the EU treaties and directives. Thus the delivery of the 2007-2013 programme operated within the established legal framework to further ensure transparency, proportionality, equal treatment and mutual recognition throughout the procurement process. This proactive approach encouraged the preparation of publicity material and guidance for applications processors. During the period under review, all applications for support through the RDP were equally judged on their merits by the respective bodies and a good level of accountability was maintained.

During 2009 the Managing Authority ensured that discrimination was prevented at the implementation stage. In the case of beneficiaries being public entities, provisions for equal opportunities are incorporated within the basic tender templates issued by the Department of Contracts of the Government of Malta. When submitting bids in relation to tenders for projects co-financed through EAFRD, the standard principles for gender opportunities applied by the Department of Contracts are also being applied, in that bidders are instructed (and subsequently screened) to ensure that the principle of gender equality is applied and shall thus refrain from discriminating on the grounds of gender, marital status or family responsibility. Tenderers are generally instructed to ensure that these principles are manifested in the organigram of the company and that the principles aforementioned, including the selection criteria for equal access to all jobs or posts, are amply proven at all levels of the occupation hierarchy. The nature of the projects, implemented by public entities constitutes of a service for the public good, and is therefore non-discriminatory. In addition, when the beneficiary is a private enterprise, the beneficiary is encouraged to ensure that the principles of equal opportunities are manifested in the organigram of the company and that these principles including the selection criteria for access to all jobs or posts, are amply manifested at all levels of the company's structure.

## SECTION G NATIONAL RURAL NETWORK AND LEADER

### NATIONAL RURAL NETWORK

The Maltese RDP, in common with all other member states, incorporates a networking forum which embraces the four axes of the Programme. This forum, known as the Maltese National Rural Network, is set up in accordance with Article 68 of Council Regulation 1698/2005.

The National Rural Network is hosted by the Managing Authority and is funded through the Technical Assistance of the RDP 2007-2013. The NRN seeks to assist an efficient and effective implementation of the Rural Development Programme, through the use of information activities, thematic sessions, exchange of experiences and share of good practices in between all local parties that have an interest or are directly involved in the operations of the RDP as well as to create communication networks in the international fora, particularly the European Network for Rural Development (ENRD).

The scope of NRN is to:

- Gather the response of all rural stakeholders on the effectiveness of the current Rural Development Programme 2007-2013 in terms of ensuring that the objectives of the programme are being successfully reached;
- Evaluate the perspective of rural stakeholders in order to capitalise on the strengths of the Rural Development Programme and address certain weaknesses;
- Consult all rural stakeholders in the preparation of the post 2013 Rural Development Programme;
- Enable the exchange of best practices and relevant expertise between rural actors through the organisation of seminars, conventions and workshops to ensure the use of best practice;
- Secure & coordinate the information flow at local and national levels to potential stakeholders;
- Facilitate the transfer of knowledge;
- Prepare training programmes for the support of LAGs in their process of formation and assist in the inter-territorial and transnational cooperation;
- Promotion of the Malta RDP both locally and through international forums such as through the ENRD;
- Consultation fora on CAP, impact and future prospects.

