



Rural Development Programme

For Malta

2007 – 2013

Annual Progress Report

For 2010

Managing Authority for Rural Development

Ministry for Resources and Rural Affairs

June 2011

Managing Authority for the European Agricultural Fund for Rural Development

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ABBREVIATIONS

AEM	Agri-Environmental Measure
APR	Annual Progress Report
BOV	Bank of Valletta
CAP	Common Agricultural Policy
CAPI	Computer Aided Photo Interpretation
CION	European Commission
EAFRD	European Agricultural Fund for Rural Development
EAE	Ex-Ante Evaluation
EC	European Community
EERP	European Economic Recovery Package
ELC	Environmental Landscape Consortium
ENRD	European Network for Rural Development
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	Employment and Training Corporation
EU	European Union
FAS	Farm Advisory Service
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
IER	Interim Evaluation Report
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
LPG	Liquefied Petroleum Gas
LPIS	Land Parcel Identification System
MA	Managing Authority
MC	Monitoring Committee
MCA	Malta Communications Authority
MEPA	Malta Environmental and Planning Authority
MEUSAC	Malta EU Steering and Action Committee
MNRN	National Rural Network Malta
MRA	Malta Resources Authority
MRRA	Ministry for Resources and Rural Affairs
MTE	Mid-Term Evaluation
NGO	Non-Governmental Organisation
NRN	National Rural Network
NSP	National Rural Development Strategy Plan
PA	Paying Agency
PPCD	Planning & Priorities, Coordination Department
PV	Photovoltaic System
RD	Rural Development
RDC	Rural Development Committee
RDP	Rural Development Programme
RES	Renewable Energy Sources
RP	Recovery Package
SFC2007	System for Fund management in the European Community 2007-2013

SMPPMA	Special Market Programme for Maltese Agriculture
SPA	Special Protected Area
SMR	Strategic Monitoring Report
SWH	Solar Water Heater
Tu	Tumolo
UAA	Utilised Agricultural Area

EXECUTIVE SUMMARY

- 1.1 The Annual Progress Report to the European Commission on the Malta Rural Development Programme 2007-2013 covers the period 1st January to 31st December 2010 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 Plan (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 2010 was characterised with the re-launching of Measures as well as the contracting of eligible applications selected following completion of the project selection process for calls launched earlier on in the programming period. Since for Measure 111 under Priority Axis 1 no application was eligible under the call issued in 2009, a second call for was launched in November 2010, however since the call closed in 2011 no commitments were undertaken until the end of 2010¹. For Measure 114, Measure 115, and Measure 133 of Priority Axis 1, there were no new calls and no applications committed. As at end 2010 a total of 315 beneficiaries were committed under Measure 121, Measure 123, Measure 124 and Measure 132 with the public expenditure exceeding €18 million. With respect to Measure 142, 1 application was eligible and will be contracted in 2011.
- 1.6 In the case of Priority Axis 2, a call for new applications was issued for both Measure 212 and Measure 214 on 1st December 2009. When the call closed on 31st January 2010 a total of 297 new applications were received for the two Measures. Furthermore, a call for payment claims was also issued for both Measure 212 and Measure 214 Sub-Measures 1 to 9 on 1st February 2010. The deadline for submission of applications was set for 15th May 2010 with an extension granted up to 9th June. For both Measures under Priority Axis 2 a total of 8,157 payment claims were received in 2010.
- 1.7 In 2010, 24 beneficiaries were committed collectively under M313 and M323 with public expenditure exceeding €21 million. Moreover, following the three contracted beneficiaries under Measure 341 of Priority Axis 3 in June 2009, the official results of the three eligible Local Action Groups were published on April 2010. As a result, the three LAGs were contracted under Measure 41 of Priority Axis 4 and initiatives by the LAGs commenced under Measure 421 and Measure 431. A total of €3,875,000 public expenditure was committed in 2010 under the three Measures of Priority Axis 4.

¹ 4 bids under Measure 111 were received when the call for applications closed on 14th January 2011.

- 1.8 The MA carried out two programme modifications one in August and December 2010. The first set of modifications concerned the provision of an advanced payment for investment support under Measure 121, Measure 123, Measure 124, Measure 125, Measure 313 and Measure 323. The second modification concerned a number of changes to the Budget, aimed at satisfying the demands and objectives of rural development in Malta whilst ensuring absorption of funds. When approved, the modifications will affect the financial allocations of the following Measures: Measure 111, Measure 114, Measure 121, Measure 123, Measure 125, Measure 212, Measure 214, Measure 313, Measure 323, Measure 41 and Measure 421.
- 1.9 Payments and subsequent committed certifications envisaged for 2010 were affected. Requests for reimbursement were submitted to the Commission as at end of 2010 for Measure 121 and Measure 123 under Priority Axis 1, Measure 212 and Measure 214 under Priority Axis 2, Measure 313, Measure 323, and Measure 341 under Priority Axis 3, and Measure 511, Technical Assistance, as explained under Section C.
- 1.10 The major risks include the following:
- Insufficient administrative capacity in key organizations including the Managing Authority;
 - Lengthy process in developing the Rural Development I.T Database
 - Delays in roll out of the National Rural Network
 - Delay in the setting-up of the MA website.
- 1.11 Action taken by the Managing Authority to mitigate these risks can be found under Section F.
- 1.12 By way of conclusion, the year 2010 was taken up primarily by 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. Controls and checks were undertaken by the Control Unit for each respective Measure. Subsequently, there was the contracting of beneficiaries who applied under Measure 121, Measure 123 Measure 124 and Measure 132 under Priority Axis 1, Measure 313, Measure 323 and Measure 341 under Priority Axis 3 well as the contracting of the LAGs under Priority Axis 4. Furthermore the MA saw to the continual updating of the Manual of Procedures and further development of the Rural Development I.T Database.

I. 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 2010

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.

The economy in 2010

The small size of the economy of Malta gives rise to a set of inherent difficulties. Firstly, it primarily limits the possibility of economies of scale and also restricts production possibilities. This in turn also increases Malta's dependence on a limited range of exports which leads to higher risks deriving from decreased diversification with respect to other larger economies. Moreover, insularity also gives rise to higher transportation and transaction costs with the rest of the world. The Maltese economy is also a very open one, whereby this high degree of openness makes the domestic economy very susceptible to demand and supply shocks from the rest of the world. Furthermore, given the lack of any major natural resources, Malta is also dependent on a number of imports which retain strategic importance. These characteristics constitute a challenge in that the economy's performance is highly sensitive to external events and to sector specific shocks.²

Over the last decade the Maltese economy was characterised by a significant restructuring process which amongst others led to a significant re-orientation of the economy away from the manufacturing sector towards the services sector. The share of manufacturing in total gross value added has declined from 22.4% in 2000 to 13.4% in 2010. Over the same period, the share of primary industries including agriculture, fisheries, and construction has also declined from 6.4% of gross value added to 5.5% of total gross value added. On the other hand, the services sector's share of total gross value added increased from 52.5% in 2000 to 58.8% in 2010. The share of government, education, health and social work in total gross value added also increased from 16.4% to 19.0%. A process of economic diversification was also present whereby the dependence on tourism and electronics was reduced and complemented by emerging sectors in chemicals, aircraft maintenance, business services, information technology and financial

² Source: Ministry for Finance, Economy and the Investment, 2011

services. This restructuring process was undertaken at a significant time of Malta's economic history underlined by significant trade and economic liberalisation, Malta's accession into the EU and also Malta's adoption of the Euro.³

National income

In 2010 the Maltese economy registered a real GDP growth of 3.7%, with net external demand still providing the major influence as exports increased by around 17.2% in real terms. Private final consumption was weak, being partly offset by a slight increase in Government consumption. Meanwhile, investment continued to recover, although it still stands at much lower levels than observed prior to the onset of the global economic crisis.⁴

Following a slight downward trend in Malta's real GDP growth over the first three quarters of 2010, growth picked up again to reach approximately 4.0% in the fourth quarter of the year under review. However, this was mainly generated from domestic demand, with Government consumption providing a positive contribution and investment recording a relatively strong rate of growth. Private consumption continued to be weak while a gradual downward trend in real export growth could be discerned since the second quarter of 2010.⁵

At a sectoral level, improvements were registered by both the manufacturing and the tourism sectors. During 2010 the gross value added (GVA) in the manufacturing sector increased by 8.0%. In the hotels and restaurants sector the GVA rose by 11.5%, reflecting the increase in tourist departures. Indeed, during 2010, tourist departures rose by 12.7%. Meanwhile, the financial intermediation sector registered a strong performance in 2010 with the real estate, wholesale and retail trade sectors also registering positive growth in gross value added.⁶

Harmonised Index of Consumer Prices

In December 2010, the Harmonised Index of Consumer Prices went up to 112.76 from 112.21 in November 2010 which was resulted an increase by 0.5% over the previous month. This primarily reflected an increase of 2.0% in the Transport Index, due to a rise in the price of fuels. A seasonal increase in the price of garments caused the Clothing and Footwear Index to go up by 1.7 %. The Alcoholic beverages and Tobacco Index went up by 0.9% due to higher prices of cigarettes. An upward movement in the price of jewellery was the main factor behind a 0.6% increase in the Miscellaneous Goods and Services Index. The Housing, Water, Electricity, Gas and Other Fuels Index went up by 0.3%, on account of a rise in the price of gas. Higher prices of fruit underlay a 0.2% increase in the Food and Non-alcoholic Beverages Index. The Health Index and the Restaurants and Hotels Index both edged up by 0.2%, on account of higher fees for medical/paramedical services and accommodation services respectively.⁷

³ Source: Ministry for Finance, Economy and the Investment, 2011

⁴ *ibid*

⁵ *ibid*

⁶ *ibid*

⁷ *ibid*

The Communication Index went down by 0.6% due to lower fees for telephone equipment and services. The Recreation and Culture Index showed a similar drop due to a downward movement in the price of package tours.⁸

In December 2010, the twelve-month moving average rate of inflation stood at 2.0%, whereas the annual rate of inflation stood at 4.0%.⁹

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 as 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.

Contribution by the Agricultural sector to the national Gross Value Added (GVA) accounted for around 1.7% and over €90 million. This outcome represented a 1.2% decline rate in GVA for the Agricultural industry over the year 2009. The drop in value added is a result of a decrease in known sales of poultry, milk, fruit and vegetables. There was also a drop in the funds received by ELC Ltd (Environmental Landscapes Consortium Ltd) from central government relating to landscaping projects. ELC was the first ever Private Public Partnership with the Malta Government and currently handles public landscaping around the Islands of Malta.¹⁰

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 2010, the total aid given by the Maltese Government in agricultural support schemes amounted to € 10.16 million. The highest amounts were given to support Pig Meat Producers 2.63 million, followed by Tomato Growers 1.17 million, Milk Producers € 1.94 million and Fruit and Vegetable Growers 2.41 million.¹¹

The total volume of pork slaughtered in 2010 amounted to 7,510 tonnes and 85,228 heads while beef slaughtering during the same period under review reached a total amount of 1,422 tonnes of 5,691 heads. The above resulted in an increase of 1.9% when compared to the total amount in tonnes of pork slaughtered in 2009 and decrease of 7.79% when compared to the total amount in tonnes of beef slaughtered in 2009. Total volume of broiler slaughtering amounted to 2.6 million in 2010 which resulted in a decrease of 3.7% when compared to the total amount of broiler slaughtered in 2009.¹²

⁸ Source: Ministry for Finance, Economy and the Investment

⁹ *ibid*

¹⁰ Source: National Statistics Office, 2011

¹¹ Source: MRRA, Paying Agency, 2011

¹² Source: MRRA, 2011

Meat production edged up by 0.2% to 3,645 tonnes during the last quarter of 2010. The beef and broiler meat-production declined by 32.6% and by 1.4% respectively, due to lower numbers of slaughtered cattle and broilers (35.7% and 3.5% respectively). However, there was an increase in the average carcass weight. The production of pig-meat rose by 8.1%, attributable to a 6.7% rise in the average carcass weight and to an increase of 311 slaughtered pigs. During the last quarter of 2010 the producer value of animals slaughtered at licensed slaughterhouses amounted to €6.8 million, up by €0.1 million (1.5%) over the fourth quarter of 2009. The producer value of beef dropped by 25.6% due to the lower numbers of cattle slaughtered. The average price per kilogram fetched on the market went up by 10.3%, from €2.49 per kilogram in 2009 to €2.74 in 2010. On the other hand, the producer value of pig-meat registered a rise of 8.1% due to an increase in the number of slaughtered pigs, while the average price per kilogram remained at par with the comparative period in 2009. Reflecting a higher average price per kilogram, the producer value of broiler meat registered an increase of 3.8%. The average price per kilogram went up by 5.2% to €1.80 in the fourth quarter of 2010.¹³

The volume of fresh fruit and vegetables passing through the official markets in the fourth quarter of 2010 dropped by 7.6% amounting to 8.6 million kilograms over the corresponding period in 2009. On the other hand, the wholesale value of fresh fruit and vegetables advanced by 12.5% amounting to €4.3 million. Over the comparative period the supply of fresh vegetables contracted by 7.4% to a total of 8.1 million kilograms. Declines were registered in the supply of vegetable marrows (-29.1%), potatoes (-20.1%) and cauliflowers (-3.1%). On the other hand, the supply of dry onions and cabbages increased by 8.9% and 5.8% respectively. In contrast, the wholesale value of fresh vegetables rose by 14.8% to €4.0 million in the fourth quarter of 2010. The supply of fresh fruit fell by 10.9%, mainly due to a shortage in the supply of lemons (-16.5%) and pomegranates (-19.2%). Likewise in 2010, the wholesale value of fresh fruit decreased by 7.7%, to a total of €0.4 million. The volume of fresh fruit and vegetables supplied by Maltese farmers amounted to 7.8 million kilograms, a decrease of 7.4% over the corresponding period in 2009. During the fourth quarter of 2010, the wholesale value of fresh fruit and vegetables rose by 14.2%, from €3.3 million to €3.8 million. Gozitan farmers produced a total of 0.8 million kilograms of fresh fruit and vegetables or 9.0% of the total supply. Moreover in 2010, the Gozitan volume of fresh fruit and vegetables declined by 9.7%, whereas the wholesale value rose by 2.0 % over the comparative quarter in 2009.¹⁴

Impact on Dairy sector through the EERP

The dairy industry in Malta has over the years faced a number of natural and structural disadvantages such as limited agricultural land, scarcity of rainfall, a small local market and high transport costs incurred to import animal feeds given that there is no local production of grains.

The dairy sector has also been facing further market pressures due to the gradual removal of the milk quota system. In Malta the quota system has been a very important instrument which has so far provided the dairy sector with stability by enabling the industry to find a daily balance between production and demand as well as a balance between adequate income for the dairy producers and prices to the consumer. With the gradual removal of the dairy quota it is likely that this vital balance and stability will be lost due to the fact that supply could well outstrip demand. In the meantime competition from international suppliers has continued to intensify.

¹³ Source: National Statistics Office, 2011

¹⁴ *ibid*

The situation is further exacerbated by the fact that given the size of the market, Malta continues to be unable to make use of market support measures such as private storage and export subsidies which means that the dairy industry does not have any kind of safety net to maintain stability when there is a greater supply than demand.

In view of the situation described above the Government of Malta took the decision to allocate the additional funds which were made available from the Recovery Package (€ 1.02 Million) to the dairy sector where such funds were to be aimed at improving the management, efficiency and productivity of the sector.

Clearly given the limited amount of the additional funds made available from the Recovery Package it is not possible to individualise the impact that these funds on their own have had on the dairy sector. It is however useful to see the considerable efficiency and productivity improvements that have been achieved by the sector between 2009 and 2010.

Year	Dairy Herd	% Change	Milk Production	% Change
2009	6,931		39,454,536	
2010	6,362	<8.2>	42,126,640	6.8%

Table 1: Milk Production / Efficiency

As can be seen from the figures presented in Table 1, in 2010 the dairy herd was reduced by 8.2% whilst the amount of milk produced increased by 6.8%. This means that through better farm management and through improved farm efficiency more milk was produced using some 569 heads less. A smaller herd means less impact on the environment as well as less costs incurred by the industry.

A production rate of 5,692 kgs per head in 2009 was improved to 6,621 kgs per head in 2010.

It is also interesting to note that in spite of the harsh competition from imported products, all local production was sold on the local market.

Year	TBC (>100,000)	Somatic Cell Count (>400,000)
	% of total Raw Milk	% of total Raw Milk
2009	95.8	98.6
2010	99.8	99.7

Table 2: Milk Quality / Hygiene

Table 2 presents the values concerning the Total Bacterial Count (TBC) and the Somatic Cell Count for milk produced in Malta. Both values are considered to be the main measurements that denote quality and hygiene.

As can be seen from the values presented, 99.8% of the milk produced in Malta in 2010 had a TBC count of less than 100,000 (which is the benchmark value established by the EU). This is up from the 95.8% registered in 2009.

The same picture emerges when it comes to readings concerning the Somatic Cell Count. 99.7% of all milk produced locally in 2010 was found to have a reading of less than 400,000 (which is the benchmark value established by the EU). This is up from 98.6% in 2009, which amount was already very high.

The picture that emerges from the data provided above clearly shows that the dairy industry has registered important progress in the fields of farm efficiency and milk quality and hygiene. Whilst it is impossible to attribute such improvement solely to the additional funds made available to the dairy sector from the Recovery Package, there is no doubt that the investments undertaken through the funds from Measure 121 and through the funds from the Recovery Package are having an important impact on the dairy sector in Malta.

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.¹⁵

Employment

Data from the Labour Force Survey for October-December 2010 indicates an increase in employment over the corresponding quarter of 2009. The number of employed persons during the fourth quarter of 2010 was estimated at 163,123 amounting to 47 per cent of persons aged 15 and over. The number of unemployed persons stood at 11,978 (3%), and the number of inactive persons stood at 175,067 (50%). Of all persons within the 15-64 age-bracket, 60% were active, with the highest activity rates being recorded in the 25-54 age-bracket for both sexes.¹⁶

The employment rate for the fourth quarter of last year was estimated at 56%, with the highest rates being recorded for persons aged 25-54. Just over 30% of employed persons were engaged in wholesale and retail trade, hotels and restaurants, and transport, storage and communication sectors. Moreover, they were mostly engaged in service-oriented jobs, including occupations such as hairdressers, waiters and salespersons. Service-oriented occupations prevailed among female workers (22%), while men were mostly engaged in craft-related jobs (17%). In terms of professional status, self-employed persons accounted for nearly 14% of the total work force. In general, the majority of employed persons, 143,238 or 88% were working on a full-time basis. On the other hand, 19,885 were engaged in part-time jobs, or full-time with reduced hours. During the last quarter of 2010, the average gross annual salary of employees was estimated at €14,448. This amount refers to the basic salary and excludes extra payments such as overtime, bonuses and allowances. The highest average salary for employees by main occupation was for legislators, senior officials and

¹⁵ *ibid*

¹⁶ *ibid*

managerial occupations. The unemployment rate for the last quarter of 2010 was estimated at 6.8%. On a gender basis, the share of unemployed males stood at 7.0%, while that for females stood at 6.5%. The largest share of unemployed persons was recorded in the 15-24 age groups. Within the unemployed population, 49% stated that they had been seeking work for 12 months or more.¹⁷

The latest data available from the Employment and Training Corporation (ETC) as at September 2010, the population of agricultural labour force stood at 2,641 of which full and part time stood at 2,408 while 233 were unemployed. Part-time employment amounted to 687 persons while 1,721 persons worked on a full time basis. Males' employment within the agricultural labour force amounted to 2,339 persons (88.6%).¹⁸

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 uptake of renewable energy sources (RES) namely Solar Water Heaters (SWH) and Photovoltaic system (PV) has picked up in the last few years following the increase in electricity rates and the introduction of attractive Government grants on capital costs. These grants are awarded through an aid scheme co-financed through Structural Funds under Operational Programme I of Cohesion Policy. The project, ERDF 088: Promotion of Renewable Energy Sources in the Domestic Sector. This scheme which is being managed by MRA is directed towards households and aims at contributing towards the mitigation of climate change through the installation of renewable energy equipment such as PVs and solar water heaters. As at end 2010, there were 1867 PVs grants contracted for circa €5.5 million (to be installed in Malta) while 222 PVs have been contracted for a total of €648,656.21 (Gozo). 348 Solar Water Heater (SWH) applications for a value of €188,860 have been awarded to be installed in Malta while 156 grants have been awarded for SWHs to be installed in Gozo for a value of €85,319. The registered capacity of PVs has increased from 12.65kWp in 2005 to 1.67MWp in 2010 while the number of solar water heaters is estimated to have increased from 5,010 solar heating systems installed in homes in 2005 to 15,524 in 2010. The installation of wind turbines is still very low with a total registered capacity of 27.2kW at the end of 2010. The National Renewable Energy Action Plan (NREAP) published in 2010 sets out a plan to meet the 2020 target of 10% energy from RES. The promotion of PV, wind and solar thermal systems are the most prominent since so far these are the most feasible for Malta. Large scale wind projects proposed by government in the energy policy will contribute to slightly less than 4% points of Malta's RES target if realised. In Malta space is a major issue and thus, although climatic conditions make the exploitation of solar energy very attractive, the country is limited in the extent of uptake of these technologies due to spatial constraints. In fact the action plan outlines that approximately only 1% point of the RES target in 2020 will come from PV and SWH. Review and modification of support mechanisms for RES uptake in the Maltese islands will be continuous. The action plan envisages that the remainder of the renewable energy required to meet the 2020 target, will be met through energy recovery from waste and renewable fuels. The draft energy policy also proposes studies regarding the potential of geothermal for heating

¹⁷ Source: National Statistics Office, 2011

¹⁸ Source: Employment and Training Corporation, 2011

and cooling. These measures will increase the use of renewable energy sources contributing towards reduction in emissions and marginally towards security of supply.¹⁹

The second sub-measure of M121 was aimed at supporting environmental investment. Through this measure there was an investment in photovoltaic systems, solar water heaters, insulation boards and tractors running on biodiesel. The capacity of PV systems to be installed through this call is estimated to be approximately 264kWp with systems ranging from 0.065 to 15.12 kWp. Around 15 of the applicants opted to install solar water heating systems as part of their project; the savings from all the systems installed is estimated to be 84, 884kWh. The other environmental investment is that of insulation boards on farms which will help to further reduce energy consumption. Total volume of investment related to projects approved under sub-measure 2 amounted to €2.6 million.²⁰

In 2010, a fourth grant scheme for solar water heaters was launched, through which a 40% grant to a maximum of €560 on eligible costs was given on approved systems and installations. This scheme saw the sales of solar water heaters plummet downwards since whereas in previous schemes everyone could apply, this scheme set eligibility criteria. Only households that meet the eligibility criteria could benefit from this scheme, these being households receiving Energy Benefit Vouchers, or Children's Allowance, all Gozitan households in lieu of the Eco-Gozo policy, households with an income or joint income not exceeding €16,070, first time buyers of premises purchased costing less than €120,000 or households in receipt of social assistances. In the 2011 government budget it was announced that the grant scheme would re-open and a sum of €800,000 is allocated. A grant of a maximum of €400 will be given for each system. It is calculated that 2,000 families are going to benefit from the scheme.²¹

The agriculture and fisheries sectors have been separated from mainstream Cohesion Policy under the 2007-2013 Programmes. The sectors are supported by the EAFRD and the EFF respectively. The National Strategic Reference Framework (NSRF) highlights the consistency and complementarity between the Structural Funds and the EAFRD and the EFF.

As stated in Section E sub-section 4, The MA for EAFRD is a member of both the Inter-Ministerial Coordination Committee (IMCC) on EU Infrastructure and Productive Funding Programmes and the Inter-Ministerial Coordination Committee on EU Human Capital Investment Funding Programmes. The Committee is chaired by the Managing Authority for Cohesion Policy, and it is attended by national contact points involved in the management of EU financial instruments. The scope of these Committees is to ensure that coordination and demarcation are adhered to. Through such coordination on demarcation of funds ensures that there is no duplication of funds. Meetings regarding demarcation issues continued to be held regularly between the ERDF Intermediate Body (IB) and the MA for Cohesion Policy and the EAFRD MA prior to the launch of the call for grant schemes. During these meetings, possible overlaps are discussed and measures are taken on how to best guide Applicants and also avoid any possibility of double funding. It is also worth noting that the MA for Cohesion Policy is a member of the EAFRD Monitoring Committee. Furthermore, the Ministry for Resources & Rural Affairs (which is the Ministry responsible for both EAFRD and EFF) is also represented in the Monitoring Committee for the European Social Fund.

The first electrical interconnection of Malta to the European energy grid, of capacity 200MW, will be commissioned by 2013. This cable will further reduce the output from inefficient generating capacity at Marsa Power Station. The interconnector will also ensure that existing and new generation capacity is utilised in the most efficient manner possible by allowing the local plant to operate at or as near to base-load as possible. Since electricity acquired via the interconnection will not be generated locally

¹⁹ Source: Malta Resources Authority, 2011

²⁰ *ibid*

²¹ *ibid*

this will considerably reduce national CO₂ emissions and other pollutants. It is expected that the price of the electricity purchased from mainland Europe would also include the cost of CO₂ emissions allowances required to be surrendered by the electricity provider in compliance with Directive 2003/87/EC. The interconnector would also provide Malta with the opportunity to purchase electricity generated from renewable energy sources from mainland Europe. Furthermore, the interconnector is considered to be important for the eventual integration of the wind farm planned to be installed in 2016; the interconnection would be instrumental in the integration of such a large intermittent source of renewable energy. This integration would otherwise be hampered by a lack of generation and transmission network capacity. The contract for the turnkey design and build of the 1X200MW 220kV HVAC interconnector was awarded in December 2010. It is expected that the cable interconnection will be commissioned by October 2013.²²

In August 2010, in a bid towards the introduction of autogas for vehicles on the Maltese market, the Malta Resources Authority published Legal Notice 393 Autogas (Installation and Certification) Regulations governing the full or partial use of autogas in motor vehicles. This also regulates the installation and certification of autogas equipment and retrofit systems on motor vehicles. There are requests from some petrol stations around Malta to be equipped with skids to be able to dispense autogas. The main challenge in the Maltese market will be to promote a culture of new use of LPG (Liquefied petroleum gas). The method of converting cars from petrol to LPG being proposed for Malta is based on a technique that has been well consolidated in many countries. On average, and depending on the type of car in question, it costs about €1,000 and allows for the dual use of both petrol and LPG. The regulations stipulate that no autogas equipment or autogas retrofit system shall be installed on a motor vehicle, unless it complies with the requirements of UNECE 67 or UNECE 115, has been type-approved by an authorised type approval authority in accordance with Directive 2007/46/EC and its amendments, is safe to be installed in such a motor vehicle and is suitable for use for such a motor vehicle. According to the regulations published by the MRA, competent retrofitters are to provide a handbook to the motor vehicle owner, as well as certification that the car has been retrofitted for autogas by a qualified professional, which must be carried in the car at all times. The manual will detail technical specifications of the vehicle's autogas system, safety instructions, instructions on filling an LPG tank, the switchover procedure, maintenance and specifications for the scrapping of a vehicle with an LPG tank.²³

In Malta the public transport system consists mainly of buses, passenger vans and taxis. It is observed that bus patronage halved between 1989 and 2010 from 31.7% of people using buses in 1989 to 15% in 2010. Government is planning to change this situation and increase the percentage bus use in the coming years through a system of incentives and disincentives. Government is implementing measures to reform the public transport system as part of the new transport policy. It is envisaged that these measures will lead to improved energy efficiency in transport. A modal shift of 8% from the use of private cars to use of public transport is being targeted. In an effort to increase the usage of the public transport service, as from July 3rd 2011 all the 508 current public transport scheduled buses will be decommissioned to be replaced by 264 Euro V buses as a result of the adjudication of a tender for a new public transport operator. Despite the fact that the number of buses on the road will decrease there will be an increase in the seating capacity from 13,900 to 20,500.²⁴

The new network will offer more routes and more frequent service. The increase in routes will result in improved accessibility to rural towns and villages and will also lead to improved connection between rural towns and urban centres thus improving the quality of life and attractiveness for people to live in rural areas. A night service has also been introduced. Through the IT system to be set up, government will be able to monitor in real time the bus position, arrival time on each bus stop, alert for all delays and record the number of persons boarding at each bus stop. The passengers will be able to receive full timetables for each route by SMS, as well as be able to view real time information at bus stops and

²² Source: Malta Resources Authority, 2011

²³ *ibid*

²⁴ *ibid*

online. These changes are aimed at making the service much more efficient and hence it will attract a larger number of users.²⁵

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 respectively and two additional market offerings of broadband services provided over networks built using unlicensed radio spectrum. Overall coverage in 2010 was approximately 100% of the geographic territory of Malta and Gozo. A total of 28.86% of Maltese population was subscribed in 2010 and 84.17% of Maltese households. The above resulted in an increase of 2.5% when compared to subscribe population in 2009 and 7.8% when compared to number of household subscribed in 2009. 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. As a comparison below are figures for Broadband subscribers for years 2009 and 2010 respectively, that show increasing the number of subscribers for DSL and BWA and decreasing the number of subscribers for Cable Broadband.

