

Rural Development Programme for Malta 2007 – 2013

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**Funds and Programmes Division
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Electoral Manifesto (MEAIM)**

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1. Title of programme

Rural Development Programme for Malta, 2007-2013

2. Member State and administrative region

The programme covers the whole territory of Malta.

2.1. *Regions classified as 'Convergence' Objective*

The whole of Malta is a convergence region.

3. Analysis of the situation in terms of strengths and weaknesses, the strategy chosen to meet them and the ex ante evaluation

3.1. Analysis of the situation in terms of strengths and weaknesses

The Maltese Archipelago consists of three inhabited islands – Malta, Gozo and Comino – and a number of small uninhabited islets. The land area of the major islands is:

Malta:	245.7 km ²
Gozo:	67.1 km ²
Comino:	2.8 km ²

There are no mountains with the highest point being in Ta' Zuta at the Dingli Cliffs in Malta, at 253 m above sea level. There are no lakes, rivers or streams but only a few minor springs.

The Maltese islands lie in the central Mediterranean, at the southern border of the European Union. The two closest neighbouring countries are Italy with Sicily being 100 km to the north of Malta, and Tunis at 300 km west of Malta.

The total population of the islands is 404,039 of which approximately 30,000 live on the island of Gozo. Adding on population pressures is the high tourist influx, averaging 1.12 million tourists yearly, and a recent phenomenon, the increasing number of illegal immigrants.

The smallness of the islands, the high population density and the transition experienced in the last decades, from a predominantly agrarian society to industrialised and urban communities have led to significant change in land use patterns. Expanding urban settlements and new built-up areas led to the coalescence of expanding towns and villages. This had many affects, from the creation of the island's major conurbation around the harbour area in the northeast of Malta, to the loss of the distinct identity of individual towns and villages, a reduction in open countryside, damage to natural habitats and water catchments and the scarring of traditional landscape.

In this context the transition from rural areas to urban areas is blurred. Although areas for development were earmarked in the Structure Plan of 1990, some land within the limit of development is still used for agricultural purposes whilst new built up zones are scattered outside designated development zones and in the countryside. Urbanisation has also meant that a number of farms got encroached by built up areas.

The islands' physical reality is that all areas constitute a continuum from urban to rural and the activities associated with each context occur side by side. This

scenario traditionally led to areas where agricultural activity, countryside recreation and nature conservation occur to be considered as rural areas.

With this context in the background, for the purpose of this programme, the definition of rurality proposed in the National Strategy Plan (NSP) is being adopted. An international definition of rurality would not fit the distinct characteristics of a small island nation.

Rural areas are being defined as having:

1. a population density lower than 5,000 persons per square kilometre (in line the definition of rurality established in RDP 2004-2006),
2. a minimum of 10% of the locality agricultural land, and
3. a minimum 35% of the locality outside development zone (ODZ).

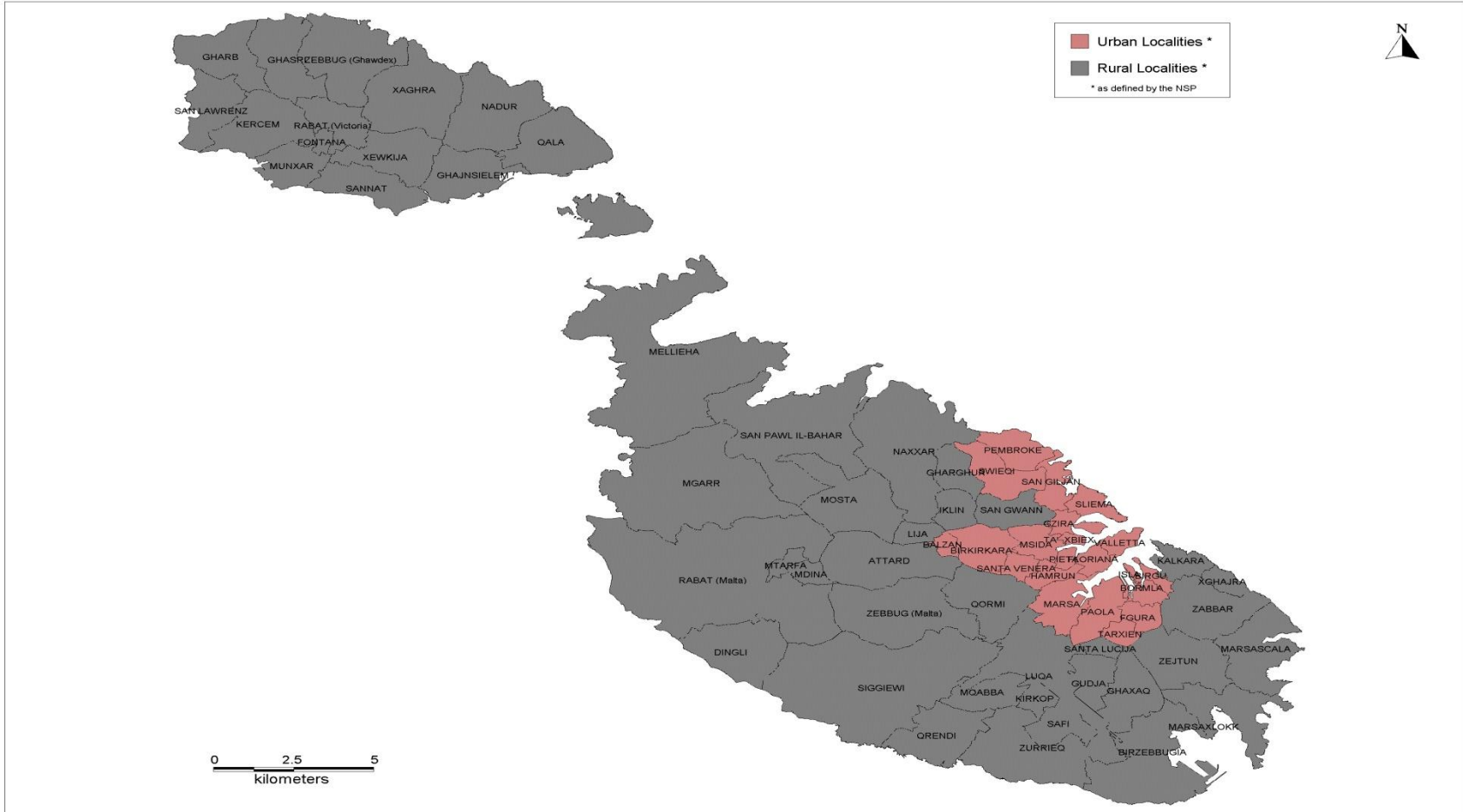
Localities are at Nuts V level - the only available administrative sub-division from central government. In all there are 68 such 'localities' in Malta. Each locality is represented by a Local Council. The Local Councils Act, Cap. 363, defines the term locality as 'an area within set boundaries as designated in the Second Schedule to the Local Councils Act'.

On the basis of the definition of rurality being adopted, 47 localities classify as rural, 33 in Malta, 14 in Gozo. These 47 localities account for 91% of the islands' territory and 64% of the total population (context indicator 2). The list of rural and urban localities is presented in Annex 18.1 and represented in Map 1 below. Further details on the profile of these areas are presented in section 3.1.4.

The analysis presented in the following sections is drawn on a national basis as are the baseline indicators presented in Annex 18.2, principally for two reasons:

- in the local scenario it does not make sense to differentiate between rural and urban because most activities occur in both ambits
- data at Nuts 5 level is not available. Most data is published at Nuts 1 level, and in some instances at Nuts 3 level.

In instances where data is available at Nuts 5 level, the analysis will be presented accordingly. The following text makes reference to context and objective baseline indicators. Reference can be made to Annex 18.2.



Map 1: Rural and urban localities

3.1.1 General socio-economic context of the geographical area

3.1.1.1 Demographic situation

The total population of the Maltese Island recorded through the 2005 Census was 404,039 (Context indicator 17), with 49.4% being males and 50.6% females. Compared to the previous census, carried out ten years earlier in 1995, the gap between males and females in the population seems to be narrowing. In 1995, the proportion of males stood at 49.4% while the proportion of females stood at 50.6%.

Classified by district (as shown in Map 2), the largest concentration of the population, (29.4% of the total population), is found in the Northern harbour district. Over the last ten years a population increase was recorded in all districts, except in the Southern Harbour district where a decrease of 2.6% was recorded. The largest increase in population, of 27.5%, was seen in the Northern district.

Internal migration (objective indicator 34) is not a very important phenomenon in Malta, as the small size of the islands removes the need of moving closer to the place of work. According to the 2005 population census, just over fifty thousand people had been living in a different Maltese locality in the five years prior to the census. This rate is lower than that recorded a decade earlier.

Malta remains by far the most densely populated European Union (EU) Member State, with an average of 1,282 residents per square kilometre (context indicator 17). The Netherlands is a far second with 480 residents per square kilometre. The figure below illustrates the population density across a number of European countries.

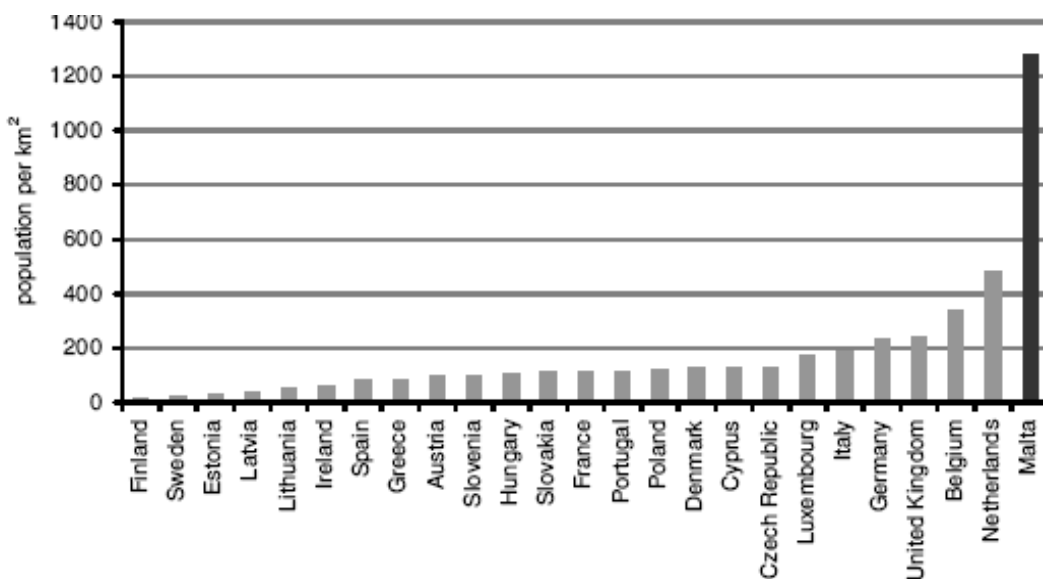
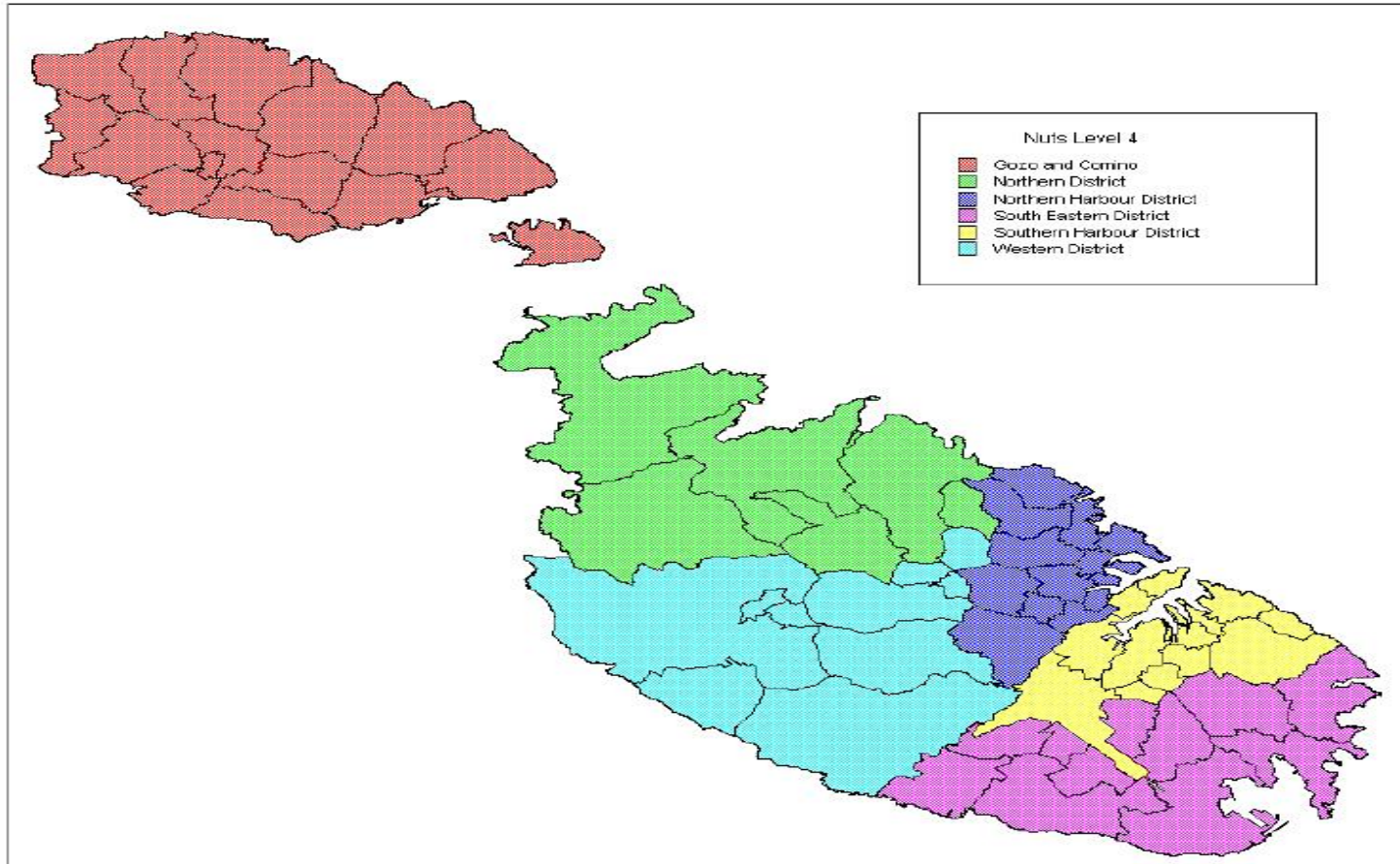


Figure 1: Population density – a comparison of Malta with EU-Member States

Source: NSO 2006



Map 2: Districts

With 1,513 residents per square kilometre, the island of Malta is more densely populated than Gozo and Comino. In fact, Gozo and Comino have a population density of only 452 residents per square kilometre. On a national level, population density increased by an average of 82 persons every square kilometre between 1995 and 2005.

Like many other countries, Malta faces an ageing population, mainly due to a lower fertility rate and an improvement in longevity. The 65+ age group now represents 13.7% (context indicator 18) of the population, up from 11.4% in 1995. On the other hand, persons under 25 years of age make up 31.5% of the population, compared to 36.6% in 2005. This trend has been observed since the 1967 Census and is expected to continue in the foreseeable future.

On a European level, the age composition of Malta's population is close to the age structure prevalent in the EU. Chart 2 represents a comparative picture between the age distribution of Malta and the average of the EU.

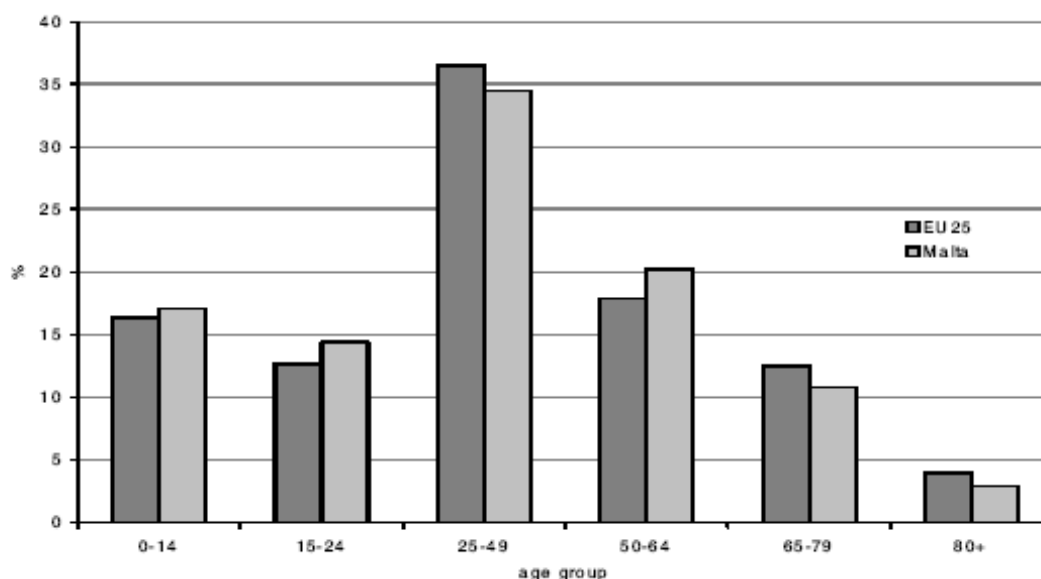


Figure 2: Age brackets - comparative distribution between Malta and EU-25

Source: NSO, 2006

The dependency ratio (the sum of persons aged less than 15 years plus persons aged 65 years and over, as a percentage of working age population between 15 and 64 years) in Malta stands at 44.5%, compared to 50.4% in 1995. A declining fertility rate is expected to lead to further reductions of the dependency ratio in the coming years.

Compared to the EU, Malta's population is still relatively young. The proportion of the population under 25 years of age is 31.5% compared to 29.1% in the EU. However, 20.3% of the Maltese population is aged between 50 and 64

years, this being significantly higher than the EU average of 17.9%. Hence, within the next ten years or so, most of the persons within this age cohort will be over 65 years, and if the current socio-demographic trends continue - a declining fertility rate and low immigration intake of younger persons - a steady increase in old-age dependency (persons aged 65 years or over, divided by the working-age population) is expected in the coming years.

3.1.1.2 Productivity, growth and economic drivers

The Maltese economy has been performing below its potential in recent years though positive signs have been registered with a pick-up in growth in 2005. In 2001, real GDP fell by 0.4%, while it increased by 2.2% in 2002. In 2003, a negative growth rate of 2.4% was registered while in 2004 the growth rate was negligible. Nonetheless, positive signs have been registered in 2005, when real GDP increased by 2.2%. The growth was underpinned by increased domestic demand particularly a recovery in private consumption as well growth in investment. On the other hand, the decline in exports of goods and services contributed to the contractionary effect of the external sector. In terms of GDP at market price in Purchasing Power Standards (PPS), the Maltese economy showed a decrease for most of the years from 2000 onwards compared to the EU average. On a per capita basis, Malta's GDP per capita, expressed in PPS, as percentage of the EU-25 (EU 25 = 100) on a three year average (2001-2003) reached 74.7% (objective indicator 1).

The unfavourable economic environment prevailing since 2001 has impinged significantly on domestic economic conditions. Exogenous shocks stemming from rising energy prices have also affected the Maltese economy negatively. Furthermore, the international economic environment is becoming increasingly competitive due to stronger market positions by emerging low-cost countries. On the domestic front, demand has been dampened by the fiscal consolidation underway, whilst a number of economic sectors have been facing competitive challenges both in domestic and export markets.

Competitiveness depends on labour productivity. Labour productivity as measured by GDP in PPS per person employed, relative to EU-25 (EU 25 = 100), fell by 1.3 percentage points in 2005 over the previous year. Over the 2000-2005 period, Malta's productivity relative to that of the EU-25, as shown in the table below, has declined by 9.8 percentage points, highlighting the need for Malta to improve its international competitiveness.