### Description of the procedures for setting up and running the network

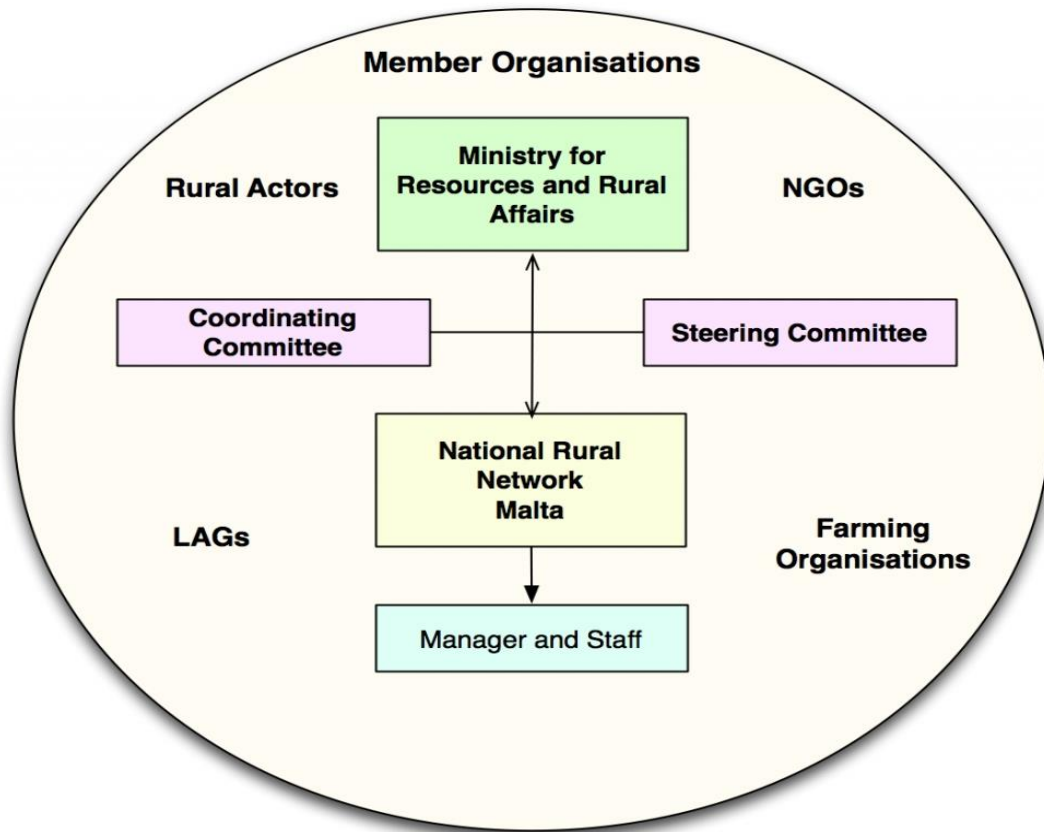
The NRN was officially launched in Malta by Hon. George Pullicino, (Minister for Resources and Rural Affairs), on 1<sup>st</sup> July 2009. A total of around 100 rural stakeholders attended this launching seminar together with guest speakers such as Mr. Martin Law (EN RD Contact Point) and a panel of Irish experts who shared their experiences on the NRN. The scope of this seminar apart from the launch of the NRN was to clearly explain the objectives of this networking forum, mainly promoting the bottom-up approach to all the present stakeholders. The approach mainly consists in the developing and enhancing channels of communication through information activities and exchanges of experiences and methodology, with the aim to stimulate the dialogue and improve the overall performance and success of the RDP.<sup>22</sup>

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<sup>22</sup> It is worth noting that the two committees of the NRN, namely the Steering Committee and Coordination Committees, were established during the 5<sup>th</sup> March 2010 seminar.

## Structure of the Malta NRN

Figure 25: Structure of the NRN



## State-of-play of the implementation of the action plan

In 2009 the MA set an NRN Unit for the coordination of the activities of the Network and the management of the Local Actions Groups (LAGs) for the Leader Programme. During the period under review, the NRN Unit, undertook extensive work in drawing up an action plan for the NRN, drafting the operating rules for the Local Action Groups and the setting up the work plan for the Steering and Coordination Committee. The MA also commenced work on setting up the website which will incorporate the NRN and Leader related information. Furthermore, the MA is also an active member of the ENRD whereby its representatives attended four NRN meetings in 2009.

The total public expenditure allocated for NRN for the 2007 – 2013 period from is that of € 500,000 from the Technical Assistance, of which 75% is the EU part. The following is a financial table showing the financial implementation of the programme and distinguishing between the elements covered by points (a) and (b) of Article 68(2) of Regulation (EC) No 1698/2005.