Table 3: Broadband Subscribers by type in 2009 and 2010

		Broadband subscriptions		
as at the end of...	2009	2010		
DSL	52,815	63,401	DSL	
Cable	54,221	51,319	Cable	
BWA	3,813	4,659	BWA	
Total	110,849	119,379		
		Broadband subscriptions		
as at the end of...	2009	2010		
DSL	47.65%	53.11%	DSL	
Cable	48.91%	42.99%	Cable	
BWA	3.44%	3.90%	BWA	
Total	100.00%	100.00%		

Source: Malta Communication Authority, 2011

²⁵ ibid

Table 4: Broadband Speed in 2008, 2009 and 2010

Number of connections by download speed category	Dec-08			Dec-09			Dec-10		
	RWA	DSI	Cable	RWA	DSI	Cable	RWA	DSI	Cable
< 144 kbps	-	-	2,706	-	-	1,230	-	-	425
≥ 144 kbps but < 2 Mbps	-	-	2,649	-	74	1,364	10	82	607
≥ 2 Mbps but < 4 Mbps	2,882	31,640	40,276	3,130	2,226	-	691	29	-
≥ 4 Mbps but < 6 Mbps	-	485	-	551	34,232	45,110	3,789	45,578	42,505
≥ 6 Mbps but < 10 Mbps	-	9,869	772	102	12,237	-	118	13,576	-
≥ 10 Mbps	-	4,010	5,626	30	4,082	6,517	51	4,136	7,782
Number of connections	2,882	46,004	52,029	3,813	52,851	54,221	4,659	63,401	51,319
			100,915			110,885			119,379

Source: Malta Communication Authority, 2011

Table above shows speeds and penetration rates for three consecutive years (2008, 2009 and 2010) which clearly indicate the improvements that have been achieved recently. From 2008 onwards, there was significant amount of subscribers with speed more than 10Mb within Cable and DSL Broadband. In 2010 the amount of subscribers went up for 33% with speed between 4 and 6Mb for DSL and almost seven times for BWA over 2009. In 2010 number of subscribers increased for more than 22% in BWA with speed more than 10Mb, increased in more than 20% in DSL Broadband and decreased in more than 5% in Cable Broadband with the same speed compared to year 2009. Overall number of Broadband subscribers went up for 7.7% in 2010 over the year 2009. Data presented above is provided by Malta Communications Authority (MCA) and 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.

ICT related initiatives are also being specifically catered for through the RDP under Measure 313. 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 is supported. Through Measure 313, all projects financed consist ICT related activities namely: websites, documentaries, interactive panels, virtual tours and DVD/it, IT hardware/software computer stations & printers, point of sale systems, photocopiers, webpage procurement and installation of audio-visual information panels and improvement in security systems are also being financed under this Measure with the scope of enhancing the level of provision of ICT in relation to rural areas. Total volume of investment related to ICT activities financed, amounted to €0.5 million.

2. 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)

Highlights of Programme Implementation in 2010

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 2010, 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.

2010 was characterised with the re-launching of Measures as well as the contracting of eligible applications. Since for Measure 111 under Priority Axis 1 no application was eligible under the call issued in 2009, a second call for was launched in November 2010, however since the call closed in 2011 no commitments were undertaken until the end of 2010²⁶. Furthermore, for Measure 114, Measure 115, and Measure 133 of Priority Axis 1, there were no new calls and no applications committed. As at end 2010 a total of 315 beneficiaries were committed for Measure 121, Measure 123, Measure 124 and Measure 132 for a total public expenditure of over €18 million. With respect to Measure 142, one application was eligible and will be contracted in 2011.

For Priority Axis 2, a call for new applications was issued for both Measure 212 and Measure 214 on 1st December 2009. When the call closed on 31st January 2010 a total of 297 new applications were received for the two Measures. Furthermore, a call for payment claims was also issued for both Measure 212 and Measure 214 Sub-Measures 1 to 9 on 1st February 2010. The deadline for submission of applications was set for 15th May 2010 with an extension granted up to 9th 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. For both Measures under Priority Axis 2 a total of 8,157 payment claims were received in 2010.

Under Priority Axis 3, in 2010 Measure 313 and Measure 323 committed together 24 beneficiaries for the total public expenditure of over €21 million. Moreover, following the three contracted beneficiaries under Measure 341 of Priority Axis 3 in June 2009, the official results of the three eligible Local Action Groups were published on April 2010, followed by the contracting of the three LAGs under Measure 41, Measure 421 and Measure 431 on September 2010 of Priority Axis 4. A total of €3,875,000 public expenditure was committed in 2010 under the three Measures of Priority Axis 4.

In August and December 2010 the MA carried out two programme modifications. The first set of modifications concerned the provision of an advanced payment for investment support under Measure 121, Measure 123, Measure 124, Measure 125, Measure 313 and Measure 323. The second modification concerned a number of changes to the Budget, aimed at satisfying the demands and objectives of rural development in Malta whilst ensuring absorption of funds. When approved, the modifications will affect the financial allocations of the following Measures: Measure 111, Measure 114, Measure 121, Measure 123, Measure 125, Measure 212, Measure 214, Measure 313, Measure 323, Measure 41 and Measure 421.

²⁶ 4 bids under Measure 111 were received when the call for applications closed on 14th January 2011.

Proposed Changes to the RDP for 2010

The MA carried out two programme modifications in 2010. The first amendment concerned the provision of an advance payment for investment support as laid down in article 56 of Commission Regulation (EC) No 1974/2006 for the following measures:

- Measure 121 – Modernisation of agricultural holdings,
- Measure 123 – Adding value to agricultural products,
- Measure 124 – Cooperation for development of new products, processes and technologies in the agriculture and food sector,
- Measure 125 – Infrastructure related to the development and adaptation of agriculture,
- Measure 313 – Encouragement of tourism activities,
- Measure 323 – Conservation and upgrading of the rural heritage.

The proposed amendments aimed to provide the necessary financial impetus to beneficiaries of the above mentioned measures in order to facilitate the implementation of their respective investment. The main reason behind these amendments was to ensure that the proposed investment is completed on time given the pressure on financial capacity of beneficiaries mainly attributed to the global financial crisis. The Monitoring Committee approved the complete set of RD modifications through written procedure by the 23rd June 2010. The proposals for modification of the Maltese rural development programme 2007-2013 were then sent via SFC2007 to the Commission services on 23rd June 2010, in accordance with Article 6(c) and Article 9 of EC Regulation No. 1974/2006. The Commission Services assessed the modifications proposed and were found in coherence with the National Strategy and to comply with the relevant provisions of EC Regulation No 1698/2005 and EC Regulation No 1974/2006. Therefore the proposal was officially accepted on 25th August 2010.

Furthermore, the second modification to the RDP 2007-2013 concerned the amending of the following measures:

- Measure 111 – Vocational training and information actions

The changes requested by the MA under Measure 111, involved an amendment in the text of the demarcation with other EU Financial Instruments and the transfer of €549,000 EUR in public expenditure from Measure 111 to Measure 121. In addition the MA proposed an extension of eligible beneficiaries under Measure 111 to also include legal entities involved in agricultural and food activities

The first amendments concerning Measure 111 sought to achieve better separation of training provided to beneficiaries in between Measure 111 and the Training Aid Framework under the European Social Fund (ESF) and the National Environmental Framework, thus, reducing the risks of double funding. Thus this measure will only support training actions related to the agricultural and agro-food sectors and will be specifically aimed at increasing the level of preparedness of adult persons to continue to operate in the mentioned sectors. Training in the agro-food sectors will be restricted to owner-managers and will not extend to employees.

On the other hand, the European Social Fund (ESF) will focus on training with a link to the labour market – creating new employment. The training schemes for the private sector will cover enterprises in the agro-food sector and will target the professional development of employees, but will exclude farmers and cooperatives.

In order to avoid the possibility of double funding, Producer Organisations and their employees receiving support under the Training Aid Framework (TAF) funded under the ESF Funds will not be entitled for support under Measure 111. Thus this training will be restricted to owner and/or managers of agro food enterprises only and will not extend to employees. Training provided under the TAF will focus on the acquisition of horizontal skills.

Demarcation criteria will be set between the organisations responsible for granting the aid under EAFRD and ESF in line with the provision of the programmes.

In order to avoid the possibility of having duplicated training programmes under Measure 111 and the TAF scheme that cater for enterprises engaged in agro-food processing there will be cross checking between the organisations responsible for different programmes in order to ensure that this does not take place

Moreover, in order to prevent the possibility of double funding, farmers who are members of recognized Producer Organisations operating in the fruit or vegetable sectors recognised under the CMO shall not be entitled or eligible for support under Measure 111, in case the Producer organisation has an operational programme that includes an action that is similar to Measure 111 and is considered to be eligible for support under the National Environmental Framework as an integral part of in Malta's National Strategy for sustainable operational programme in the fruit and vegetable market.

Proper cross checking and controls will be put in place to prevent double financing of the same service and to prevent illicit claims for payment.

Furthermore, the transfer of funds aimed at concentrating financial resources where it is more required and demanded, and since Measure 121 is considered to be the key Measure through which the primary sector can become more competitive, it was deemed that more funds will provide a more robust foundation for the whole agricultural sector. Without such a foundation it will be impossible for the agricultural sector to take the required steps to modernize and become more competitive. Furthermore with the revised budget the expected training and number of beneficiaries for Measure 111 shall not be affected since the MA adopted a methodology of issuing a number of smaller tenders yet as effective for the provision of service in order to provide the necessary training to stakeholders of the various agricultural sectors

- Measure 114 – Use of advisory services

The reasons behind this modification relate to the low response by farmers as well as the need to invest more directly in the competitiveness and sustainability of primary production. A call for applications under Measure 114 was launched in February 2009. There was however no take-up from this call. The Managing Authority has investigated the reasons for this negative response. From feedback obtained from the farming community the following reasons emerged:

- The farmer is required to pay out 20% of the consultancy cost. This is sometimes higher than the total of direct aid and funds from Rural Development relating to area based payments all together;
- The Ministry for Resources and Rural Affairs (MRRA) is currently offering a comprehensive service through which the farmers and producers are being educated and

receiving adequate instruction free of charge on how to comply with the requirements of Cross Compliance;

- The amount of registered FAS providers is currently limited which could be resulting in limited interaction between the service providers and the agricultural community thus limiting the scope for take up of the services.

MARRA still feels that there is scope for the development of more services that could be of significant use for the farming community and which could be provided by FAS providers. Moreover, in order to avoid the possibility of double funding, farmers who are members of Producer Organisations operating in the fruit and vegetable sectors eligible under the CMO and that receive aid under the National Strategy for the sustainable operational programmes in the fruit and vegetable market, shall not be entitled or eligible for support under Action 5 of the National Environmental Framework for actions of the same nature if they apply for support under Measure 114.

Furthermore, the MA also requested for a transfer of €1,500,000 in public expenditure from Measure 114 to Measure 121, to as to achieve better concentration of funding in areas where it is more required and demanded and also to ensure utilisation and absorption of programme funding.

- Measure 121 – Modernisation of agricultural holdings,

The reason for the proposed modification emanates from the response received by the farming community to improve their economic performance as well as improve their environmental, occupational safety, hygiene and animal welfare status as well as to facilitate investments that are made in order to comply with newly introduced Community standards that have come into force in Malta.

Following a first call for applications launched in October 2009 a total of 358 applications for total investment value of over €38 million were received. From this call the first 180 applicants (ranked according to their individual score) with a total investment value of €27,090,210 will be receiving financial assistance amounting to €12,699,068 meaning that 161 eligible applicants with a total investment value of €8,181,205.52 will at the moment not be receiving any financial assistance from this measure. This also means that just over €700,000 is available for a second call meaning that farmers and individuals who did not compete in the first call due to issues such as permits related to structural interventions, relocation of farms etc have very limited opportunity to receive any financial support from this Measure.

From the overwhelming response received following the first call under this measure it is clear that there is a substantial level of commitment at the primary level of the agricultural sector to invest and thus modernize and become more competitive. Through this investment and through financial assistance received through Measure 121, the agricultural sector can build a solid foundation upon which the whole agricultural sector can be developed further. Without such a foundation it will be impossible for the agricultural sector to take the steps forward required to modernize and become more competitive.

In view of this the Managing Authority is recommending that the budget for Measure 121 be increased by €5,049,000 with the transfer of funds from Measures 111, 114 and 123. This will ensure that funds are absorbed through Measures which complement and strengthen the priorities identified in the National Strategy Plan.

- Measure 123 – Adding value to agricultural products,

The reasons for this modification emanate from the weak response to this measure. Following a first call for applications launched in February 2009, 29 applications with a total grant request of €2,553,599.48 were received, out of which 25 were contracted for a total of €2,238,903.10. The amount of applications received is considered to be low. The Managing Authority has investigated the reasons for this weak response and from feedback obtained the following reasons emerged:

- Under the 2004-2006 RDP agro-processors involved in the first transformation of food products have already received financial assistance under Measure 3.2. 31 enterprises benefitted from € 2,753,912.65 over 3 calls for proposals. This investment was further complemented by Measure 123 under the 2007-2013 RDP;
- Food manufacturers engaged in further transformation of non-Annex 1 products applied for assistance under the ERDF schemes managed by Malta Enterprise;
- Food manufacturers that could apply under Measure 123 were restricted to those utilizing Annex 1 product as inputs.

It is to be noted that support for investments aimed at increasing the efficiency of the general operations of the enterprise, whilst not contributing to the measure objectives, will not be eligible for EAFRD support but will be eligible for ERDF support. EAFRD shall specifically cover investments carried out by enterprises utilising Annex 1 products as inputs for the processes involved in the project proposal whilst ERDF shall cover investments proposed by enterprises for which further manufacturing and transformation of food is required.

In view of the above and to ensure maximisation of fund absorption, the Managing Authority is recommended that part of the budget available for Measure 123 be transferred to Measure 121. The primary sector is considered to be an important source of supply to the food manufacturing industry which cannot only depend on the importation of its raw materials. Given that Measure 121 is considered to be the key Measure through which the primary sector can become more competitive the Managing Authority is recommending that the budget available under this measure is reduced to €4,000,000 with the remaining €3,000,000 being transferred to Measure 121.

- Measure 125 – Infrastructure related to the development and adaptation of agriculture,

The proposed changes under Measure 125 sought to extend eligible expenditure to investments for the sustainable management of groundwater, mainly to rationalise groundwater resource use through metering of extraction from boreholes by farmers. This will address a strategic priority pursued by regulatory authorities in an effort to better manage water extraction especially when keeping in mind that Malta is an island territory with limited capacity of groundwater formation. In fact the very limited natural supply of freshwater causes significant constraints on the productivity of the Maltese agricultural sector. One of the major problems associated with agricultural water resource management is that over the years farmers have developed an over-reliance on groundwater for irrigation purposes. The situation is further compounded by the fact that there is very little control and management of the amount of groundwater being extracted. This situation requires intervention in infrastructure to measure and monitor the amount of groundwater extracted, since this is not sustainable and contributes to a number of environmental problems, as well as threatening the continued availability and quality of groundwater for public drinking water supplies.

- Measure 212 – Support for areas with handicaps

The practices related to land management in Malta do not allow lengthy land commitments with a single owner. Transfer of land and land fragmentation are extremely common. This happens due to crop rotation and because land is inherited from parents to their children. For instance, lands are often inherited to a number of daughters and sons with the result that the parents' lands are fragmented and divided in between different owners that may not always be inclined towards farming. In such scenario, it is increasingly important to provide for some leeway on lands' transferability, but what is mainly required is a set of requirements and conditions on the amount of land allowed to be transferred without continuation of the commitment. A list of conditions and thresholds for transferability of land without continuation of the commitment was proposed with these amendments in order to allow flexibility in terms of commitments undertaken within the defined parameters and in line with the applicable regulations.

- Measure 214 – Agri - Environment measures,

The change proposed under this measure concerned the extension of the period by when training should be undertaken by beneficiaries under Measure 214. This proposed extension from 2 years to 4 years aims at a better uptake and participation of stakeholders for training under measure 111 as well as to reduce the risk of non-compliance to the obligations of Measure 214. The main reason is attributed to this proposal is the fact that under measure 111 no service providers were selected following a call for applications launched in 2009. This impeded the beneficiaries to undertake the necessary training. In this regards, the Managing Authority has prepared a further call for applications combined with a strong information campaign in order to rectify this position. Furthermore, following sectoral meetings with the key target groups it emanated that due to the timing of farming activities the previously set period of 2 years proved difficult for farmers to combine. In this regards, training would be more spread out in order to allow flexibility for farmers to undertake the required training.

In addition another change was proposed for AEM 10 under Measure 214. The proposal dealt primarily with the removal of the maximum ceiling of €100,000 set for support of projects financed under this measure to a 100% level of support of the eligible costs. When considering the nature of the projects this was too low in order to carry out the necessary conservation actions required. This would have impinged also on the quality of any projects financed through this measure. Thus the key objectives behind this request were to achieve a better uptake of funds and attain more qualitative projects in the agricultural sector.

- Measure 313 – Encouragement of tourism activities,

The proposed modification seeks to shift €2,907,288.76 in public expenditure funds from Measure 323 to Measure 313. This increase in the budget is expected to further address the key strategic objectives of Axis 3 by encouraging tourism activities in rural areas that would lead to stimulate economic growth, preserving rural traditions, retain or increase the number of jobs while also increase the overall improvement in the quality of life for the rural inhabitants of the area.

To ensure demarcation ERDF will support tourism actions linked directly to Urban Regeneration Schemes or projects that form part of the National Tourism Strategy as part of the 'branding' exercise. Operations supported through the EAFRD albeit consistent with the strategic objectives of the National Tourism Strategy, shall exclude initiatives in urban localities coherent with the

definition of urban and rural areas used in this programme, and shall be limited to small scale infrastructure and marketing activities having a local dimension, with the exception of projects that build upon the participation of more than one locality, such as the setting up of trails and events. To maximize the potential benefit and to ensure greater impact in areas where the necessary infrastructure has already been put in place or is being developed at a national level, EAFRD will only support small-scale services that integrate and conform with national systems. The conversion of farmhouses for the purpose of accommodation shall be specifically excluded from EAFRD support.

In addition the list of approved projects was communicated to all relevant authorities involved in the management of EU financial instruments during the Inter-Ministerial Coordination Committee (IMCC) chaired by PPCD. The scope of the IMCC is to ensure that coordination and demarcation are adhered to.

- Measure 323 – Conservation and upgrading of the rural heritage.

Following the call for proposals launched in 2009 and the respective selection process that has been concluded, the Managing Authority was of the opinion that the key objectives of the measure have been achieved as the projects contracted will lead to the drawing up of protection and management plans of all the designated Natura 2000 sites in Malta together with the conservation of key rural archaeological and natural heritage sites. It is being proposed to decrease the budget of this measure by shifting funds from measure 323 to Measure 313. The transfer of €2,907,288.76 in public expenditure to Measure 313 aims to address better the key strategic objective by encouraging tourism activities in rural areas that would lead to enhancement of the economic activity, preserving rural traditions, retention and or even increasing jobs and improve quality of life for the rural inhabitants of the area.

This measure shall be the exclusive source of financing for the drawing up of management plans for Natura 2000 sites. Both EAFRD and ERDF may support additional requests for the implementation of management plans, however, ERDF will only support the implementation of management plans as long as these are considered to be important in communities that are dependant on tourism and are related to areas identified as Tourism Zones. According to the Tourism Policy, these zones include Valletta and the Grand Harbour; Mdina, Rabat and Dingli; Sliema, St Julians and Paceville; Bugibba, Qawra and St Paul's Bay; Gozo; and Coastal areas.

As to investments associated with the built rural heritage of cultural value, the ERDF will support investments in urban areas, and will only support investments in rural areas if associated with world heritage sites or sites of national importance. The scale of EAFRD funding will be more contained and it will be restricted to heritage sites of lesser grandeur than world heritage sites that are located in rural areas, which have a clear association with the rural environment, and where the rehabilitation of such sites contributes to the upgrading of the surrounding rural area.

In all cases, as a way of safeguard, the managing authority for EAFRD and that for ERDF have made a commitment to consult each other before approving projects, wherever a potential for overlap is perceived.

In addition the list of approved projects was communicated to all relevant authorities involved in the management of EU financial instruments during the Inter-Ministerial Coordination Committee (IMCC) chaired by PPCD. The scope of the IMCC is to ensure that coordination and demarcation are adhered to.

- Measure 41 – Implementation of Local Development Strategy.

A transfer of funds from Measure 421 to Measure 41 to increase the budget of Measure 41 by €335,000 will allow the local action groups more flexibility and resources in order to implement their local development plans. Given the limited financial resources originally allocated under this measure as well as the fact that Leader in Malta is a new initiative, this proposal will allow each LAG the possibility to execute more effectively the actions and activities identified in their strategies in order to attain a more tangible benefit for the rural communities they are representing.

- Measure 421 – Inter-territorial and transnational cooperation.

The main amendment proposed was a transfer of funds amounting to €335,000 from Measure 421 to Measure 41. Given that the LEADER programme is completely new for Maltese LAGs, training and assistance would be required prior to engaging in such inter-territorial and transnational cooperation projects, thus the transfer of funds was aimed to further support the implementation of the local development strategies and reduce the risk of having unutilised programme funding.

The date of approval by the Monitoring Committee was the 29th November 2010 through written procedure. The modifications were sent to the Commission via SFC on 6th December 2010. The approval from the Commission Services for these modifications was still pending as at end of December 2010.²⁷

²⁷ The modifications for the RDP 2007-2013 sent via SFC2007 on 6th December 2010 were approved by the Commission services on 31st March 2011.

Measures Launched in 2010

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. Thus Measure 111 is also linked with the success of Measure 121 and Measure 214 and in its contribution to the entire programme.

The MA originally intended to implement Measure 111 issuing a number of small tenders requesting the provision of training services for specific sectors of the agricultural sector. The approach to go for small tenders was chosen in order to ensure cost efficiency through market competition.

A tender amounting to €47,000 for the provision of training services to farmers operating in the crops sector was launched on 29th December 2009 and closed on 22nd January 2010 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. One bid was received for this call, which was however unsuccessful due to the quality of the bid received. A factor that contributed to the failure of the take up of the measure was the timing of the call, which occurred during the festive season, and its limited duration. Similar calls for both the crop and livestock sectors will follow suit.

A new call was launched on the 22nd of November 2010 and closed on 14th January, 2011.²⁸ This call has been restructured compared to the previous one: it includes 6 modules all linked to a specific sector (e.g. Dairy, fruit and vegetables, poultry, pork, sheep and goats, control functions within the PA). Each module will be designated to one or more service providers. Until the end of 2010 there was no commitment, disbursement and certification of the budgeted under this measure, thus result and impact indicators were too early to gauge.

Furthermore, since the formation of human capital remains a critical factor for the long-term sustainability and competitiveness of the farming sector in Malta, and Measure 111's progress registered so far has been minimal, the MA believes strong action for further improvement needs to be taken in this regard by:

²⁸ When the call for applications under Measure 111 closed 4 bids were received. All 4 applications were deemed eligible out of which 3 applicants were contracted as at 1st June 2011. Training is foreseen to start in June 2011.

- Rendering training a compulsory element of the receipt of financial support under popular measures such as Measure 212 and Measure 121;
- Securing a greater degree of involvement by farmers' organisations in the development, marketing and delivery of training activities to farmers;
- Linking training activities to support and actions falling under the FAS domain, with the possibility of open and periodic calls to meet training needs to address challenges as may dynamically evolve, but of course after the basic training requirements associated with this measure are satisfied;
- Devising appropriate mechanisms so as to ensure that the target population for this measure as stated in the original Programme is effectively reached also through the proposed reduced budget. In particular, contract conditions should not be excessively onerous on providers so as to detract their interest from offering their services. In this regard, contracts could be designed in a manner which incentivizes performance rather than penalizes the failure of attainment of targets;
- While the MA is sufficiently competent to identify the major themes which would ideally be covered by training under this Measure, there could be an enhanced degree of consultation and involvement of the agricultural community in the design of specific programmes. The NRN could be utilized towards this end;
- The importance of the use of FAS can be strongly communicated through training activities contemplated under Measure 111.
- Finally, a critical variable to the measure's success will however be the extent to which the agricultural community will make use of such training, and involvement of rural actors to mobilise the sector. It is however the case that the agricultural community is used to receiving training and advice, such that the likelihood of success is deemed to be high.

Moreover, one of the modifications proposed to the RDP by the MA included a reduction of €549,000 to Measure 111 in favour of M121, resulting in a proposed budget of €611,000 instead of €1,160,000. The MA feels it can attain the objectives under this measure through a lower allocation of funding, meaning it will be able to reach the same number of participants through a reduced extent of intervention, doing away with activities such as demonstration projects and focusing more effectively on essential skills to be acquired by participants.