	2000	2001	2002	2003	2004	2005
EU-25	100	100	100	100	100	100
Malta	90.2	85.5	86.9	84.4	81.7	80.4

Table 1. Malta's labour productivity per person employed.GDP in Purchasing Power Standards (PPS) per person employed relative to EU-25 (EU25 = 100)

Source: Eurostat

3.1.1.3 Main economic sectors

Economic growth in Malta is highly dependent on the tertiary sector. Accounting for 74.1% of the GVA in 2005 (context indicator number 19), the tertiary sector covers tourism, financial intermediation, transport, public administration, health and education amongst others, is followed by the secondary sector made of the manufacturing and construction industry, and accounting for 23.4% of total GVA (context indicator number 19). The primary sector, which in Malta covers only agriculture and fisheries but excludes forestry, contributes just 2.4% (context indicator 19) to the total GVA. However, as is explained in section 3.1.2. its importance goes far beyond that captured by economic figures. A brief description of the main economic sub-sectors is given is provided below.

3.1.1.3.1 Manufacturing

Manufacturing activity in Malta is characterised by a prevalence of small enterprises, with micro enterprises constituting approximately 94%¹ (NSRF, 2006) of the total number of firms, operating prevalently in the manufacturing and tourism industry. Overall, the fragmented composition of Malta's industrial landscape, the economic openness, insularity and high export concentration of goods and services, underpins the vulnerability of the Maltese economy. Malta's manufacturing enterprise base consists of locally-owned small and medium-sized enterprises operating alongside a small number of relatively large foreign-owned export orientated subsidiaries of multinational companies. Table 2 shows the number of manufacturing enterprises and the total employed by size of enterprise.

¹ Based on 2004 data

	Employment size							Grand Total
	Large	Medium	Small			Micro		
	250+	100-249	50-99	20-49	10-19	6-9	0-5	
No of enterprises	18	25	40	112	147	219	2,519	3,080
No of persons employed	13,234	3,761	2,741	3,450	2,009	1,589	3,874	30,657

Table 2: A profile of manufacturing enterprises

Source: abstract from NSRF, 2006

The manufacturing industry faced the need to restructure in order to compete better at international levels. This need was underpinned by the prospect that protective measures would be dismantled of, and by the need to face better the challenges posed by developments in international markets, particularly, the intensified competition from emerging countries. More investments in support infrastructure is needed to assist enterprises in dealing with such challenges.

The manufacturing industry has been changing emphasis by shifting from traditional low-cost manufacturing towards higher value added activities. Cases in point are the contraction of the textiles sub-sector and the emergence of generics manufacturing activities in the pharmaceutical sub-sector, in which the operators' competitive advantage lies in value added. A sector review of the manufacturing industry shows that the radio, TV and communications equipment sector is the major contributor towards manufacturing value added at factor cost, followed by the food, beverages and tobacco sector and thirdly by the furniture and other manufacturing sector.

3.1.1.3.2 Tourism and other services

Tourism contributes significantly to Malta's economic growth, employment creation and foreign exchange earnings. With close to 40,000 bed places in 2005 (objective indicator 31), the tourism industry in Malta contributes to 24.3% of GDP and 29% of full time employment, amounting to a total of 40,050 direct, indirect and induced full time and part-time jobs² (NSRF, 2006).

The island's tourism industry has been significantly affected by the adverse geopolitical situation that characterised the international environment, as well as the economic situation in a number of major tourism markets. The Maltese tourism industry is also facing increased competition from new emerging tourist destinations. Nevertheless growth rates remain relatively modest as Table 3 below shows.

² Based on Blake, A.; Sinclair, M. T.; Sugiyarto, G., 2003, "The Economic Impact of Tourism in Malta: Computable General Equilibrium Analysis", in *Report for the Malta Tourism Authority*.

Source: NSO, 2006

Tourist Departures		
	Air	Sea
2001	1,145,166	35,589
2002	1,096,827	35,450
2003	1,089,089	29,147
2004	1,127,407	30,275
2005	1,150,769	19,853

Table 3: Tourist departures, by air and by sea

Source: NSO, 2006

Malta's tourism trends is also characterised by strong seasonality, with the summer months - between June and September - accounting for almost half the tourist departures. This seasonal concentration imposed particular difficulties, including the effects on infrastructure, hotel occupancy, as well as on the labour market as Malta does not have the flexibility of shifting workers from one industry to another over seasons. Profits made in summer have to make up for winter losses or reduced profits.

Malta is a mature destination that needs to deepen its tourism offer, through improved quality and presentation. There is also the need to invest marketing efforts in order to achieve a better seasonal distribution. The islands' tourism product is substantially linked with its cultural heritage and development of the sector is intrinsically linked with the promotion of Malta's cultural heritage.

Services constitute an important contributor to the local economy. While the largest contributor of the services category is the tourism industry, financial services activities and related activities are growing in importance. The financial intermediation sector is considered as one of Malta's key growth areas. The construction industry has always been considered one of the significant drivers of Maltese activity, as it represents a high degree of local value added with a significant multiplier factor. National infrastructure programmes have provided a considerable impetus to the sector in recent years.

3.1.1.4 Labour market

It is widely recognised that human resources are Malta's main natural resource and that providing support for people to realise their full potential is crucial for Malta's socio-economic development.

In 2005, the proportion of employed persons in the working age bracket (employed persons aged between 15 and 64, as a share of total population of

the same age class) stood at 53.8%. For females the rate was considerably lower at 32.8%. Employment levels remained relatively stable in recent years. The full-time gainfully occupied population reached 137,937 in 2005, a marginal increase of 0.3% over the previous year. Only 29.9% were females. Meanwhile, the number of persons with a part-time employment as their main occupation rose by 10.5% between 2004 and 2005 to 22,711. There is a tendency for females to join the workforce on a reduced basis, as shown by the fact that the majority or 60.4% of workers on part-time basis as a main occupation are females. Closing the male-female labour force gap is of outmost importance for improved gender relations, gender equality and economic development.

Unemployed as a share of active population stood at 7.4%, with the ratio for females being higher at 9.2%. Younger persons, aged between 15 and 24 years, experience considerably higher unemployment rates than the national average, at 17.6%.

There is a long-term trend for expansion of private sector employment and a downward trend of public sector employment. The latter derives from the restructuring of public enterprises, privatization initiatives, as well as Government's policy to restrict recruitment in non-essential categories. As in the sectoral contribution to GDP, the major employer is the tertiary sector, absorbing 68.3% of the total gainfully occupied, followed by the secondary sector with 28.3% of total gainfully occupied (context indicator 20). This division of the employed between sectors, compares well with the EU-25 average, with stood at 68.8% and 26.2% in the same order.

Human resource development is a determinant factor to economic growth and quality of life. Education is provided free in Malta and is compulsory up to the age of 16. Additionally most post-secondary institutions, including University and MCAST, are free of charge and those students following full-time post secondary courses receive a basic student maintenance grant to encourage further and higher levels of education. Nonetheless, there is still room for improvement in this sphere. Only 24.1% of the persons aged between 15 and 64 have at least a medium level of education (context indicator 22).

3.1.2 A profile of the agricultural and food sectors

The agricultural sector accounts for only 2.2% of the total GVA generated by the Maltese economy and it employs the same proportion of the total gainfully employed. As a comparison of these figures with context indicators 19 and 20 indicates, agriculture is the major contributor to the primary sector which covers also the fisheries sector.

Albeit its minimal direct contribution to economic growth, the role of agriculture in the Malta goes far beyond that captured in figures. Agriculture has been particularly important in shaping the rural landscape and the environmental

character of the islands. In these highly dense and small islands, agricultural and rural areas constitute a green lung and a venue of recreation to many. Today agriculture remains a major contributor in maintaining the quality of the landscape. It is also an integral component of the cultural heritage and a crucial backdrop to the tourism industry. In short, agriculture has multiple functions and a value beyond its economic contribution.

3.1.2.1 Land use and utilised agricultural area

Agriculture is the largest land user, accounting for 47.8% of the total area of the islands. This compares well with the European average (EU25) of 46.7%, but it does not compensate to the lack of forest and natural areas, which only account for 0.9% and 22.7% respectively compared to the European average of 31% and 16% (context indicator 7). Artificial areas in Malta occupy 28.6% of the total land mass, a staggering amount compared to the European average of 4%, stressing the significance of agricultural areas as a green lung. Figure 3 shows the distribution of land cover in the Maltese Islands according to the Corine Land Cover.

In 2005 the total agricultural land amounted to 11,791 hectares (ha), of which 87% or 10,254 ha constituted UAA, whilst around 1% constituted unutilised agricultural land and 12% other areas included garrigue land (NSO, 2005).

Utilised agricultural area is in turn categorised into three land uses:

1. Arable area – land cultivated under a system of crop rotation.
2. Kitchen gardens – small plots of land intended for self-consumption.
3. Land under permanent crop – area of land not worked under a system of crop rotation but occupying the same field for a period of five years or more.

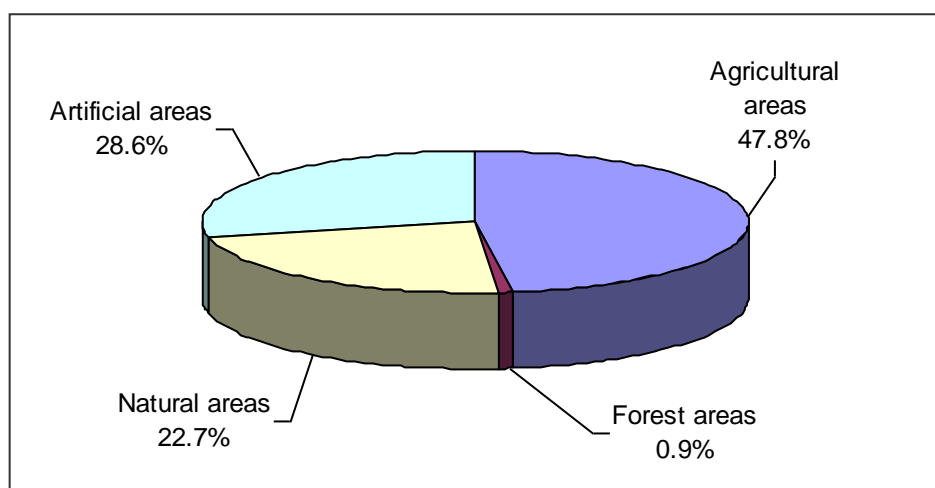


Figure 3: Land cover of the Maltese Islands – Corine Land Cover 2000

Source: MEPA, 2005

Of the total UAA of 10,254 ha, arable area is the dominant category with 79.9% or 8,196 ha, followed by 1,090 ha or 10.6% of permanent crops and the remaining 9.4% or 968 ha of kitchen gardens (context indicator 3). Albeit

constituting only a small proportion of UAA, kitchen gardens recorded a significant increase in the two years to 2005, from 4% to 9.4% of the total UAA. As to extensive arable crops as a proportion of UAA (context indicator 9), this has been estimated at 55.5% by taking into account area under forage and fallow land. In the local context forage and fallow land represent extensive agriculture because differently from the remaining arable areas, the areas under forage and fallow land are not normally irrigated and employ the least consumables.

On the other hand, permanent grass areas or pastures and extensive grazing are practically non-existent in Malta. Given the prevailing semi-arid climate, geology of the island, relatively shallow depth of soil and small agricultural land parcels, extensive permanent grass areas or pastures that is typical of most temperate European countries is non-existent (Context indicator 3). The closest to such land is the '*xagħri*', characterised by a variety of low aromatic shrubs surviving on expanses of limestone bearing numerous depressions and fissures. Effectively, in the past grazing was practiced on such land, as well as on steppe, and this had resulted in the further degradation of '*xagħri*' or maquis areas as well as abandoned fields. However, with the transition from extensive goat and sheep herds to cattle in the 1950s, following outbreaks of Maltese fever, grazing eventually diminished and is now rarely practised, whilst the dairy industry has become mostly reliant on forage harvested as the main cereal crop.

Irrigated land has more than doubled since 2001, from 1,509 ha to 3,527 ha in 2005 or 34.4% of the total UAA (Context indicator 15). Through increased irrigation output and yield per hectare are raised, and with irrigation equipment, intensive cultivation of agricultural land becomes possible. In turn, this practice brings about increased fertiliser application to maximize yield for farmers. On the negative side, fertilisers particularly nitrates and some elements in organic matter, find their way into the ground water leading to higher nitrate levels, especially in perched aquifers that lie unconfined in important agricultural districts in the North West of Malta. Agricultural use of water accounts for some 14.5 million m³ or 37% of the total estimated water consumption in Malta (MRA, 2004). Adding this figure to the billed water consumption for farms which stands at 2.2 million m³, increases the share to 43% of total estimated consumption, making agriculture the primary consumer of water in the Maltese Islands. A large proportion of this water, although not quantified as yet, is assumed to be sourced from groundwater through a number of either registered or unregistered private boreholes. Perched aquifers tend to be over-exploited and the small stored volume of water and springs that formerly arose from these aquifers has dwindled down significantly.

A large proportion of arable land, 55.8% is used for forage plants, followed by 20.1% for vegetables, 10% for potatoes, and 0.5% for flowers and seeds production. The remaining 13.6% is fallow land. Although a drop was recorded in the proportion of arable land used for both the cultivation of potatoes and of

vegetables; potatoes still remain the major crop and an important cash crop due to the significant quantities exported every year in European markets.

The share of fallow land has increased from 7.5% to 13.6% of the total arable area in 2005 absorbing the decline in the cultivation of potatoes and vegetables. The percentage of area cultivated with forage plants has remained practically unchanged. The main forage crop nowadays is wheat rather than legume crops. The major disadvantage of this practice is that sulla (*Hedysarum coronarium*), an important legume crop and a source of fresh forage for ruminants, is no longer being integrated in the cropping pattern and has decreased significantly.

The area under permanent crops has increased in recent years from 917 ha in 2001, to 1,090 ha in 2005 or 10.6% of UAA (context indicator 3), mainly due to an increase in land under vines and under olive trees. In 2005, the area under vines reached 840 ha from 490 ha in 2001. Likewise the area under olives has increased substantially in the last few years from a few hectares in 2001 to 87 ha in 2005.

The number of greenhouses has also reported a significant increase in recent years. According to the Farm Structure Survey of 2005 (NSO, 2005), there are 70 ha of land under greenhouses. The main crops grown under cover are tomatoes, aubergines, green peppers, marrows, melons and flowers.

The UAA dedicated to organic farming is still undesirable very low at only 0.12% of the total UAA. Effort to promote organic production was complemented with an agri-environmental scheme introduced through the predecessor RD programme.

3.1.2.2 Size of holdings and land fragmentation

The total number of agricultural holdings in 2005 amounted to 11,072, with the majority of the holdings being relatively small (Context indicator 4). Around half of the total number of agricultural holdings - 5,520 holdings - have less than 0.5 ha of UAA, of which 189 do not have any utilised agricultural area as they are engaged in the rearing of livestock. Although the majority of agricultural holdings have less than 0.5 ha of UAA, grouped together they only absorb 1,331 ha (13%) of the total utilised agricultural area. On the other hand, whereas only 2,980 agricultural holdings, or 26.9% have 1 ha or more of UAA, these holdings have a total of 7,169 ha equivalent to 69.9% of to the total utilised agricultural area. Table 4 presents the number of holdings in different size (ha) brackets and the associated total UAA pertaining to holdings of that size.

Size of holding by UAA (ha)	No of holdings	Distribution of UAA (ha) by size class of UAA (ha)
0	189	-
>0 - <0.5	5,331	1,331
0.5 - <1	2,572	1,754
1 - <2	1,782	2,483
2 - <5	966	2,919
5 and over	231	1,766
Total	11,072	10,254

Table 4: Distribution of agricultural holdings and of UAA by size class of UAA

Source: NSO, 2005

A distinctive feature of Maltese agriculture is the small size of parcels or fields. These are normally delineated by rubble walls. This can be problematic when one considers that a single agricultural holding can have several parcels scattered around the island. The extent of this reality is revealed by the number of parcels registered in the Land Parcel Information System (LPIS) which has by now reached 94,000 parcels.

Fragmentation is the result of customary inheritance practices which dictate that farmland be divided between offspring on the death of the tenant. This practice not only exacerbates the fragmentation problem with time, but it gives rise to a range of other issues which grouped together render farming activity less viable and less of an option as a full time occupation. Amalgamated with the fact that other sectors provide more appealing employment possibilities, this has meant that parcels are being utilised not for commercial agriculture but more for gardening by approaching agriculture more as a hobby and use the holding as a weekend retreat. Although abandonment is on the increase, so are the requests for development permits of new agricultural constructions and high-impact reclamation works. In various instances, these are then followed by request for conversion to non-agricultural use.

3.1.2.3 Ownership structure and impediments to new entrants in the agricultural sector

Two thirds of the agricultural land in the Maltese Islands is owned by the State and the remaining one-third by the private sector. Records of government-owned land at the Lands Department are not computerised, nor are records of tenancy agreements. This causes difficulties in accurately determining which land is actually government owned, and in determining the legitimacy of claimed tenancies and land titles. According to the latest Agriculture Census of 2001 (NSO, 2003), 80.4% of the agricultural land area cultivated is rented, with only 19.5% being owner occupied or under a freehold basis. This percentage is somewhat higher in Gozo where 25.3% of the land is freehold.

Both the state and private landowners tend to hold on to their property and sales are mostly evident only when the property is to be developed for building. Land (both government and privately owned land) is normally automatically re-let to the existing tenant or his/her descendants (in accordance with the Agricultural Leases (Re-letting) Act). Drawn up in 1967 this law, effectively impedes the eviction of tenants or any substantial increases of the rent, even on privately owned land. Given the cheap prices at which land is rented, both the tenants and private landowners tend to hold on to their land resulting in a dire shortage of land on which young farmers can set up an agricultural activity. This attitude of holding on to land, is being reinforced by the prospects the strong land speculation fever experience in the last years. The exorbitantly high land prices for agricultural land, precludes potential entrepreneurs from acquiring their own land for agricultural purposes. Thus the present land tenure system, which is meant to protect farmers and cultivation, is actually proving to be a heavy deterrent to genuine new farming entrants. The land tenure system is further complicated by the fact that land use and rent policies are the remit of other ministries which act independently of agricultural policy.

3.1.2.4 Human capital, skill base and legal personality of holdings

A total of 1,546 persons were engaged in agriculture on full time basis in 2005, out of which 92.2% were males and the remaining 7.8% females. There were 16,423 persons engaged on part-time basis. Female participation in agriculture is more pronounced in part time activity where 20.6% is carried out by females. Although, at face value this figure may seem a large percentage, the females are normally spouses of sole holders who contribute less than 1 week effort in agriculture to one full time equivalent. When converting all agricultural employment into full time equivalent, or annual work units (AWUs), the total annual work unit amounted to 4,039 AWUs (context indicator 4).

A particular characteristic of the Maltese agricultural labour force is an aging farming population whereby for every farmer under the age of 35 there are 10 farmers of 55 years or above. This trend is expected to continue in the future as no large influx of young farmers is expected.

The legal personality of agricultural holdings indicates that 98% of the 11,072 holdings are 'sole holder', 1.6% are group holdings or partnerships, and a mere 0.3% are companies. The sole holder contributes the most to agricultural production, providing 90.1% (3,638) AWUs. This features that farming is mostly practiced as a family concern and possibly lacks the dynamism that a more commercial organisation set-up would bring. As things stand, group holders and companies only contribute 5.5% or 224 AWUs and 4.4% or 177 AWUs, respectively to agricultural effort.