Table 16: Financial Implementation of NRN

Type of Expenditure for NRN	Annual payments for 2009	Cumulative payments from 2007 to 2009
(a) for running the structure of the national rural network	€ 20,286	€ 20,286
(b) for implementing the action plan of the national rural network	€ 883.44	€ 883.44
<b>Total</b>	<b>€ 21,169.44</b>	<b>€ 21,169.44</b>

### Work Envisaged on NRN for 2010

The objectives of the working programme envisaged for 2010 for the Malta National Rural Network includes:

- Setting up of the Steering Committee and the Coordination Committee;
- Newsletter publications;
- Participation in fairs, on the MA stand, to disseminate newsletter, questionnaires, and other promotional material on RDP and other RD issues;
- Focus Group meetings on thematic areas;
- Conduct a public debate in Malta on the future of the CAP, more specifically on Rural Development as envisaged by the ENRD and DG AGRI;
- Gather feedback from rural actors on Rural Development policy issues and thematic areas through one to one meetings and questionnaire-based surveying;
- Coordination of June NRN event with the participation of ENRD, DG AGRI, and other NRNs from other Member States.

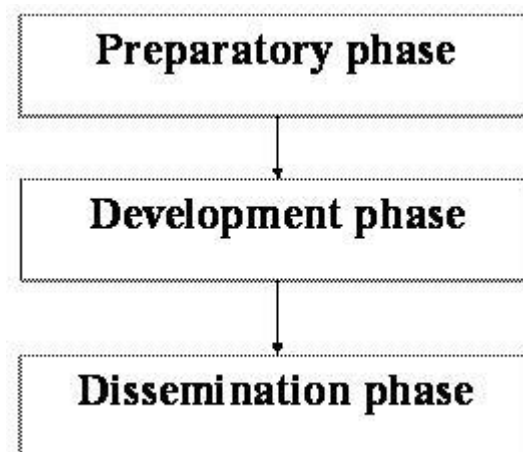
### Main upcoming NRN activities:

The focus group meetings on thematic areas are a focal point for 2010. The aim of focus groups is to raise awareness, generate ideas and suggest solutions on thematic areas and other Rural Development issues (where necessary). The members of these focus groups shall be representative of the wider rural sectors, being farming, public authorities, NGO's etc. Members from the Coordination Committee shall coordinate the focus group meetings to address the thematic areas selected by Steering committee. The thematic areas will focus on:

- Water management
- Competitiveness and adding value to agricultural products
- Rural Tourism

Focus groups shall be organised following three main stages:

- **preparatory phase** - will consist of preparation and gathering of information with regards to the particular thematic area, being legislations, statistical data and national priorities;
- **development phase** - the focus group will have time to discuss the thematic area and exchange experiences and ideas, and;
- **dissemination phase** - the information that will be generated during the focus group meeting will be used to formulate a report which will be useful for policy makers



*Figure 26: Focus group working structure*

The main purposes of focus group meetings are to:

- Evaluate the impact of the thematic area under the current RDP and local rural development policy,
- The relevance of the thematic area to the Maltese territory,
- Identify ways and means of how the thematic area can transmit tangible benefits to the rural community,
- Gather ideas and suggestions from rural stakeholders on how the RDP and national rural policy can address the needs of the rural community in line with National priorities.

## **LEADER**

As reported in Section B of this report, a call for applications for the drafting of LAG strategies was issued by the Managing Authority in March 2009. Three Foundations, these being referred to as Xlokk, Majjistral and Gozo Foundations<sup>23</sup> have completed the necessary preparation of their respective Local Development Strategy (LDS) and the latter were submitted to the Managing Authority for approval in December 2009. It is envisaged that the Managing Authority will approve the proposed strategies by the 1<sup>st</sup> quarter of 2010.

### **Local Development Strategies**

To compile the LDS a number of methodologies were adopted, namely public consultation to achieve a bottom-up approach, locality meetings organised in all localities forming part of the each LAG, sectoral meetings with the main economic sectors within the region and the establishment of a website

<sup>23</sup> The Xlokk Foundation is covering the southern part of Malta, the Majjistral is covering the northern part of the island whilst the third foundation is covering the territory of Gozo as per map illustrated in Figure 5 below.

to provide information on Leader, the LAG itself and also to enable online public consultation. The following are the three websites established:

- Galxlokk: [www.galxlokk.com](http://www.galxlokk.com)
- Majjistral: [www.leadermajjistral.eu](http://www.leadermajjistral.eu)
- Gozo: [www.leadergozo.eu](http://www.leadergozo.eu)