Despite the proposed reduction in the Measure's budget the MA is determined to give importance to the improvement of skills in the agriculture sector for the purposes of competitiveness and regulatory compliance, as highlighted in a number of policy documents not least the RDP itself as well as the EAE and thus it intends to achieve the objectives outlined under this measure.²⁹

²⁹ These financial transfers are not reflected in the monitoring tables of this annual progress report since the proposed modification was officially approved by the Commission on the 31st March 2011.

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. A fourth call for new applications was launched on 1st December 2009 and closed on 31st January 2010 with a total of 160 new applications being submitted.

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%.

2009 Call

The third call³⁰ for Measure 212 was launched on 15th March 2009 with the submission date originally set for 15th May but extended to 9th 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 8,717Ha 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).

The inspections were conducted between the 5th 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%³¹

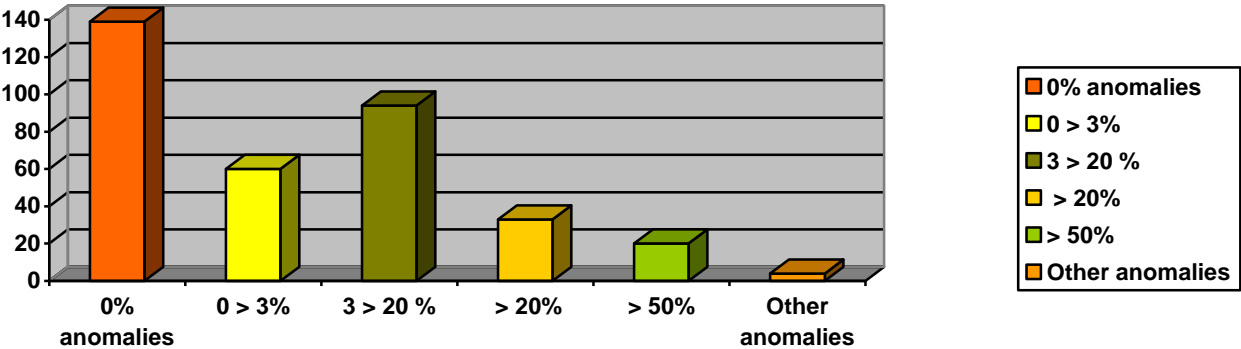
³⁰ The first call for this Measure was launched in 2007 followed by a second call in 2008.

³¹ 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.

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 1: On-the-spot check findings for 2009 call of M 212³²



2010 Call

A call for new applications for Measure 212 was launched on 1st December 2009 and closed on 31st January 2010. Out of the 160 new applications received 156 applications were considered as eligible and were committed for the total area of 152.51Ha.

The call for payment claims under this Measure opened on 1st February, till 15th May 2010 however the closing date was extended to 9th June 2010 in accordance to Article 23 of Regulation (EC) No 1122/2009. The 15th of May was extended each year till claim year 2010 due to the fact that there were farmers who did not submit their payment claim by the 15th of May. Farmers received a 1% penalty for each day it was submitted late. However, as from claim year 2011 the closing date was not extended.

Out of a total of 5,959 payment claims received, the total number of eligible applications received was that of 5,921 applications, amounting for a total area of 8,761.12 Ha. The total amount claimed and authorised before Cross Compliance for both calls was that of €2,114,953.57, representing a total of 6,077 beneficiaries, and a total area of 8,913.63 Ha. The total number of holding supported as at end 2010 amounted to 5,906 with a total area supported amounting to 8,698.42ha.

³² 'Other anomalies' refers to the outcome not finalised due to administrative anomalies.

According to the targets set for output indicators in the RDP, as at end 2010 the execution rate related to number of holdings supported was 90% and 88% related to Utilised Agricultural Area (UAA) supported (Ha).

Furthermore as at end 2010, under result indicator 'Area under successful land management contributing to biodiversity, water quality, mitigating climate change, soil quality, avoidance of marginalisation and land abandonment' for 'Natural handicap payments in mountain area/other areas with handicaps', 8698.42ha were committed under 'Avoidance of marginalisation'. However, impact indicators were too early to gauge.

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 on-the-spot checks carried out on eligible payment claim applications (5,921) received in during 2010 were 445, selected on the basis of a 7.5% sample in accordance with Article 12 of Commission Regulation (EC) 1975/2006. The control sample was controlled through rapid field visits and photo interpretation of 2010 VHR images.

In accordance with Article 31 of Regulation (EC) 1122/2009, 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 ML2 and GZ2
- Selected in previous year and had no anomalies

Beneficiaries declared in the conflict of interest form by Paying Agency officials were also included in the risk based sample as manual additions. The inspections were conducted between 1st August and 15th October 2010.

Figure 2: On-the-spot check findings for 2010 call of M 212³³

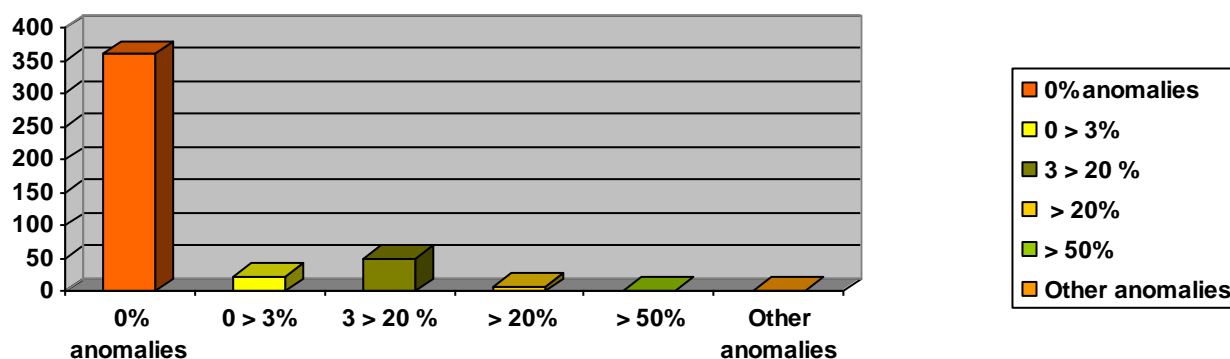


Table 5: Measure 212 Risk Sample in 2010

Risk Sample	Hectares (ha)	Percentage (%)
Total area declared in Risk Sample	1,552.82	100
Total area found in Risk Sample	1,517.34	97.67
Total area not found in Risk Sample	35.48	2.33

Table 6: Measure 212 Random Sample in 2010

Random Sample	Hectares (ha)	Percentage (%)
Total area declared in Random Sample	134.14	100
Total area found in Random Sample	133.25	99.34
Total area not found in Random Sample	35.48	0.66

$$\frac{(\text{Random Sample}) 0.66\% + (\text{Risk Sample}) 2.33\%}{2} = 1.49\% \text{ area not found}$$

2

In 2009, the area not found for the LFA measure was of 6.3%, therefore in 2010 there was a decrease of 4.81%. This factor proves that the risk analysis criteria used in 2010 were effective.

³³ 'Other anomalies' refers to the outcome not finalised due to administrative anomalies

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.

On 1st December 2009 the third call for new applications under Measure 214, Sub-Measures 1 to 9 was launched for which application period closed on the 31st January 2010. A total of 137 new applications were received for a total area of 74.34ha and a request a total of €41,367.55.

The call for payment claims was opened on the 1st February 2010 with the closing date originally set for 15th May. However, this period was extended to 9th June 2010, in accordance to 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.' The 15th of May was extended each year till claim year 2010 due to the fact that there were farmers who did not submit their payment claim by the 15th of May. Farmers received a 1% penalty for each day it was submitted late. However, as from claim year 2011 the closing date was not extended.

The total number of payment claims received for 2010 under Measure 214 was of 2,236 claims for the total area of 1,671.53 ha and a request of €1,257,490. Out of all payment claims received in 2010 2,018 were considered as eligible.

The measure was successful in contracting a large number of farmers in fact according to the targeted output indicator related to the number of holdings supported as at end 2010 a 99% execution rate was reached. However due to the fact that agricultural holdings in Malta are highly fragmented with very small land parcels this makes it difficult to cover extensive areas under agri-environmental commitments in fact the output indicator for the total area supported only reached 21% while the physical area supported reached 42%. The output indicator for the number of contracts reached 272%, which reflects the reality and context of the Maltese Agriculture.

From these figures one can notice that although the number of beneficiaries under this measure was significant, the amounts payable were relatively small when compared to the budget allocation of over €10 million given the small parcel size. Unfortunately the fragmentation of holdings and the small size of parcels does not allow for the farmer to receive an adequate compensation reflecting the real inherent difficulties that Maltese farmers have to overcome.

Furthermore as at end 2010, under result indicator 'Area under successful land management contributing to biodiversity, water quality, mitigating climate change, soil quality, avoidance of marginalisation and land abandonment' for Agri-Environment, 211.058ha were committed under 'Biodiversity', 1145.18ha under 'Water Quality' and 287.5044ha under 'Soil Quality'. However, impact indicators were too early to gauge.

From a financial perspective, the low value of payments has dented the relevance of this measure. Table 1 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. In addition, the uptake of the combined measures (AEM 2+3) was poor possibly also due to the fact that the payment rate when combining measures is actually less than if applied separately. Thus, the low take-up is expected to translate into minimal impacts on the measure given that payments are calculated on cost incurred and income foregone, meaning such costs cannot be financed twice. For this reason the payment rate worked out to be very low.

Nonetheless, the MA sought to increase the uptake of the measure through better publicity and education in terms of the environmental benefits of all the sub-measures of Measure 214 using several media channels. The MA published informative material addressing this measure was made available and distributed both in English and Maltese, 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. Uptake of this measure however remained rather low due to the fragmentation of land issues outlined above.

Sub-measure 10, Support for the conservation of genetic resources in agriculture, has not yet been launched and even though there is no budget set, currently the envisaged allocation for this sub-measure would be approximately €200,000 (based on two projects of €100,000 each). The MA is considering increasing the budget so that more projects will be undertaken especially by Government. This will help with the uptake of funds and implementation of further related initiatives that would contribute towards the Measure output indicators relevant to this sub-measure. However, despite these initiatives, the MA is concerned that the related out-put target indicators will not be met. It is furthermore relevant to comment that the failure to launch sub-measure 10 under this Measure is precluding from the reaping of potential opportunities to promote products with local and indigenous characteristics. The following are the nine sub-Measures for Measure 214:

Sub-Measure	Name of the Sub-Measure	No. of new applications targeting the sub-Measure in 2010	New Area (ha) Committed by sub-Measure	Amount Requested (€) prior to controls by new applicants	Total number of applications by sub-Measure as at end 2010	Total Area (ha) Committed by sub-Measure as at end 2010	Total Amount (€) Requested by all applicants as at end 2010	Total Amount (€) Requested after Controls as at end 2010
1	Use of environmentally friendly plant protection products in vineyards	2	0.52	365.01	29	17.77	12,466.79	11,568.99
2	Traditional cultivation of sulla through crop rotation	0	-	-	2	0.52	161.06	52.75
3	Low input farming	75	44.47	29,359.26	1,343	1,185.29	782,505.81	779,860.60
4	Suppression of use of herbicides in vineyards and fruit orchards	22	7.51	4,539.17	496	302.39	182,729.26	181,297.60
5	Establishment and maintenance of conservation buffer strips	0	-	-	11	3.88	2,116.34	1,673.63
6	Conservation of rural structures providing a natural habitat for fauna and flora	10	7.92	4,333.59	146	91.07	49,853.61	49,352.48
7	Provision of healthy forage area for bees	2	0.38	164.73	44	15.91	6,826.60	6,826.60
8	Organic farming	1	-	-	4	2.22	1,579.40	1,393.44
8.1	Forage plants (Sulla and wheat)	-	-	-	-	-	-	-
8.2	Vines (and other fruit trees)	-	0.2729	30.55	-	-	-	-
8.3	Open field vegetables	-	0.0762	11.81	-	-	-	-
9	Conservation of species in danger of genetic erosion	-	-	-	-	-	-	-
9.1	Conservation of endangered breeds	0	-	-	2	7.4	9,161.20	9,161.20
9.2	Conservation of endangered plant species	20	11.69	512.48	229	97.04	222,584.34	23,192.12
Pak 1 (AEM 2&3)	Support for traditional cultivation of sulla through crop rotation and Support for low input farming	1	0.17	95.81	1	0.17	95.81	95.81
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	4	1.32	1,696.02	68	29.62	37,938.54	37,938.54

Table 7: The nine sub-Measures for Measure 214

On-the-Spot Control 2010

In 2010, controls were carried out to ensure effective verification of compliance with the terms specified in Regulations 1698/2005, 1975/2006 and 1122/2009.

Agri-environmental measures provide an excellent opportunity to reinforce the role of farmers as stewards of the rural landscape and to support farmers in return for providing an environmental service to the community.

The Rural Areas Conservation Scheme is available to farmers who decide to undertake a number of agri-environmental commitments for a minimum of 5 years in respect of, a number of or all, the parcels within their holding on a voluntary basis. The scheme builds upon the experience of the agri-environmental measures of the previous rural development programme implemented between 2004 and 2006 and is composed of two levels: a primary level that is compulsory and a pre-condition for participants to accede to the scheme; and a secondary level, that is also compulsory, but which consists of a number of sub-measures from which participants choose to commit to at least one measure.

The Rural Areas Conservation Scheme consists of:

- (i) A mandatory obligation related to the acquisition of training;
- (ii) A number of agri-environmental measures for which farmers shall receive support if they fulfil the corresponding environmental obligations.

The Control Unit conducted on-the-spot checks on applications submitted under the M214 in accordance with Article 12 of Commission Regulation (EC) 1975/2006. The total number of on-the-spot checks carried out on eligible payment claims (2,018) received in the period 1st February and 9th June 2010 were 203, selected on the basis of 10% random/risk sample in accordance with Article 12 of Commission Regulation (EC) 1975/2006. The control sample was controlled through on-the-spot checks and area updated through 2010 VHR images measured by CAPI. Those beneficiaries selected under the M214 sample had all the sub-measures checked. This means that if a beneficiary was selected and he/she has applied for more than one AEM, the Control Unit checked all the AEM sub-measures that the beneficiary in question applied for.

In accordance with Article 31 of Regulation (EC) 1122/2009, the control sample was selected according to the following criteria:

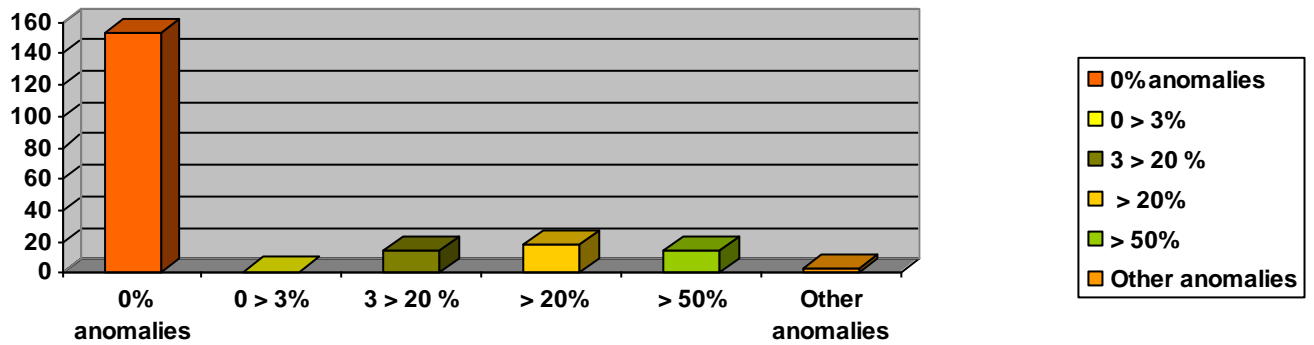
- Random 20 %
- Risk analysis 80 %

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. Beneficiaries declared in the conflict of interest form by Paying Agency officials were also included in the risk based sample. The applicants were selected for control in accordance with Article 31 of Commission Regulation (EC) 1122/2009.

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 ML2 and GZ2
- Selected in previous year and had no anomalies



The inspections were conducted between 1st August up to 15th October 2010. Additional checks were conducted in November & December to verify compliance with standards, which could not be verified between August and October. A summary of the outcomes of the controls is provided in Fig 2 below.

Figure 3: On-the-spot check findings for M 214 in 2010³⁴

Random + Risk Sample	Hectares (ha)	Percentage (%)
Total area declared	286.36	100
Total area found	274.32	95.6
Total area not found	12	4.4

As indicated in Figure 4, 75% of the beneficiaries resulted with no anomalies in the area. In comparison to claim year 2009, the compliance rate increased by 35%, indicating that the error rate decreased from 12.06% in Calendar Year 2009 to 4.4% in Calendar Year 2010.

³⁴ *Other anomalies*, refers to the outcome not finalised due to administrative anomalies.

Measure 41 – Implementation of Local Development Strategy

The legal basis for this Measure is found in Article 64 of Regulation (EC) No 1698/2005.

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% amounting to an EAFRD allocation of €2,080,000, out of €2,600,000 total public expenditure. Allocation of funds for the three types of initiatives is split as follows:

- Competitiveness: Sub-Measure 411 – the financial public expenditure allocation for this sub-Measure amounts to €780,000;
- Environment/land management: Sub-Measure 412 – the financial public expenditure allocation for this sub-Measure amounts to €520,000;
- Quality of life/diversification: Sub-Measure 413 – the financial public expenditure allocation for this sub-Measure amounts to €1,300,000.

The scope of the Measure is mainly to stimulate local actors to successfully implement the strategy they developed for their region, to effectively administer actions reserved to them under the RDP's Axis 1 and 3, and to animate local stakeholders especially farmers and land managers to tap funds under Axis 1, Axis 2 and Axis 3.

By end December 2009 in accordance with the grant agreement between the PA and the LAGs, the respective Local Development Strategies LDS's were submitted by the three LAGs, and on 15th April 2010 the Selection Committee on Axis 4 issued the official results with total scores of the three LAGs eligible for Measure 41. This saw the LDS being fully developed in 2010 with the three Foundations applying for the status of Local Action Groups under the Leader Programme. The LDS were then approved by the MA and the Paying Agency signed contracts with the three Local Action Groups in September 2010. The contracts were signed on the following dates: Gozo Action Group Foundation and Local Action Group Xlokk Foundation on the 3rd September while the contract with Majjistral Action Group Foundation on the 6th September 2010. Thus by end of year under review, the total amount of public expenditure contracted under Measure 41 was that of €2,935,000, 80% of which is the EAFRD co-financing.

It is also important to observe that rapid progress in this field has been registered over the year 2010. In fact as at end 2010 local development strategies have not only been written but also started to be implemented. The LAGs were also in the process of drawing up more detailed project plans for each action and submitting them to the MA for approval by end December 2010. Furthermore, in 2010 the targeted training activities were undertaken, as mentioned in Section G of this report. In 2011 the LAGs are expected to prepare the application forms and guidelines for Open Calls. The majority of the actions shall be rolled out during 2011 while Measure 421 relating to Inter-territorial and Transnational Cooperation is planned to be launched in 2011. Contracts signed between the LAG and its contractors and/or beneficiaries shall aim to ensure completion of the projects by end December 2013.

Since LAGs are a new concept to Malta, and the concept of distinct regions is not yet part of Maltese culture and governance issues (save for the Island Region of Gozo) the actions envisaged in the strategies focus particularly on studies which are needed to discover the potential interventions which LAGs and other entities may undertake at regional territory level, as well as on Open Calls which allow a degree of flexibility in the interventions to be actually implemented. There is further emphasis on the promotion of the regions as distinct territories, as well as an element of enhancing quality of life through voluntary organisations and emphases on specific social strata, such as children and the elderly.

It is important to note that as end 2010 the Local Development Strategies were approved by the MA and the Paying Agency signed contracts with the three Local Action Groups in September 2010. However, as at end 2010 no progress was reported on the implementation of actions by the LAGs although their strategies have been drawn up. Furthermore, given the fact that the Leader concept is at inception stage

within the Maltese context the MA understands that it has a crucial role to play in providing guidance, support, and assistance to LAGs as may be required. Nonetheless, the MA is predicting that the relative interventions will lead to successful outcomes.

Although the experience with the implementation of this measure is at this stage too early to be able to gauge results, local development strategies have in general been developed in a satisfactory manner, which sets a foundation for the success likely to be achieved and the future potential for LAGs in Malta. However, in order to attain this success, the regional dimension needs to be well-established in the Maltese culture and risks need to be properly assessed. Also, initiatives and activities must take place. As in the case with Axis 3 measures, there could be significant potential for the use of funding under Measure 41. The Measure can be affected in a manner which directly benefits the agricultural community, rather than being directed to diffused interventions.

Furthermore, the MA has identified some potential significant risks that might exist with the implementation of Measures 41. The potential adverse effects of such risks are likely to emanate from the following sources:

- As indicated above, the operation of LAGs is a new experience for Malta with risks typically associated with such ventures, making it essential for the MA to implement controls and administrative mechanisms, encapsulated where necessary within the contracts for the operation of local strategies to ensure, as much as possible, the proper implementation of such strategies;
- While the strategies appears to indicate a good potential in terms of the impacts of the LAGs on their respective territories, there is the risk that the implementation of the actions themselves would not add sufficient value in terms of addressing priority needs on a territorial dimension but could be restricted to localised impacts, in good part because of an inherent lack of homogeneity within each territory. LAGs are to be given adequate direction in this respect, potentially with the involvement of the NRN.

Furthermore it is important to note that the budget allocated to Measure 41 was proposed to be increased by €355,000. The funds were proposed to be transferred from Measure 421 since this transfer of funds would to increase the likelihood of budgetary utilisation by LAGs as well as optimise the effectiveness of funding utilised.

Measure 421: Inter-territorial and transnational cooperation

The legal basis for this Measure is found in Article 63 of Regulation (EC) No 1698/2005.

This measure seeks is to spur cooperation initiatives within regions and across different countries by supporting local initiative and local drive for diversification. The bringing together of partners with a common interest leads to the generation of new ideas, the development of innovative approaches and sparks entrepreneurial activity.

Measure 421 aims to provide support for cooperation projects between LAGs in different territories and between Leader groups and non-Leader groups, provided that the project is led and co-ordinated by a Leader group. Projects should be in line with the Rural Development objectives of increasing the competitiveness of the agricultural sector, improving the environment and the countryside and improving the quality of life in rural areas, although the nature of cooperation initiative and cohesion of partners may lend itself better to projects targeting the latter objective. In this respect the MA will have a crucial role to play in providing guidance, support, and assistance to LAGs as may be required, given the fact that these are new to the Maltese context.

As stated under Measure 41 above, the LDS were then approved by the MA and the Paying Agency signed contracts with the three Local Action Groups in September 2010. Measure 421 had allocated a total

of €500,000 of public expenditure, out of which €400,000 is the EAFRD part. In September the total amount of public expenditure contracted under Measure 421 was that of €165,000. However as at end 2010 no progress and disbursements were reported under this Measure as no specific actions have been taken in this regard.

In fact Measure 421 is foreseen to be fully implemented during September 2011, after Measure 41 and Measure 431 have reported progress in relation to the target indicators set for the respective Measures. It is furthermore important to note that the budget allocated to Measure 421, involving transnational cooperation projects the MA proposed to be reduced by €355,000 in favour of Measure 41. The aim is to increase the likelihood of budgetary utilisation by LAGs as well as to optimise the effectiveness of funding utilised. Still, the progress under Axis 4 is considered quite risky as the measures are linked to the availability of funding outside RDP sources, and the ability of LAGs to effectively generate value added.

Measure 431 – Running costs, acquisition of skills and animation

The legal basis for this Measure is found in Article 63(c) of Regulation (EC) No 1698/2005.

The scope of the Measure is to provide Local Action Groups with sufficient resources and expertise to effectively implement their respective Local Development Strategy and to efficiently administer identified actions under mainstream Measures in Axis 1 and Axis 3. This need is more pronounced in the local scenario where the Leader initiative is being implemented for the first time.

Following the call launched under Measure 341 of Priority Axis 3 in 2009 the three LAG Foundations were officially approved in 2010 by the MA and also contracted by the PA in September 2010, as previously stated. Furthermore, by end of 2010, all the public expenditure allocated under this measure was contracted; meaning a total of €775,000 public expenditure was committed, out of which €620,000 is the EAFRD part, 80% of which is the EAFRD part. Furthermore, there were no disbursements under Measure 431 as at the end of the period under review.

Despite the lack of experience, it is important to observe that rapid progress in this field has been registered throughout 2010. In fact as at end 2010 Local Development Strategies have been submitted, approved and also started to be implemented. The LAGs were also in the process of drawing up more detailed project plans for each action and submitting them to the MA for approval by end December 2010. Thus as expected Measure 431 registered progress once the LAGs started implementing their strategies in 2010.

Since Measure 431 is mostly geared towards provision of training of leaders (members of the Decision body) and of staff involved in the implementation of the strategy, the organisation of promotional events, and the ongoing implementation of the local development strategy, in 2010 the three LAGs officially set up their administrative arm through a transparent recruitment and selection process. The relative interventions undertaken are foreseen to lead to a successful outcome.

Progress of Measures Launched in 2007 - 2009

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 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 20th February 2009 with the call closing on 29th May 2009. The allocation for this call was set at € 3,000,000. Given that M114 was new in its nature and also noting that the cooperatives were not part of the any of the FAS that applied under M115, the agricultural community did not respond to this call, and no applications were received. Thus, as at end 2010, result and impact indicators were too early to gauge.

Due to this lacunae in demand and supply for training activities and difficulties throughout the set-up of Farm Advisory Services, Measure 114, had a rate of progress which was significantly lower than that expected. The main reasons identified for the fact that there were no applications under Measure 114 included the fact that the farmer is required to finance 20% of the consultancy cost, which is not financially beneficial compared to the total of direct aid and funds granted from Rural Development relating to area based payments. Furthermore farmers in Malta are not accustomed to pay for advisory services as this has been traditionally provided for free by the Government or over the counter by private sector providers of farm supplies.

Secondly, the number of registered FAS providers is currently limited, which could be resulting in low interaction between the service providers and the agricultural community thus limiting the scope for take up of the services. Furthermore, there may also be an insufficient understanding of the role of FAS on the part of the rural community. Another potential problem with Measure 114 was the fact that it was launched at a time when Measure 115, providing for the setting up of FAS providers which was launched in parallel to Measure 114, had an unsuccessful project selection process³⁵. However, irrespective of this fact, at the time of the call, there were two licensed FAS.

Concerns regarding overall Programme effectiveness due to the lack of success in Measure 114 have been identified. These concerns emanate mostly from measures, such as Measure 114, associated with human resource development in the agricultural sector in Malta which are crucial to the future of the sector but are conditioned by the overall state of the sector and the culture of the agricultural population.