The skill base of the agricultural labour force is mainly derived from practical experience passed on from father to son or gathered on the field and through

peers. The 2001 Agricultural Census in fact indicates that for 78.9% of the farmers got their farming skills in this manner. Only 3.8% were exposed to some form of training (Objective indicator 4). This contrasts sharply with the 17.5% of the EU15. This situation demands correction as its implications are various. Innovation and entrepreneurship are lacking, the copy-cat attitude between farmers is quite pronounced even when practices are not amiable to the local characteristics, and there is little knowledge of the spin off effects of certain agricultural practices. Reaching this strata of the farming community demands that training sessions be not of a formal nature, and be tailored to suit their working patterns and address specific issues.

Since 1993, with the setting up of the Institute of Agriculture by the University of Malta, courses at tertiary level in agriculture started being offered. However, the tendency is for students not to return to agriculture on terminating their studies, instead they tend to be absorbed by the public sector. Formal education with a more practical slant is provided by the Agri-business Institute of MCAST through courses designed to equip students with a range of skills in various agricultural activities. However, it is felt that the available formal training is not addressing the actual and emerging needs of the sector such as the need for innovative arming and animal breeding and in carrying out agri-business (Delia, 2005). Means of reaching the farmer, who is actually on the field, have to be developed.

3.1.2.5 Structural disadvantages, competitiveness and restructuring needs of the agricultural and food sectors

3.1.2.5.1 The agricultural sector

Malta faces a number of structural constraints restricting its competitiveness in agriculture and agro-industry. The most apparent constraint is the opportunity cost of land, which results in a high economic rental value of land in Malta when compared to that in the other countries where land scarcity is less of a problem. This issue is further aggravated with the continuous pressure from urbanisation. A second constraint lies in the scarcity of water, with more than half of Malta's water supply originating from costly desalination, although the farming community has tapped the underground water system to bypass the problem. However, this is unsustainable and does not provide a long term solution. Thirdly, labour costs are high in a situation where the rate of unemployment is only about 5%. In view of these constraints, Maltese agriculture cannot attain the high productivity standards achieved elsewhere in Europe, although there is room for improvement. Labour productivity in agriculture, measured as GVA per AWU stood at 14,443 Euros, compared to the EU25 average of 16,862 Euros (Objective indicator 6).

As regards to production quantum, Malta tends to self-sufficiency in fresh vegetables and potatoes, processed tomatoes, eggs, poultry, pork, dairy

products, but it relies heavily on imports of cereals, fruit, sugar, vegetable oil, rice, butter, cheese, and beef. With accession, this local production-imports balance became less set.

Agricultural activity survived in the Maltese Islands in the past fifty years as a result of a series of protective measures aimed at encouraging production by ensuring a regular income flow for local farmers and animal breeders through a system of price guarantees and quota restrictions on imports. There were practically few incentives for active full time farmers to rationalize production through the constant upgrading of plant and produce and through a consumer-orientated system of product selection and distribution. It may be claimed that it was tradition more than marketing that dominated the growth of agriculture in the past. There has been innovation but the ultimate marketing framework remained focused on the domestic markets with exports featuring relatively low in producers' hierarchy of planning and risk (Delia, 2005).

With accession and the dismantling of protective levies, the livestock sector experienced a surge in imports. At the same time the sector had to restructure to adhere to EU legislation concerning animal welfare, food safety, veterinary and waste management.

In particular the dairy sector is facing additional challenges due to the phasing out of the milk dairy quota system. This is likely to result in increased competition. This means that the local dairy sector must continue to restructure to enhance its competitiveness to be able to compete in a more difficult market environment.

It is clear that unless this area is fully addressed through sufficient investment then the dairy industry is likely to face a downsizing which could result in the loss of critical market share and hence the loss of viability as a sector.

Local production fell drastically also, and in particular for the poultry sector, so did the producer prices. Fruit and vegetables imports also experience a sharp rise since accession, and although local production volumes did not fluctuate dramatically, producer prices recorded significant decreases.

This situation where local farmers are finding it increasingly difficult to compete in an open market is, to some degree, a result of past Maltese agricultural inward-oriented policy, domestic supplies were secured to the maximum possible extent. The ensuing mediocrity and exclusively quantity oriented approach had repercussions on product quality and diversity, environmental compatibility, and sustainable use of natural resources. Paradoxically, even traditional specialties, crop varieties and skills were progressively neglected as a result of excessive focus on a limited variety of "quantity crops" with a widespread toleration of shoddy short term practical techniques, in contrast to other Mediterranean delicacies and practices that have been successfully marketed as gastronomic and agri-touristic attractions in their respective regions and localities. Because of the protection provided, the sector did not develop a sophisticated marketing approach. Very little produce was exported

and, in some sectors, the quality of produce coming into the domestic market was not of a high standard. In many cases, farmers market their produce individually rather than collectively, and thereby limit their ability to receive a higher return from the market with high mark-ups on producer prices at retail level indicating an inefficient distribution system. Till recently, there have been no attempts to market Maltese produce as a distinctive brand or to market on the basis of the guaranteed quality of Maltese production. Quality standards are virtually non-existent for Maltese agricultural produce. There is a heavy dependence on traditional wholesale markets and little effort to identify and market produce through new marketing channels resulting mainly through poor collaboration between farmers and other stakeholders in the sector.

Maltese agriculture cannot compete on the basis of the quantity of the produce that it produces, and will need to establish specialty niche markets for a number of products. All this will require a major change in the marketing and the processing approaches of the main agricultural commodities in Malta, whilst taking into consideration the very short supply chain from producer to consumer, as well as the additional market of 1.2 million tourists a year and the potential offered by niche markets. Malta needs to offer differentiated, high quality produce that promotes the distinctive Maltese nature of the produce being sold. The promotion of Maltese production through the use of quality identification marks necessitates cooperative marketing techniques primarily amongst producers and agro-processors. This should be coupled with improved educational and marketing strategies that focus on sustainable practices, care for the environment and landscape, appreciation of traditional delicacies and artisan methodologies, cultivation of indigenous varieties and their products, and an all-round quality orientation that is increasingly sought after by more demanding consumer markets, both current and potential, locally and internationally.

3.1.2.5.2 The food sector

Maltese small and medium enterprises (SMEs) have proved to be a major engine of growth and make a major contribution to the development of our economy. This is reflected in the fact that the manufacturing sector in Malta shows a very high predominance of micro enterprises. This especially applies to food manufacturing which has the highest number of micro enterprises.

Small firms have a number of characteristics, some of which are desirable and others which are not. A positive feature associated with small firms is the high level of motivation, since very often it is the owners that run the business. Another advantageous characteristic of small business is the high degree of flexibility and adaptability to sudden changes, a low degree of bureaucratic time wasting, and minimal industrial relations problems. Small firms are generally not able to exploit the cost advantages of mass production, and find it difficult to compete with large firms in products which can be subjected to standardisation. In a competitive setting, small firms therefore tend to find

market niches by offering special services or by giving personalised attention, or by creating individually designed products. In some instances they take advantages of proximity, especially when the product is perishable, and compete by catering for a small local market. The most important undesirable feature of small firms is their limited ability to exploit economies of scale. Small firms cannot enjoy the advantages of specialisation, spread of overhead costs, and access borrowed funds as easily as larger firms. They also find it difficult to utilise technologically advanced machinery because their small production runs may not warrant buying state of the art equipment, which is very often designed for mass production. In theory, small firms engaging in competition between them selves should minimise super-normal profits. Although, this is to the benefit of the consumer, it also restricts the ability of firms to plough back profits for research and development, as is the case in some very large enterprises. Smallness often means limited diversification possibilities. This carries with it the danger of a sudden loss of a competitive niche that could lead to the closing down of the business. These positive and negative features are not mutually exclusive, and may offset each other. But the fact that many small businesses have survived and seem to be able to compete suggests that, in many cases, the positive aspects associated with small size outweigh the negative ones (Briguglio, 2004).

In Malta, the agro-food processing industry, accounts for only 2.7% of the value added generated by the total economy. The employment development in the food industry as of 2005 stood at 4,760 of which 980 or 20.6% were females (objective indicator 12). Of the total workforce employed in the food sector, over 80% or 3,828 were in full-time employment. The large majority of these or 3,690 are employed in the food and beverage industry (excluding tobacco) which accounts for some 2.7% of the total full-time workforce. It has an average annual turnover (years 2000 and 2005) of Lm115 million, of which around 84% derive from domestic sales and only 16% from exports. Investment levels are very sporadic ranging from two to eight million Maltese Liri per year.

Prior to Malta's accession to the EU the agri-food chain was pinpointed as the sector offering most resistance and postponing change (Borg, 2004) This has changed to some degree now, as with higher import penetration, enhanced competition and more compliance costs, operators were left with no option other to adapt to keep on surviving. Opportunities were also present for those operators who can gradually switch towards high quality, premium products.

The food and beverage industry as per NACE 15 classification has 117 operators. (NACE category 15.8, mainly associated with bread making, is not being included because the very large number (around 200) of operators in this segment distorts the analysis of this category). Figure 4 shows the number of enterprises in different sub-categories. Around 16 of these operators source their raw materials completely from other EU and third countries, using no local agricultural input. As to the remaining 100 firms, a significant element of importation is also present although this cannot be quantified. Although locally

grown beef, pork and poultry, as well as fruits and vegetables, mainly tomatoes for processing, olive and grapes are tapped by agro-processors, local production is not sufficient to meet their demand and seasonal production may not be enough to keep the processing line fully utilised.

The contained size of the local market can support only a limited number of agro-processors operating in a particular product line. It is therefore a common occurrence that only few firms produce a given product and which can therefore absorb the local farmers' production. This translates into increased vulnerability to farmers. A case in point is dairy milk where there is only one processor. This also leads to difficulties in disclosure of data by the National Statistics Authority on grounds of confidentiality.

Since use of recognised quality products is still in its infancy, the origin of the agricultural produce is not crucial for processors, with the consequence from where inputs are sourced depends on price considerations. Further exploitation of EU quality labels and possibly the setting up of national schemes could correct for this situation. Cottage industries are well established in rural food products, such as cottage cheese, honey, olive oil and sun-dried tomatoes. There is certainly room for further development of the cottage industry especially in synergy with agricultural, tourism and heritage sectors.

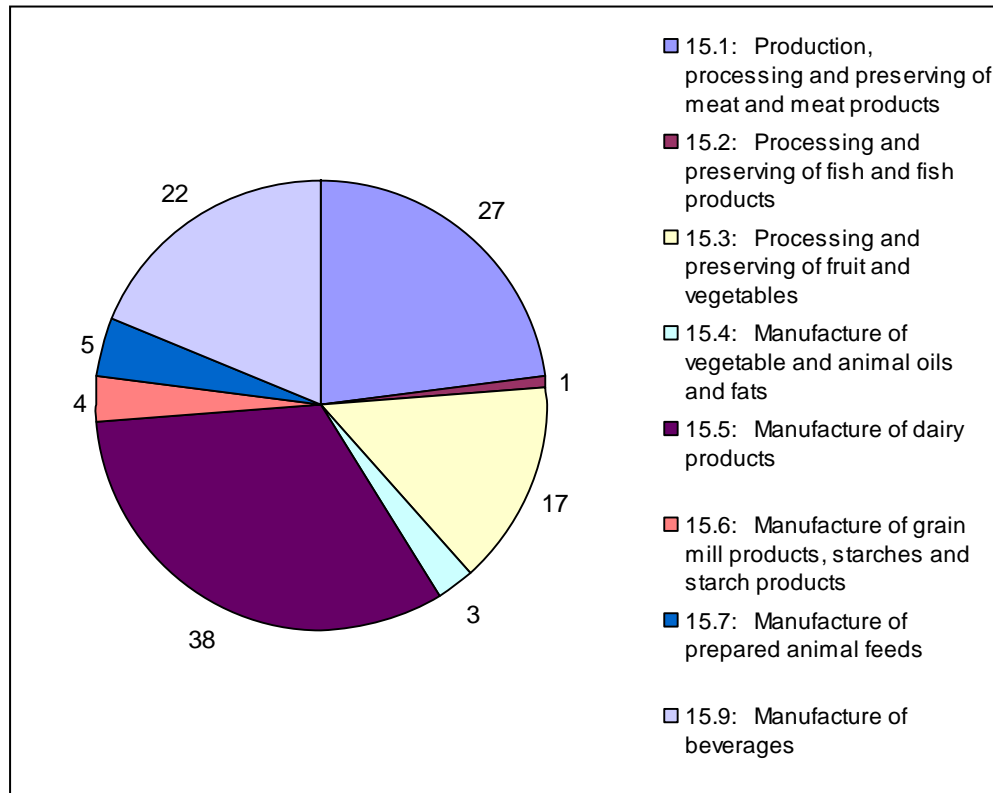


Figure 4: Number of enterprises according to NACE 15 sub-categories

Source: NSO (2003), customised data request

When it comes to innovation and knowledge transfer, Malta still has a long way to go. It ranked rather low in Lisbon Review of 2006, classifying the 19th place out of 25 Member States. There is, however, a strong national drive to ameliorate in this respect as it is widely understood that the competitiveness of the country rests on how fast it can increase its innovative capacity. The National Strategic Plan for Research and Innovation for 2007-2010 was elaborated in this respect. It outlines national priorities and courses of action that should lead to significant improvements in the innovative capacity of the country.

The agro-food processing sector reflects this national trend. The sector has the potential and the need to innovate both on the level of the product and of the processes employed. Public sector support can have an important role to play in fostering an outlook for innovation and in stimulating R&D cooperation. In fact, the most significant improvements in raising innovative capacity are observed when collaboration among firms and public funding are present simultaneously.

3.1.3 Environment and land management

3.1.3.1 Land abandonment and marginalisation

The most important biophysical factors driving marginalisation of the agricultural landscape in the Maltese Islands are land fragmentation, lack of farm access, topographical position and poor soil quality (Camilleri, 2005). Shallow soils, high abundance of large stones, exposed bedrock and poor tilt are among the main soil-related factors that contribute to land abandonment. Land abandonment generally takes place on marginal terraced slopes that need a lot of maintenance, and where poor soils, difficult access and small size of fields make the farmers' work uneconomical. In addition, some sources claim that soil salinity also encourages the abandonment of agricultural land, however, the deposition of salts from blown sea-spray is not likely to be a significant factor influencing the abandonment of these small, narrow strips of coastal zone agricultural fields exposed to strong winds. Rather, it is the poor access to these fields, and the general non-viability of agricultural production that make these areas unfavourable. Large expanses of irrigated valleys that are equally affected by salinity are characterised by a low incidence of land abandonment. Camilleri (2005) reported that the lack of water resources is one of the major factors inducing land abandonment in coastal areas.

The onset of tourism has proved a timely income substitute, but this has also generated spatial demand for accommodation and activity space (Meli, 1995). The resulting encroachment of agricultural land is marginalizing farming to a part-time activity. Abandonment of marginal farmland in Malta is mainly driven by the loss in profitability of small-scale production. As agricultural land becomes more fragmented, and profitability decreases on the smaller land

units, more and more farmers move to the towns and seek better educational facilities and job opportunities for their children so that they do not need to rely on income derived from working the fields. Labour force statistics indicate that in Malta only 8.6% of the persons engaged in agriculture are full-timers (NSO, 2005). Land fragmentation is a significant feature of the Maltese agricultural landscape. The average farm size now stands at 0.92 hectares and 48.1% of farms are between 0.1 and 0.5 hectare, therefore this limits the economic viability and contributes towards a general shift to part-time activity.

As a result of successive subdivision of land, some fields have poor accessibility and passage and traffic ability may be restricted to certain periods by neighbouring farmers and unfavourable weather conditions. Poor accessibility and the right of use of pathways are often the subject of conflicts between neighbours and combined with other factors lack of accessibility is one of the main factors driving land abandonment. Although the Civil Code provides the legal basis that gives the right of way to land owners whose tenement has no outlet to the public road, permanent access is not always established. On the other hand, lack of adequate infrastructure is not an issue in rural areas in Malta because the relatively short distances mean that there are practically no remote areas and that markets are accessible to all agricultural producers.

All agricultural land in Malta is affected by significant natural handicaps, notably a low soil productivity and poor climate conditions. Malta's position south of the 42 parallel, and climatic conditions, including low and erratic rainfall patterns, that are not favourable to rainfed production, together with the effects of climate change, impose severe disadvantages on productivity. All areas of utilisable agricultural land in Malta are affected by one or more of the following natural handicaps: unfavourable soil chemical status as a result of alkalinity and the calcareous nature of the soils, soil salinity, unfavourable soil physical characteristics, shallow depth to bedrock, low soil organic matter, high soil stoniness, and unfavourable water regime as a result of an impermeable surface crust. Scientific digital databases on soils (MALSIS, 2004) were used to designate these areas with specific limitations.

3.1.3.2 Biodiversity

The Maltese Islands harbour a very diverse array of non-marine plants and animals, especially when considering the relatively small land area, the limited number of habitat types and the intense human pressure. Although a large amount of work on the biota of the Maltese Islands has been carried out since the 1980s, knowledge of the particular groups of terrestrial, freshwater and marine biota remains quite poor, with most knowledge being concentrated on the more 'popular' (i.e., larger, more easily identifiable) groups. The Maltese landscape has undergone significant changes since the publication of the first *Red Data Book for the Maltese Islands* in 1989 (Schembri & Sultana, 1989), mainly as a result of development, with the result that some habitats have

become scarcer (especially natural habitats) while others have become more widespread (mainly anthropogenic ones). As a consequence, the species that these habitats support have likewise become rarer or commoner and less widespread or more widespread as the case may be. A number of species that were previously considered extinct or of doubtful occurrence have been rediscovered, mostly because of a better exploration of the islands. Conversely, some previously occurring species have not been recorded for many years and may be extinct (Schembri *et al.*, 2002).

146 taxa are known as endemic to the Maltese Islands, of which 79 (54%) are insects and 22 (15%) are flowering plants. Apart from the strict endemics, there are a fairly large number of others that are described as sub-endemic. The Maltese Islands' position in the centre of the Mediterranean results in the presence both of western elements such as Mediterranean Willow (*Salix pedicellata*), and African Tamarisk (*Tamarix Africana*), and of eastern elements such as Thorny Burnet (*Sarcopoterium spinosum*), Yellow Kidney-Vetch (*Anthyllis hermanniae*) and Olive-leaved Bindweed (*Convolvulus oleifolius*). There is also a fairly strong North African element.

About 900 taxa of vascular plants are considered as native, possibly native, or archaeophytic to the Maltese Islands. This is a large number, especially when compared to continental Europe. However, despite such high species richness, this value is rapidly declining, and as much as 44% of the native flora is rare, threatened or already extinct. Compared to other Mediterranean Islands, the Maltese Islands have the highest number of extinct species (109 taxa). Similarly, the Islands also have the highest number of threatened taxa: 396. In general, threatened plants have declined in numbers and distribution ranges, and some have become much rarer; on the other hand, 10 species presumed to be extinct in 1989 have been rediscovered.

From the point of view of vegetation, Malta's most characteristic community is the so-called sclerophyll series, which is a dynamic system consisting of four main vegetation types of which the highest expression is the evergreen wood (*bosk*) dominated by trees such as Evergreen Oak (*Quercus ilex*; *Ballut*) and Aleppo Pine (*Pinus halepensis*; *Żnuber*). This particular community has practically disappeared from Malta and is only represented by forest remnants such as at Wardija and Imġiebaħ where very old oaks still exist. The second stage of the series is the maquis (*makkja*) which is dominated by a variety of small trees and large shrubs such as the Olive (*Olea europaea*; *Żebbuġ*), the Carob (*Ceratonia siliqua*; *Ħarrub*), the Lentisk (*Pistacia lentiscus*; *Deru*) and several others. A particularly interesting maquis is that dominated by the Arar Tree (*Tetraclinis articulata*; *Għargħar*) which is Malta's National tree, now very rare, but which probably covered considerable tracts of land some hundreds of years ago. The maquis also includes a rich undergrowth of large herbs and lianas. 247 Most of the maquis includes trees that were introduced in antiquity because of their usefulness.