The LAGs identified a number of actions for each LDS according to the needs of the area they are representing. The actions identified were a reflection of a SWOT analysis following the consultation meetings. The following are the Specific Actions within the LDS of Galxlokk, Majjistral, and Gozo:

- **Galxlokk**
  - Action 1: Cultural/ educational activities
  - Action 2: Encouragement of tourism activities
  - Action 3: Infrastructure related to the development and adaptation of agriculture
  - Action 4: Embellishment Projects
  - Action 5: Capacity building for the LAG and other NGOs
- **Majjistral**
  - Action 1 – Creating an identity for the region
  - Action 2 – Enhancing the cohesiveness of the community of the region
  - Action 3 - Exploiting the assets of the region
  - Action 4 – Animation of the territory towards rural development
- **Gozo**
  - Action 1 - Promotion of Gozo as a distinct region
  - Action 2 – Festivals and events
  - Action 3 – Promotion of Gozo produce
  - Action 4 – LAG capacity building
  - Action 5 - Craft sector support
  - Action 6 – Folk and traditional activities support
  - Action 7 – Landscaping
  - Action 8 – improving signposting to sites of interest

Following approval of the strategies,<sup>24</sup> the next step will be the launch of Measure 41 of Axis 4 which would enable the three Foundations to be certified as LAGs so they can start to implement the Leader programme. The LAGs will be administering specifically allocated funds under Action Type 3, *Infrastructure relating to the development of agriculture*, of Measure 125 and Action Type 3, *Setting up trails that interlink various sites of tourist value*, and Type 4, *Provision of one time restoration and small scale recreational amenities*, of Measure 313<sup>25</sup> in accordance with the contract that the respective LAG will sign with the Paying Agency.

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<sup>24</sup> The 3 strategies were approved by the Selection Committee on 18<sup>th</sup> January 2010.

<sup>25</sup> Since the Leader approach is new to Malta, it is envisaged that the LAGs shall have limited responsibility for implementing actions under Axis 3 thus in the case of M313 the LAGs will specifically have responsibility for implementing only Action 3 which provide for the setting up of trails that interlink various sites of tourist value and Action 4 which provides for one time restoration of small scale recreational amenities such as leisure parks.

## Roles and Functions

To establish the LAGs the Managing Authority together with the Paying Agency, projected to support each LAG in various ways. Primarily, the MA has provided one-to-one training and assistance to each of the foundations to translate the local development strategy into concrete action plans:

- Prioritisation exercise (translating priorities into actions);
- The compilation of an action plan template for every action selected;
- A thinking process for board members;
  - Specifying clearly the strategic objective and also the scope of the action;
  - Rationale for requiring Rural Development Programme support;
  - The potential number of beneficiaries;
  - Ensuring no deadweight or displacement;
  - Cross cutting links with other actions;
  - Anticipated outcome of the action.

Secondly it is planned that the MA together with the PA is to recruit and train the LAG manager which is come into effect with the launching of M431, *Running costs, acquisition of skills and animation*, and to establish an Office were the LAG would be set up. Finally the MA is to perform capacity building and training sessions, both for the LAG and also for the Decision and Evaluation Committees.

The following, Figure 24, is an indicative map of the territory that the Foundations are covering. However, changes to the composition of the respective prospective LAG region might take place in 2010, in view of the fact that in 2009 the MA held meetings with the 3 prospective LAGs stressing that all rural areas of the Maltese Islands should be part of the project and thus efforts should be made to take on board any locality which to date failed to get engaged. 'Potential rural areas' to be included consist of eight localities, namely San Gwann and Mosta within the Northern region, while Zabbar, Xaghjra, Kalkara, Safi, Santa Lucia and Zurrieq within the Southern region.



Pak 2 (AEM 1&4)	Support to suppress the use of herbicides in vineyards and fruit orchards	1	0.01ha	10,185.89	70	28.76	36,838.19	35,406.79
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Figure 27: Geographical representation of the areas under Local Action Groups (LAGs)