³⁵ As explained below in the section dedicated to Measure 115.

The MA feels that the development of services could be of significant use for the farming community and which could be provided by FAS providers. This is not only to avoid the loss of funds dedicated to this Measure but also to prevent a potential loss of programme effectiveness from a medium term perspective if the situation is not addressed holistically. In fact the MA is planning to enhance the degree of success of this measure in a number of ways, including by operating a system whereby an individual applicant farmer would have an account under the measure to which the amount of support is credited and which may be drawn down as services are being received and paid, with the call remaining open to applicants on a first-come first-served basis until the budget is exhausted. It is crucial that at this stage the MA takes concrete implementable steps in this respect which may require the creation of capacity as may be enabled by funds available for technical assistance.

The MA recognises the particular benefit, in terms of environmental performance under Measure 114 which can be used to ensure that interventions funded under Measures 121 and 125 minimise negative environmental impacts and even include aspects in project proposals that will result in positive impacts. On the other hand the MA proposed changes to the RDP which include a reduction of €1,500,000 from the budget allocated to Measure 114 to be transferred onto for Measure 121, as there is a much higher demand for the latter Measure.

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 20th February 2009 with the call closing on 29th May 2009. The allocation for this call was set for the entire budget of €600,000. A total of 5 applications were received for this call, however 2 were eligible since they were registered FAS providers as contemplated by the conditions of the call but failed to obtain the minimum score required. 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, meaning that as at end 2010, result and impact indicators were too early to gauge.

Reasons behind the lack of progress include the fact that applicants needed to be registered as FAS with the MRRA in order to be eligible and the registration process was fraught with bureaucratic difficulties which appear to have been to an extent addressed since March 2010. Even so, there have been no new registrations of FAS providers since then as potential operators might be evaluating how the market will

develop before committing to registration. It may also be the case that potential applicants might not have registered due to the fact that support under Measure 115 is received for the first five years of operation, but the funding received would be proportional to the time remaining between the date of commitment of support and the expiry of the period of the first five years of operation.

Overall, it is noted that an FAS provider registering at a time which would be significantly earlier than the receipt of support under the measure would be bound to have a notable reduction in the amount of support received. Potential FAS providers have an incentive to register as close to the date of commitment of support under Measure 115 as possible, but of course prior to the issue of the call itself in order to be eligible. The MA is committed to take the factors for the lack of progress into account in order to optimise the effectiveness of the next call under this measure, due to its strategic importance for the success of the programme in terms of its link with Measure 114. This requires close monitoring of on-going developments in relation to the potential applicants and the ways in which they may be organised, as well as of the underlying demand for advisory services on the part of farmers.

The MA understands the crucial importance of the success of the setting up of FAS providers in Malta which requires a clear strategic direction from all Authorities in line, which need to be carried further towards fruition. This will not only be crucial from the perspective of the development of competitiveness of the Maltese agricultural sector but also to address more basic concerns which may potentially arise regarding issues such as cross-compliance. One of the actions that needs to be taken before re-launching the call is for the MRRA to provide sufficient coordination of its activities so as to avoid potential duplication of services which could be provided by the FAS providers. Secondly, it is also important to overcome culture barriers, potentially through the involvement of the NRN, for the actions under this measure would play a more important role in future rural development programmes. In effect the MA recognises the fact that the attainment of success under this measure will depend on the results obtained in the re-launching of this measure, based on the lessons learnt from the negative experiences so far.

Furthermore, actions towards an improvement of the situation may require changes in RDP rules. These include:

- Subsidising the farmers' share of contribution towards the fee of FAS;
- Ensuring a sufficient degree of centralisation in the provision of FAS in Malta to achieve economies of scale and the best possible use of resources within a very small agricultural community, without however eroding the benefits provided by a competitive private market for FAS service offering a variety of choice;
- MA will continue to promote these measures by continuing to provide guidance and more effective promotion to both farmers and FAS providers. The creation of a market for FAS services where service providers effectively respond to the needs of the farmers and facilitate the meeting of standards and obligations is warranted;
- Supporting farmers also in the acquisition of a narrow range of FAS rather than requiring the acquisition of an entire package; and
- Breaking the negative link between the level of support provided for the initial operation of an FAS provider and the period of time that the provider has already been established.

Measure 115 together with Measure 111 and Measure 114 are fundamental to the long term sustainability of the agricultural sector, and the challenge to render them successful already within the current programme so as to build better foundations for future development must be tackled and overcome.³⁶

³⁶ Issues concerning certification of FAS have been resolved and in fact an additional FAS has now been recognised. A second call for M115 has been issued on 31st January 2011 and closed on 4th March 2011. One application was received and was certified as eligible.

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 previous APRs, a call was launched for all three sub-Measures on 15th November 2008 with the closing date set for 30th 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 5 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.

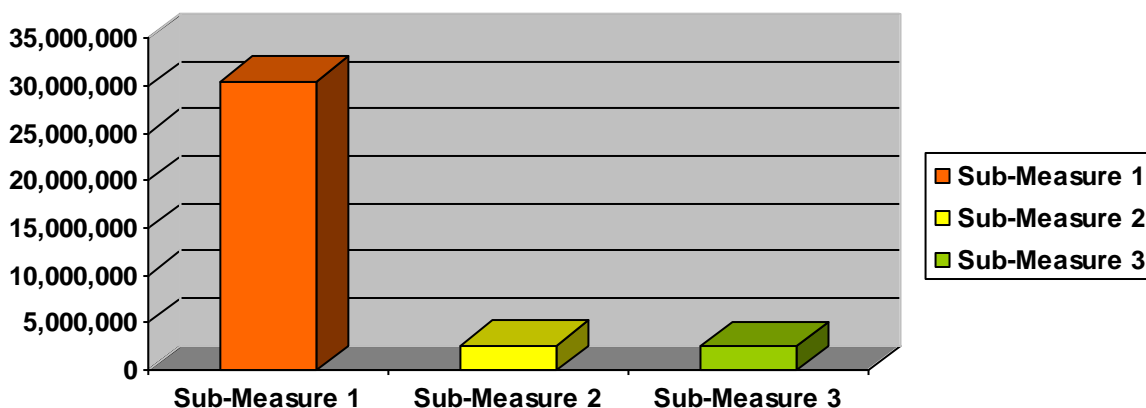


Figure 4: Funds requested under each Sub-Measure

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. It is also important to note that the sector-specific drive to promote

investment towards restructuring following EU membership was relatively successful within the dairy sector which thus exercised strong demand for this measure. It is also to be noted that roughly 45% of the Maltese agricultural land base is cultivated in roughage and fodder intended as feed for ruminants. Hence support for the dairy sector can be perceived also as supporting the sustainability of these land areas. This was not so much the case with the poultry and pig sectors. The crops sector also exercised demand for this measure, through generally smaller investments over a larger number of holdings.

In general, there remain potential difficulties to the long term-economic viability and sustainability of the livestock sector in Malta. The sector continues to face waste management issues, is very dependent on the importation of concentrates having volatile prices, and some sub-sectors may be affected by the removal of national quotas for guaranteed markets under CAP. The sector still has to sufficiently capitalise on its potential for the production of niche and local products.

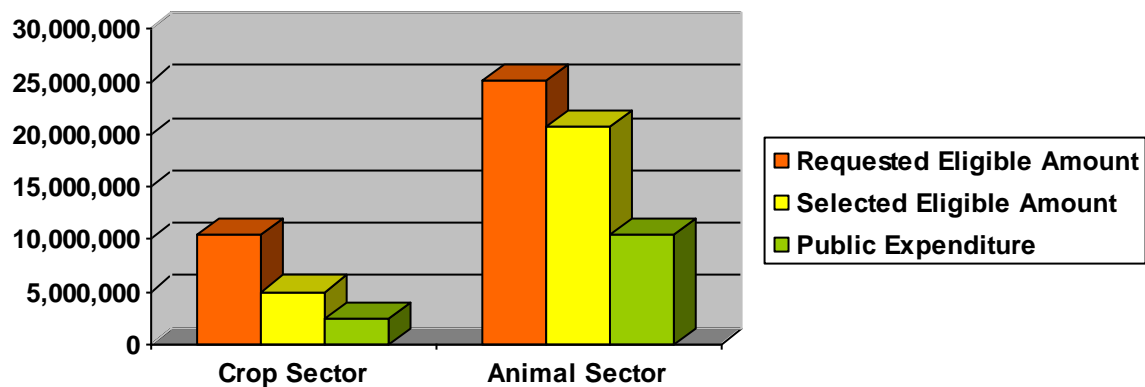


Figure 5: Funds requested by the Crop and Animal Sectors

As shown in Fig 6 intervention logic issues may have arisen in the process of the call which concerned biases in favour of relatively large livestock operators, as well as constraints imposed on the amount of certain types of investment. These reflected the objectives which were intended to be achieved by the call, including the need for modernisation in the dairy sector as well as other issues such as the use of alternative sources of energy. While these issues may have restricted the amount of applications, they have not dented the overall success of the call. The MA intends that future calls in relation to the remaining budget under this measure will continue to focus on priority needs for modernisation. It is furthermore important to note that elements of priority were given to applications involving young farmers, farmers who participate in Cooperatives or Producer Organisations and farmers who contribute to improve environmental performance. Another element of positive discrimination concerned applicants who had received training in agri-related issues.

The total budget allocated for this call was that of € 13,460,000. Out of the 344 applications a total of 284 applicants were contracted as at end 2010, out of which 2 contracts were under organic production and the other 282 contracts under conventional production. The total public expenditure contracted for all the 284 beneficiaries amounted to €15,604,712.20. In 2010, the actual public expenditure paid to beneficiaries under this Measure amounted to € 7,524,152.03 of which 75% is the EU co-financing. According to the targets set for output indicators in the RDP, as at end 2010 the execution rate related to number of holding supported was 64% and 52% related to total volume of investment.

In addition, with regards to result indicators, result indicator named 'Number of holdings introducing new products or new techniques' showed that, as at end 2010 there were 87 holdings with finalised projects, out of which 4 introduced new products while 83 introduced new techniques.

The success of the measure indicates that there is the need for the agricultural sector to invest and modernize. This has a strategic value for the success of the entire programme, as through Measure 121, the agricultural sector can build a solid foundation upon which other measures can be implemented. It was also in view of this that the Managing Authority has recommended an increase by €5,049,000 in the budget for Measure 121. The proposed increase in this Measure's budget is directly related to the proposed reductions for Measure 111, 114, and 123 in favour of Measure 121. In addition, labour productivity is expected to improve somewhat, due mainly to the reallocation of budget towards Measure 121 and also Measure 313.

Measure 121	Contracted Applicants	Paid EAFRD Expenditure as at end 2010 (€)	Public Expenditure Paid as at end 2010 (€)
Crop Sector	161	1,397,816.51	1,863,755.34
Animal Sector	114	4,080,404.06	5,440,538.74
Other	9	164,893.46	219,857.95
Total	284	5,643,114.03	7,524,152.03

Table 8: M 121 Contracts by Sector

As previously mentioned the measure has been well-received by agricultural operators and in 2010 significant progress in implementation has been achieved under Measure 121. This success resulted in a substantial investment which will produce, in the main, new production techniques and higher value added. Important results have been attained in the dairy sector in terms of quality of output and animal welfare. Nutrient and waste management has also improved in the livestock sector. Results in other sectors are as yet to be determined, given the stage of implementation of the programme. On the other hand, from a longer-term strategic perspective, the measure may not sufficiently support niche producers, and may not have supported consolidation in farming practices to the desired extent. These, however, are issues which would mainly impinge on the future Programme.



Figure 6: Investments funded under Measure 121

In this regard, it may be worthwhile, in the design of future interventions under this Measure, to consider the possibility of further promoting the competitiveness of the agricultural sector by valorising the qualities of local, fresh produce. Producers of local fresh produce could benefit from increased long-term efficiency and sustainability through investments which can potentially be effected under this measure. Advantages of investing in the production of local high quality fresh produce will include beneficial nutritional effects on the health of the Maltese population, the positive environmental effects associated with shorter transport logistics of food products, and the potential to enhance the local tourist offering through an even more pronounced emphasis on local food consumption, which is based on a typical Mediterranean theme. Effectiveness in this regard would require incentives being provided to primary producers, wholesale and retail operators, as well as agri-processors.

On-the-Spot Control

Throughout the modernization of agricultural holdings measure, farmers and entities engage in agricultural activities are supported to improve the performance of their holdings, not only in terms of economic criteria, but also the environment, occupational safety, hygiene and animal welfare status. For the livestock sectors restructuring and modernization are essential not only to improve management, the efficiency and productivity of the sectors but also to attain higher quality products and to support enhancements in the housing and sanitary conditions of farm animals. This will be achieved through investments that aim to go beyond the minimum standards for animal hygiene and welfare involving improvements in animal production cubicles, pens and cages, ambient conditions of housing units including ventilation, ambient temperature control and humidity, and installation of flooring.

The on-the-spot checks of the holdings inspected were executed in accordance to Articles 27-30 of Regulation 1975/2006 which lays down detailed rules for the implementation of Council Regulation (EC) 1698/2005. For the purpose of Article 30 checks, the control unit performed 100% checks upon completion of the investment, before the payment was effected.

The control methods were based on a physical assessment of the project by means of:

- A physical inspection on site to verify that the project has been completed, is in operation and according to the approved specifications;
- Data entry of the results of on-the-spot control;
- A control report.

Throughout claim year 2010 the control unit received ninety (90) Measure 121 payment claim applications; these included a variety of investment types including agricultural machinery, environmental investments and structural investments.

Each individual payment claim application was scrutinised for compliance with the contracted and relevant guidelines/MoPs issued by the Paying Agency. For each case at least one physical check has been carried out therefore 100% controls. Inspections were concluded throughout all of 2010 at project completion. As required by the internal guidelines mentioned above, all inspections were carried out by at least two inspectors to maintain the four-eye principle.

Whenever beneficiaries have benefitted from past schemes such as Meeting Standards, Measure 3.1 or Measure 3.2 through the 2004-2006 programming period, an ex-post check was carried out during the Measure 121 inspection, to verify that within five years from the contract date, the project did not undergo any substantial modification in line with the durability clause. Under Measure 121, eighty-seven (87) payment claims out of ninety (90) were referred for payment by the Control Unit.

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. Furthermore, this Measure also integrated environmental considerations, where adding value includes support for waste minimisation.

Measure 123 was launched on 20th February 2009 with the call closing on 29th 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 while the remaining 2 applications did not attain the minimum score required. Of all eligible applicants 25 were contracted by the end of 2010. The total amount committed by December 2010 was of €2,238,903.10.³⁷ The chosen applications mainly focused on the purchase of equipment to enhance production techniques rather than developing new products. Funds were relatively equitably distributed between large and small operators, and tended to target the development of niche and local products, even through the relatively large operators which would typically focus on bulk products. The effect of the €2.2 million investment was positive however when taken in relation to the €7 million overall budget allocated to the measure then the impact was not as widespread as expected. According to the targets set for output indicators in the RDP, as at end 2010 the execution rate related to number of enterprises supported was 31% and 14% related to total volume of investment. Furthermore as at end 2010, result and impact indicators were too early to gauge.



Figure 7: Investments funded under Measure 123

³⁷ Controls for Measure 123 were conducted in 2011.

The reasons for this weak response may be primarily, due to the fact that under the 2004-2006 RDP, agro-processors involved in the first transformation of food products had already received financial assistance such that the demand for such assistance may be nearing saturation given the lack of readiness within the rural community to form co-operative ventures of the kind contemplated within this Measure. Secondly there is a limited list of products eligible under this measure, with other products receiving assistance through ERDF schemes. In addition, economies of scales also limit the innovative aspect of introducing new processes, techniques or products, both in terms of capital requirements and demand.

In this regard the MA proposed to reduce the budget on this measure from the original €7 million to €4 million. There will be a second call for applications under this measure in 2011 to utilise the remaining budget. The MA is currently studying ways to increase take-up under this measure, including better accessibility to market players. The MA proposed that the €3,000,000 reduction from Measure 123 budget, are to be transferred on to Measure 121.

The MA recognises the fact that the effectiveness and success of this Measure can be enhanced by changing the scheme so as to better meet the specific demands and needs within the agricultural sector, mainly by also targeting primary producers to enter agri-processing themselves, perhaps on a relatively small scale and as an element of business diversification. This could have more important effects on the farming sector than efforts at establishing links between primary producers and established agri-producers.

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.

One call has so far been issued under Measure 124, which was launched on 26th September 2009 with the call closing on 18th 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 only € 437,645.95, therefore falling far short of the intended effect, mainly due to:

- An insufficient culture towards research and development in Malta, particularly in the agri-food industry, where the elements of research and innovation are present in merely a handful of operators;

- An insufficient culture towards the undertaking of collaborative projects, which is a key element under the support provided by this measure;
- The extent of co-financing would also be an issue in this context;
- The relatively short experience of institutions as well as of the rural community was also a factor in the lack of success of this Measure.

In September 2010 all three applicants were contracted, for a total Public Expenditure of €255,317.44 but no payment claims had been submitted as at the end of 2010, thus result and impact indicators were too early to gauge.

The MA is analysing methods that could be undertaken to enhance the effectiveness and success of this measure. A further call under this measure is expected for 2011. The MA believes that the success of this measure could be enhanced if it is more sensitive to the fact that the lack of experience in the agricultural sector with research in general and with research institutions in particular, could require a high degree of public support towards such initiatives, possibly close to 100%. This is also to be seen in terms of the difficulties in establishing research and development in agri-processing within the context of a small economic base and the need to create a critical mass in the country in this regard, out of which other activity could be stimulated. The role of the research institution should be given more prominence due to the fact that the rural society is new to this type of action, and research activity in Malta, which is itself limited, has as yet virtually no interaction with the agricultural sector. Furthermore, the MA acknowledges that an area where significant potential gains can be registered by encouraging research is bee-keeping, which is a niche activity in Malta where significant synergies between economic and environmental considerations can be exploited.

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 26th September 2009 with the call closing on 18th 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. However, only 4 applications were deemed as eligible for funding under this Measure. According to the final ranking report of 18th June 2010 the total eligible grant for the 4 applicants out of which 3 applicants were contracted for a total of €9,423.15. The 4th applicant under Measure 132 could not be contracted because the Malta Standards Authority (MSA) withdrew its certification on organic farming. Thus the 4th applicant is no longer eligible for funding under this Measure. . This means that as at end 2010 output, result and impact indicators were too early to gauge.

The applicants of this measure were interviewed by the evaluators appointed by the MA to undertake the Mid-Term Evaluation. The respondents stated that overall perceived benefits received will have a moderate impact in contributing towards quality and transparency in the production process. Two of the respondents

stated that the measure will have a moderate impact in terms of better access and participation in relevant markets while the remaining two gave a relatively negative reply on the impact of this measure in this regard. Moreover, the applicants believed that they will benefit strongly from this measure in terms of value-added to their product. The applicants said that the measure can be more effective if it is strengthened by other measures that tackle the problem of competitiveness which the agricultural sector in Malta is facing. Finally, 50% of the respondents stated that the measures assisted in strengthening their competitiveness while the remaining 50% experienced no change in the level of competitiveness.

The Malta Standards Authority, the national competent authority responsible for certifying national food quality schemes, commented that the main issue arising in the setting up of national food quality schemes is that the producers do not agree amongst themselves on the criteria that “make” a national product. There appears to be a cultural barrier wherein producers mistrust each other and for them to come together to agree on what constitutes a certain product is very difficult. Although there are ongoing discussions with entities to set up national food quality schemes, to date no such schemes have been activated.

The MA recognizes the need for producers to co-operate towards the setting of parameters required to establish national food quality schemes. While the MA is expected to issue further calls under these measures in 2011, it is not excluded that in the absence of significant progress in the registering of national food quality schemes is attained, there would have to be a request for budgetary allocation away from this measure to be transferred to other measures which have a higher likelihood of success and which present a better potential for the setting of solid competitiveness foundation for the agricultural sector in Malta.

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 is designed to generate and improve marketing opportunities for local products, and a call for applications was launched on 26th September 2009 with the call closing on 18th December 2009. The allocation for this call was set at €670,000, however no applications were received. Furthermore, no new calls were launched in 2010 resulting in Measure 133 not meeting the expected level of demand. Thus in 2010 it was too early to gauge any result and impact indicators.

The lack of success as at the end of 2010 can be attributed to the fact that the original design of the RDP may have been underpinned by assumptions concerning the absorptive capacity of the local agricultural sector and ancillary institutional set-ups which were not realised in practice, in view of the cultural

characteristics of local farmers and the sector's economic structure. Secondly the low response to this measure is mainly attributed to the lack of nationally-registered food quality schemes. This is the result of insufficient co-operation among producers, which is hampering the drawing up of parameters necessary for the establishment of food quality schemes. It is furthermore noted that the only such scheme in existence that related to organic farming (which is itself not an indigenous national scheme but emanates from EU regulations which set the relevant parameters), has managed to attract only a very small number of farmers to operate under it. However, this measure accounts for small proportions of output and the value added targeted to be generated by the Programme.

The MA recognizes the fact that further engagement between potential operators of food quality schemes and relevant authorities is needed. Moreover, the MA also identifies the role of the NRN and need for private food quality schemes.

On the other hand the agricultural sector is at the moment indifferent to the undertaking of collaborative research projects and the effective establishment of producer groups. Moreover, no progress has been registered in the context of the establishment of national food quality schemes. The key issue for the success of this measure is to entice producers to co-operate towards the setting of parameters required to establish national food quality schemes. Further engagement between potential operators of food quality schemes and relevant authorities could be warranted in order to achieve the desired progress in this area.

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 26th September 2009 with the call closing on 18th 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. However, only one applicant was eligible to receive support under this Measure, namely Viticulture Producers' Organisation for a total eligible grant allocation of €390,000, over a five-year period. As at end of the period under review the only eligible applicant had not yet signed the contract³⁸. Thus in 2010 it was too early to gauge any result and impact indicators.

Reasons behind the limited success include the bureaucratic delays and insufficient coordination between the relevant authorities, precluding the certification of producer groups by the Ministry, thus curtailing the eligibility of certain applicants. In addition, a number of applications received were undermined by

³⁸ The contract for Measure 142 with Viticulture Producers' Organisation was signed on 15th February 2011.

excessive fragmentation, with some applicants representing only a few operators which do not actually possess the critical mass to form a producer group.

Although progress registered for this Measure as at end of the period under review was below that expected, the MA believes that it is vital to benefit from such a measure under the current programme as there may be little scope left for such measures in future programmes. This is because if funding for the implementation of such measures will not be successful by 2013, it would be difficult to obtain funding in the future for the same scope.

In fact a second call is expected to be issued in 2011³⁹ so as to ensure that the producer groups which have enough potential for success, are set up and supported. It is understood that arrangements are being set in place so as to ensure the setting up of producer groups with sufficient critical mass. If implemented in an efficient manner, it is very likely that this measure would leave a positive impact on the competitiveness of the agricultural sector.

The MA recognise the fact that for success to be registered under this measure, the authorities first and foremost need to engage operators so that they form producer groups with sufficient critical mass so as to enable their rational operation. The NRN can also be involved in this process of engagement and animation of rural actors. The NRN would also help overcome bureaucratic and legal difficulties in setting up these producer organisations.

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

³⁹ In 2011 the bottlenecks in the certification of the PO's have been addressed and there are no issues related to accreditation procedures.

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 20th February 2009 with the call closing on 29th May 2009. The total public expenditure for this Measure is €11,536,667 and the allocation for the above mentioned call was set at €7,000,000. Natural persons or public and private legal entities could apply for funding under this measure, however while projects submitted by public entities are 100% financed, private parties have to co-financed 50% of the total eligible project cost approved.

For this call a total of 45 applications were received with a total request of €23,634,774.89, an amount approximately twice as much as the total amount allocated for the entire measure, and three times as much when comparing the requested amount to the threshold allocated for the call. The majority of the applications involved investment in heritage trails, leisure parks, development of tourist products and the promotion of ICT and marketing for rural tourism. Such investment has the potential to provide a positive economic, environmental and social impact which promotes sustainable tourism. Rural conservation and an enhanced environment may also lead to a better quality of life while also promoting entrepreneurial activities within the rural environment which in turn generate employment and economic growth.

According to the targets set for output indicators in the RDP, as at end 2010 the execution rate related to number of new tourism activities supported was 133% and 30% related to total volume of investment. Furthermore as at end 2010, result and impact indicators were too early to gauge.

Figure 4 shows that almost 47% of the applicants were not eligible while just over 33% were eligible but due to funding limitations they were placed on the reserve list. The remaining 20% or 8 of the 45 applicants were successful to be contracted.

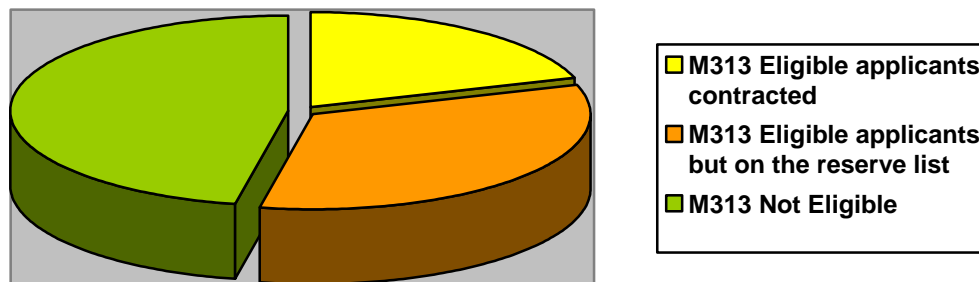


Figure 8: Proportion of Applications by Eligibility under Measure 313

Notwithstanding the stronger tourism, rather than environmental conservation element, the MA identified that potential environmental impacts will depend on project selection and the types of interventions in the countryside that will be funded through this measure. On the 13th July 2010 a preliminary result was issued with 8 applicants eligible for grant while another 16 applicants in the reserve list. The duration of the processing of the applications submitted was related to various factors. The most prevalent issues were devoted to issues related with missing information, clarifications needed, obtaining the necessary devolutions of the sites and also the relative building permits. This involved a lot of work and the MA wanted to ensure that no good project is rejected on the basis of any missing documentation or if need be further clarification.

On the 18th August 2010 a letter of approval was sent by the Paying Agency to the 8 selected beneficiaries. The contracting of the 8 eligible applicants took place in September 2010 for projects mostly proposed by local councils. The total public amount committed was of €6,754,670.82, of which a total amount of €5,066,003.11 was the EAFRD part. The EU co-financing rate for this measure is 75% EU part and 25% Malta part. As at end 2010 a total of €2,345,218.36 were disbursed with a total of €1,758,913.77 certified to the European Commission.

The projects selected under Measure 313 aim to build upon the rural dimension and the physical setting in which the operations are taking place. Out of the 8 beneficiaries benefiting from financing under Measure 313, 4 were Local Councils, covering an area of 18.1km² and a total population of 16,365.