Although at present Malta still lacks a National Biodiversity Strategy or Action Plan, initial steps have been taken and the baseline mechanism for the establishment of such a strategy has been developed. There are a number of actions being taken, which, although not part of a specific strategy, are definitely a major contribution to one. As an example one can mention the national legislation which presents the necessary tools for the establishment of such a national biodiversity strategy. This includes the Environment Protection Act (Act XX of 2001) which replaced the previous EPA of 1991, and the Development Planning Act (Act 1 of 1992). The subsidiary legislation published under these two acts was all drawn up according to the various obligations of international conventions and the EU Environment *Acquis*. These are also followed by enforcement, public awareness and education, and implementation. A number of Species Action Plans have also been published besides an Important Area Inventory Programme, which identifies the areas harbouring important species. Furthermore detailed studies are being carried out with regards to threatened and endemic insects, aliens species (fauna & flora), and other biota, which besides increasing the database on biodiversity, also prepare the way for a Biodiversity Monitoring Programme. The eventual National Biodiversity Strategy will eventually consolidate and incorporate all such measures.

Data on alien species is being compiled, with a view to draft an action plan for their control or eradication. Following Malta's accession to the European Union, a number of special areas of conservation were proposed. For some a management plan has already been compiled, while others are being drafted. This has, and will have an effect on agricultural activities because all such activities especially those carried out within special areas of conservation have to be undertaken in a way which will also contribute to the management of the area from a biodiversity point of view.

In 2003 a list of the candidate Natura 2000 sites was published on Government Notice 877 of 2003, which is equivalent to the Candidate Special areas of Conservation of International Importance (International SAC's). Activities affecting such areas are subject to the provisions of the Flora, Fauna and Natural Habitats Protection Regulations (Legal Notice 257 of 2003) issued through the provisions of both the Environment Protection Act and the Development Planning Act. Given that the total woodland area of Malta is about 200 ha and of these the largest areas are those of Mizieb and Buskett with 50 and 30.6 ha respectively, none of these woodland areas are utilised for logging. Consequently, the majority of decisions pertaining to the protection of forests do not particularly apply in the case of Malta. Nevertheless Malta addresses the conservation of trees and woodland sites strictly through the Trees and Woodland Protection Regulations (Legal Notice 12 of 2001).

3.1.3.2.1 Agricultural biodiversity

In the last one hundred years, Maltese agriculture genetic resources have been dispersed throughout the Mediterranean basin. The introduction of modern varieties of livestock and plants has led to the complete disregard of all local populations in favour of these imported new exotic hybrids (Attard, undated). The end result is that Maltese local genotypes have already been lost or are in danger of becoming extinct. Most are well suited for extensive production systems and also well suited for integration into organic or free range type of production. In general, there exists little information about endemic genetic resources in food and agriculture. In most cases, although it is believed that certain varieties of cultivated crops and certain breeds of domesticated animals are indeed indigenous to the Maltese Islands; this has not been substantiated with scientific evidence and genetic testing. In some cases, characterisation trials have recently been launched for some varieties, such as onion and grapes, and interest in the re-introduction and preservation of livestock breeds is increasing.

Plant genetic resources

Crops that are believed to be endemic to the Maltese Islands include two recognised varieties of local tomato – the “flat” type tomato (*tadama ċatta*) that has disappeared from the market and is through to be found in small quantities grown by farmers for their own use, and the oblong type (*tadama żengulija*) (Delia, 2005). The latter variety is believed to be extinct, since no reported occurrence of it has been observed in recent years; a variety of baby marrow (*qarabagħli*), similar though milder in taste to courgettes; a variety of onion; a variety of cauliflower; a variety of cabbage; two varieties of pumpkin, a very large and a smaller variety; a variety of broad bean; a variety of lettuce; a variety of kohlrabi; a variety of melon; a variety of strawberry that is small and characteristically sweet; and a variety of watermelon. Forage plants that are believed to be endemic include two varieties of sulla (*Hedysarum coronarium*) and vetch. The local variety of sulla exists in pocket areas, and is drought resistant and tall-stemmed. Another variety is a wild type (*tan-nebbieta*) and is found mainly on clay slopes in the north and north-west of Malta. This variety is ideal for grazing. Cereals crops include a short-stemmed variety of wheat growing mainly on dry-land.

Fruit trees that are believed to be endemic include possibly more than one variety of peach; possibly more than one variety of citrus; olive; and vines. There are two indigenous varieties of vines: *Ġellewza* (red) and *Girgentina*

(white). These names actually describe groups of varieties with the respective berry colours. The area under vines dedicated to the two indigenous variety groups is about 70% of the total area under vines in Malta (Caruana, 2005).

Animal genetic resources

The Maltese Ox breed better known as '*Il-Baqra Maltija*', is a critically endangered indigenous breed listed in the FAO's World Watch list for Domestic Animal Diversity for the year 2000. The local breed of cattle known as "*gendus*" is described as being of large frame. Cow and bulls are said to reach same size. These animals were used exclusively for agricultural work and were known for their gentle temperament. They are characterised by a relatively short horns and large size measuring about 152-180cm high at the withers. Prior to mechanisation, this beast was utilised exclusively as a working animal, mostly for draft. The Oxen has gradually been replaced by modern forms of mechanised traction. By the late 1980's only three cows and one bull in the pure line were present. Unfortunately all four individuals were closely related. At that point, the Maltese Cattle Foundation was established to restore the herds by artificial selective interbreeding techniques. Presently no 100 percent pure-bred cattle remain in Malta. Some 18 'Maltese' type oxen are present, but none of them is 100 percent pure. The closest is 97.5 percent pure. There are also similar breeds in Cyprus, Crete, Egypt and Sicily.

The Maltese goat, highly regarded in the Mediterranean (Sardinians bought their goats from Maltese farmers) up to the close of the eighteenth century has now almost entirely been replaced with crosses with introduced goat breeds. Records made available by the Food and Veterinary Regulation Division show that as per June 2003 the goat herds in the Maltese Islands stood at 5,163 goats (3,901 in Malta & 1,262 in Gozo), consisting mainly of hybrids containing a cocktail of typical Maltese, Saanen and Alpine blood lines. Even though no pure-breed Maltese goats remain, one cannot exclude the possibility that some of the goats in Malta may be closely related genetically to the pure Maltese breed.

While currently there are no 100 percent pure-breed Maltese goats in Malta, one can still find them as a registered pure breed in Italy and maybe unregistered elsewhere in the Mediterranean region (Maghreb region). In Italy, the Maltese goat spread first to the island of Sardinia and Sicily. During recent years it spread also in the continental "*Mezzogiorno*". It is the Italian dairy goat par excellence and is the favourite breed of new entrepreneurs or of those who want to replace their breeds with more productive ones. While flocks of 2-6 make up the core nucleus of the small ruminant herd of Malta, in Sicily, it is raised in small flocks (40-60 goats) in permanent systems which also use native pastures, cereal crops and horticulture by-products. On the continent it can be found in quite big flocks, 200-400 head, milking is often mechanical, feeding is based on meadows, grazing hay and concentrate. This breed

accounts for about 50,000 head but only 2,000 of them are registered in the Italian herd book.

A small population of typical Maltese sheep still exists in parts of the country. In the early 1980's Malta experienced an influx of tourists from the North African countries, mainly Libya. These tourists were willing to pay more money for their local North-African sheep with a typically fleshy long tail, leading to a situation where Maltese farmers started to import North-African sheep as they had become more economically viable. This resulted in a decline in the local sheep population. Although a small population still exists, it is important to analyse and monitor the remaining population to investigate if the species is in danger of extinction.

The Maltese 'Black' chicken is renowned for its prolific production of large white eggs and its reluctance to brood. Nowadays, population numbers are critically low and this breed is endangered. The Maltese Turkey is a rustic broad breasted breed well adapted to backyard production systems. There is evidence that Malta might have had an important role in the distribution of turkey throughout the Mediterranean region.

There are two recognised local breeds: the red rabbit also known as *tax-Xiber* and the grey rabbit. The red rabbit may still be found in the wild in considerable numbers on the smaller island of Comino. A smaller population may also be present in the north of part of Malta in a locality known as "*Aħrax tal Mellieħa*". The fact that the red rabbit inhabited Comino may have helped safeguard its existence. The grey rabbit is now found only in very limited areas. Today only 60% pure breeds of grey rabbit are believed to exist and it is not certain if any pure breeds are to be found anywhere in the country.

The Maltese pigeon was also a very popular member of the back yard animal population. It was a heavy type with limited flying capabilities. This pigeon was kept exclusively for the production of squab, that was used for pigeon pie or pigeon broth. Very little data or information is available in the literature to describe the breed, no population estimates are available. A particularly heavy pigeon is available in Egypt and is known as '*Maltī*'.

Malta has a local variety of indigenous honey producing bees (*Apis mellifera rutneri*). It is different from any other Mediterranean bees, being slightly smaller in size, dark in colour with apparently no yellow bands. It is also incredibly resistant to diseases, viscous and highly active.

Agriculture and biodiversity

Agriculture has been particularly important in shaping the rural landscape. This includes extensive terracing of the hillsides and the complex patchwork of field and field plots with their characteristic rubble walls and traditional farmhouses. Constructed originally from the local limestone, these architectural elements

result in a very distinctive landscape that provides continuity with the historic features and fabric of many villages and other urban centres. Over the centuries, terracing and construction of retaining dry rubble walls have allowed the extension of agricultural activities along steep slopes that would have been considered marginal. Traditionally built and well-maintained rubble walls are appreciated for their aesthetic value, their importance as a habitat for many species of flora and fauna, and as soil conservation structures. These walls provide an excellent habitat for a number of vertebrates and invertebrates, such as reptiles, including the Moorish gecko (*Tarentola mauritanica*), the endemic Maltese wall lizard (*Podarcis filfolensis*), the ocellated skink (*Chalcides ocellatus*), Western whip snake (*Coluber viridiflavus*), and the leopard snake (*Elaphe situla*), and a number of molluscs, besides others such as shrews, insects and also species of flora.

Agricultural land supports a number of species of flora and fauna, and provides a food supply for insectivorous birds that breed in the Maltese Islands, like the Sardinian Warbler, Spectacled Warbler, Fan tailed Warbler, Corn Bunting, and Short-toed Lark (Baldacchino, 2005). Other birds that are recorded in the Maltese Islands, some also as breeding birds, use cultivated agricultural areas to search for grasshoppers and other insects, molluscs, reptiles, and arachnids, which form part of their diet. These birds include the Blue Rock Thrush, and the migratory thrushes, warblers, flycatchers, and even birds of prey.

Agricultural land can also be an attraction for breeding birds depending on the type of crop cover. Species of vegetables, such as kohlrabi, tomatoes, potatoes and other short shrubs attract avian species for breeding purposes, like the Short-toed Lark and the rare and diminishing Corn Bunting (Baldacchino, 2005). Cereals species attract the Fan-tailed Warbler, and also Quail; these species use agriculture land devoted to forage production as breeding ground. This type of land, including areas in which wheat and sulla are grown, serve as adequate habitats for rodents, considering the more enriched food supply and ground cover that they offer. In return these rich food chains attract additional predators such as reptiles, mostly snakes and also birds of prey such as Harriers and falcon species, such as Kestrel and Hobbies.

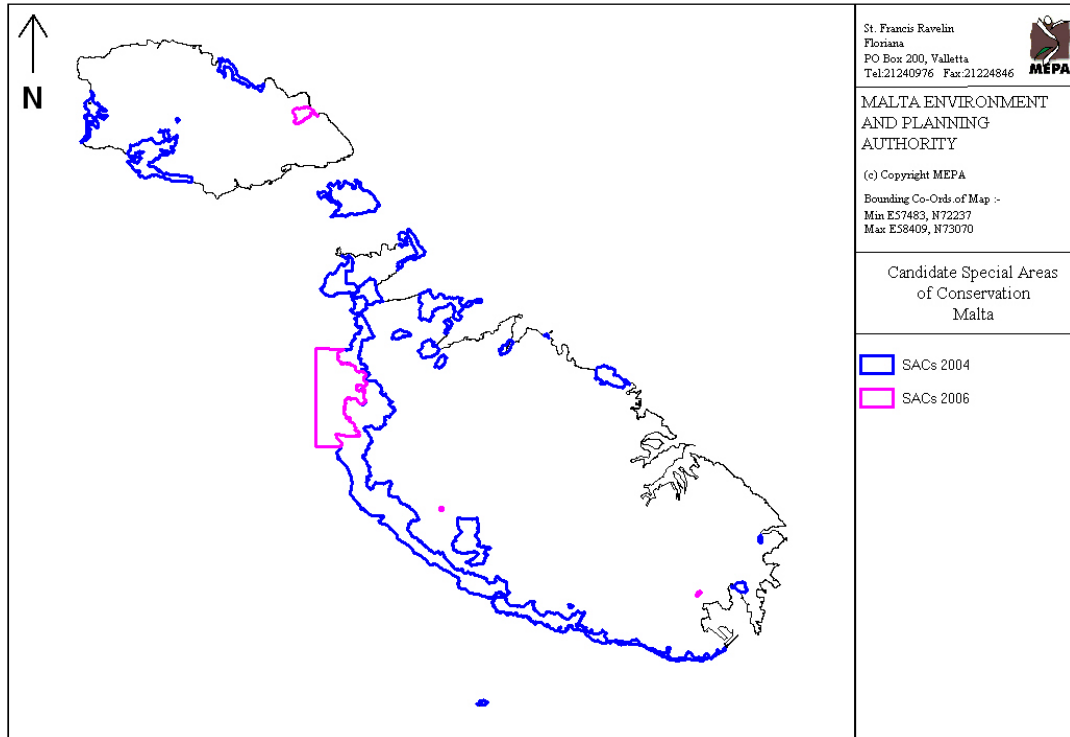
On the other hand, certain agricultural activities are often perceived to be in conflict with the conservation of biota and their habitats, mainly as a result of competition for natural resources. Some of the threats posed by agriculture include the deliberate introduction of alien species of biological pest control agents, especially for use in greenhouses and orchards, and the accidental importation with crop seeds and live animals. 'Widien' watercourses, the commonest type of freshwater habitat in the Maltese Islands, are one of the most intensively exploited for agriculture due to the abundant water supply during the wet season. Many 'wied' watercourses have been converted for agricultural use. Karstland pools, common on coralline limestone karstland where temporary pools and puddles of rainwater collect in depression in the

rock are also 'reclaimed' for agriculture. Scarp-foot springs present at the foot of 'rdum' where the Blue Clay/Upper Coralline junction is exposed are tapped for irrigation purposes.

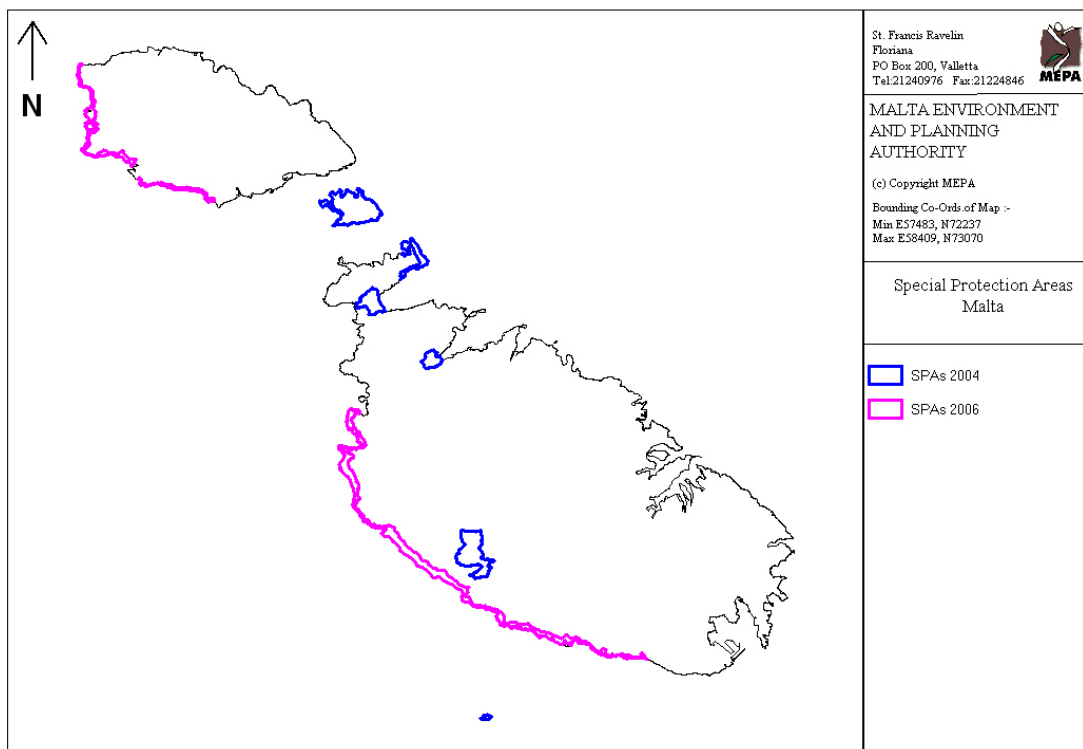
Additional impacts are associated with individual agricultural developments and include habitat destruction as a result of siting within non-agricultural land – e.g. farm complexes on garrigue; overspills of slurry and other agricultural effluents into nearby watercourses; opening of undesirable vehicular access to remote sites, such as vulnerable clay slopes, and other associated indirect impacts. Significant expanses of garrigue, inappropriately considered as barren 'wasteland' have been 'reclaimed' for agricultural use by dumping of rubble, levelling of the land and subsequent topping with soil. Agriculture has also been the main factor driving the destruction of important habitat types, such as one of the corses of the only surviving traces of the Mediterranean sclerophyll forest, which was mostly destroyed by its tenant through a combination of felling and burning to make way for the planting of orange trees.

3.1.3.2.2 Natura 2000

As part of the implementation of Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, Malta has to date proposed 26 terrestrial Special Areas of Conservation (SACs) as Natura 2000 sites (Map 3), covering 12.5% of the land area of the Maltese Islands (context indicator 12), and 1 marine site. 93% of the natural land proposed is made up of 'xaghri', steppe and coastal communities, 5% are attributed to maquis and woodlands whilst the other 2% comprises wetlands, all of which are of EU importance. Seven of these SACs are in Gozo and Comino region. All candidate SACs will be evaluated by the European Commission prior to their inclusion in the Natura 2000 network. A Natura 2000 site can also be designated as a Special Protection Area under the EU Birds Directive, when the site is important for the conservation of certain wild birds. Malta has declared 12 such sites (Map 4), covering 4.5% of the land area, of which 5 sites are in Gozo and Comino region. Both SPAs and SACs, once submitted to the EU Commission, automatically form part of the Natura 2000 network. In many cases, the areas of these SPAs overlap entirely or in part with those of candidate SACs.



Map 3: Special Areas of Conservation



Map 4: Special Protection Areas

A considerable amount of agricultural land (31.9%, context indicator 10) is commonly found within candidate Natura 2000 sites. Therefore, in order to preserve the natural environment and landscape, and to protect and improve natural resources, as required by Natura 2000 designation, agricultural practices within such sites need to be brought in line with environmental requirements. In order to diminish the loss of biodiversity till the year 2010, protection and management plans in respect of Natura 2000 sites should be implemented. These will aid to increase the quality of life in rural areas by identifying and avoiding tendencies that lead to ecological, economic and social decline.

To date, a total of five management plans have been approved or are undergoing a review process for the following areas: L-Għadira (l/o Mellieħa) [also designated as a Ramsar site and a Protocol SPA], Is-Simar (l/o San Pawl il-Baħar) [also designated as a Ramsar site], Għajn Tuffieħa (l/o Mgarr) [this site forms part of the candidate Natura 2000 site Rdumijiet ta` Malta (Coastal cliffs)], Dwejra and Wied Għollieqa.