The beneficiaries are implementing the following types of operations, namely the provision of small-scale infrastructure for tourism and countryside recreation; the creation and facilitation of access to areas of high nature, cultural, archaeological, geological/geomorphological and landscape value; the setting up of trails that interlink various sites of tourist value; the provision and one-time restoration of small-scale recreational amenities; the development of tourism products based on the rural tourism concept and that promote the traditional character of rural communities; and the development of regional marketing services relating to rural tourism including the creation of ICT platforms. Out of the total amount contracted for all the projects under this measure, €607,424.90 was contracted to ICT related projects to further enhance the coverage of broadband in the Maltese rural areas. This is one of the primary reasons why the EERP funds were subsequently allocated for one of the six 'new challenges' defined in the Health Check (HC), namely Dairy Restructuring under Measure 121 for the Modernization of Agricultural holdings.

Preference was given to integrated projects, applying for more than one action under this measure and/or complimenting investment under Measure 323, as well as to projects which demonstrated how the tourism product of rural areas will be visibly enhanced through their investment.

In terms of non-eligible applicants, as stated above, private entities were also eligible to apply for a 50% co-financing under this Measure. A total of 11 applications were received from private entities however, 9 were deemed as ineligible despite the fact that the guidelines to the application clearly defined the eligibility criteria. The major reason was that these entities were not registered under NACE codes 55 or 92 as requested and indicated in the relative guidelines. Out of these 1 did not obtain the necessary pass mark to be ranked while one private enterprise was selected as one of the 8 beneficiaries that have been awarded a grant under this Measure. More cohesive and enhanced project proposals were expected by the private sector due to the initiatives and the potential that were eligible for co-financing under this Measure.

This significant response shows the demand and potential for the development of rural tourism activities in Malta. As indicated above a small number of substantial and integrated projects were contracted. This is somewhat of a departure from the original intentions of the RDP that emphasised the need for small scale interventions. This could be justified in terms of the better potential of economic and other returns offered by projects of sufficient scale.

The remaining budget under this measure, amounting to around €4.5 million, will be managed by LAGs. LAGs are a new experience in local governance in Malta, which hitherto was limited solely to the operation of local councils. The implementation of part of the funding under Measure 313, which has a strong territorial character, is considered to be a suitable approach to encourage the establishment of LAGs as an important governance agent within their respective regions.

Furthermore, as mentioned in the proposed changes to the RDP above, the MA proposed to reallocate €2,907,288.76 from Measure 323 to Measure 313. Due to this proposed increase in the budget for Measure 313 the 16 projects ranked on the reserve list will be awarded a grant and this will result in a marginal increase in the number of jobs created which is expected to increase from 458 to 483. This however would be at the expense of the strictly "agriculture" expenditure that is foreseen in Axis 1. Most

representatives from the agriculture sector commented that Axis 3 funds were deviated away from providing direct support to the sector, although the indirect effects were also acknowledged.

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 20th February 2009 with the call closing on 29th 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, almost double the amount available under this Measure. Most applications consist of investment in conservation and rehabilitation of different tourist amenities found in rural areas, development of leisure and historic parks, cleaning facilities, and investment in ICT. Such investment, combined with investment under Measure 313, could help Malta to diversify, and potentially improve its tourism offering. The preservation and conservation of rural areas could attract more visitors, enhancing their environmental education and awareness.

According to the targets set for output indicators in the RDP, as at end 2010 the execution rate related to number of actions supported was six times more than the target set in the RDP and 80% related to total volume of investment. Furthermore as at end 2010, result and impact indicators were too early to gauge.

Figure 7 illustrates the proportion of applications by eligibility of the 38 applicants. The Figure shows that the majority of the applicants, that is, over 55% were not eligible while the remaining 45% were eligible to be contracted. The main reasons attributable to the high fall out of applications was devoted to project proposals that were not eligible and in line with the measure objectives as well as poor quality proposals that did not provide a sufficient soundness and consistency in terms of the measure objectives.

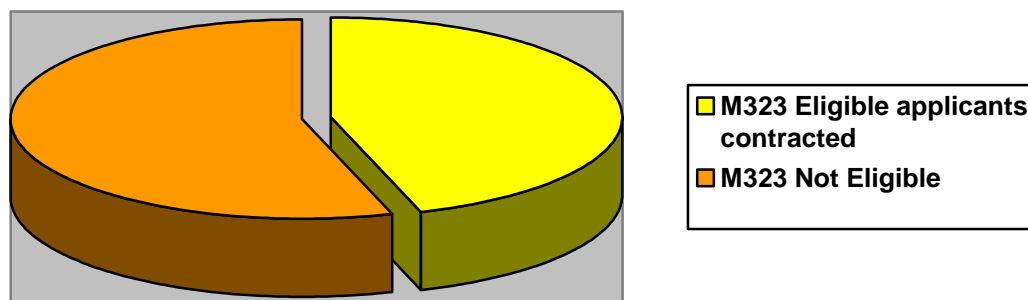


Figure 9: Proportion of Applications by Eligibility under Measure 323

As at end December 2010, 16 beneficiaries were contracted for a total public expenditure amount of €14,627,711.24. The economic impact expected from the investment under this measure is significant as it encourages niche-market tourism. Attracting tourism in low-seasonal periods is another economic impact which is expected to enhance economic growth as the seasonality effect would be reduced. By end 2010 a total of € 6,006,688.90 public expenditure were disbursed out of which €4,505,016.68 were certified to the European Commission.

The projects selected under Measure 323 consist of operations oriented towards the provision of improved rural surroundings for the general public. Out of the 16 beneficiaries contracted, 12 were Local Councils, covering an area of 76.3km² and a total population of 59,645.

The projects selected included the drawing up of studies and plans for the conservation, restoration, rehabilitation, protection and management of Natura 2000 sites and other areas of high natural value; environmental awareness and educational actions and events; and investments associated with the conservation, restoration and upgrading of the natural and the man-made rural heritage. Out of the total amount contracted for all the projects under this measure, €262,558 was contracted to ICT related projects, hence why the EERP funds were subsequently allocated for one of the six 'new challenges' defined in the Health Check (HC), namely Dairy Restructuring under Measure 121 for the Modernization of Agricultural holdings.

Even though the future role of this measure may be less pronounced than that for Measure 313 given that the possible utilisation may get saturated, this measure was still deemed as successful in terms of budget uptake. This might be due to the fact that without funding, certain projects that fall under this measure might not be undertaken due to the large amounts of investment concerned. The impact of this measure is foreseen to be relatively strong on the maintenance of the rural environment, in promoting sustainability and the development of Natura 2000 sites in addition to the highly valued natural environments. The impact will be also relatively strong in relation to the quality of life within rural environments.

Furthermore, as explained in the modifications to the RDP above, the MA proposed to reallocated €2.907, 288.76 from Measure 323 to Measure 313, as the latter has a stronger tourism, rather than environmental conservation element.

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 20th February 2009 with the call closing on 29th 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 19th June 2009 for a total amount of € 315,558. Measure 341 was a one-time call and the Measure is now closed. 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. As at end 2010 the total public expenditure disbursed for Measure 341 was that of €308,437.93, the EU part amounting to €231,328.45. Control Unit performed 100% checks on all the payment claims submitted for funding. Contracting and implementation of Measure 341 was concluded in order for the development of Local Development Strategies (LDS) to kick off.

The three Local Action Groups who were granted funding to prepare the Local Development Strategies for three areas in Malta, were namely:

1. LAG Gozo: covers an area of 68.67km² and a total population of 31,053;
2. LAG Xlokk: covers an area of 51.16km² and a total population of 70,218; and
3. LAG Majjistral: covers an area of 130,120km² and a total population of 80,012.

The eligible actions under this Measure were restricted to studies of the area concerned; measures to provide information about the area and the local development strategy; training of staff involved in the preparation and implementation of a local development strategy; promotional events and the training of leaders.

According to the targets set for output indicators in the RDP, as at end 2010 the execution rate related to number of actions supported was four times more than the target set in the RDP. Furthermore as at end 2010, result indicator 'Number of participants that successfully ended a training activity' resulted into 3 LAG managers and 27 Decision Committee members trained by Exodea. However, impact indicators were too early to gauge.

Furthermore, since the formation of LAGs is a new experience for Malta and the degree of commitment and success likely to be achieved by different groups may differ from one another, the effects are to be felt in the longer term when the capacity built would start impinging on the activities of LAGs. Due to this reason the MA is assisting the LAGs closely since experience and internal capacity within the LAGs themselves is relatively limited.

However, with the progress undertaken till now, the measure has contributed to a relatively strong extent on enhancing the capabilities of the parties involved in developing and implementing local strategies and measures in the context of rural development. Moreover, Measure 341 is foreseen to have indirect positive impacts on the rural environment provided that the training will include a focus on environmental protection and sustainability.

Measure 511: Technical Assistance Operations

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

The Technical Assistance (T.A) 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 funds are managed by the Managing Authority. The allocated budget for technical assistance operations is that of €4,084,473, of which the EAFRD contribution rate is 75%. The technical assistance funds are 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 also 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 2010

Commitments for Technical Assistance	EU Co-financed (75%) Amounts (€)	Malta Co-financed (25%) Amounts (€)	Cumulative T.A Commitments from 2007 to 2010 (€)
Annual Commitment for 2010	388,259.50	129,419.84	517,679.34
Annual Commitment for 2009	289,972.07	96,657.36	386,629.43
Total	678,231.57	226,077.20	904,308.77

The table above reveals that as at end of 2010, the total public expenditure committed under the Technical Assistance was that of €904,308.77. The funds were committed as follows:

- **Preparation and programming** - the funds were utilised for training of personnel involved in the running of the programme and structures needed to run the National Rural Network, namely seminars, networking activities and the training programme.
- **Management and support** - funds were all allocated towards the setting up and running of the I.T system, new functionalities to implement the CAP effectively and for professional services.
- **Monitoring** - funds were taken up mostly for the preparation of amendments in the RDP, organising of the Monitoring Committee meetings, and the service of professionals.
- **Evaluation** - financial support was directed towards contacting of professionals and information seminars concerning the European Evaluation Network for Rural Development
- **Information** – this section of T.A 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 information material concerning 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 the development of the website and data analysis.
- **Control functions** - the focus of the funds was on the photo interpretation and digitalisation of non-eligible features, control equipment, contracting of service inspections and lab analysis.

Other Measures of the RDP to be launched

Priority Axis I

No call was launched as at end of 2010 for the following Measure 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 mentioned Measure, there was no progress to report in relation to the target indicators set for the respective Measure. A call for Measure 125 is expected to be launched in 2011.

A proposal for the modification of Measure 125 was officially submitted to the Commission on 6th December 2010, thus it was still being considered for approval by the Commission as at end of 2010. The proposed changes are targeted to rationalise groundwater resource use through metering of extraction from boreholes by farmers, will address a strategic priority pursued by regulatory Authorities in an effort to better manage water abstraction.

The MA considers the supported actions under this measure to be of the following main types:

1. Actions to increase the harvesting of rainwater for irrigation from collection systems such as river valley dams and public cisterns and reservoirs;
2. Actions to improve the management of groundwater being extracted for agricultural purposes by assisting the water utilities regulator to install meters for monitoring groundwater extraction by farmers;
3. Actions to distribute treated sewage effluent (TSE) for irrigation; and
4. Actions to increase accessibility to agricultural holdings by farmers including the upgrading of existing farm access roads and passageways.

The implementation of the measure is expected to have positive horizontal impacts especially with regards to the implementation of the Water Framework Directive. Thus, there is a high probability of success due to the commitment which will be stimulated from the side of all actors involved in the light of the critical nature of the water resource which is the subject of this measure.

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 31/12/2010
Measure 125	Infrastructure related to the development and adaptation of agriculture	Article 30 of Regulation (EC) No 1698/2005	- to facilitate the development and adaptation of agriculture by supporting the development of the necessary infrastructure; and - to address two of the major limitations affecting agricultural land quality and productivity – water scarcity and farm accessibility.	5,200,000	3,900,000	0

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

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 were charged to EAFRD and shall comply with the provisions of 1698/2005.

Table 6 shows that during the year 2010, only commitments for Holm Oak and Organic Farming were paid from EAFRD funds. Commitments for Rubble Walls are still ongoing and were under, administrative controls and on-the-spot checks, during 2009 and 2010 so the payments will be effected in 2011. Commitments for Maltese Ox from RDP 2004-2006 were closed in 2009.

Table 11: Transitional Measures Payments in 2010

Measures of RDP 2004-2006	No of Beneficiaries	Area declared	Area paid	Amount paid in 2010	Cumulative Amount paid in 2009&2010
Rubble Walls	-	-	-		-
Maltese Ox	-	-	-		-
Holm Oak	9	3.29ha	3.17ha	€1348.16	€2,696.62
Organic Farming	5	8.22ha	6.56ha	€3933.24	€7,866.48

3. 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 2010 centred around the completion of project selection process of calls launched in 2009, re-launching and contracting of Measures.

Measure 111 under Priority Axis 1, and two calls under Priority Axis 2, one for Measure 212 and the other for Measure 214 were re-launched. 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.

Moreover, during the period under review the MA and PA undertook the contracting of applicants under Measure 121, Measure 123, Measure 124, and Measure 132 for Priority Axis 1, Measure 313, Measure 323 and Measure 341 under Priority Axis 3, and Measure 41, Measure 421 and Measure 431 under Priority Axis 4.

The Figure hereunder shows the total amount of public expenditure committed for the thirteen measures contracted as at end 2010. The percentages shown in Figure 1 below reflect the percentage of the total public expenditure contracted from the funds as allocated to each measure. Thus out of the €101 million allocated to the Maltese RDP, €54.7 million were committed as at end 2010. The 29%, refers to the funds committed under Measure 121 in relation to the €54.7M total funds committed for the whole RDP as at end December 2010.

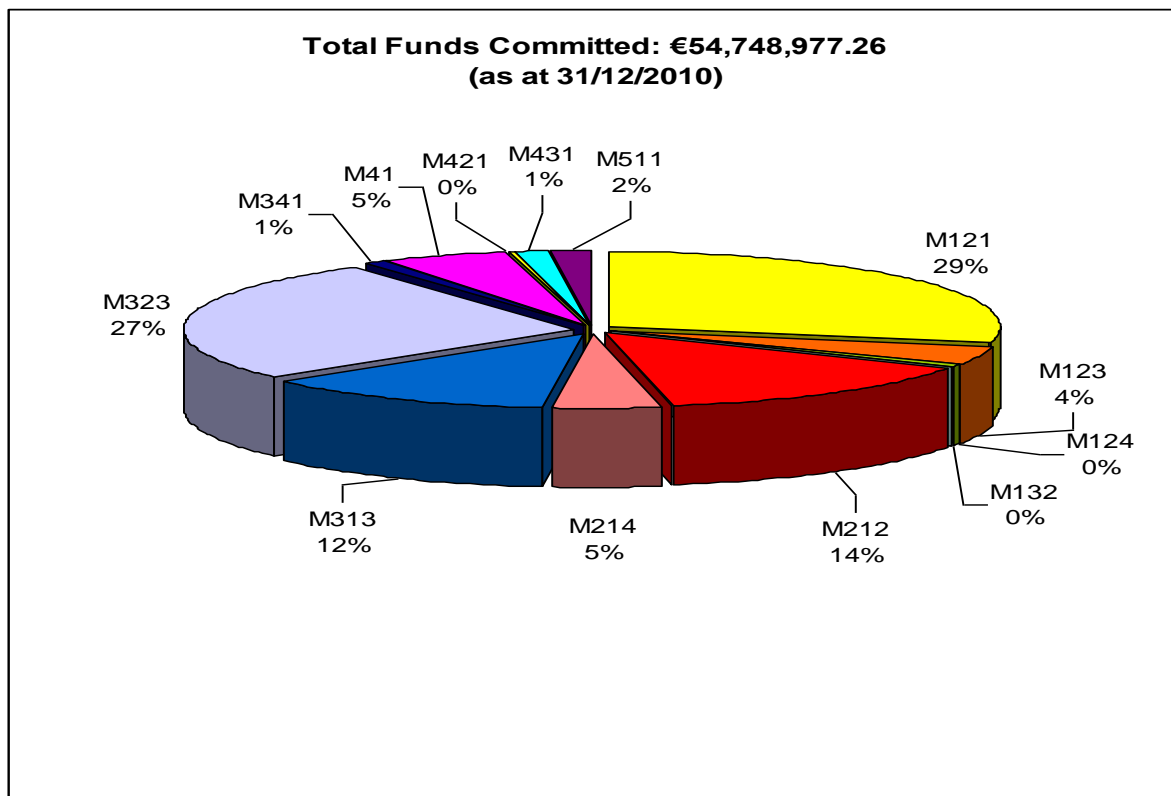


Figure 10: Funds Committed for Measures launched as at 2010

The process of identifying the final beneficiaries and financial commitment due to the beneficiaries under the respective Measures, namely Measure 121⁴⁰, Measure 123, Measure 212⁴¹, Measure 214⁴², Measure 313, Measure 323, and Measure 341 were completed as at end of 2010. The table below represents the number of beneficiaries contracted in 2010 out of the Measures launched, the number of beneficiaries who were paid in 2010 and the total payment issued for the Measures mentioned hereunder as at end 2010.

Table 12: Contracted and Payments issued per Measures in 2010 and payments issued as at end 2010

Measure No	Title of the Measure	Legal Basis	Total Beneficiaries Contracted in 2010	Total Number of Beneficiaries Paid in 2010	Total Public Expenditure Allocation for the Measure (€)	Payments (€) Issued as at end 2010
Measure 121	Modernisation of agricultural holdings	Article 20(b)(i) and 26 of Regulation (EC) No 1698/2005	115	273	14,820,000	7,524,151.51
Measure 123	Adding value to agricultural products	Article 28 of Regulation (EC) No 1698/2005	25	22	7,000,000	807,336.57
Measure 212	Natural handicap payments in other areas with handicaps	Article 37 of Regulation (EC) No 1698/2005	6,077	5,403	14,500,000	7,355,008.88
Measure 214	Agri-environment Measures	Article 39 of Council Regulation (EC) 1698/2005	2,155	2,208	10,525,000	2,467,643.80
Measure 313	Encouragement of tourism activities	Article 55 of Regulation (EC) No 1698/2005	8	6	11,536,667	2,345,218.36

⁴⁰ In 2010, 12 M121 beneficiaries dropped the contract which they signed in 2009. Thus for year 2009 there were 169 contracted beneficiaries, while in 2010 115 beneficiaries were contracted in 2010. Hence the total amount of M121 contracts for both years, 2009 and 2010, amounts to 284 beneficiaries.

⁴¹ The number of beneficiaries paid for Measure 212 in 2010, pertain to payments of year 2010 only.

⁴² The 2,208 beneficiaries paid in 2010 also include beneficiaries for application year 2009.

Measure 323	Conservation and upgrading of the rural heritage	Article 57 of Regulation (EC) No 1698/2005	16	15	21,000,000	6,006,688.90
Measure 341	Skills acquisition, animation and implementation	Article 59 of Regulation (EC) No 1698/2005	3	3	450,000	308,437.93

Additionally the remaining 11 Measures have not been included in the table above due to the fact that either the applications were still being evaluated or no payments were issued in the period under review. A case in point, as at end 2010 there were no applications for Measure 111, Measure 114, Measure 115 and Measure 133, while there was only one application for Measure 142 which was still being processed for contracting. Furthermore, Measure 125 was not launched in 2010, while no funds were paid for Measure 41, Measure 421 and Measure 431 of Priority Axis 4. Thus one can conclude that for the remaining 11 measures no funds were paid to beneficiaries in 2010.

Furthermore, the table below represents the financial implementation for Measure 511 as at end of 2010.

Measure No	Title of the Measure	Legal Basis	Total Public Expenditure (€) Allocation for the Measure	Total Public Expenditure (€) Allocation for 2010	Payments (€) Issued as at 2010
Measure 511	Technical Assistance	Article 66 of Council Regulation (EC) No 1698/2005	4,084,473	904,308.77	904,308.71

Table 13: Payments issued for Technical Assistance as at end 2010

Cumulative Financial Scenario as at 31st December 2010

Table 14: Cumulative Financial Scenario as at 31st December 2010⁴³

Priority Axis	Measure	Title of Measure	Funds (€) Allocated to the Measure as per RDP as at 31/12/2010	Funds (€) Committed as at 31/12 2010	Annual Payments Executed in 2010	Funds (€) disbursed as at 31/12/2010	Funds (€) certified to the European Commission as at 31/12/2010
1	111	Vocational training and information actions	1,160,000	0	0	0	0
1	114	Use of advisory services	3,000,000	0	0	0	0
1	115	Setting up of advisory services	600,000	0	0	0	0
1	121	Modernisation of agricultural holdings	14,820,000	15,604,712.20	6,719,715.78	7,524,151.50	5,643,113.63
1	123	Adding value to agricultural products	7,000,000	2,238,903.10	807,336.57	807,336.57	605,502.43
1	124	Cooperation for development of new products, processes and technologies in the agriculture and food sector	1,000,000	255,317.44	0	0	0
1	125	Infrastructure Related To the Development & Adaptation of Agriculture	5,200,000	0	0	0	0
1	132	Participation of farmers in food quality schemes	1,200,000	9,423.15	0	0	0
1	133	Information and promotion activities	670,000	0	0	0	0
1	142	Setting up of producer groups	990,000	0	0	0	0
2	212	Support for areas with handicaps	14,500,000	7,681,452.08	2,305,789.69	7,355,008.88	5,884,007.09
2	214	Agri-environment Measures	10,525,000	2,478,878.48	2,014,467.08	2,467,643.80	1,974,115.04
3	313	Encouragement of tourism activities	11,536,667	6,754,670.80	2,345,218.36	2,345,218.36	1,758,913.77
3	323	Conservation and upgrading of the rural heritage	21,000,000	14,627,711.24	6,006,688.90	6,006,688.90	4,505,016.68
3	341	Skills acquisition, animation and implementation	450,000	318,600.00	308,437.93	308,437.93	231,328.45
4	41	Implementation of Local Development Strategy	2,600,000	2,935,000.00	0	0	0
4	421	Inter-territorial and transnational cooperation	500,000	165,000.00	0	0	0
4	431	Running costs, acquisition of skills and animation	775,000	775,000.00	0	0	0
5	511	Technical Assistance Operations	4,084,473	904,308.77	517,679.34	904,308.70	678,231.53
Total			101,611,140	54,748,977.26	21,025,333.65	27,718,794.64	21,280,228.62

⁴³ In view of the modifications presented to the Commission by Malta which were approved on 31st March 2011, the budget for Measure 121 increased by €5,049,000 with the transfer of funds from Measures 111, 114 and 123. As for Measure 41 a transfer of funds from Measure 421 to Measure 41 increased the budget of Measure 41 by €335,000. Hence the reason why the funds committed for Measure 121 and Measure 41 in 2010 are higher than the funds allocated at measure level.

European Economic Recovery Package and Health Check Commitments

The MA carried out the first programme modification in 2009 in order to cater for the proposed allocation of € 1.02 million to Malta from the European Economic Recovery Package (EERP). The funds available from the EERP were not channelled towards the enhancement of the coverage of broadband in rural areas due to the fact that there is practically full coverage of broadband across the whole population of the Maltese territory. Furthermore, as stated in Section A: Broadband in Malta, broadband infrastructure has been recently updated by private operators thus making use of latest technology. For this reason it was deemed that there was no scope for utilisation of Recovery Package funds for the upgrading of broadband infrastructure. Moreover, ICT related investments such as websites, virtual tours and documentaries, and interactive panels were funded under Action 6 of Measure 313 for a contracted total of €607,424.90. A further €262,558 was contracted to ICT related projects under Measure 323. However, no payments were effected related to ICT investments under Measure 313 and Measure 323 as at end 2010.

The EERP funds were subsequently allocated for one of the six 'new challenges' defined in the Health Check (HC), namely Dairy Restructuring. The total allocated funds addressed to Axis 1, Measure 121 for the Modernization of Agricultural holdings. It was deemed necessary for Malta to provide incentives to the dairy sector to disseminate modern and innovative technologies and systems to guarantee safe and high quality products as well as more sustainable modes of production.

It is important to note that € 1.02 million allocated to Malta, which was awarded for Dairy Restructuring were disbursed as at end 2010. The following table presents a clearly financial tracking of how the allocated budget from Health Check and Recovery Package were distributed to farmers:

MI21 (funds allocated from EERP & HC)	Annual payments Year 2009	Annual payments Year 2010	Cumulative payments from year 2009 to year 2010
No of beneficiaries paid	14	16	16 ⁴⁴
EAFRD amount paid in Euros	603,327	416,673	1,020,000

N+2 Commitments

The Maltese RDP 2007-2013 was approved on 18th February 2008 through Commission Decision C(2008)730-18/2/2008 and the implementation of the measures started in 2009. In view of the above mentioned timeframes, two N+2 commitments had to be met as at end of 2010 i.e. the annual commitment stipulated for 2007 and that of 2008., Thus, in 2010 the Managing Authority introduced the uptake of Advanced Payments under Measures 121, 123, 124, 125, 313 and 323. The necessary modification to the RPD was submitted to the Commission Services in June 2010 and approved by the same on 25th August 2010. By the end of Quarter 4 of 2010 all budget allocated for 2007 and 2008 was disbursed and certified to the European Commission within the stipulated timeframe thus avoiding any automatic decommissioning of funds. It is worth noting that the PA actually certified 4% more than the disbursement levels required by end of 2010.

⁴⁴ 16 beneficiaries is the total for both years since most of the beneficiaries were paid partially in 2009.

4. 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 undertook implementation related to 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. In 2010 the two most important milestones in ongoing evaluation activities were the Strategic Monitoring Report and the Mid-Term Evaluation Report, which the MA managed to complete successfully and submit to the Commission in a timely manner.

Ongoing Evaluation System

The overall objective of the ongoing evaluation is to have continuous evaluation throughout the whole programming period. An independent on-going review and evaluation of the RDP for the period 2007, 2008 and 2009 by means of an external evaluation was carried out by third party evaluators who were engaged through a service tender. Evaluators were contracted by the Ministry for Resources and Rural Affairs (Contract Reference number CT2645/2009) to prepare the Strategic Monitoring Report (SMR) and the Mid-Term Evaluation (MTE) for Malta's Rural Development Programme (RDP) for the period 2007 to 2013, in compliance with the requirements of Council Regulation 1698/2005/EC.

The general objectives of the Contract were to:

- (a) Carry out an on-going review and evaluation of the RDP that is in compliance with the requirements of Council Regulation 1698/2005/EC; and
- (b) Carry out a mid-term evaluation of the RDP that is in compliance with the requirements of Council Regulation 1698/2005/EC.

By December 2010, the Consultants submitted to the MA the following reports:

1. **The Strategic Monitoring Report (SMR):** reported on the progress made in implementing its NSP and objectives and its contribution to the achievement of the Community strategic guidelines. This report summarised the progress achieved in implementing the RDP 2007-2013 as reported in the previous years' APRs, namely those covering 2007, 2008 and 2009. The SMR was submitted to Commission via SFC2007 on 30th September 2010⁴⁵ in accordance with Article 13 of Council Regulation No. 1698/2005⁴⁶.
2. **The Interim Evaluation Report (IER):** As a means to evaluate the efficiency of programme implementation the MA also requested to carry out an IER. This report was based on data from 1st January 2007 to 31st December 2009. It is important to note that at the end of 2009

⁴⁵ On 14th January 2011 the Commission services acknowledged receipt and provided comments of the SMR report sent on 30 September 2010. Malta is to provide a revised version of the report in accordance to Article 13 of the Council Regulation (EC) No 1698/2005.

⁴⁶ 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.

the implementation of the RDP was in a very dynamic state, with calls open and funds being committed. The aim of this IER was to provide a progress report on the undertaking of the Mid-Term evaluation concerning the implementation of the RDP 2007-2013. This report was mainly based on the Strategic Monitoring Report (SMR), and provided an in-depth focus on the methodology being pursued towards the latter, and described the progress achieved up to end 2009 in the implementation of such methodology; and

3. **The Mid-Term Evaluation (MTE) Report:** aimed to assess the effectiveness, efficiency and relevance of the measures proposed and being implemented in the RDP 2007-2013 for Malta, as per Article 86(4) of Council Regulation 1698/2005. This Evaluation also provided recommendations on improving the quality of programme implementation and programme design for the forthcoming programming period. The MTE Report was submitted to the Commission via SFC2007 on the 31st December 2010.⁴⁷

Evaluation Activities

The Mid-Term Evaluation methodological approach aimed at fulfilling the different phases of evaluation as outlined in the Terms of Reference of the Contract, particularly including structuring, observing, analyzing and judging tasks.

The main data sources used in terms of observation included published statistical sources, records maintained by the Managing Authority such as project application forms and monitoring data, and data elicited from surveys and interviews as outlined below.

The first step of the evaluation process involved an analysis of the output, result and impact indicators. Progress in regards of output indicators was obtained from administrative records of programme implementation, as found in Annual Progress Reports (APRs) and other records provided by MA. Given that the state of implementation of the programme had not progressed enough, the assessment of impact and result indicators was very limited, although a high level assessment was presented based on expert analysis of likelihood of achieving value added targets.

In order to respond to the Evaluation questions contained in the Commission Guidance for the MTE, this part of the evaluation process was carried out on the basis of the results from the indicators together with a quantitative and a qualitative analysis based on fieldwork. This enabled an assessment of the outcomes and impacts derived from every measure and also of the entire programme.

The quantitative analysis focused on the impacts that are amenable to numerical estimation. These effects mainly relate to the extent to which the targets set for the result, output and impact indicators were being reached and the extent to which they will most likely continue to be reached. Thus, the quantitative analysis was essentially based on fieldwork, conducted by means of a survey of successful applicants. The sample size selected differed subject to the result targets of the measures in each of the Priority Axis whereby the representative sample size was determined according to adequate statistical procedures ensuring a representative sample.

Based on data gathered by the MA and fieldwork the Evaluation Team drew conclusions and presented recommendations on the implementation of the RDP 2007-2013. As explained throughout the MTE Report since available data was limited, particularly with regards to the result and impact indicators, the evaluation was based on stakeholder consultation and expert evaluation. The lack of indicators was also related to the fact that a number of measures had not been implemented while others had only been launched in 2009.

⁴⁷ On 14th January 2011 the Commission acknowledged receipt of the mid-term evaluation related to the rural development plan of Malta in accordance with Article 86(4) of the Council Regulation (EC) No 1698/2005 and Article 61 of the Commission Regulation (EC) No 1974/2006. The evaluation was received via SFC2007 on 31 December 2010. The MTE Report was sent to all the Monitoring Committee members for their review on 25th January 2011.

Thus effective monitoring and evaluation exercises could only be performed on the basis of the programme output indicators. Thus, the Mid-Term Evaluation report was mostly based on fieldwork where surveys of actual and potential beneficiaries were held. In this respect, recommendations towards the development of an appropriate statistical system of impact and result indicators were provided. The main findings emanating from the MTE report were the following:

- Measures met with strong demand were that covering farm modernisation and for measures that supplement the farmers' income.
- Measure 121 and Axis 3 attracted the largest budget share and are expected to be the measures that contribute most to the generation of target value added.
- Progress in Programme Management is ongoing both for human resources and the I.T infrastructure.
- Effects of the late start of the programme.
- Impacts and results of the RDP depend on the lack of marketing practices, the excessive fragmentation of land, and the demand by farmers for RDP measures.
- Uncertainty regarding future regulatory developments.
- Efforts at policy co-ordination needed to enhance human and physical capital, and competitiveness.

Moreover, a number of recommendations for improvement to the implementation of the current programme and for the design of future programmes were identified, on a measure by measure basis and from a horizontal perspective. The evaluators emphasised that for the next RDP (2014-2020) a more focused approach to the formulation of the Rural Development Programme for Malta should be undertaken, with expert input following a top-down approach, stronger degree of social involvement to promote a bottom-up approach through the NRN. Other recommendations focused on:

- Ageing farming population problem not specifically tackled by the current programme;
- Enhance education at all levels in the farming industry;
- Attractiveness of agriculture to business start-ups also needs attention;
- Focus on incentivizing family-run farms;
- Water resources - need further interventions;
- Better integration of national policies;
- Information being provided in a timely and effective manner to potential applicants;
 - Publicity in the budget under each measure;
 - Six-month advance calendar;
 - Dissemination of cross-compliance requirements;
 - Clearer, simpler guidelines;
 - Use of one-on-one approaches to provide relevant explanations to individual farmers.

Tender for Ongoing and Ex-Post Evaluation

In 2010 the MA prepared the Ongoing & Ex-Post Evaluation Tender for The Rural Development Programme for Malta (2007-2013), which was foreseen to be published in 2011⁴⁸. The overall objectives of the tender are as follows:

- Continue carrying out the on-going evaluation of the 2007-2013 Rural Development Plan
- Carry out strategic reviews of the implementation and results of the 2007-2013 Rural Development Plan for the period January 2010 to December 2013
- Carry out an Ex-Post evaluation in 2015 as per Article 86(5) of Council Regulation 1698/2005.

The main scope of work under this service tender is divided into two sections, as explained above, the on-going evaluation and the ex-post evaluation. For the ongoing section the evaluators will examine the progress of the programme in relation to its goals by means of result and impact indicators (Article 86.3 of Regulation 1698/2005). The following are the results to be achieved by the evaluators:

- To present 5 annual Interim Evaluation Reports (IERs) covering the period January 2010 to December 2014, namely:-
 - IER 1 – January to December 2010 to be presented 2 months from the signing of the contract;
 - IER 2 – January to December 2011 to be presented by February 2012;
 - IER 3 - January to December 2012 to be presented by February 2013;
 - IER 4 - January to December 2013 to be presented by February 2014;
 - IER 5 - January to December 2014 to be presented by February 2015.
- To present two Strategic Monitoring Reports covering the periods January 2010 to December 2013. The indicative timeframes are:
 - The first Strategic Monitoring Report will cover the period January 2010 to December 2011. The first draft of this report should be delivered by the first week of June 2012.
 - The second Strategic Monitoring Report will cover the period January 2012 to December 2013. . The first draft of this report should be delivered by the first week of June 2014.

The evaluation process must be seen as a participatory process whereby the evaluators speak and discuss with the relevant stakeholders on the implementation of the Programme and how this may be improved. While the evaluator eventually must develop a firm view of her/his assessment (not merely take the views expressed as given and correct), the way how this assessment has been reached must

⁴⁸ The tender was published on the 1st of April 2011 and deadline for submission of bid is scheduled for the 24th of May 2011. Following closure of submission of bids two bids were received and currently evaluation for the adjudication of this tender is on-going.. The evaluator who will be awarded the tender will work building on the outcome of the mid-term evaluation.

be transparent and possibly it must be explained to the stakeholders at latest at the debriefing meetings of the evaluations.

For Ex-post evaluation a full evaluation of the measures and the programme will take place in 2015. The ex-post evaluation report will provide answers to all common and programme-specific evaluation questions, derived from an assessment of the effectiveness, efficiency, and relevance of measures and programmes. The report will also include a judgement on the degree to which measures and the programme as a whole have met their targets and have contributed to achieving the objectives set out in the national strategies as well as the Community strategy. The evaluators are to present the first draft of the Ex-Post evaluation report of the 2007-2013 RDP in the latter half of June 2015.

In conclusion, monitoring and evaluation through the tasks performed by the evaluators must lead to an improvement in the quality of the programme through independent judgement and recommendations on technical and/or policy issues, delivered through an interactive process between the evaluators and the Managing Authority.

Data Collection

The MA has the main responsibility in this regard and works in close collaboration with statistical institutes at national level, mainly the National Statistics Office (NSO), as they provide the economic data in the appropriate format for monitoring and evaluation. The MA also acquires published statistical sources from the Ministry of Finance, the Economy and Investment (MFEI), the Employment Training Centre (ETC), Malta Communications Authority (MCA), the Ministry for Resources and Rural Affairs (MRRA), the Malta Resource Authority (MRA) and the Malta Environmental and Planning Authority (MEPA). For evaluation purposes the MA also uses records maintained by the MA and PA including project application forms, and data elicited from surveys and interviews.

Furthermore, the MA in collaboration with the PA has set up an internal Monitoring Requirements Manual, explaining to each Unit what data is needed and by when. A series of meetings with the Heads of Unit and I.T managers have taken place in order to have this data collection system by end of December 2010. The report encompasses all the tables of the monitoring tables as well as other data needed for the APRs, with the aim to harmonise approaches towards data collection for monitoring and evaluation.

In addition, a vital tool for data collection lies within the I.T system which provides detailed statistics at the different levels as may be required, as explained in Section E.

Networking Activities

As it was reported in the previous APRs, 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 Programme. In 2010, the MA participated actively during the 6th meeting held on the 26th November 2010. The main aim of the meeting was to evaluate the Annual Progress Reports for 2009 concerning ongoing evaluation section and to evaluate the results of the SWOT analyses of the Common Monitoring and Evaluation System.

Complimentary to its involvement in the above committee the Managing Authority participated in the Evaluation Needs Assessment focus group workshop organised in Malta On 25th October 2010. Mr John Grieve, an expert from the European Evaluation Network on Rural Development (EENRD) as well as the co-ordinator of the focus groups for the EENRD for Malta, England, Wales, Scotland and Ireland, chaired the third meeting of the Focus Group for the European Evaluation Network for Rural Development. The scope of the meeting was mainly to discuss how to improve the Common Monitoring and Evaluation Framework (CMEF) in post 2013 phase. The main issues discussed were associated with scale, applicability and transactional cost burdens of the current CMEF are critical factors in Malta. The MA emphasised the need for the reduction of the overall burden of the CMEF on the limited administrative

resources available together with the strong desire to make the CMEF and Monitoring and Evaluation as relevant and effective as possible.

Furthermore, the MA in collaboration with the EENRD held a training and development session on the 6th December 2010. The two EENRD experts, Mr. Hannes Wimmer, and Mr. Andreas Resch, came to Malta to discuss Monitoring and Evaluation further and presented:

- An overview on the annual work programme of the Evaluation Helpdesk and opportunities for strengthening collaboration;
- An overview the preliminary findings of the focus groups / Synthesis Annual Progress Reports, and give specific recommendations for Malta;
- A brief presentation on the MTE and ongoing evaluation system in Malta mainly tackling: How was the system organised, What were the main challenges for the MTE and what solutions did the evaluators identify as well as what are the needs for further guidance.

Difficulties Encountered

One of the difficulties encountered by the MA was the delay of the tendering process for the ongoing evaluation, due to complex administrative tendering procedures. As a result the contract was signed by the successful evaluator in July 2010, allowing less than three months for the Strategic Monitoring Report (SMR) to be compiled, revised and finalised. However the evaluation team managed the time at their disposal in an efficient manner and managed to complete the report on time, thus enabling the MA to submit the SMR to the Commission on 30th September 2010.

5. 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)

Monitoring Activities

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 at programme level, 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, four EU Funds Officers and another officer engaged on contract basis. The MA is complemented by the MRRA Paying Agency that is responsible for the implementation and execution of the measures. Each officer has been assigned a set of specific tasks related to implementation, monitoring and evaluation of the programme, coherence with Community Policies and regulations.

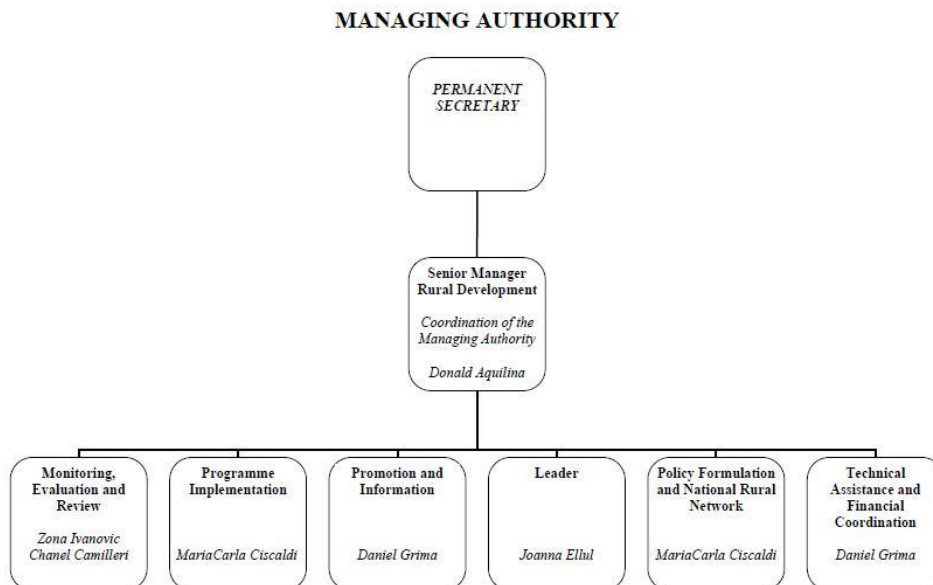


Figure 11: Organisational Chart for the MA

Paying Agency

The MRRA approved Paying Agency for the purpose of managing EAGGF and EAFRD funds. The PA is fully in line with the obligations and responsibilities in line with Council Regulation (EC) No 1290/2005 as well as Commission Regulations (EC) No 883/2006 and No 885/2006. Full accreditation of the PA was achieved in July 2010.

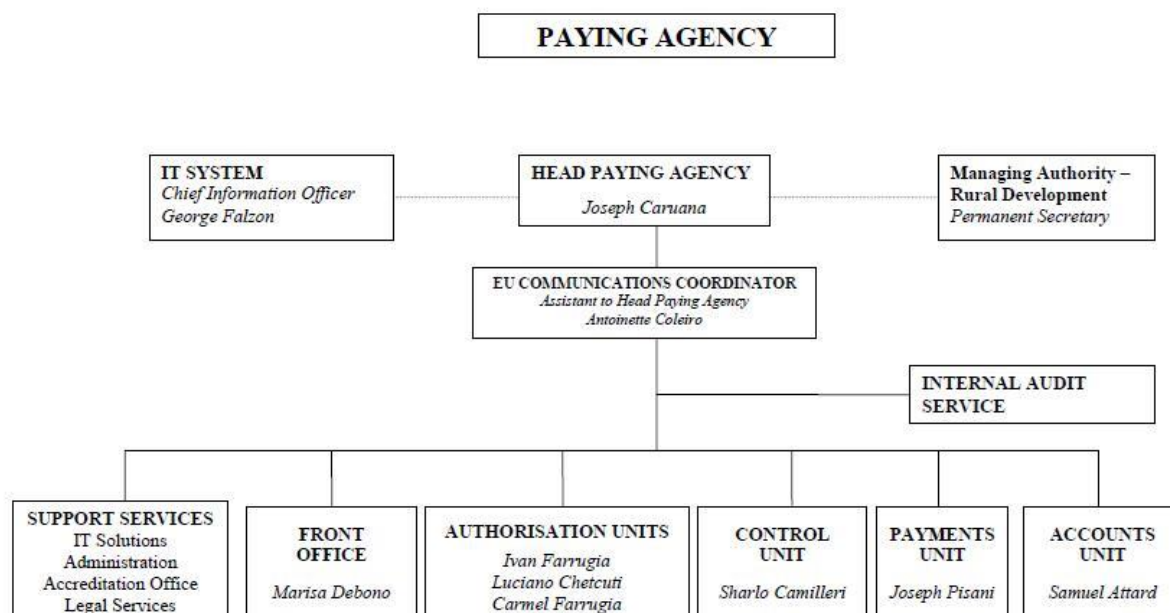


Figure 12: Organisational Chart for the PA

In order to ensure effective demarcation with other systems of EU funding and to avoid duplication, management arrangements have been put into place. This ensures compliance with Community policies as it follows Council Regulation No 1257/1999 and No 1698/2005. Indeed, the MA and Paying Agency (PA) have a clear demarcation with regards to their respective roles, even though they work in synergy with each other as outlined in the Community Strategic Guideline for Rural Development. The MA is mainly responsible for the implementation, amendments and evaluation of the programme, while PA is responsible for the implementation of the measures, processing of payment claims and expenditure reporting to the Commission. 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 I.T System

As outlined in Article 75 of Council Regulation (EC) 1698/2005, an electronic system to record and maintain statistical information is being developed together with the PA in order to process project proposals, effect payment claims and issue reports regarding monitoring and evaluation. An I.T company to develop the I.T system for the implementation of RDP 2007-2013.

The objective behind the I.T system is to develop one integrated system wherein one former registry is used for both. At present the new I.T application supports both, applications under Pillar I and Pillar II as follows:

- IACS measures for 2007 – 2013 period;
- AEMs - along with SPS, LFA and National Measures -integrated GIS;
- the Rural Development Investment Measures (RDIM);

The approach undertaken so far is to first and foremost support measures in batches, secondly release measure M121 and “Common functions” (Contract, Controls, Payments), and later to roll out Application Capture for further measures:

- Initial Release 121
- Priority 1: Batch 1 – (114, 115, 313, 323, 341, 123)
- Priority 2: Batch 2 – (124, 132, 133, 111, 142)
- Priority 3: Batch 3 - (125, 214)
- Priority 4: Batch 4 - (Leader - M410, M423, M431, M511)

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.

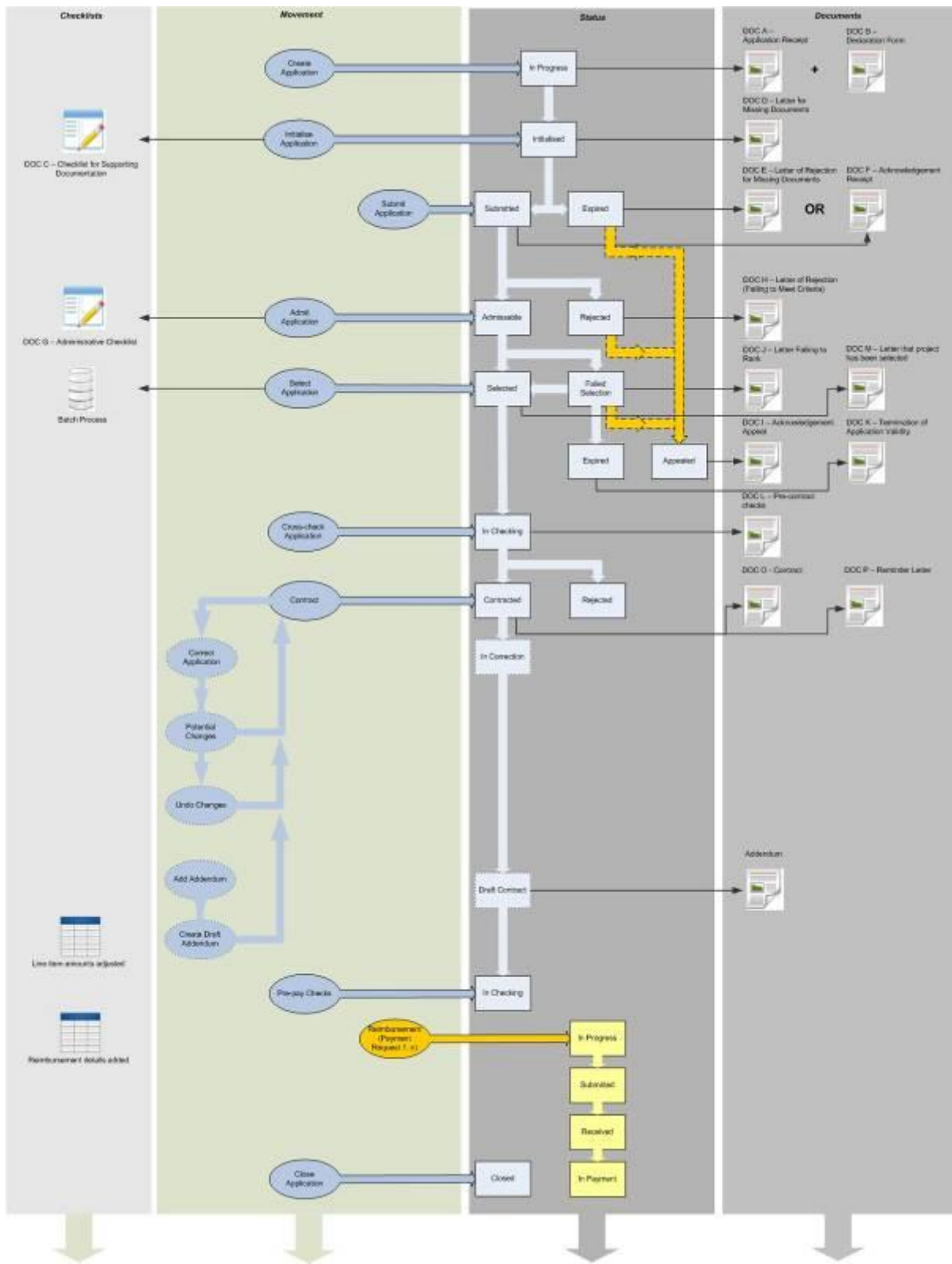


Figure 13: The 2010 updated Application Process Flow

Monitoring through Bilateral Meetings

As a means to monitor closely the implementation of projects approved under Measure 313 and 323 of Priority Axis 3, the Managing Authority organised a series of bilateral meetings carried out on a monthly basis with the beneficiaries of projects co-financed under these two Measures. The scope of these meetings was to ensure that projects are on track both in terms of physical progress as well as in terms of financial progress and to ensure that the project deadlines and targets are adhered to.

Strategic Monitoring Level

As stated in previous APRs, the Monitoring Committee for the Rural Development Plan for 2007-2013 was established on 2nd July 2008 after the approval of the RDP as required by Article 77 of Council Regulation (EC) 1698/2005.

In 2010 two Monitoring Committee meetings were organized. The 6th Committee meeting of 28th May 2010 approved the Annual Progress Report for 2009. The 7th Committee meeting was held on the 24th November 2010 via written procedure, for the approval of the modifications of Measures 214,313 and 323 of the Rural Development Programme 2007-2013

The composition of the Monitoring Committee consists of Government representatives including officers from the Managing Authority for Rural Development, representatives from the European Commission, representatives from social and economic partners, representatives from the civil society and other affiliated organizations. In November 2010 the MA undertook changes to the composition of the MC so as to ensure that different stakeholders within the Rural Community, especially non-governmental organisations, contribute towards the effective implementation of the programme for 2007 – 2013.

The MA is responsible for 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 2010 the officers within the MA mainly focused on monitoring of the implementation of the programme which was well underway in 2010.

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.

Annual meeting between the Commission and the Managing Authority

According to Article 83 of the Council Regulation 1698/2005, each year on presentation of the annual progress report, the Commission and the Managing Authority shall examine the main results of the previous year. The annual meeting between the Commission and the Maltese authorities for rural development took place in Brussels on 3rd December 2010 at the Commission's offices. The agenda of the meeting was structured around various issues concerning mainly the programming period 2007-2013. The following issues were discussed and agreed upon:

- **Annual Progress Report 2009:** The APR 2010 was submitted in due time to the European Commission. A revised version has been requested by the Commission because of the following reasons: lack of full data for some measures (AEM)/ inconsistency of data between tables. Meanwhile a revised version was submitted and approved by the Commission. The importance to have all indicators and targets quantified was discussed. Malta indicated that it has issues with certain indicators e.g. farmland birds index, number of overnight stays for the tourism measures. As the programme is now starting its full implementation, Malta should focus more to provide qualitative analysis of the progress achieved in relation to targets initially set out. This point should be further elaborated for the next annual progress report relating to the year 2010. The conclusion of COM(2009) 103 of 03.03.2009 on "Better access for rural areas to modern ICT" was reminded, in particular its call on MS to indicate the ICT related actions undertaken in each report year.
- **Further Implementation of the RDP 2007 – 2013:**
 - **Financial execution (incl. Q3 of 2010):** Following the last declaration of expenditure, a total amount of €20,465.917.53 has been requested by Malta for reimbursement. This represents 26% of the EAFRD funding available for this programming period, meaning that 75% of the financial plan still needs to be spent. According to the information provided by the Maltese authorities, commitments are reaching 75 - 80%, situation end of 2010. The Commission stressed the urgency to make sure that in 2011 expenditure is carried out for all measures. Currently there is no expenditure for 8 measures and the Leader axis. It also warned the Maltese authorities about the further follow up of the N+2 rule, to be applied by end of 2011 (allocation of 2009). The Maltese authorities gave assurances that, as a minimum, the 2009 allocation will be spent by the end of 2011. Furthermore, expenditure in relation to other measures will be affected given that implementation will gear up in 2011 especially for Axis 3 measures and Leader. One of the main reasons for the slow financial execution is the serious delay in adjudication process related to contracting by the Department of Contracts.
 - **Implementation of the measures:** The Commission was of the opinion that the quality of the tenders/applications received, required further enhancement. Therefore an increased communication effort will be required by the Maltese authorities. Timing when the call is launched should be taken into account (e.g. not during festive holidays), to allow potential beneficiaries sufficient time to react. The Commission also commented on the following specific measures: Measure 111 – Training, Measure 114 and Measure 115 - Farm advisory services, Measure 121 - Modernisation of agricultural holdings, Measure 123 - Processing and marketing, Measure 124 - Cooperation for development of new products, Measure 125 - Infrastructure related to the development and adaptation, Measure 132 - 133 Participation in food quality schemes / Information and promotion activities, Measure 142 – Producer Groups, Measure 212 – LFA, Measure 214 - Agri-environment, Measure 313 - Tourism activities, and Measure 323 - Conservation and upgrading of the rural heritage.

- **Monitoring and evaluation:** Following the low participation of some members of the Monitoring Committee, the Maltese authorities have contacted them to see if they are still interested to participate in the committee. As a result of this exercise, the ones showing no further interest were replaced by 6 representations of the farming sector. The written consultation process is an accepted procedure now and that the members are providing comments.