The Malta Environment and Planning Authority, the lead national agency responsible for the designation, regulation and management of protected areas nationwide, intends to carry out an integrated project entitled '*Scientific surveys & compilation of management plans for Natura 2000 sites in Malta*' that will draw from EAFRD funding.

The project will be implemented through a single service contract consisting of three interrelated components: Surveys and data gathering; Drawing up of management plans, including consultation & setting up of management bodies; and Awareness raising & training. The first phase will result in the surveys, collection of baseline data and development of monitoring indicators for the identified sites. For each area, the results of the surveys will be presented in a report, which will form part of the background and situation analysis in each management plan. The reports will also contain a description of the monitoring indicators and monitoring approach for each site.

The second phase will result in the drawing up of (or review of existing) management plans for each protected area in consultation with all relevant stakeholders and in the establishment of management bodies, identification and implementation of necessary arrangements for the subsequent management of the sites. Management plans will be drawn up for each of the sites that have been identified on the basis of the following criteria:

- the percentage of agricultural land within the protected site
- the potential influence of agricultural practices on the habitats / species
- the extent of the area covered by the designated site
- the threats and deterioration of the site
- current management of the site (sites which are already being managed have not been given high priority)

Amongst other topics, each management plan will cover:

1. Description of the site character (landscape, climate, soils geology, vegetation...) including land-use and propriety situation
2. Habitats and species of community interest
3. Assessment of current conservation status
4. Detailed conservation objectives and targets
5. Planning of conservation measures
6. Negotiations and solutions with land-use, impacts and threats
7. Implementation: administrative measures, funding and costs, contracts, conflict points
8. Time table (targets), setting priorities
9. Validity, control and revision

Phase three shall commence as soon as the first management plan is drawn up in consultation with stakeholders. Consultants will develop an awareness-raising and communications plan for each area and implement a series of targeted campaigns addressing site-specific and national-level stakeholders. The campaigns will focus on raising stakeholder awareness of the biological diversity pertaining to each site and the need for its conservation and management.

Studies and investments may also be directed to elucidate cultural features of our rural landscape such as high nature value areas which still need to be designated. The identification of high nature value farmland areas is one of the expected results of the IRENA project funded from the technical assistance programme 2004-2006 for the Integration of Environmental Concerns in Malta's Agriculture on the basis of the IRENA operation. Preliminary research has indicated that the extent and distribution of high nature value farmland shall be primarily based on the density of linear features in particular stone rubble walls and other elements of the rural landscape such as border trees (carob and prickly pear), since these features provide a natural habitat for a number of important species of Maltese fauna and flora, including some endemic and rare species.

3.1.3.3 Water

3.1.3.3.1 Water quantity

To understand the nature of water resources in Malta one must understand the consequences of the semi-arid climate that are of particular relevance to water management. These include: variability in inter-annual and intra-annual rainfall, high-intensity, short duration rainfall events, seasonal scarcity of precipitation when the water requirements of the agricultural sectors are highest, frequent occurrence of low rainfall years when groundwater recharge is likely to be low

and finally, frequent occurrence of high rainfall years when runoff is likely to be high.

Rainfall in Malta is characterized by storms of high intensity but of relatively short duration with an average of 569 mm though this may vary considerably (FAO, 2006). Additionally the potential evapo-transpiration for the Maltese Islands is 390 mm with an inter-annual variability of 3%. These estimates indicate that actual annual evapo-transpiration varies between 197 and 402 mm, or 36-89% of the measured annual rainfall. With regards to runoff, most runoff occurs after torrential rains, being the only time when surface water flows (for a few days at most). To retain this storm water discharge, 31 small dams have been constructed with a total capacity of 154,000 m³ to serve the purpose of retaining water and reducing the rate of soil erosion. In view of the lack of observational data, the runoff from rural areas that is lost to the sea is considered to be in the range of 2-5% of annual rainfall.

Maltese Islands are mainly composed of two porous and fissured limestone (the Upper Coralline Limestone (UCL) and the Globigerina and Lower Coralline Limestone (LCL) separated by a relatively thin Blue Clay formation. The lithologically different natures of these formations together with their geological position give rise to two broad aquifer types: the upper (perched) aquifers in the UCL, and the lower aquifers found in the porous and fissured Globigerina and/or LCL).

Replenishment of the aquifers is by rainfall and leaks from the water-supply system. Surface run-off into the sea is comparatively small because of the morphology, good water absorption by the soil and infiltration into the rock, and runoff interception by numerous dams, walls and terraces built over the centuries. The major surface water loss is by evapo-transpiration.

3.1.3.3.2 Water quality

The quality of groundwater in Malta is highly variable with contamination of groundwater by nitrates and chlorides being the main quality issues of concern. As soil cover in Malta is relatively thin and poor in organic content and as there are no naturally occurring formations that contribute towards nitrate content in groundwater, the nitrate contamination in groundwater is largely attributed to anthropogenic activities mainly agricultural activities through the application of nitrogenous fertilisers on arable land and contamination from animal wastes and refuse dump run off. The movement of these pollutants below the surface is affected by the properties of the underlying strata. Nitrate concentrations reaches maximum levels in the rainy season as a result of the leaching nitrates in the saturated zone. The annual trend in the concentrations of nitrate in ground and surface waters in the years 2003 - 2005 shows a decrease in nitrate levels of 0.5 mg/L relative to the baseline levels of 1996 – 1998 (objective indicator 21). Groundwater in Malta has generally high levels of chloride concentrations as a result of over extraction of groundwater and sea

water intrusion. The situation is further influenced by the large perimeter in comparison to the area of the islands and the karstic nature of the aquifer. Generally, chloride levels in the perched aquifer are significantly lower than the mean sea-level aquifer, and these lower values result from the topographical nature where the aquifer is largely protected from seawater intrusion. Increased abstraction has only attributed to higher chloride levels due to sea water intrusion as the top of the confining clay layer lies below the mean sea level.

3.1.3.3.3 Water-related Infrastructure

Presently there is a rather fragmentary approach to storm water management. As most runoff occurs after torrential rains, to retain storm discharge 31 small dams have been constructed across the drainage lines. Water collected is mainly used for agriculture and recharging the sea level aquifers. The total potential surface runoff generated in an average year has been estimated at 30 hm³ in Malta alone. The main drawback facing the harnessing of this resource is the fact that it occurs as large volumes in a comparatively short period.

In addition to ground water resources, agriculture also makes use of harvested rainwater. In fact there are around 9,000 agricultural cisterns giving preliminary figures that the total rainwater harvesting potential of the agricultural sector stands at 2 hm³.

Currently around 13% of the total sewage generated in the Maltese Islands is being treated and made available for subsequent reuse by the agricultural and industrial sectors. It is planned that by 2007 three new sewage treatments will be constructed resulting in a total amount of TSE available to be 14 hm³/year. Four agricultural areas were earmarked as test sites where TSF can be safely applied for irrigation and the gradual re-instatement of severely depleted aquifers.

Currently there is only one wastewater treatment plant which has been recently upgraded to a capacity treating 3,500 m³/day in winter and 10,500 m³ /day in summer. The treated effluent is distributed to agricultural concerns in the Zabbar-Marsascala area. Current estimates indicate agriculture consuming 1.5hm³/year of treated effluent with the remaining 0.5hm³ being used by industry.

3.1.3.3.4 Main challenges in managing water resources

Malta being densely populated is poorly endowed with fresh water resources. Meeting a high and rapidly increasing demand for water while protecting and conserving the resource base and the environment is a major challenge. There are no surface waters that can be exploited economically, and ground water resources are subject to increasing competition. Agricultural water users

continue to be more dependent on the vagaries of the climate and access to water resources for irrigation. Water shortages have resulted in farmers shifting towards cultivation practices and irrigation systems that make efficient use of water resources. The main source of water is groundwater pumped from private boreholes and conveyed to fields via pipe networks and water tankers. Although farmers are relatively more conscious of the importance of water conservation than urban water users, increased agricultural water use excessive groundwater abstraction in recent years has affected the sustainability and viability aquifer systems. Severe degradation has taken place in some areas, and the prognosis for other areas is not encouraging. Groundwater degradation linked to agriculture takes two distinct forms. First, there is increasing salinity of the Lower Coralline sea-level aquifer systems as a result of vertical and horizontal seawater intrusion. Second, there is nitrate contamination of practically all the aquifer systems as a result of intensive livestock production, high levels of fertilizer use, and leakages in the sewage collection systems.

3.1.3.3.5 Nitrate Directive

One of the most challenging environmental implications of livestock farming is the generation of manure and its management to prevent pollution of groundwater and surface freshwater bodies, coastal waters, drinking water supplies, air and soil resources. The mixed-land use scenario, and the vicinity of different, and sometimes conflicting land uses invariably exerts immense pressures on Malta's freshwater resources, and in particular on groundwater.

In line with the objectives of the Water Framework Directive, the overarching policy objective is the achievement of good quantitative and qualitative status of groundwater by 2015. According to the new Groundwater Directive, the nitrate content in groundwater must not exceed 50 mg/l for the achievement of good status. By virtue of LN 233/04, the whole territory of Malta has been designated as a Nitrate Vulnerable Zone (context indicator 14) in line with the provisions of the Nitrate Directive since nitrate values in the groundwater often exceed the 50mg/l parametric value.

Malta has established a Code of Good Agricultural Practice and an Action Programme that are applicable to the whole territory. Some of the measures associated with manure relate to the type and capacity of on-farm storage of manure and slurry. Manure must be stored in leak-proof covered storage clamps connected to a cesspit, and the cesspits must be leak-proof and covered. Cesspits must have sufficient capacity to collect all urine and washing for at least 15 days and solid manure must be stored in covered clamps from the 15 October to the 15 March (the closed period). This period is equivalent to the rainy season in which all types of livestock manure are prohibited from being applied to the land. The producer (and contractor, if one is employed) is also obliged to keep records of slurry and manure transports/disposal, including dates, quantities and final destination. Solid manure can only be

stored on the fields between the 16 March and the 14 October if the dry matter content is at least 30%. The amount of livestock manure that can be applied to the land is also limited by the nitrogen content, i.e. 210 kg N/ha for the first four years of the action programme (2004-2008) and 170 kg N/ha thereafter.

In 2005, a system for verifying cross compliance statutory management requirements, including standards based on provisions of the Nitrates directive, has been set up. The system reinforces the implementation of standards set out in the Code of Good Agricultural Practice and in the Nitrate Action Programme for Malta through a system of on-the-spot verification and a system of penalties for non-compliance.

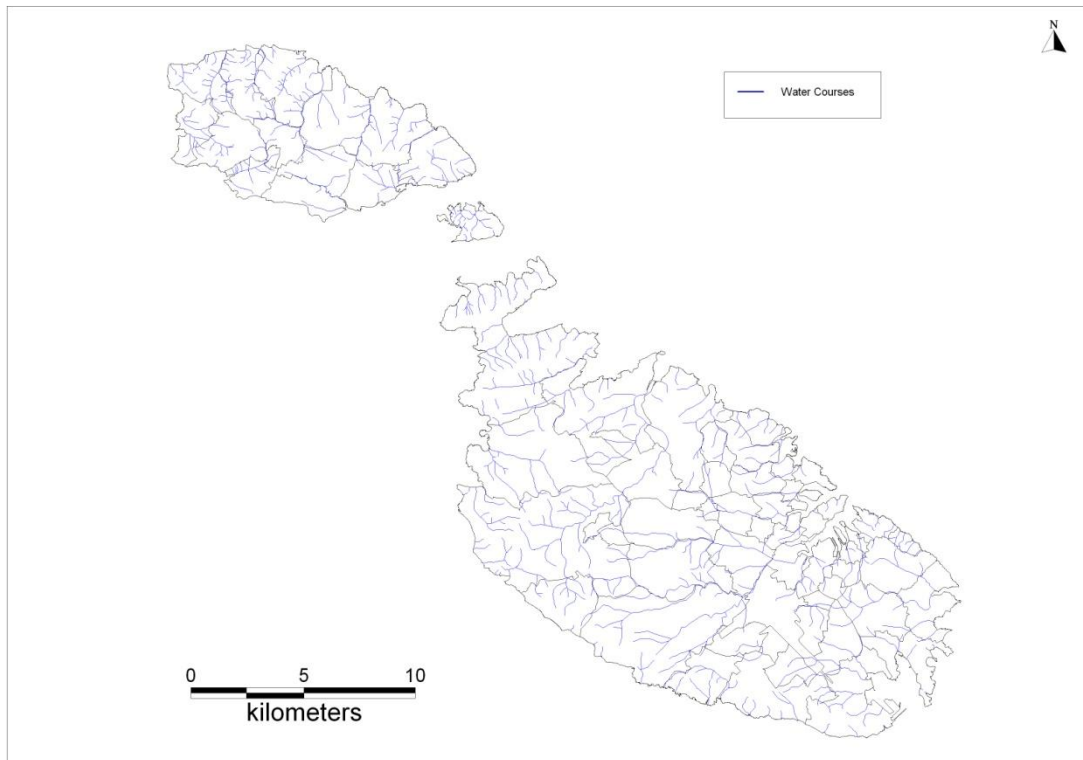
3.1.3.3.6 Water Framework Directive

The Water Framework Directive (2000/60/EC) provides for the long-term sustainable management of water resources on the basis of a high level of protection of the aquatic environment. The aim of this directive is to achieve good status of both ground and surface water by the year 2015. The main objectives are the provision of sufficient supply of good quality surface and ground water, the protection of territorial and marine waters and to reduce significantly the pollution of groundwater. This aims to act as an adapted model of water management to our local situation.

Prior to implementing this directive a number of actions were required. Competent authorities to monitor water quality and quantity were set up whilst surface and ground waters intended for drinking water abstraction were identified. The impacts of human activities on water status together with other pollution sources were assessed and management plans to change the current situation established. These were carried out in accordance with the provisions laid out in Regulation 5.

Most of Malta's surface waters are highly restricted habitats and the various plants and animals found there are in danger of extinction. These include both fresh and brackish water habitats such as watercourses (Map 5), springs and freshwater pools. Through the Water Framework Directive, Malta is now legally bound to ensure the long term protection of these habitats and species protection areas. Water bodies forming these areas are included within a monitoring program in order to assess status changes, magnitude and impact of significant pressures and to consider whether these areas are at risk of failing to meet environmental objectives under regulation 4 of the directive.

Surface water bodies have been classified into different categories according to their severity of which 10.5% were classified as unable to reach planned objectives due to point source pollution. Diffuse pollution mainly from agricultural inputs such as nitrogen, pesticides including anti-fouling compounds, organic loads and suspended soil contribute to 20.7% of surface water bodies not in a position to reach intended targets.



Map 5: Location of water courses in the Maltese Islands

3.1.3.4 Air quality and climate change

Within the context of the United Nations Framework convention on Climate Change (UNFCCC), Malta does not qualify for quantified greenhouse gas emission reduction targets since it is a developing country. Obligations only include periodic reporting. Nonetheless, Malta is still taking necessary precautions by means of a National Energy plan which includes both renewable energy and energy efficiency.

Carbon dioxide is the main greenhouse gas produced in Malta arising from the burning of fossil fuel through electricity generation and transport. Carbon dioxide emissions reached 2,444Gg in the year 2000. During the year 2003 agriculture contributed 96.37 ktoe (objective indicator 26) whilst the major source was the energy sector whose emissions amounted to 3,116.62 ktoe. The level of carbon dioxide has risen drastically between the year 1990 and 2002 amounting to 61%. This is a chief concern whereby economic growth should be detached from energy consumption so as to be in line with levels stipulated in Malta's National Allocation Plan. In fact the National Energy Plan aims to construct a sustainable development path for the energy sector in line with those of EU, EU post-Kyoto climate regime and EU renewable energy targets.

Agricultural activities contribute directly to emissions of greenhouse gases through a variety of processes including enteric fermentation in domestic livestock, livestock manure management, soil management and field burning residues. Carbon dioxide, methane and nitrous oxide are the primary greenhouse gases emitted through agricultural activities. The major emitters of methane are beef and dairy cattle. The amount of methane produced and excreted by individual animals depends on both the individual's digestive system and feed intake quality and quantity. Methane is produced by anaerobic decomposition of manure whilst the production of nitrous oxide takes place through nitrification and denitrification of organic nitrogen in livestock manure and urine. When crop residues are burnt, the incomplete combustion of agricultural waste, results in the production of both nitrous oxide and methane. Manure management and fertiliser applications also contribute to nitrous oxide production. During the year 2003, methane emissions from the agricultural sector amounted to 3% whilst nitrous oxide emissions were insignificant.

Ammonia is considered by far a problem inside poorly ventilated livestock facilities. Accumulation of ammonia within animal housing systems leads to a negative impact on animal health and consequently production. It is also of a detriment to human health. During the year 2003 estimated ammonia emissions from animal husbandry operations amounted to 95% of the total national emissions. A strategy to decrease ammonia levels inside animal housing can be achieved through the increase of ventilation since this dilutes indoor ammonia levels and increases its removal. Increasing ventilation rates also increase the drying rate of bedding and litter which in turn further decrease indoor ammonia levels. Nonetheless, the level of ammonia to the atmosphere is not reduced. Different strategies could thus be used to limit ammonia release to the environment. The main approach should be to reduce the amount of ammonia generated in the first place. Management practices that target ammonia emission can be divided into pre and post excretion approaches.

Though Malta has one of the lowest GHG emission rates per capita in the EU, such have increased by 44% in a period of 10 years between 1990 and 2000. In this respect, strategic objectives for the management of GHG emissions should be developed for each sector of agriculture. Consideration of both sources and sinks of all greenhouse gases should be included so as to be able to improve environmental management.

3.1.3.4.1 Convention on Long Range Transboundary Air Pollution

The Convention on Long Range Transboundary Air Pollution (CLRTAP) consists of eight protocols all regulating different pollutants to achieve various goals. Malta has ratified the Convention and one protocol, the 1984 protocol on long-term financing of the cooperative programme for monitoring and evaluation of the long range

transmission of air pollutants in Europe (EMEP). Malta has not ratified the other seven protocols, i.e. those protocols that require emission reduction.

Notwithstanding, Malta is still obliged to implement the provisions through the respective EU Directives which have the same goals. The Directive which regulates the provisions of LRTAP is the National Emission Ceilings Directive, which requires compliance with national emission ceilings for NO_x, SO₂, NMVOC and NH₃ by 2010. The national emission ceilings to be attained by 2010 for Malta are shown in table 5.

	SO₂ Kilotonnes	NO_x Kilotonnes	VOC Kilotonnes	NH₃ Kilotonnes
Malta	9	8	12	3

Table 5: National emission ceilings for Malta to be attained by 2010

To date Malta has adopted a number of plans and programmes that were carried out using the Regional Air Pollution Information and Simulation model developed by the International Institute for Applied System Analysis. The already implemented strategies have succeeded to keep emissions at bay. Nonetheless, in order to achieve national emission ceilings additional measures are needed.

Malta has successfully adopted the use of low sulphur fuel in transport and power generation. This was brought about by the importation of diesel fuel containing a lower percentage of sulphur. This has resulted in a decrease of 15.5kT sulphur dioxide emissions between the year 2003 and 2004. Up to the year 2004, Malta has been successful in achieving a nationwide reduction of 36% in sulphur dioxide concentrations.

In order to satisfy future energy demand, the Enemalta Corporation shall issue a call for local generating capacity which shall be compliant with specific values for pollution emission. Additional incentives shall be offered on solar energy products and photovoltaics.

The implementation of obligatory Roadworthiness tests that were brought into force in the year 2005 were used for screening road transport emissions. This was followed by an Emission Alert SMS Campaign whereby the general public was given the opportunity to report vehicles emitting noxious fumes. Since second hand cars may have a greater impact on the environment, during the year 2003, the Government has increased the minimum registration tax for such. A higher taxation on inappropriate fuels leading to intolerable environment impacts has also been implemented, followed by levies on a

range of environmentally sensitive products. On the other side, measures to encourage electric cars have been put into action.