The bi-annual strategic monitoring report was submitted in due time to the Commission.

- **Daily management of the programme:** The administrative capacity within the Ministry has improved but Maltese authorities stressed to the Commission that there is a certain lack of proportionality compared to the rural development programmes that have larger budgets and subsequently also more funds available under technical assistance.

Malta also explained that the coordination with other funds is done mainly through joint committees and exchange of information (eg. list of beneficiaries are exchanged, content of projects is communicated).

Rural Development Committee

The Rural Development Committee (RDC) presides over the implementation of the Rural Development Programmes of each Member State 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 2010, the 40th to the 47th RDC meetings were held, to which the MA participated in all the eight Committee meetings. There were several issues discussed however the recasting of Commission Regulation N° 1975/2006, regarding the implementation of control procedures as well as cross-compliance in respect of RD support measures and the simplification of delivery mechanisms in RD were the most important to Malta.

Summary of the Major Problems Encountered in Managing the Programme

I. Insufficient administrative and technical capacity

In 2010 several events led to periods of limited administrative capacity in a number of organisations, including the Managing Authority. During 2010, the EU Fund manager and the scientific officer resigned from their post within the Managing Authority taking up employment elsewhere, while no new employees were engaged with the MA. This left the MA in a disadvantaged position when considering the small number of employees the MA had to run the programme on, 5 officers and a senior programming manager. Due to this reduction in the number of employees some of the officers had their roles changed so as to undertake the tasks required while the positions were still vacant. The officers who were assigned to new roles experienced a steep learning curve since they required time and training to familiarise themselves with the procedures and responsibilities presented to them.

Action Taken

The officers were provided by the Managing Authority provided proper hand-over to officers assigned with additional tasks attended training sessions 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. Furthermore, as at end 2010 a new recruitment process was in the pipeline.

2. Incomplete I.T system development

The development of a specialised I.T system has been designed in a number of phases. In 2010 further 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.

As explained above at present the new I.T system implemented supports for IACS measures for 2007-2013 period, AEMs – along with SPS, LFA and National Measures – integrated GIS and the Rural Development Investment Measures (RDIM). However there still needs to be further development on the monitoring system to collect and analyse output, result and impact indicators for the purpose of evaluation exercises. In fact, until end of period under review the output indicators have been compiled on the basis of administrative records from applications and actual implementation of measures under the RDP. Thus the collection of data for impact and result indicators is at this stage at a very rudimentary level, meaning that the system as a whole was not finished by end of the year under review.

Action Taken

The Managing Authority understands that further actions need to be taken to enhance the information system in this regard, and is ensuring progress by constant supervision on the evolution of the various phases of the I.T system. This will ensure that the roll out of the system is achieved at the earliest possible due to the fact that in order to fulfil the reporting requirements successfully, the I.T system needs to be in place. The MA recognises the fact that while good progress was achieved in 2010, further development of the I.T system needs to be undertaken in 2011.

3. The National Rural Network

Whilst substantial progress on National Rural Network was achieved in 2010, the NRN still needed to establish and undertake the NRN activities. Delays were encountered in the organisation of the activities took place due to the adaptation of the culture of the Maltese agricultural sector since the NRN is a new concept in Malta.

Action Taken

To increase the progress of adaptation towards the concept of NRN within the agricultural sector, in 2010, the MA focused more on publishing an informative material such as a book about the Rural Development Programme and an informative leaflet about NRN with the aim to primarily inform the public with the scope of getting acquainted with the RDP 2007-2013 and the aims of NRN. In the meantime the MA also drafted the NRN newsletter which is set to be published in 2011.

4. Setting Up of the MA Website

Delays were also encountered in the setting up of the MA website mainly due to some technical difficulties encountered, resulting also in a delay in the launching of the website.

Action Taken

Although the MA website was not launched in 2010 great attention to detail was given to revamp the site in any means possible so as to have a hub of information available online. The Managing Authority will launch the site in 2011.⁴⁹

Other programme-wide activities

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. As at end of 2010, €904,308.71 of EU funds were disbursed under the Technical Assistance allocation of the 2007-2013 programme.

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. On 4th January 2010 the Managing Authority finalised the revised version of the Communication Plan and submitted the document to the European Commission for approval.

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;

⁴⁹ The MA website was launched in 2011 and can be accessed on <https://secure2.gov.mt/MRRA-MA/home?!=1>

- The indicative budget for implementation of the plan;
- 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, in 2010 the Managing Authority finalised the Working Document of initiatives and actions mapping out the events and activities to be undertaken on an annual basis. To this effect the Managing Authority assured that all activities found in the communication plan were in accordance with the requirements of the EU regulations which outline the framework of the communication activities.

In 2010 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.

The publicity channels employed 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. On 24th of February 2010 a press release was published on 'More investment in the agricultural sector'. For AEMs and LFAs of Priority Axis 2 there were also a total of eight advertisements published, in both English and Maltese, over the span of two weeks, in five different local newspapers and the Government Gazette. Moreover, advertisements for the tender of Measure 111, the revision of the General Guidelines and the Guidance Notes of Measure 121, and Measure 123, and the publication of the final results Measure 313 and Measure 323 were published on local newspapers and the Government Gazette.

Applications for EU and National Aid on Land Based Measures

The Paying agency within the Ministry for Resources and Rural Affairs will be receiving payment claims for EU and National Aid on Land-based Measures.

Payment claims will be received until Friday, 14th May, 2010. **No applications will be received after this closing date.** Weekends and Public Holidays are excluded.

Farmers may register at the following offices:

- the Applications Office at Ghammieri, Qormi
- the Applications Office at the Pitkali Market, Ta' Qali
- the Government Experimental farm, Xewkija, Gozo

These offices shall be open from 7.30 a.m. till 3.00 p.m. in Malta and from 7.30 am to 2.00pm in Gozo.

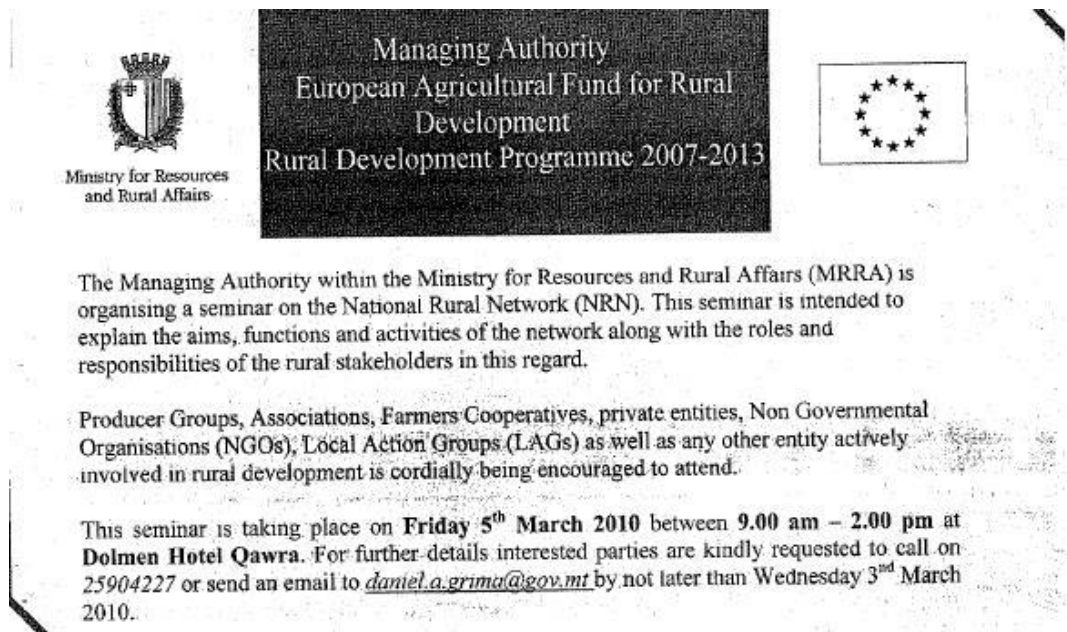
If one only requires renewing the claim submitted during 2009 made on Less Favoured Areas, Single Payment Scheme and Additional Aid on Vines, one may do so at one of the following Centres:

- 1 Koperattiva Produtturi tal-Halib – KPH
- 2 Ta' Qali Producers Group – TQPG
- 3 Assocjazzjoni tal-Bdiewja – ATB
- 4 Ghaqda Vitikultura Mallija
- 5 Ghaqda Produtturi tal-Tadam Maltin

Further information and requests for clarification can be made by calling on 25904 204 in Malta or on 21 565809 in Gozo

Figure 14: Advertisement on a local daily newspaper for the call for applications for Land Based Measures

Besides the advertisements published for Axis 2 there was also an advert in the local newspapers to promote the NRN meeting which was being held on 5th March 2010.



The advertisement features a header with the coat of arms of Malta on the left, the text "Ministry for Resources and Rural Affairs" below it, and the European Union flag on the right. The central text reads: "Managing Authority European Agricultural Fund for Rural Development Rural Development Programme 2007-2013".

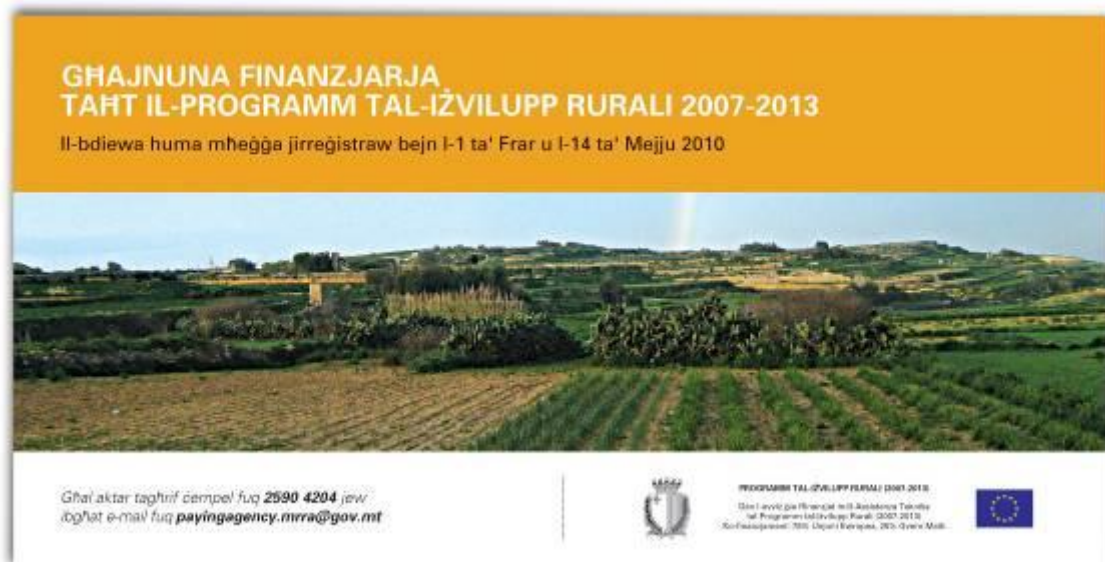
The Managing Authority within the Ministry for Resources and Rural Affairs (MRA) is organising a seminar on the National Rural Network (NRN). This seminar is intended to explain the aims, functions and activities of the network along with the roles and responsibilities of the rural stakeholders in this regard.

Producer Groups, Associations, Farmers Cooperatives, private entities, Non Governmental Organisations (NGOs), Local Action Groups (LAGs) as well as any other entity actively involved in rural development is cordially being encouraged to attend.

This seminar is taking place on **Friday 5th March 2010** between **9.00 am – 2.00 pm** at **Dolmen Hotel Qawra**. For further details interested parties are kindly requested to call on **25904227** or send an email to daniel.a.grima@gov.mt by not later than Wednesday 3rd March 2010.

Figure 15: Advertisement on a local daily newspaper to promote NRN meeting

Measure specific actions also included the setting up of two billboards, one in Malta, in Ta' Qali near the Pitkali market, and another in Gozo, in Xewkija, as a means to convey the registration period of AEMs and LFAs of Priority Axis 2.



The billboard artwork has a yellow header with the text: "GHAJNUNA FINANZJARJA TAHT IL-PROGRAMM TAL-IŻVILUPP RURALI 2007-2013" and "Il-bdiewa huma mhegga jirregistraw bejn l-1 ta' Frar u l-14 ta' Meju 2010". Below the header is a photograph of a rural landscape with fields and a rainbow. At the bottom, there is contact information: "Għal aktar taqirrif cempel fuq 2590 4204 jew ibgħat e-mail fuq payingagency.mra@gov.mt". On the right, there are logos for the MRA and the European Union, along with the text: "PROGRAMM TAL-IŻVILUPP RURALI (2007-2013) Din l-avvis għal finanzjarja ta' l-Assoċjazzjoni Tal-Attivji tal-Programmi ta' l-Iżvilupp Rurali 2007-2013. Kon-fundazzjoni: 75% Uqrajta Ewropea, 25% -Gvern Malti."

Figure 16: Artwork of billboard set up for M212 & M214 in 2010

One of the publicity actions undertaken consisted of an information seminar held by the MA and PA on 26th January 2010 with different entities, namely cooperatives, farmers' groups, and other socio-economic actors, to provide information on what type of aid is available. The seminar covered information on the operations of the Managing Authority and the Paying Agency. To this end various informative materials were distributed to the audience.

On 25th April 2010 the Head of the Paying Agency also participated in a highly viewed TV programme called 'Hadd Ghalik' which is aired on the national TV station where different topics concerning the RDP and Measures were presented. Furthermore, the Managing Authority promoted the RDP and the incentives being offered on a radio programme called 'Frott Artna', which were aired on 4th June and 19th November 2010. Furthermore, advertisements to promote Measure 111 were also aired on local radio stations.

On 14th June 2010 the MA also participated in a seminar entitled "Europe's Common Agricultural Policy: Now & Beyond". The aim of the seminar which was organised by MEUSAC, was to instil in stakeholders and the general public the need to actively participate in the debate that will help share a reformed CAP, which is due to be reformed by 2013, that is more in tune with the expectations of European citizens for Europe's future. In the words of the EU Commissioner for Agriculture and Rural Development, Dacian Ciolo, "*Sometimes the citizens express concerns, questions, and legitimate expectations. They have to be taken into account. The citizens must be involved in the decision-making process.*"⁵⁰



Figure 17: Advertisement to promote the "Europe's Common Agricultural Policy: Now & Beyond" seminar

⁵⁰ The MEUSAC website provides further information on the CAP seminar, <http://www.meusac.gov.mt/fme/902/Default.aspx>



Figure 18: The MA participating in “Europe’s Common Agricultural Policy: Now & Beyond” seminar



Figure 19: Attendees during the “Europe’s Common Agricultural Policy: Now & Beyond” seminar

For an effective publicity campaign, a Press Conference on the funds allocated for Measures 313 and 323 was held on 24th September 2010 in Valletta, at the Notte Bianca site, a day before Notte Bianca events took place. The aim was to provide the general public with a brief overview of the Measures in question with special reference to how much was allocated and what sort of project type of investment was embedded in the Rural Development Programme under these two measure of Priority Axis 3.



Figure 20: Display for press conference stand for Measures 313 and 323

Furthermore, to ensure that information regarding the RDP reached the widest spectrum of audience possible the MA participated in promotional events, such as the Naturalment Malti Fairs⁵¹. The MA took an active part in the following fairs:

- 21st March 2010, for the Milk Fest, held in Gharghur;
- 28-29th June 2010, for the Imnarja Fest (Annual Event), held in Buskett;
- 28th August 2010, for the Wine Fest, held in Siggiewi;
- 25th September 2010, for the Notte Bianca, held in Valletta;
- 5th December 2010, for the Pork Fest, held in Siggiewi;

⁵¹ 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.



Figure 21: The M.A stand at the Annual Event on June 2010



Figure 22: The M.A stand during a Naturalment Malti Fair

To prepare for the above mentioned events, in 2010 the MA purchased AV Equipment for the projection of thematic DVDs such as a documentary on the investments carried out in the Fruit and Vegetables Sector during the 2004-2006 RDP, prepared an agricultural photographic portfolio and printed the photos on PVC with captions, printed a roller-up banner and a backdrop for the MA stand, and purchased a revolving brochure stand to showcase the publication with information about the Rural Development Programme for

Malta 2007-2013, the publication with information on the National Rural Network, Naturalment Malti leaflets and other printed materials. The MA also printed folders to give out to all those interested, filled with leaflets and other informative documentation.



Figure 23: Information leaflets published for Naturalment Malti Fairs

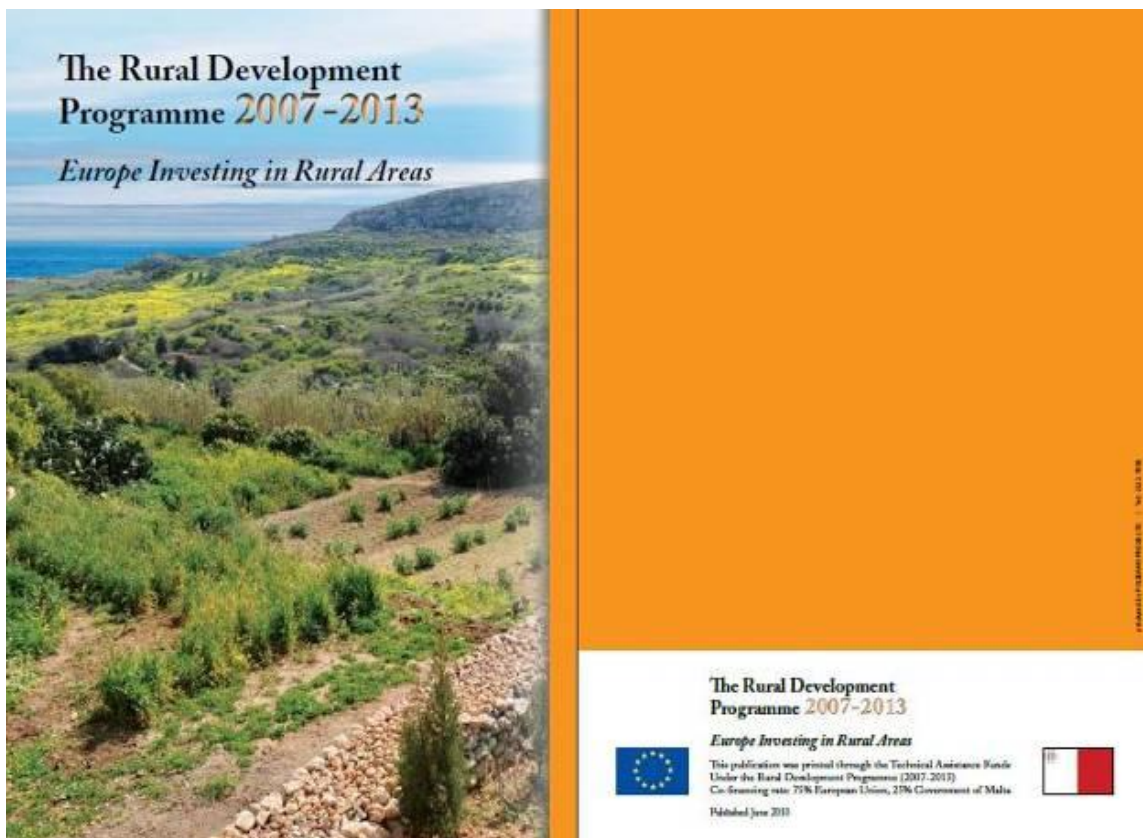


Figure 24: Informative Publication on the RDP 2007-2013⁵²

⁵² The RDP 2007-2013 publication can be found on the MA website under the Publicity section, <https://secure2.gov.mt/MRRA-MA/downloads-links?l=1>

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.



Figure 25: Banner used for publicity to indicate EAFRD funding

Moreover, the MA prepared and provided plaques to those Beneficiaries who had completed their 2007-2013 RDP project under the relevant Measure.



Figure 26: EAFRD Co-financing plaques given to farmers

The official website for the Ministry for Resources and Rural Affairs (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.

Additionally, as at end of 2010 the MA was in its final stage 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. The MA website will be launched in 2011⁵³.

Manual of Procedures

The Manual of Procedures (MoP) has been designed as a guide to all key horizontal stakeholders 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 MoP is periodically reviewed and updated by the Managing Authority (MA) in order to fully comply with EU Legislation.

An update of the MoP (Version 2), was completed on 16th November 2009 and submitted for certification in accordance with EC Regulation No 885/2006. As at end of December 2010 Version 2 of the MoP was being assessed for approval by the certification body, namely, the Internal Audit and Investigations Directorate.⁵⁴

In October 2010 the MA published 'The Operating Rules for the 'LEADER' Programme'. This document forms an integral part of the agreement signed between the Local Action Group (LAG) and the Paying Agency (PA). The Operating Rules are in line with EU and National regulations and set out the general basis on which each LAG will implement and deliver initiative foreseen under Axis 4 of the Rural Development Programme 2007 – 2013 ('the Programme'), part of Measure 125 under Axis 1, and part of Measures 313 under Axis 3. The Operating Rules apply to the implementation of the Local Development Strategy (LDS) approved by the PA. The rules may be updated from time to time at the discretion of the Managing Authority having regard to the European Commission's guidelines for the Programme. In accordance with the terms of the agreement, the rules are binding on each LAG.

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.

⁵³ The MA website was launched in 2011 and can be found on <https://secure2.gov.mt/MRRA-MA/home?l=1>

⁵⁴ The MoP was approved by the Internal Audit and Investigations Directorate on the 5th January 2011

The MA for EAFRD is a member of both the Inter-Ministerial Coordination Committee (IMCC) on EU Infrastructure and Productive Funding Programmes and the Inter-Ministerial Coordination Committee on EU Human Capital Investment Funding Programmes. In 2010 the MA participated in the Inter-Ministerial Co-ordination Committee for the EU Infrastructure and Productive Funding Programmes on demarcation held on 13th September 2010. 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 these Committees is to ensure that coordination and demarcation are adhered to.

6. 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, 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 Managing Authority 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 MA 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.

The MA will be also monitoring the development of the applications contracted closely throughout the programming period in order to verify compliance with the relevant community polices as listed in the table below.

The Table hereunder shows the Legal frameworks to be followed by specific measure.

Table 15: Legal Frameworks by Measure

Measure	Legal Frameworks
121	Water Framework Directive (WFD), Nitrates Directive, Community Standards related to animal welfare, high standards of hygiene and occupational health and safety
123	Community Standards related to improving environmental protection, occupational safety, hygiene and animal welfare
132	Organic production of agricultural products as specified in Council Regulation (EC) no 2092/91
212	Cross Compliance, Good Agricultural and Environmental Condition (GAEC)
214	Cross Compliance, Good Agricultural and Environmental Condition (GAEC)
313	National planning and environmental legal frameworks
323	National planning and environmental legal frameworks

In addition, the MA continued to strengthen 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.

Private entities that applied for the Measures launched in 2010 through the Paying Agency, 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 have issued instructions in the respective guidance notes that such entities must ensure compliance with public procurement regulations. 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 applicants. During the period under review, all applications for support through the RDP were equally judged on their merits by the respective bodies and the necessary level of accountability was maintained.

During 2010 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 adhered to 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.

7. 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 was officially set up on 1st July 2009 in accordance with Article 68 of Council Regulation 1698/2005.

Structure of the Malta NRN

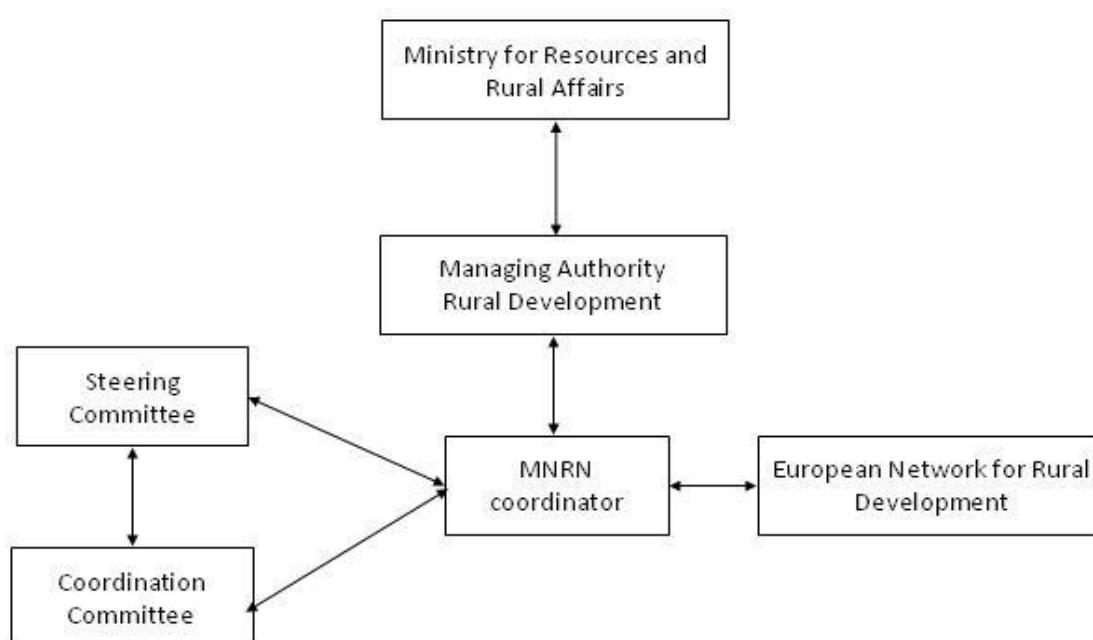


Figure 27: Structure of the Maltese NRN

Procedures for setting up and running the network

The Steering and Coordination Committees were set up on 23rd February 2010. The nominated members of both committees accepted the invitation.

Steering Committee Members	Coordination Committee Members
Ministry for Resources and Rural Affairs	Ministry for Resources and Rural Affairs
Managing Authority	Managing Authority
Paying Agency	Paying Agency
National Rural Network	National Rural Network
Livestock sector	Livestock sector

Crop sector	Crop sector
Majjistral Action Group	Majjistral Action Group
Gozo Action Group	Gozo Action Group
Gal Xlokk	Gal Xlokk
Non-Governmental Organisation	Non-Governmental Organisations
	Producer Organisation's
	Public Representatives

The functions of the Coordination Committee are to:

- Implement, support and advise the actions and activities designated by the Steering Committee of the National Rural Network
- Inform and support NRN staff within the Rural Development Department
- Provide feedback outputs of the NRN
- Work to make the programme more effective
- Approve and coordinate the activities for the implementation of the action plan

The Steering Committee is:

- Responsible for ensuring the smooth and efficient functioning of the NRN whilst ensuring compliance with the relevant EU regulations
- Evaluating proposals/recommendations
- Ensuring compliance
- Discuss and establish work plans of NRN
- Ensuring effective communication between NRN and stakeholders

On 5th March 2010 a meeting was held to formally establish the operational framework along with explaining the roles and responsibilities of the stakeholders involved in the National Rural Network. During the meeting, the Managing Authority explained the aims, functions, roles and importance of networking to the general public and stakeholders. The main points of the agenda were the overview of the scope of NRN, and the establishment of the Steering and Coordination Committees through the respective Terms of Reference. During the first meeting, three thematic areas for NRN were selected with the purpose to raise awareness, generate ideas and suggest solutions on:

- Competitiveness, multi-functionality and adding value to agricultural products;
- Water management;
- Rural Tourism – how Malta can value and use agricultural resources to attract tourism.