Industries in Malta are almost all micro-enterprises. Additional plans and programmes will thus be implemented such as that for combustion in industry whereby regulatory mechanisms should be used to ensure that equipment utilized is of a required standard.

Through the incorporation of these plans, Malta shall not have problems in complying with emission ceilings. However, the possibility that other projects will be taken on board is not excluded whilst variations in the present plan may occur.

3.1.3.5 Alternative energy sources

3.1.3.5.1 Renewable energy

Recognising the benefits of energy and environmental sustainability in the short and long term, and our obligations as a member of the international community, Malta's Government is committed towards the promotion of renewable energy.

Wind, solar and biomass waste are feasible sources of renewable energy for Malta. Other types – hydropower, biomass (energy crops), wave, tidal, and geothermal – are not considered to be feasible for exploitation at least in the short term for various reasons, including absence or low level of resource intensity and/or state of development of the technology. There is an extremely limited possibility of growing energy crops for the production of biofuels in Malta (objective indicator no. 25) due to shortage of land and water, thus any increase in the use of biodiesel and the possible introduction of bioethanol can only be made possible through the importation of the biofuels or the raw material from which they can be produced.

Government will establish support schemes to ensure that wherever possible a mix of appropriate technologies (PVs, biomass, microwind) is effectively promoted at different levels (large, medium and micro) whilst taking into account the relative costs of the technologies and associated financing implications. The distribution system operator (Enemalta Corporation) is already obliged to connect renewable energy plants to the electricity grid, and to purchase any electricity generated with renewable resources at fixed, published prices. These prices will generally be set and be guaranteed for a specified period of time to spur investment in renewables.

Government will on its part seek to increase state funding in support schemes. Surplus electricity exported to the grid will be fairly valued taking into account the benefits associated with distributed generation. Specific support schemes

currently in effect in Malta are financing of small PV systems minimum size 1 kW peak (kWp) (+/- 5%) and up to 3.7 kWp installed capacity for domestic use, solar heating energy saver for domestic use and microwind systems with generation capacity up to 3.7 kWp for domestic use with a percentage of purchase price, subject to a maximum of fixed sum being refunded.

Priority Axis 4 of the Operational Programme 1 on Upgrading Services of General Economic Interest also aims to improve and strengthen Malta's competitiveness by supporting infrastructural provisions in the area of services of general economic interest such as water and energy. Five main policy areas for intervention in the sector are being stressed: energy efficiency; reducing reliance on imported fuels; stability in energy supply; a sound distribution system and support of the energy sector in order to render it capable of delivering on its objectives. Intervention under this Priority Axis is primarily foreseen in relation to reducing emissions from power generation and distribution. OP 1 will support national initiatives through a project with which consists of the modification and application of best available technologies of the boilers at the existing Delimara Power Station with a view to improving air quality and bring it in line with emission standards required by LN 329 of 2002, Transposing Directive EC/80/2001. The funding support will act primarily as a well-targeted catalyst stimulating the private sector, the public institutions and building owners to invest more actively in increasing energy efficiency through the installation of RE technologies for heat and electricity.

National funds will be deployed, to enhance the current distribution network to cater for large-scale development projects currently under construction and the possibility of increased capacity through long-term interconnection with mainland Europe and large offshore RES farms. National funds will also be allocated, in the longer term, to construct a new 100MW generating plant running on the best available technologies.

3.1.3.5.2 Bioenergy use

Malta is totally dependent on imported fuel for all its energy needs and thus the partial replacement of diesel or petrol with the use of renewable and indigenous energy sources is important. Nonetheless, Malta lacks the potential for growing crops for biofuel production due to the existing high population density and limited land area. In this respect, Malta is fully exploiting the potential to collect waste cooking oil and convert it to biodiesel. Table 6 shows the percentage use of road transport fuels in Malta.

Fuel Type	% of Total - 2004	% of Total - 2005
Petrol	46.0	45.6
Diesel	54.0	54.5
Total Fuel	100	100
Biodiesel	0.1	0.5

Table 6: Use of road transport fuels

The use of biodiesel for road transport has increased significantly between the years 2004 and 2005 and has resulted in a reduction of waste cooking oil being disposed of in the sewer system. As far as biomass from waste water is concerned, electricity generation from biogas generated during the treatment process will be considered.

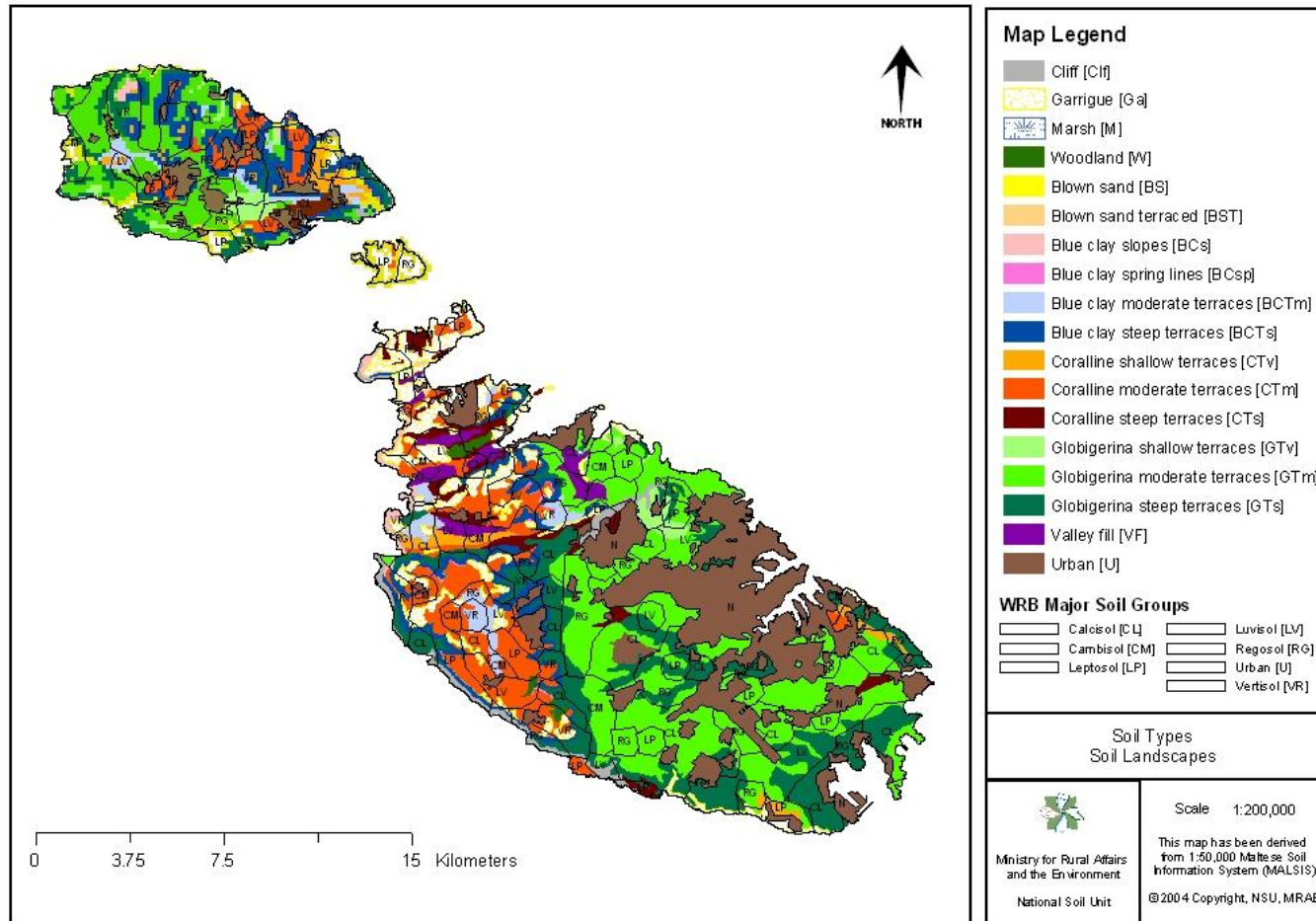
3.1.3.6 Soil quality

In Malta the spatial pattern of soil types is very intricate, both in semi-natural and agricultural areas and different soil types often occur within a single field or within a distance of few metres. The movement of excavated soil material from sites of construction in accordance to the Fertile Soil Act and the creation of 'made ground' or replenishment of eroded or shallow soils, and the associated impacts of progressive urbanisation, have contributed to increase the heterogeneity of the soils, and have rendered the characterisation of soils more complex.

The landscapes of the Maltese Islands may be grouped into two main categories: (i) semi-natural landscapes, where very little evidence of man's activities can be recognised; and (ii) man-made landscapes where the influence of man can be identified in the widespread terracing of sloping land, and the creation of made ground through the movement of large quantities of soil material and deposition on rock or rock rubble. The semi-natural landscapes comprise bare sea cliffs, garigue, marsh, woodland, Blue Clay slopes, Blue Clay spring line, and blown sand. The man-made landscapes may be divided into moderate or steep terraces on Blue Clay, shallow, moderate or steep terraces on Coralline limestone, shallow, moderate or steep terraces on Globigerina limestone, valley fill and terraced blown sand (Map 6).

The seven major soil reference groups in Malta (Map 6) are Calcisols, Leptosols, Vertisols, Luvisols, Cambisols, Regosols and Arenosols. Of these, Calcisols, which occupy approximately 27% of total country area, Luvisols and Leptosols are the most common groups. Calcisols are calcareous (lime-rich) soils with significant accumulation of secondary calcium carbonates, generally developed in dry areas. Dryness, and in places also stoniness limit the suitability of these soils for agriculture, however, if irrigated, drained, and fertilised, Calcisols can be highly productive under a wide variety of crops. The Luvisols are soils with a subsurface layer of high-activity reddish clay

accumulation. In Malta, these soils are now relict soils because they have developed under different climatic conditions to those of the present age, probably during the wetter climates associated with Glacial advances in Northern Europe. Luvisols are normally fertile soils suitable for a wide range of uses, but certain types require artificial internal drainage and careful timing of cultivations. Leptosols are shallow soils over rock or gravelly material whose development is often limited by erosion. Shallowness affects cropping by influencing the range and type of cultivations which can be carried out but also by restricting nutrient uptake, root growth and, in the case of fruit trees, root anchorage. In Malta, these soils include the 'soil pockets' formed on karst landscape. Another two soil groups, the heavy cracking clays (Vertisols) found on the Blue Clay, and the deep sandy soils developed in recently deposited sand beaches, are mostly vulnerable to soil degradation especially if not managed in a sustainable way, and deserve to be designated as soils of conservation value.



Map 6: Soil landscapes and soil types of the Maltese Islands

In Malta, soils are slightly and moderately alkaline, with a pH between 7.3 and 8.5 (MALSIS, 2004). Above a pH of 7.0, there is an increasing risk of ammonia volatilization, and an increase in deficiencies of certain trace nutrients. Maltese soils have a moderate cation exchange capacity (15.3 cmol_c/kg), which compares well with similar soils formed under similar climatic conditions. Calcium is the dominant cation in the exchange complex. In general, soils in Malta are non-compacted (having a bulk density < 1.3 g/cm³), and density-induced impedance to root growth is minimal. In deeper horizons (> 50 cm) however, the heavy clay soils have the highest bulk densities (1.5 g/cm³). 77% of Maltese soils are either loamy, clay loam, or clay soils, and have clay content higher than 48%. Such soils may be difficult to work, but have higher nutrient retention and water filtration capacities. In general, the soils are non-saline (having a mean electrical conductivity of 347 μS cm⁻¹), however, in irrigated soils, the electrical conductivity is significantly higher (695 μS cm⁻¹). This means that although with the exception of some sub-types, most of the soils do not have salt-related problems, irrigation with poor quality water, especially saline treated sewage effluent, is increasing the salinity of the soils.

The soils' suitability for agronomic purposes is limited by a number of factors, the most important of which include unfavourable soil chemical status as a result of alkalinity and the calcareous nature of the soils, shallow depth to bedrock, low soil organic matter, high soil stoniness, and unfavourable water regime as a result of an impermeable surface crust. Soils with a carbonate and bicarbonate content greater than 25% occupy approximately 91% of the total country area. Very shallow soils (< 25 cm) and shallow soils (> 25 cm and < 50 cm) occupy 58% of the country's area. This is equivalent to approximately 5,794 ha of the utilisable agricultural area (UAA). 40% of soils are estimated to contain more than 15% coarse fragments.

Data on soil macro and micro fauna and flora is very partial, and information available is limited to selected group of insects (mostly beetles), mollusks, fungi (mostly mushrooms) and some invertebrate species (such as millipedes and isopods) associated with leaf litter, particularly in wooded areas. Important habitat types in terms of soil biodiversity include woodlands of various types, argillaceous soils (clay slopes) and karst soil pockets in garrigue, rocky steppes and *rdum*. Specialised habitats, including saline marshlands, freshwater wetlands and other humid areas, and sand dunes also house important species, which depend on the soil. A number of soil-inhabiting species have found in soil at 10-30 cm depth, often under trees, many of which have been recently described as new species to science, and are endemic to the Maltese Islands. A few examples include endemic beetles (*Alaocyba melitensis*, *Amaurops mifsudi*, *Langelandia niticosta*, *Torneuma maltense*, and *Torneuma strictum*) another beetle (*Cnemeplatia atropos*), and a deep-burrowing slug (*Testacella riedeli*).

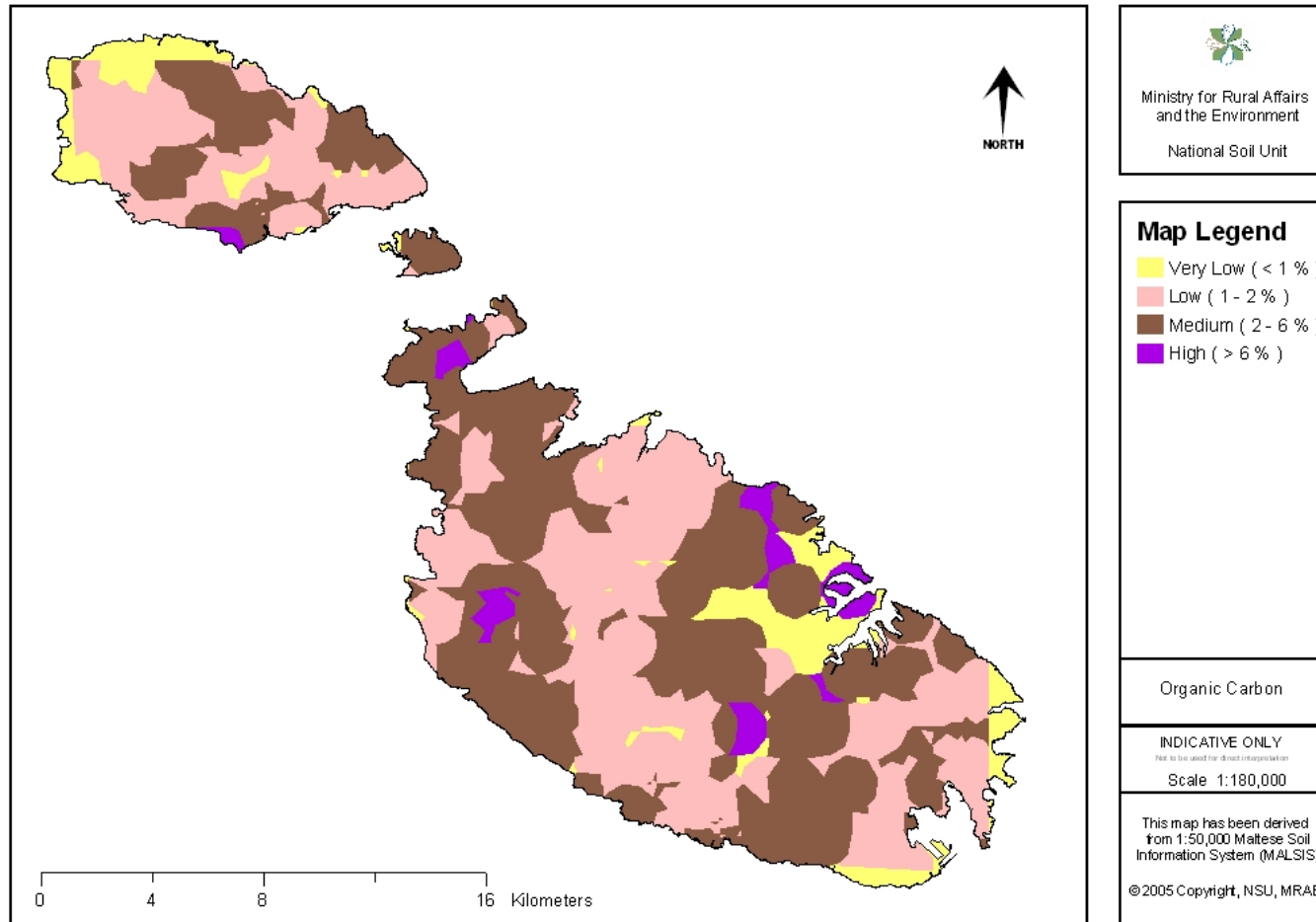
3.1.3.6.1 Soil threats

Soil is under increasing threat from a wide range of human activities, which are undermining its long-term availability and viability. In Malta, increases in urbanisation and development, and the intensification of agricultural systems, have accentuated the pressures on the land. Although there is very limited data on the extent and severity of each of the soil threats, and on the economic and environmental implications of soil degradation, the major threats to Maltese soils are erosion, sealing (through land uptake), decline in organic matter, soil contamination, and salinisation.

Although data on rates of soil erosion in Malta are not available (objective indicator no. 22), this phenomenon is believed to be one of the most important threats to soil in the country. National policies and agri-environmental measures have been directed to the minimisation of soil erosion processes and mitigation of damage, and have often been linked to the preservation of the retaining rubble walls, since these rural structures are considered to be instrumental for the prevention of soil erosion from terraced fields. Other soil conservation measures that aim to prevent soil erosion include vegetative techniques such as cover crops and inter-row vegetation.

Soil sealing refers to the irreversible covering of soil for housing, roads, or other land developments. In Malta, this process is prohibited by the Fertile Soil (Preservation) Act, 1973, amended in 1983, which stipulates that no person may cover fertile soil with any layer of concrete, stones or stone slabs. In practice, however, this legislation is difficult to enforce and has in itself contributed to considerable mixing of soil as a result of soil stripping and deposition. The threat of soil sealing, which results in loss of soil functions or in direct soil loss, is mostly exacerbated in built-up coastal areas of southern Europe. In Malta, approximately 23% of the total land area is currently reported to be built up (MEPA, 2005).

Low organic carbon (OC) content afflicts the countries of southern Europe; and the decline in organic matter (OM) as a result of intensive cultivation has become a major process of land degradation. In Malta, long-term data is not available to assess whether organic matter has declined, however, baseline measurements conducted in 2002-03 (MALSIS, 2004) show that 46% of the land has a surface soil horizon that contains less than 2% OC (3.4% OM) (Map 7).



Map 7: Organic carbon content of Maltese soils

The occurrence of contaminants in soils above certain levels entails multiple negative consequences for the food chain, and thus for human health, and for all types of ecosystems and other natural resources. Local (or point source) contamination is generally associated with mining, industrial facilities, waste landfills and other facilities, both in operation and after closure. In Malta, a comprehensive soil contamination assessment has not been carried out yet, and existing data is limited to inorganic sources (heavy metals) and to 'hot spot' areas. Potential sources of lead contamination in the environment include aerial deposition of dust or combustion products, aerial deposition of vehicular exhaust emissions from nearby roads, and lead shot from hunting.

Important sources of diffuse contamination by heavy metals include the application of livestock manures, composted municipal waste, and treated sewage effluent on agricultural land. Production systems where a balance between farm inputs and outputs is not achieved leads to nutrient imbalances in soil and frequently result in soil nutrient loading (eutrophication) as well as contamination of ground- and surface waters. Nutrient balances conducted for selected intensive farming systems in Malta indicate a net excess of nutrients that have the potential to accumulate in the soil or to be lost to the environment.

Salinisation, the accumulation in soils of soluble salts to the extent that soil fertility is reduced, is often associated with irrigation in regions with low rainfall and high evapotranspiration rates. Apart from one time measurements, soil salinity monitoring data does not exist and salinisation is poorly documented in Malta. In irrigated areas the soil electrical conductivity (a measure of total soluble salts) is up to two times higher than in non-irrigated regions, and losses in yields are often reported.

3.1.3.7 Pesticide use

Traditionally Maltese farmers rely on pesticides to control pest attacks on their produce. However, the constant use of agrochemicals in agriculture continues to rise creating significant problems in terms of soil, water and food quality. Pesticide application generally follows a pattern simultaneous to the Mediterranean climate.

Herbicide applications start with the onset of the rainy season when seeds start to germinate and reach a peak during the month of January. These are not generally used between April and September when the heat prevails. Herbicides are mostly applied to wheat and onions whereby each crop receives approximately a single application. M.C.P.A is used exclusively on wheat grown for fodder reaching a little higher than 1.5 tonnes. Although May is the peak season, fungicide use takes place along the whole year. Fungicides containing dithiocarbamates such as mancozeb in combination with metalaxyl and benalaxyl are the most frequently used during the growing

season on crops like grapes, potatoes, tomatoes, onions, peas, marrows and strawberries to control diseases.

By weight fungicides reach the highest amounts of application. Sulphur in general accounts for the majority of fungicide use in the Maltese islands. This occurs due to the intensity of application whereby over 54 tonnes are applied in a year to crops such as cucurbits whilst 4 tonnes of mancozeb are used. Copper sulphate is used in much smaller amounts reaching a little more than half a tonne.

Insecticides are used mostly during the cultivation of cauliflowers, nectarines, peaches, strawberries, tomatoes and watermelons. Their employment predominates between February and June. Between August and November minute amounts are used. Treated crops receive on average two insecticide treatments whereby malathion is mostly used reaching a weight application of less than 0.2 tonnes. Insecticides containing organochlorides are not generally used.

Methyl bromide is classified as a class I ozone depletion substance due to its bromine content. According to the Montreal Protocol, it had to be phased out completely from developed countries by the year 2005 and in developing countries by the year 2015. In this view, Malta is already taking the necessary actions whereby methyl bromide use is being restricted to strawberries and glasshouse tomatoes until it is completely eliminated. Its use is being replaced with environmentally friendly practices such as soil solarisation so as to destroy nematodes and any other harmful organisms.

Major pesticides on the market differ by their persistencies and toxic effects on the environment but are alike by their short term effect on pest reduction and long term effect on pest resistance building.

Table 7 shows some of the most important individual active substances found in locally used pesticides in descending order of importance by weight applied (NSO, 2005).

Active Substance	Weight Applied (Tonnes)	Chemical Type	% of Total Active Substance Weight Applied	Cumulative % of Weight Applied
Sulphur	54.0899	Fungicide	26.2	84.6
Mancozeb	4.14680	Fungicide	11.5	91.1
M.C.P.A	1.64100	Herbicide	9.34	93.7
Copper sulphate	0.62050	Fungicide	5.76	94.6
Zineb	0.29340	Fungicide	2.56	96.6
Metalaxyl	0.22920	Fungicide	2.27	96.9
Malathion	0.19020	Insecticide	1.73	97.5

Table 7: Individual active substances found in locally used pesticides

Source: NSO, 2005

Owing to a short wet period local crops including those grown in glasshouses are commonly grown under artificial irrigation. This increases the need to use pesticides. Despite the intensified use of pesticides, crop losses due to pests continue to amplify. This occurs as the more farmers increase pesticide application the more respective pests become resistant and the pesticide effect diminishes. Reduction in crop rotations and increase in monocultures together with reduced crop diversity all play major roles in increasing losses.

In this view farmers should not aim to eliminate harmful organisms but to reduce infestation. Growers shall opt to use diverse methods such as choosing adequate cropping systems and crop rotations. Reduction of harmful organisms can also be achieved by utilising biological methods which are also environmentally friendly such as the use of biological insecticides, physical traps and mechanical control of unwanted vegetation.

3.1.3.8 Organic farming and animal welfare

Organic farming supports a much higher level of biodiversity than conventional farming systems, including species that have significantly declined. Widespread organic farming should be a cost efficient, secure and straightforward option for reversing the overall decline in farmland biodiversity. Moreover major benefits also seem likely where ground and surface water are concerned since fertiliser and pesticide runoff are greatly reduced. The adoption of organic farming is a means by which farmers can adjust themselves to the challenges that lie ahead of them. It maximises their profits to meet consumers' demands whilst respecting both human health and the rural heritage around them. Given also that consumers' product selectivity has increased and are willing to pay a reasonable additional cost if the products purchased conform to a quality standard, more farmers should be encouraged to produce organic crops. Producers would then be able to be more focused on the quality of crops they produce rather than the quantity. Moreover, the costs of conventional agricultural produce in Malta cannot be ignored especially when these markets have previously been protected from foreign produce. Nowadays they have to face stiff competition from imports. Through organic farming techniques production of food that is tastier, more nutritious, non toxic, better for the soil and kinder to nature takes place.

Until a few years ago local organic production was almost non-existent. Since Malta's accession to the EU, and following the introduction of the agri-environmental measure for support to organic farming within the Rural Development Plan for Malta for 2004-2006, the area under organic farming in Malta has increased and currently there are 8 producers who are using organic techniques of production and are recognised by the certification body for organic farming to be in the process of conversion to organic farming. Between 2005 and 2006, the land taken up for organic farming increased from 14 ha to 20.1 ha (objective indicator 23). This is equivalent to 0.13% of the total agricultural land. The main crops are olive plantations (49%) followed by fruit and berry plantations (20%) and fresh vegetables (11%).

Malta is aware of the need to develop farming practices that take into account not only land based agriculture practices relating to crop husbandry, but also the need for better welfare throughout the stages involving animal production.

A number of farms are too small for the amount of animals they hold. This leads to crowding since too many animals are kept in a small space. This puts at risk proper sanitation and ventilation. Modernisation of holdings leads to a better sheltered, fed and mated animals. Overall this confers a better on farm management leading to a more competitive market oriented production. Given that in today's society consumer concern for the way farm animals are treated has increased, investment will lead to an added value in food quality and thus generating a much higher price. It also aids farmers to boost up consumer confidence in livestock products.

3.1.3.9 Forests and woodlands

Although trees form an essential part of many of Malta's ecosystems, during the past centuries local woodlands have been cleared to make way for agriculture and other forms of land development. Luckily not all forest areas were destroyed, and a few, such as the holm oak, the climax forest tree in these islands, retreated to a number of stations. At present 0.9% of the Maltese islands is covered by woodlands (context indicator 7). The largest areas are Mizieb and Buskett with 50 and 30.6 hectares respectively. None of these woodland areas are utilized for logging.

Today there is a greater awareness of the need for well-planned afforestation in order to attain the desirable benefits for the local and global community. In the recent years there was a rekindling in the national effort to create national parks for environmental, recreational, educational and cultural purposes. In 2005 MRAE set the 34U initiative with the aim of raising public interest on afforestation initiatives and to instil further appreciation of trees. Through this initiative national institutions, businesses, unions, voluntary organizations and others entities got together in a unified effort for the creation of woodland recreational areas.

Recently government took on board a project spreading over a number of years, to develop a series of national and regional afforestation projects across the Maltese Islands. Five sites - Mellieha; Salina; Ta' Qali; Xrobb l-Ghagin; and Delimara - were identified as the main sites for afforestation, together with a number of other sites that pose significant challenges due to the harsh or sensitive site conditions, remoteness, unavailability of water or higher resource requirements. The latter include include Buskett; Cottonera; Hal Far; Sant Antnin; Mtahleb; Ghajnsielem and Pembroke.

These initiatives are geared at creating multi-species forests and wooded land. Some of the trees that are being used in these afforestation projects are *Pinus halepensis*, *Olea europea*, *Quercus ilex*, *Tamarix gallica/africana*, *Populus alba*, *Ceratonia siliqua*, *Cupressus sempervirens* and *Vitex agnus-castus*. During 2006 a total of 24,645 trees were planted which is 62% more trees than

the previous years. The number of trees that were planted between 2004 and 2006 was 51,445 (related to context indicator no. 12). The latest major afforestation project is the Foresta 2000.

The Foresta 2000 project which was initiated in 2002 is a joint initiative between NGO's and MRAE and it also draws on voluntary contribution by private entities and persons. It is found in the west of the island, in the Mellieha-Cirkewwa area and it covers an estimated area of 30 hectares. The project takes an integrated approach involving the rebuilding of rubble walls, irrigation and other methods that reduce erosion particularly in areas where vegetation is limited. The establishment of the woodland will take place over a number of years and the planting of indigenous species is being considered a priority.

Although efforts are being made by different entities, the government and the general public to make Malta greener, occasional acts of vandalism do occur. The latest was targeted at Foresta 2000 when 3,000 trees and shrubs were destroyed. The public reaction was immediate and donations collected in reaction amounted to 9,000 trees. These were planted last October.

3.1.4 Rural economy and quality of life

The classification of rurality being adopted for the purposes of the RD programme, as explained in section 3.1, results in 47 localities being classified as rural out of a total of 68 localities in the islands. Table 8 presents a profile of rural areas in comparison to urban areas. The same information on a locality basis is provided in Annex 18.1. Congruent with the variables on which rurality was determined, rural areas have a lower population density than the national average, and have much more agricultural areas and areas outside the bounds of development in comparison with urban localities. Rural areas cover around 91.2% of the total land areas of the islands and hold 63.7% of the total population. On the other hand, urban localities are characterised by limited land area under agriculture and ODZ, which indicates their high level of urbanisation. Urban areas are concentrated in the harbour region, which is characteristic of centuries or activities in the area. In fact, up to this day, the major employment nodes are found in the grand harbour conurbation which employs around 25% of the working population.

However, even rural localities such as Luqa and Qormi, are employment nodes for the manufacturing industry. The incidence of micro-enterprises being located in rural areas is also high, in particular at Mosta, Zebbug, Qormi, Zabbar and Zejtun. This serves to show that rural and urban areas are inextricably linked, and contrary to the reality of other countries, rural areas do not suffer from specific structural disadvantages that impose poverty and social exclusion. Rural areas in Malta exhibit no higher levels of unemployment, as

people tend to work in a locality different to the one where they reside, and commute daily the relatively short distances involved.

Due to the small size of the country, rural areas are still well-served and connected to main services. With the exception of isolated areas where urban development is limited and far from residential cores, the infrastructure and facilities in rural areas are much the same as those in urban localities. This applies to both general services such as the provision of electricity, water and telecommunication systems, as well as other ICT facilities. Context indicator 23 and objective indicator 32 apply to both rural and urban areas.

Rural areas are well served with the road network, and are not worse off compared with urban areas. In spite of all this, improvement of certain transport infrastructure is still required. Some roads in rural areas require improvement especially those leading to farms. Most of these roads are found in the country side and are only used by farmers to access their holdings.

	Rural Localities	Urban Localities	National Total
No of Localities	47	21	68
Total surface area (km ²)	287.6	27.6	315.2
Population (no of persons)	257,616	146,423	404,039
Population density (persons/km ²)	896	5,301	1,282
Declared agricultural land areas (km ²)	114.3	1.9	116.2
Area ODZ (km ²)	244.2	5.9	250.1

Table 8: A profile of rural and urban areas

Source: NSO, MEPA (various publications)

To improve the quality of life in rural areas, it is more relevant to concentrate on improving recreation amenities and create stronger linkages between economic activities and rural assets, rather than concentrate directly on the generation of employment and economic growth. The need for diversification of activities in rural areas that are more sensitive to their surroundings is acknowledged. However, the aim is to support endogenous growth, build upon the rural character and maintain traditions alive, but not to tackle depopulation of rural areas, since this is not an issue in the local context. In fact, in Malta, the problem is quite the opposite. Migration is experienced away from the highly urbanized historic grand harbour area, whilst rural areas are sought after, and isolated residential properties desired but beyond the reach of many. This is again a result of the island's smallness and high population density.

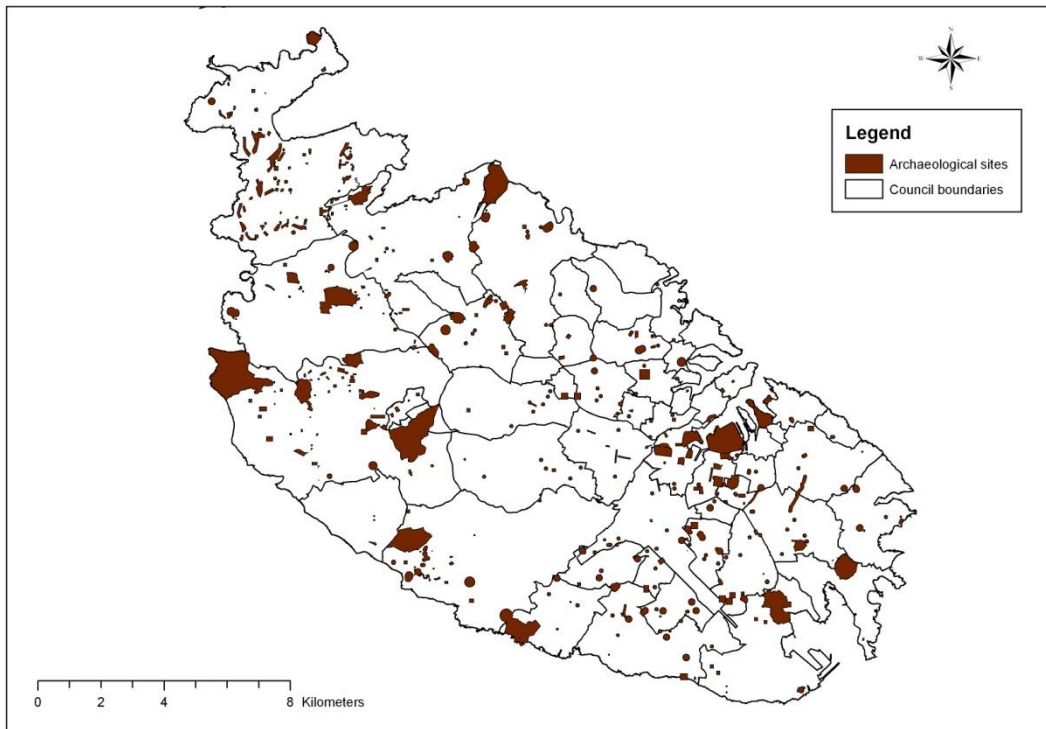
The character of different rural localities differs, with some being more urbanised than others. However, each tends to have its own identity deriving from some kind craft, skill or tradition reminiscent of the past, and today there

is the recognition that these constitute the Maltese/locality's profile and should be maintained alive and authentic.

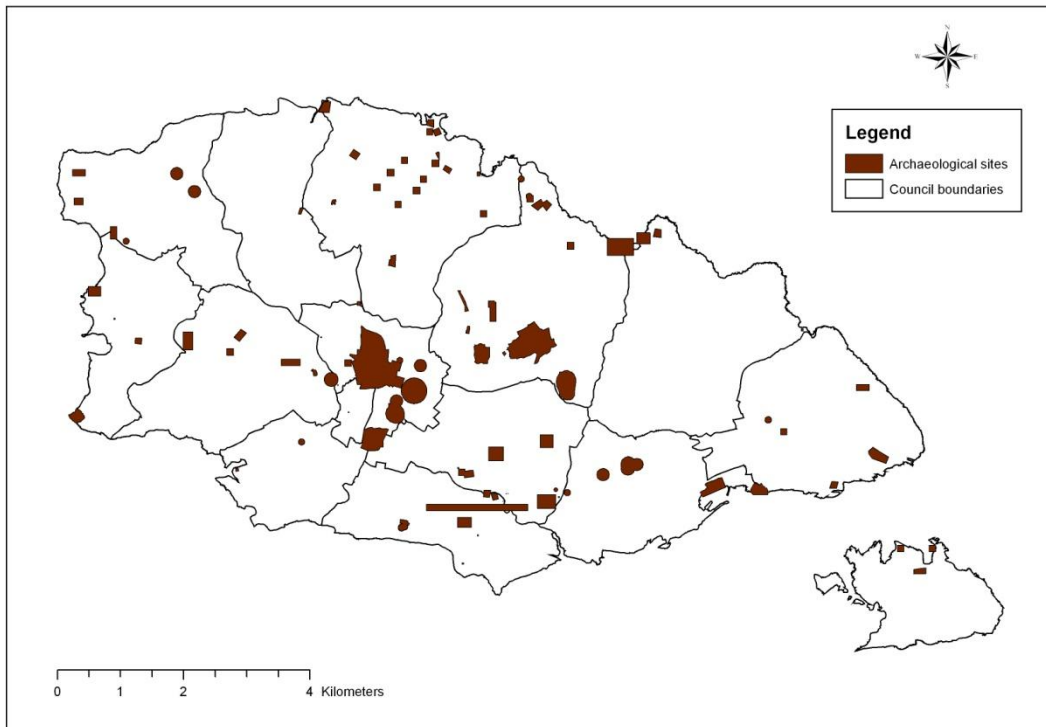
3.1.4.1 Cultural heritage and tourism

Malta is exceptionally rich in cultural heritage. The dense concentration of artifacts ranging from Neolithic monuments, remains of Phoenician and Roman civilizations, rare examples of early Christian and medieval architectural, imposing constructions by the Order of St. John and nineteenth century examples of British military and civil architecture, is something unique to the island, and rural areas also boast their fair share. A number of sites are of world heritage importance, but there are other less imposing structures which are however valuable because they reflect the past agrarian society. These include from farmhouses, country homes, small agricultural structures such as *giren* and rubble walls, which are characteristic of the local undeveloped landscape.

Although since 1994 a number of sites and areas have been designated as of Archaeological Importance (Maps 8 and 9), this however did not offer protection against further degradation to all the structures that ought to be preserved, and the natural deterioration of some was compounded by human acts, intentional or otherwise. The many activities, often conflicting, that occur within small concentrations of spaces also tend to impinge on the quality of the surroundings. Today it is the responsibility of the Superintendence for Cultural Heritage to ensure that cultural heritage is conserved and protected whilst Heritage Malta has been entrusted with the responsibility to manage government owned heritage sites including invaluable World Heritage Sites and government owned museums.



Map 8: Designated sites of archaeological importance (Malta)



Map 9: Designated sites of archaeological importance (Gozo)

It is characteristic of the inbuilt areas in rural localities – natural or agricultural landscape - to be associated with recreational areas. Formal open spaces are limited in number and the need for recreational areas with the necessary amenities is certainly felt. A public attitude survey carried out by MEPA (2002) revealed that lack of parks is an environmental concern shared by many. It also established that informal rural recreational areas in the North and in the West of the island, which contains 55% of the agricultural areas of the island, are the most popular recreational areas in the island.

The key attributes of rural areas – characteristic towns and villages, open spaces, natural areas and agricultural landscape, amenities of cultural and of archaeological significance – are recognised as key features that will support the islands' tourism strategy of deepening its tourism product by providing high quality, creative, relevant and meaningful experience. The 2007-2011 Tourism policy in fact sets as one of its strategic objectives, the maintenance and conservation of environmental and socio-economic resources. It asks for the protection and conservation of Malta's cultural heritage and recognises that the opportunities presented by Malta's rural landscape, in particular Gozo's more unspoilt setting.