During the second Steering Committee meeting held on 26th May 2010, the NRN Malta Action plan was discussed and approved by the members present. The NRN Malta working programme for 2010 was also presented, discussed and approved. The outcome of the CAP public debate outlined below was discussed during the meeting. Furthermore, the Steering Committee also provided feedback on the focus group working programme, while outlining the following main aims of the focus groups, 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, and its impact on local rural activities;
- 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 post 2013 and national rural policy can address the needs of the rural community in line with National priorities.

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

The RDP is also consistent with the Common Agricultural Policy (CAP) in that it shares a common objective as well as a common baseline in terms of compliance with environmental standards and obligations. In this regard, the MA took an active part in a public debate in Malta on 'The future of the CAP post 2013', more specifically on Rural Development as envisaged by the European Network for Rural Development (ENRD) and DG AGRI - as part of the public debate launched by the DG AGRI on 12th April 2010 in relation to the future of the CAP post 2013. The European Network for Rural Development invited NRNs, including the Maltese Rural Network, to gather feedback on this issue through their Networks. During the months of April and May 2010 the Maltese NRN organised a number of activities in order to collect feedback on CAP and RD issues namely through:

- a telephone questionnaire to the general public (approximately 504 households were interviewed out of 1,138 calls);
- a one-to-one interview with 14 key rural stakeholders (including authorities, associations, NGOs, public entities, etc.);
- a consultation meeting concerning all rural stakeholders/actors on rural development aspects;
- All the data and information collected from the above mentioned initiatives provided the basis for the feedback of the Maltese NRN which was presented to the ENRD in the form of a report. The report can be access from the following link:
 - http://enrd.ec.europa.eu/cap-consultation-process_home_en/en/debate-contributions_en.cfm

As part of the programme of a 4-day European Rural Network Conference organised by the European Commission the Maltese National Rural Network within the Ministry for Resources and Rural Affairs hosted a meeting in Malta in June 2010. During the meeting DG Agri together with ENRD discussed the contributions each country presented on the reform of the Common Agricultural Policy post-2013.

Imnarja Event

In 2010 the NRN sought to promote the work undertaken by the NRN and the EAFRD during the Imnarja feast held on the 28th and 29th June. During the fair reference was made to the extensive investments carried out by the local farming community with co-financing by the European Agricultural Fund for Rural Development, for projects that enhance competitiveness, improve product quality, bolster economic growth and promote sustainable agricultural practices.

In this regard an article was also published in the June 2010 issue of Sky Life Magazine. The article discussed the major activities taking place during the feast particularly the exhibition of local agricultural produce, the opportunity given to other EU Member States within the European Network for Rural Development (ENRD) to promote their own Rural Development Programme and encourage networking.



Figure 28: Display of local agricultural produce during Imnarja Fest

9th NRN Meeting in Malta

NRN Malta hosted the 9th NRN Meeting on the 29th and 30th June 2010 which was linked to a two-day agricultural festival held annually during the traditional feast of Imnarja at Buskett. This is a sought after local event is well attended by both locals and foreigners. It is an opportunity for agricultural stakeholders to display their produce while promoting traditional Maltese folklore heritage.

The two-day event this year included the participation of National Rural Networks representing nineteen Member States with information stands about their agricultural sector and best practices. The Managing Authority presented a showcase of projects co-financed as well as provided information on the European funding opportunities that exist. Participants were also given the opportunity to discuss priority topics of common interest related to NRN thematic initiatives as well as future activities planned.⁵⁵

10th NRN Meeting

NRN Malta has actively participated in video conferences with other NRN's, and filled in surveys and questionnaires related to NRN tools and activities. Furthermore, the Maltese NRN also attended the Cooperation Fair and 10th NRN meeting held on the 23rd and 24th September 2010 in Edinburgh, Scotland. The main aim of the Cooperation Fair was to bring together the various NRNs and LAGs to network and to enhance cooperation in an informal but highly productive environment. The 10th NRN Meeting mainly focussed on the NRN monitoring initiative.⁵⁶

⁵⁵ More information can be downloaded from the European Network for Rural Development site: http://enrd.ec.europa.eu/events-and-meetings/nrn-meetings/en/9th-nrn-meeting_en.cfm

⁵⁶ More info can be downloaded from the European Network for Rural Development site: http://enrd.ec.europa.eu/events-and-meetings/nrn-meetings/en/10th-nrn-meeting_en.cfm

LAG Training

The Maltese NRN organised a three day training programme for the three Maltese Local Action Groups (LAGs) in October 2010. The training focused on the following topics:

- understanding the LEADER approach,
- roles and responsibilities of the LAG Manager,
- application processes - both open calls and own projects, preparation of documentation, development of terms of reference, selection criteria, project assessment, reporting to Decision Committee and EC,
- Monitoring and Evaluation, CMEF, Management.

It was also proposed that all three LAG managers should participate in the training together. This training provided an opportunity for networking amongst the three LAG managers.

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

As mentioned previously, in 2010 NRN Malta (MNRN) formally established the operational framework which includes the roles and responsibilities of stakeholders involved in Rural Development, while establishing the structure and roles of the MNRN. The NRN framework also sets out the activities and actions that the Network will be engaged in so as to bring rural stakeholders together and the networking tools with which the Network shall deliver and reach out to rural stakeholders. Furthermore, the NRN framework set support guidelines on monitoring procedures, financial control and auditing, as well as a working programme for the year 2010, a budget forecast and a list of Rural Stakeholders.

In view of the NRN operational framework, a seminar was held and all Producer Groups, Associations, Farmers Cooperatives, private entities, NGOs and LAGs as well as other entities actively involved in Rural Development, were invited to attend. The NRN operational framework was approved by the Steering Committee on the 26th May 2010.

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.

Type of Expenditure for NRN	Annual payments for 2009 (€)	Annual payments for 2010 (€)	Cumulative payments from 2007 to 2010 (€)
(a) for running the structure of the national rural network	20,286.00	45,534.86	65,820.86
(b) for implementing the action plan of the national rural network	883.44	6,828.00	7,711.44
Total	21,169.44	52,362.86	73,532.30

Table 16: Financial Implementation of NRN

Publicity Actions undertaken by NRN

As previously mentioned in Section E under the sub-section 'Publicity', to prepare for the above mentioned events, in 2010 the MA prepared an agricultural photographic portfolio and printed the photos on PVC with captions, and printed the publication with information about the National Rural Network. 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, as can be seen in Figure 6 below. Information concerning the NRN was also made available on the website of the Ministry for Resources and Rural Affairs.

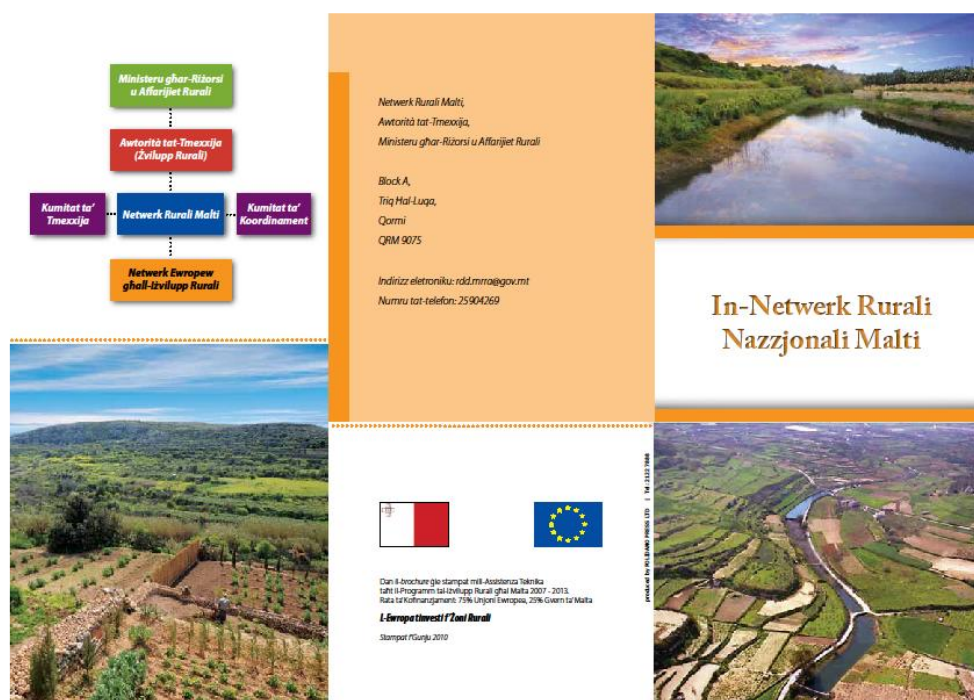


Figure 29: Leaflet on the National Rural Network

The MA also published an article in the June 2010 issue of Sky Life Magazine entitled as 'Imnarja 2010 – A celebration of Agriculture and Rural Traditions'. The article sought to promote the Imnarja feast particularly among tourists, who are the main target audience of such magazine. The article discusses the major activities taking place during the feast particularly the exhibition of local agricultural produce, the opportunity given to other EU Member States within the European Network for Rural Development (ENRD) to promote their own Rural Development Programme and encourage networking. Reference has also been made to the extensive investments carried out by the local farming community with co-financing by the European Agricultural Fund for Rural Development, for projects that enhance competitiveness, improve product quality, bolster economic growth and promote sustainable agricultural practices.

IMNARJA 2010 - A CELEBRATION OF AGRICULTURE AND RURAL TRADITIONS

The historic Mnarja festivities date back to the Knights' rule of Malta. Jo Caruana discovers the traditions that still live on today, and the lively celebrations that will take place in Buskett on 28th and 29th June.



A lively buzz surrounds the Mnarja feast that takes place in June each year, as locals trek to the leafy expanse around Buskett Gardens in the outskirts of Rabat for a celebration of farming practices and local produce.

"L-Imnarja offers fantastic insight into local traditions," explains Eleanor Ciantar from the Promotion and Information Unit within the Ministry for Resources and Rural Affairs (MRRRA). "It is a celebration that dates back to the arrival of the Knights of St. John in Malta in 1530, and coincides with the feast of St. Peter and St. Paul."

Visitors to the festival are very welcome, and will be given the chance to glimpse at Malta's rich agricultural heritage. Farmers will be out in force with the flocks or crops, exhibiting their produce and explaining their work practices. Meanwhile, competitions take place to judge those who have fared best in their produce categories.

"This is a genuine celebration of the hard work that goes into the local agriculture industry and the age-old traditional practices that are still used today," continues Ms Ciantar. "The programme includes animal and produce shows, competitions and exhibitions."

Sprightly live entertainment is provided by local folklore musicians and will this year be organised by the Malta Council for Culture and the Arts. "It will include performances of the popular 'ghana', which is a form of sung poetry in Maltese," adds Ms Ciantar.

There will also be stalls selling local produce, including fresh fruit and vegetables, honey, olive oil, gbejna (sheep's cheeselets), sundried tomatoes, hand-harvested sea salt, capers and olives.

"Additionally, the array of traditional local cuisine on offer is also one of the most popular draws of the festival. While in the past other foods were available, this year it will only be Maltese products and dishes that people can buy, and vendors will be selling everything from horse meat and pork, to popular rabbits stews, hobz biz-zejt (local bread with olive oil and tomato paste) and imqaret (deep fried date cakes). Visitors will certainly be able to get a true taste of the Maltese Islands from this festival."

In conjunction with the Mnarja festival, the Maltese National Rural Network under the Ministry for Resources and Rural Affairs will be hosting the National Rural Network Meeting organised by the European Network for Rural Development (EN RD), wherein all Member states will participate in a number of workshops as well as by setting an exhibition stand during the Imnarja feast. A showcase of projects and information on the 33m investment which took place under the 2004-2006 Rural Development Programme (RDP) together with information on the current 2007-2013 100 m programme will be set up. The visitors shall be able to appreciate the extensive investments carried out by the local farming community for projects that enhance competitiveness,

ameliorate product quality, improve economic growth and promote sustainable agricultural practices.

"Along with the MRRRA, this exhibition will host a showcase on rural development issues, projects and developments by National Rural Networks along with EN RD in which various information will be provided on the work carried out and highlight the best practices that emerged from the previous programme" explains Donald Aquilina, from the Managing Authority responsible of the European Agricultural Fund for Rural Development in Malta. "Additionally, it will offer the opportunity for networking between local and international networks, as well as local action groups".

Locals and tourists will undoubtedly have a unique opportunity to experience through the information that will be provided how the programme has contributed to the development of rural areas in their respective countries and exchange their views with the various network representatives. "From a local perspective it is very exciting for us to be hosting this network meeting," adds Mr Aquilina. "But it will also be an excellent opportunity for locals and visitors to discover the fascinating practices of the local agriculture industry, while in the celebratory ambience of L-Imnarja."

Work Envisaged on NRN for 2011

- In 2010 focus was on the publication of an information book about the Rural Development Programme to reach out to the general public and explain the role and importance of Rural Development. NRN Malta also published leaflets with information about the National Rural Network. A newsletter was drafted in 2010 and is set to be published in 2011.
- Discussions are underway at Steering Committee level to reformulate the methodology and approach as well as update the working programme. This is planned to be approved in the former half of 2011.
- In 2010 discussions were held so as to determine what approach the NRN should adopt in terms of policy review and formulation. A proposal will be discussed during the 1st Steering Committee due for 2011.
- In 2011 all thematic areas will be discussed. Technical horizontal issue analysis shall take place across the different sectors of production. The findings of such a report will be discussed during a consultation process which will then feed into the draft policy document RDP post-2013, proposed for approval by the Ministry for Resources and Rural Affairs.
- In 2010 the MA website was revamped with a lot of attention being given to detail. Technical difficulties were the reason why it was not launched earlier. It is will go live in 2011 and will include a specific section dedicated to NRN.
- In 2011 NRN Malta shall be focussing on all the thematic areas and the Steering Committee shall be working on promoting the newsletter, the website and creating awareness of the Maltese NRN via the focus groups that shall be a tool during the consultation process which will be a clear use of the bottom – up approach.
- NRN Malta will actively participate in NRN meetings organised by ENRD.

Leader

Axis 4, Building local capacity for employment and diversification, is also addressed to the improvement of the quality of life in rural areas through the setting up of Local Action Groups (LAGs). These groups aim to operate in distinct parts of the Maltese rural areas mainly to improving governance and mobilising the endogenous development potential of rural areas. The establishment of the LAGs, and the bottom-up approach that characterizes them offer substantial potential towards rural development. The impact of the actions promoted in the framework of the LEADER approach could be very interesting in a country where no local authorities, apart from Local Councils, operate. In fact this is a relatively new initiative for Malta as the Leader approach was not adopted under the previous Programme. This approach, if successfully implemented, will have a long-term significant impact on the development of the rural environment as it induces local actors to cooperate.

Roles and Functions

In 2010 the MA together with the PA recruited three LAG managers⁵⁷ which took up their post with the launching of M431, Running costs, acquisition of skills and animation. The MA and PA also assisted to establish an Office where the LAGs would be set up. Finally the MA worked in close collaboration both with the Decision Committee of each respective LAG as well as with the newly appointed Managers to ensure they acquire the necessary skills and capacity needed for the execution of the LEADER Programme.

Training sessions were specifically organised for Decision Committee members both to help them understand their roles and responsibilities as well as exercises to ensure they familiarise themselves with their respective Local Development Strategy. It is important to note that, the decision committee as well as the evaluation committee are foreseen at the level of the LAGs, however, the selection committee is at the level of the Paying Agency. The task of the selection committee is not so much to interfere in the work of the LAGs but to check if all the procedures were correctly implemented. The responsibility to select projects rests within the LAGs, in fact the selection criteria are drafted by the LAGs and then approved by the Managing Authority. LAGs will also undertake the necessary administrative checks. Administrative checks are to be carried out prior to project selection as part of the eligibility checks to see what documents have been presented, and if there is anything missing from the documentation required. Furthermore, the controls on the LAGs and the on-the-spot-checks are carried out by the Paying Agency.

Furthermore, two training phases were planned for the newly appointed LAG administrative staff. The first joint training session spanning over 4 days and enabled the respective LAG staff to precisely understand the mechanisms of the LEADER Programme, their roles and responsibilities along with those of key programme stakeholders, the application process, assessing projects and monitoring and evaluation.

Training Phase 2 was in process by the end of December 2010. The objective of this training plan is to enable the LAGs to draw up more detailed project plans and clear timelines for project implementation in respect of each measure relating to LEADER.

⁵⁷ Three LAG managers were recruited, one for each Local Action Group.

The Operating Rules for LEADER

The main objective of Operating Rules is to serve as guidelines for the LAG Manager, LAG Decision Committee members and any other relevant stakeholders on how the LEADER Programme under the Rural Development Programme (RDP) shall be administered in Malta. The first version of the Operating Rules was officially issued in October 2010 following consultation with the three LAGs. The document is considered to be a live document and will be updated throughout implementation should the need arise. A copy of the document can be found on the MA website: <https://secure2.gov.mt/MRRA-MA/downloads-links?l=1>.

Local Development Strategies (LDS)

The aim of Axis 4 is to implement effective development strategies by stimulating Malta's potential to realize the management of various rural concerns aimed at improving natural and cultural heritage, supporting local tourism and also implement infrastructure related tourist activities.

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 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
- Majjistral: www.leadermajjistral.eu
- Gozo: 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 Xlokk, Majjistral, and Gozo LDS:

- **Xlokk Local Development Strategy**
 - ACTION 1: Studies to prepare for other Actions within the LDS
 - ACTION 2: Cultural / Educational Activities
 - ACTION 3: Communication
 - ACTION 4: Inter- territorial and transnational cooperation
 - ACTION 5: Community support for children from vulnerable groups
 - ACTION 6: Open call for sports activities and facilities
 - ACTION 7: Open call for voluntary organisations
 - ACTION 8: Open call for voluntary organisations that are concerned with the promotion and valorisation of cultural and traditional activities with emphasis on youth involvement in the community
 - ACTION 9: Embellishment Projects
 - ACTION 10: Measure 313: Encouragement of tourism activities
 - ACTION 11: Capital investment to support artisanal agricultural activity
 - ACTION 12: M125 Infrastructure related to the development and adaptation of agriculture
 - ACTION 13: Training for project managers
 - ACTION 14: Awareness on environmental issues



Figure 31: Xlokk Action Group Logo

- **Majjistral Local Development Strategy**

- ACTION 1: Studies on the assets and quality of life of the Region
- ACTION 2: Guidelines and feasibility studies for implementation of capital investment projects
- ACTION 3: Training for implementation of LEADER
- ACTION 4: Training and awareness campaigns on sustainable environmental management
- ACTION 5: Promotion of the Majjistral Region, its assets, and products
- ACTION 6: Promotion of active lifestyle initiatives and the crafts sector
- ACTION 7: Improve Quality of Life and Accessibility in the Majjistral Region
- ACTION 8: Measure 125 Rural Development Programme 2007-2013
- ACTION 9: Measure 313 Rural Development Programme 2007-2013
- ACTION 10: To promote local produce on the European market



Figure 32: Majjistral Action Group Logo

- **Gozo Local Development Strategy**
 - ACTION 1: Studies on Sustainable Development
 - ACTION 2: Preparatory Studies for Capital Investments and/or Marketing Actions
 - ACTION 3: Training on Sustainability
 - ACTION 4: Empowering and Building Local Capacity within the LEADER
 - ACTION 5: Promote Gozo as a Distinct Destination
 - ACTION 6: Open calls for Capital Investments, Marketing, Training, Studies
 - ACTION 7: Improve Gozo's Quality of Life and Accessibility
 - ACTION 8: Measure 125 Rural Development Programme 2007 - 2013
 - ACTION 9: Measure 313 Rural Development Programme 2007 - 2013
 - ACTION 10: Promote Gozitan Agricultural and Craft Products (Transnational Cooperation)



Figure 33: Gozo Action Group Logo

The three Local Development Strategies were approved by the Selection Committee on 18th January 2010. The Paying Agency signed contracts with the three Local Action Groups in September 2010, as follows: Gozo Action Group Foundation and Local Action Group Xlokk Foundation on the 3rd September while with Majjistral Action Group Foundation⁵⁸ on the 6th September 2010. The three LAGs have officially set up their administrative arm through a transparent recruitment and selection process.

Although the experience with the implementation of this measure is at this stage too early to be able to gauge results, local development strategies have in general been developed in a satisfactory manner, which sets a foundation for the success likely to be achieved and the future potential for LAGs in Malta. However, in order to attain this success, the regional dimension needs to be well-established in the Maltese culture and risks need to be properly measured. Also, initiatives and activities must continue to take place through out the programming period.

⁵⁸ 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 the island of Gozo as per map illustrated in Figure 31 below.

Planned Delivery of Measures

Following approval of the strategies, the launch of Measure 41 of Axis 4 enabled the three Foundations to be certified as LAGs so they could start to implement the Leader programme. The LAGs drew up more detailed project plans for each action mentioned above and submitted them to the MA for approval at the end of December 2010.

In 2011 the LAGs are expected to prepare application forms and guidelines for Open Calls. LAGs are expected to launch calls in relation to:

- Action Type 3, Infrastructure relating to the development of agriculture of Measure 125;
- Action Type 3, Setting up trails that interlink various sites of tourist value of Measure 313;
- Action Type 4, Provision of one time restoration and small scale recreational amenities, of Measure 313.

Calls in relation Measure 421 relating to Inter-territorial and Transnational Cooperation is planned to be launched in 2012. Moreover, for Measure 421 and certain Measure 431 actions as well as part of Measure 41, the LAGs will relate to the MA. Furthermore, contracts signed between the LAG and its contractors and/or beneficiaries will aim to ensure completion of the projects by end December 2013.

Furthermore, one has to note that the progress under Axis 4 contains an element of risk due to the fact that Axis 4 is linked to the availability of funding outside RDP sources, and the ability of LAGs to effectively generate value added. It is furthermore important to note that the budget allocated to Measure 421, involving transnational cooperation projects is proposed to be reduced by €355,000 in favour of Measure 411. The aim of the shift in funds from one measure to the other is to increase the likelihood of budgetary utilisation by LAGs as well as to optimise the effectiveness of funding utilised.

The following, Figure 24, is a map which outlines the territory that the LAGs are covering. In 2010 changes to the composition of the respective LAG regions took place. The change was a direct result of the meetings held by the MA with the three newly assigned LAGs, stressing that all rural areas of the Maltese Islands should be part of the project and thus efforts were made to take on board any locality which until end 2009 had failed to engage. The 'potential rural areas' included in the LAGs in 2010 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.

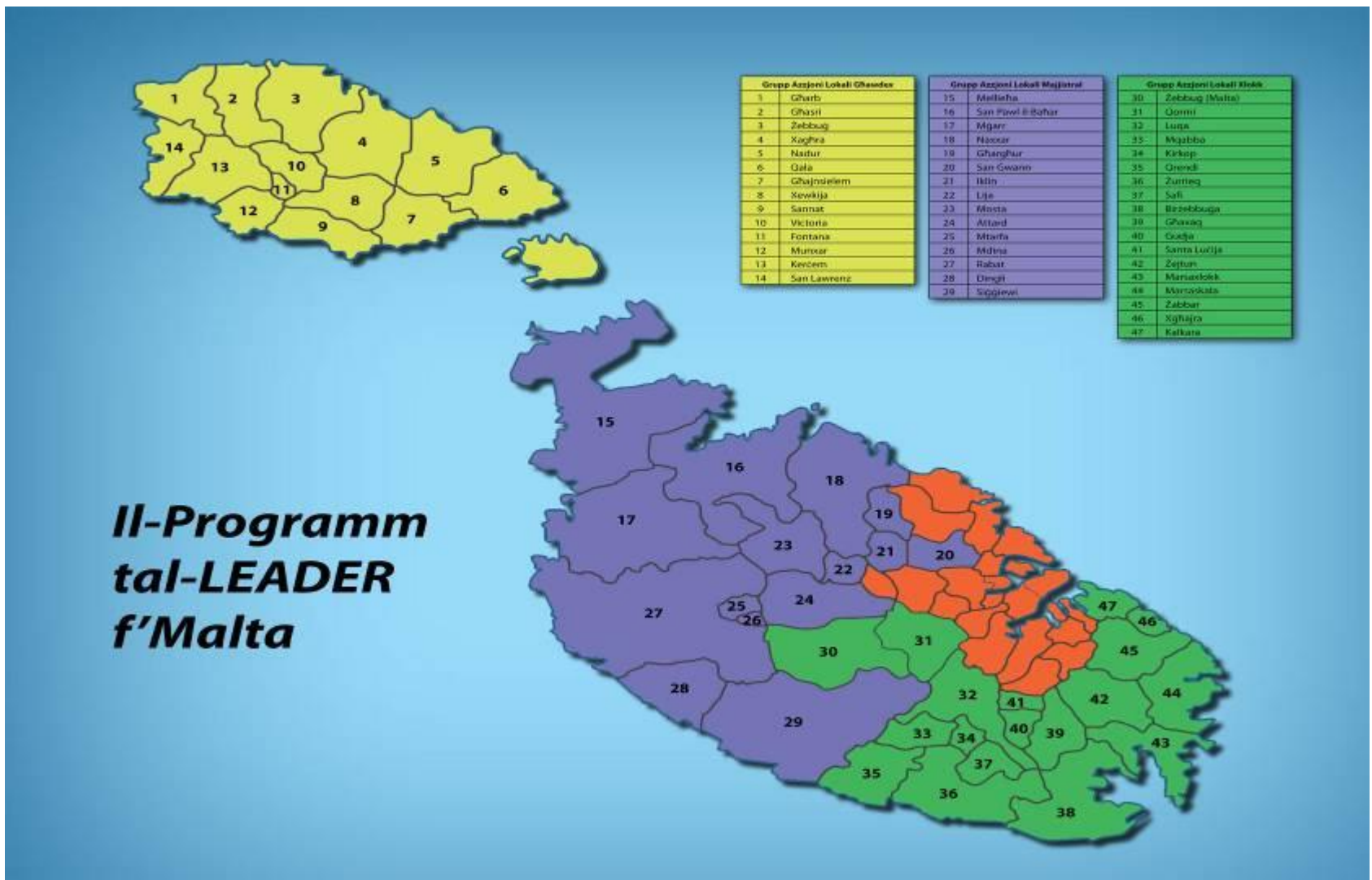


Figure 34: Geographical representation of the areas under Local Action Groups (LAG)