3.1.4.2 Local governance

The responsibility for improvement in the quality of life in rural areas does not rest solely upon the individual's own effort and the central government. Since 1990, some of the administrative tasks previously absorbed by central government were transferred to local councils. These are assumed to be in a better position to serve the exigencies of the particular locality under their realm. Members serve a three year term and are elected by popular vote. Over the years, initiatives of note undertaken by local councils to improve the quality of life in rural areas, include embellishment of the surroundings through cleaning and landscaping projects, promotion of indigenous growth through provision of training and promotion of their localities characteristics through fairs and other such activities. Also, all Local Councils, as part of the e-Government strategy, provide public internet access from central premises.

3.1.5 *Leader*

Leader is a new concept in Malta since it was not adopted during the previous programming period. Local Action Groups have yet to be set up in the rural areas to develop and implement a Local Development Strategy in the selected territory. Actors such as Local Councils and other Government entities are foreseen to participate from the public sector while the social economic partners and other civil society will be represented by farmers, rural women, youths, NGOs and other private bodies interested to take part in the regional

development of the rural areas. It is projected that for all Malta up to 3 LAGs will be set up – possibly two for the main island and another for the island of Gozo. Leader can play a valuable role in stimulating new and innovative approaches to the development of rural areas. Innovation is not necessarily defined in terms of hi tech novelties and is practically seen as finding new solutions to area needs. In this way, every area can benefit from an innovation strategy adapted to its most pressing problems and this is considered as a good tool to facilitate local governance.

3.1.6 Summary of analysis of the situation in terms of strengths and weaknesses

The following is a summary of the strengths, weaknesses and needs in the agriculture and food sectors.

Agriculture

• Strengths
• Multifunctional role and an integral component of our cultural heritage
• Provides full or part-time livelihood to a significant number of people
• Very short supply chain from producer to consumer
• Increasing awareness about the problems facing the agricultural sector, of environmental and sustainability issues associated with agricultural production, and of the need to take remedial action
• Locals appreciate and seek Maltese produce
• A more discerning consumer and increased demand for quality agricultural products including organic produce
• Domestic market is augmented by 1.2 million tourists visiting per year
• Mediterranean island associations offer the possibility to develop niche quality products
• Potentially unrestricted exports to EU markets

• Weaknesses
Labour Force
• Majority of holdings are managed by a single operator acting as holder/manager or as a family concern
• Predominance of part-time farmers who tend to operate less strategically
• Limited female participation in the sector
• Ageing farmer population who tend to be very conservative and unwilling to change
• Young people less attracted to a career in agriculture

<ul style="list-style-type: none"> • Farmers have a poor skills base
<ul style="list-style-type: none"> • Few entrepreneurs and scarce innovative ideas and poor application of business management
Market structure
<ul style="list-style-type: none"> • Farmers tend not to collaborate between themselves and with agro-processors
<ul style="list-style-type: none"> • Farmers' cooperatives/associations/organisations are weak, lack members' loyalty and are often without strong and effective leadership
<ul style="list-style-type: none"> • Inefficient distribution system with high mark-ups on producer prices at retail level
<ul style="list-style-type: none"> • Heavy dependence on traditional wholesale markets
<ul style="list-style-type: none"> • Absence of financial units providing specialised agricultural credit
<ul style="list-style-type: none"> • Insularity and extremely high dependence on costly imported inputs
Institutional
<ul style="list-style-type: none"> • Formal training not tackling the priority needs of the sector
<ul style="list-style-type: none"> • Agricultural sector lacks qualified personnel and even MRAE has limited logistical capacity
<ul style="list-style-type: none"> • No agricultural advisory services
Land and climate
<ul style="list-style-type: none"> • Increasing land fragmentation due to archaic inheritance practices
<ul style="list-style-type: none"> • The typical holding is composed of several parcels scattered in different localities
<ul style="list-style-type: none"> • Land tenure system and exorbitantly high prices for agricultural land keep out new farming entrants
<ul style="list-style-type: none"> • High opportunity cost of land means that land stays in agricultural use only until it gets a permit for other development type
<ul style="list-style-type: none"> • High demand for new agricultural constructions and high-impact reclamation works only intended for subsequent requests for conversion to non-agricultural uses
<ul style="list-style-type: none"> • Scarcity of good quality water with even bleaker future prospects
<ul style="list-style-type: none"> • Increased area under irrigation leading to increased exploitation of

groundwater with consequent soil salinization, erosion and decrease in yields
<ul style="list-style-type: none"> Limited soil depth and organic matter of soil
<ul style="list-style-type: none"> Abandonment of traditional practice of crop rotation increases the susceptibility to pests and diseases and leads to increased use of chemical inputs
<ul style="list-style-type: none"> Very limited land dedicated to organic production methods
Other
<ul style="list-style-type: none"> Holdings' small size reduces the economic viability of their operations
<ul style="list-style-type: none"> Limited level of capital investment due to farmers' attitude, holding size and lack of financial credit arising from tenure issues
<ul style="list-style-type: none"> Fail to properly assess (and internalise) cost of agricultural production and hence misguidance in calculating operational viability
<ul style="list-style-type: none"> Farmers are not always good rural stewards
<ul style="list-style-type: none"> Maltese product is not identified as national quality schemes are absent. Inability to date to develop to any substantial degree products that attain EU quality marks.
<ul style="list-style-type: none"> Export potential is limited in view of high competition from Mediterranean countries on quality products and increased competition in the local market from cheap imports since accession
<ul style="list-style-type: none"> Peripheral position of the islands presents accessibility problems. Gozo faces a further constraint of double insularity
<ul style="list-style-type: none"> Research and development activity in agriculture is marginal

<ul style="list-style-type: none"> Needs
<ul style="list-style-type: none"> Change in farmers' complacent attitude and the need to instil a strategic attitude
<ul style="list-style-type: none"> Investment in agricultural holdings that lead to increase productivity and competitiveness in a sustainable manner
<ul style="list-style-type: none"> Provision of focused training targeted to operators in the sector
<ul style="list-style-type: none"> Provision of advisory services
<ul style="list-style-type: none"> Cooperative marketing techniques amongst producers
<ul style="list-style-type: none"> Exploitation of the distinctive product attributes to develop quality products,

possibly through collaborations between primary producers and agro-processors
<ul style="list-style-type: none"> • Improve marketing structures
<ul style="list-style-type: none"> • Encourage the transition to organic farming
<ul style="list-style-type: none"> • Diversification into niche production to overcome the inability to compete in large scale production
<ul style="list-style-type: none"> • Increased collaboration between cooperatives or producer organisations with MRAE and academic institutions to tackle the gaps in the sector
<ul style="list-style-type: none"> • Formulation of a national action plan to tackle land fragmentation
<ul style="list-style-type: none"> • Rational use of water
<ul style="list-style-type: none"> • Promotion of sustainable agricultural practices, that care for the environment and landscape, and that create a link with artisan methodologies and traditional delicacies
<ul style="list-style-type: none"> • Exploitation of the link between agricultural–environmental–recreational activities that may provide for diversification of farmers’ income

Agro-processing

<ul style="list-style-type: none"> • Strengths
<ul style="list-style-type: none"> • Accessibility to foreign markets
<ul style="list-style-type: none"> • Available use of local quality raw materials
<ul style="list-style-type: none"> • Brands already established in the domestic markets with loyal local consumers
<ul style="list-style-type: none"> • Potential demand and supply in quality certified products with possibility of certain regions to be recognised as individual brand names
<ul style="list-style-type: none"> • Local market demand is increased with tourist arrivals

<ul style="list-style-type: none"> • Weaknesses
<ul style="list-style-type: none"> • Inability to source large consistent volumes of local produce. Local produce tends also to be more expensive in view of low economies
<ul style="list-style-type: none"> • Dependence on imported materials. Exceptionally high port clearance and handling costs which raise the cost of imports, and high local transport costs

<ul style="list-style-type: none"> • Low operational efficiency due to small scale and/or mode of operation
<ul style="list-style-type: none"> • Mainly small-sized family based operations with limited expertise for agribusiness analysis and legislative compliance requirements
<ul style="list-style-type: none"> • Management tends to be traditionally orientated and has limited innovative capability
<ul style="list-style-type: none"> • Lack of technically qualified staff necessitates expertise to be imported at a significant higher cost
<ul style="list-style-type: none"> • Limited capital investment and limited R&D further compounded by lack of local food research facilities or institutions
<ul style="list-style-type: none"> • Dominance of low value-added production with limited local quality products and labels
<ul style="list-style-type: none"> • Products / trade marks / brands are barely known outside Malta and the Maltese product is not identifiable
<ul style="list-style-type: none"> • Increased competition from imports at a time when major restructuring and modernisation has but initiated.
<ul style="list-style-type: none"> • Difficulty to compete with foreign brands that can afford higher profit margins to retailers and stronger promotional campaigns
<ul style="list-style-type: none"> • Lack of cooperation between producers with each one focusing on individual rather than collective marketing

<ul style="list-style-type: none"> • Needs
<ul style="list-style-type: none"> • Long-term viability of sector by either matching lower prices of imported products / or target up-market segments by diversify into the production of niche products
<ul style="list-style-type: none"> • Innovation and development of value added quality products and branding of Maltese products
<ul style="list-style-type: none"> • Promote R&D efforts
<ul style="list-style-type: none"> • Exploit traditional Mediterranean ingredients/recipes as a marketing tool and the development of new product lines to cater for evolving lifestyles

Environment

• Strengths
• Rich biodiversity with a large number of unique species
• Legal protection afforded to important species and their habitats
• Rich rural landscape shaped by millennia of human activity, giving it cultural significance and character and strongly contributing to its multi-functionality
• 18% of Malta's land areas is legally protected and 12.5% of Malta's land area is candidate Natura 2000. Management plans will eventually lead to sustainable practices
• Increasing awareness of importance of managing resources sustainably and safeguarding the environment
• National aim to achieve good groundwater status by 2015 – WFD target
• Rainwater can be harvested and treated wastewater can be used for irrigation, so as to reduce pressure on groundwater. Three new national wastewater treatment plants are being constructed. There is hence the potential to use TSE for irrigation although further investigation and planning is required.

• Weaknesses
• High pressure on natural resources, habitats and rural landscape due to high population density and intense development pressure
• Highly fragmented natural habitats, alien and invasive species competing with native biodiversity and various threatened indigenous species
• Weak enforcement and only four management plans completed
• Information regarding status of important species and habitats lacking
• Scarcity of freshwater resources, overexploitation of groundwater and increasing dependence on desalination plants
• High chloride concentrations, localised sea water intrusion and high nitrate levels in groundwater
• Increase in greenhouse gas emissions, mainly due to energy and transport sectors
• Climate becoming warmer and dryer
• Soil vulnerable to erosion, salt/nutrient loading and localised contamination
• High waste generation. Environmental degradation resulting from illegal

dumping and littering

• **Needs**

- Sustainable management of natural resources and preservation and conservation of natural habitats and rural landscapes
- Mitigation and adaptation strategies
- Increased harvesting of surface runoff and use of TSE, and halting of uncontrolled groundwater abstraction
- Reduction of pesticide/fertiliser use and improved management of farm waste
- Educational and awareness programmes, and training concerning sustainable practices and climate change mitigation practices
- Completion of management and action plans to halt biodiversity loss
- Collection of baseline and trend data on habitats and species, complemented by ongoing monitoring
- Enforcement of legislation affording protection

Rural areas

• Strengths

- Not economically or socially disadvantaged compared to urban areas, and they enjoy the same level of supply of basic services
- Well linked to urban areas and the facilities therein through comprehensive road networks
- Proportion of un-built area higher than built, with some localities retaining traditional character
- Unique landscape intermingling natural, rural and cultural elements, with numerous heritage sites and different landscapes – rural and coastal – within close distance
- Crafts still practiced, with a strong demand for locally crafted items and for typical gastronomical products
- Rural areas well valued by local population, with evident demand for recreational and leisure amenities based in the countryside
- Potential for exploitation of rural areas for eco-friendly recreational and tourist activities especially given that the islands are an established tourist destination
- Agricultural landscape immediate evident

• Weaknesses

- High pressure of urbanisation from various competing uses – urban settlements, farms, landfills, industrial estates, tourist developments, quarrying and other large scale projects of national importance – are jeopardising the natural, environmental and rural characteristics of rural areas
- Evident decline in agricultural activity and abandonment of agricultural land
- Loss of cultural heritage, of traditional crafts and skills and of distinct rural character
- Limited funds available for restoration and upgrading of natural and cultural heritage in rural areas with various rural heritage features falling in disrepair
- Weak enforcement not halting vandalism, littering, dumping of inert waste and monopolisation of the countryside by a segment of recreational users
- Management plans for most designated areas have not been formulated
- Public access in the countryside not safeguarded through legislative measures
- Limited existing amenities and formal recreation activities in rural areas for

eco-friendly tourists/visitors
<ul style="list-style-type: none"> • Excessive pressure from unmanaged recreational activities on the few open spaces available, leading to disturbance of wildlife and damage to rural features
<ul style="list-style-type: none"> • Evident conflict between recreational activities that have a high negative impact (such as off-roading, hunting and trapping) and low impact recreational activities (such as sightseeing) that require access and undisturbed surroundings

<ul style="list-style-type: none"> • Needs
<ul style="list-style-type: none"> • Conserve and upgrade the natural environment, and preserve and rehabilitate built and cultural heritage, as well as the distinct character of rural villages
<ul style="list-style-type: none"> • Manage tourism and recreational activities in a sustainable manner
<ul style="list-style-type: none"> • Keep alive rural crafts and traditional skills, not just as museum exhibits, but as activities that potentially render an economic return
<ul style="list-style-type: none"> • Provide open access to the countryside and more managed recreational sites
<ul style="list-style-type: none"> • Involve local councils and other rural stakeholders in the development of their locality
<ul style="list-style-type: none"> • Public awareness, communication and educational activities/campaigns to generate greater appreciation of natural and cultural heritage and to discourage malpractices
<ul style="list-style-type: none"> • Encourage the continuation of agricultural activity and enhance farmers' role as environmental stewards

3.2. *The strategy chosen to meet strengths and weaknesses*

Malta's strategy was to consolidate the first Rural Development Plan 2004-2006 to a more deliverable programme that would be even more cognisant of the strengths of the rural sector while at the same time addressing relevant weaknesses in order to attain a more sustainable development of agriculture. This would be further reinforced by considering decades of past as well as recent experiences both from a technical and administrative point of view, while at the same time focusing on present and future needs of all stakeholders as well on current European and world trends.

Facing the realities of globalisation, and WTO developments, while also taking into consideration exigencies of climate change, and basic obligatory realisation of Community directives, regulations and programme priorities,

particularly the Göteborg sustainability goals and the renewed Lisbon strategy for economic growth and jobs, the parameters in which to operate are already moulded by these overarching concerns and, essentially, it is the choice of measures that best address the Member State's objectives that constitutes the strategy.

From a production point of view changes and/or abandonment in production patterns is an inevitable process of change not only after EU accession, but also as a result of ever changing supply and demand for various commodities. This necessitates a focus on the increased efficiency and quality of agricultural production and the operation of market forces. Notwithstanding, a number of agricultural commodities remain competitive and in demand as well though parallel inputs through reducing operating costs and improving technology would be needed to ascertain competitiveness. Further reinforcement through development of new products and seeing to higher quality standards, would obviously complement the necessary technology leap. Infrastructural support through schemes effecting better resource management should comprise an aiding stimulus, as would further support for the formation of specific producer groups. From a human potential approach, in today's ever changing global situations, the need for continuous training and updating with new techniques, technologies, processes and management approaches oblige that when applicable this becomes practically essential. In addition, provision advisory services should further complement and assist the associated learning curve.

Again given the multifunctional character of agriculture, primarily in that farmers provide more than an economic function, the overall obligatory stratagem was to effect a holistic analysis of all potential enhancements with associated linkages such that that each adopted measure would prove a means to an end rather than an end in itself. Thus traditional agricultural production was also inevitably linked with agro-environmental approaches as well as the cultural heritage and potential improvements to the natural and social fabric of the countryside.

To achieve not only axis priorities but implement effective management of the rural sector, it is not only necessary to have a realistic and practical policy, but also have all the necessary tools to address it. Thus, tackling of goals without rectifying prevailing weaknesses would prove ineffective in the long term. Other major constraints in this respect constitute economy of scale issues, a majority of small family concerns, limited managerial skills, the lack of specialised advisory services, a history of limited investment commitments, poor market control by producers, plus a very conservative stance towards present and new markets with quantity rather than quality predominating.

From an environmental viewpoint, the adverse impacts of agriculture on soil, nature and the landscape have started to be tackled through the adoption

standards of Good Agricultural and Environmental Conditions across all measures in Axis 2. A number of supportive agri-environmental measures suited for local conditions would catalyse take up when utilising the support in areas with handicaps as the basic measure on which to provide assistance. In this way more amenable conditions resulting in less chemical inputs and improvements to the status of flora and fauna, could assist biodiversity.

Given the socio-economic status of the rural sector where lack of employment or services do not constitute discernable issues, the main concerns regarding the quality of life in rural areas are the maintenance and conservation of rural areas. Their associated linkage with cultural identity and traditions also serves to reinforce the development of low-impact forms of tourism. In their multifunctional aspect, agricultural entities play the main role in care of the landscape and biodiversity thus agriculturally managed landscapes remain effectively valuable habitats. Malta, being the third most densely populated area in the world, has had the agricultural land base lose to major developments throughout history, though in the past century the increases in population has led to a strong urbanisation trend that now obliges effective sustainable development through preservation of the surviving rural heritage. Thus assisting the upgrading, rehabilitation and management of this heritage is a logical approach. This could obviously be further assisted through the Leader approach that shall allow a more regionally targeted bottoms-up approach, which although innovative, has already attracted considerable interest.

3.2.1 Axis 1: Improving the competitiveness of the agricultural sector

This axis is divided into four priorities and has a share of 33.5% of the total EAFRD allocation. In order to achieve the objectives of improving the competitiveness of the agricultural sector by focusing on the priorities of knowledge transfer, modernisation of holdings, adding value to agricultural products with respect to quality and competitiveness in order to offer more differentiated, higher quality products and services to domestic consumers and foreign tourists and thus make farming a viable and more attractive career choice, the set of measures described hereunder will be implemented.

3.2.1.1 Measures aimed at promoting knowledge and improving human potential

The need for training was manifested both after SWOT analysis and during discussions with stakeholders. Furthermore diffusion of knowledge is deemed a catalyst for better implementation of all measures. This priority includes support for vocational training and information actions, use of advisory services and setting up of advisory services.

Considering the rapid and radical changes experienced by farmers in Malta in recent years, together with the relatively low levels of formal education within the sector, the development of knowledge and human potential is a critical element in facilitating the necessary restructuring anticipated under this axis. Farmers need to be made aware of the relevant EU and National regulations in particular cross compliance requirements and their implications so that they are capable of determining the necessary adjustments and/or changes they have to undertake.

The strategy chosen to build upon the existing strengths in human potential and eliminate identified weakness in this area build upon the following three measures within this priority axis:

- Measure 111: Vocational training and information actions
- Measure 114: Use of advisory services
- Measure 115: Setting up of advisory services

Training, information and diffusion of knowledge, as well as access to advisory services will provide farmers with the tools to reach the required level of technical know-how and expertise to change or adjust their production practices to be able to become or remain competitive in the new reality following accession and in line with the objectives of the Lisbon Agenda. This will have to be achieved whilst ensuring the sustainable management of their holdings and of its natural resources leading to production practices that are compatible with the maintenance and enhancement of the landscape together with the protection of the environment, through increased awareness. The

latter objectives can only be achieved through the provision of training, information activities and the diffusion of knowledge of research results, particularly those regarding sustainable water resource management, integrated pest management and proper fertilization programmes relevant to the local situation.

There is limited direct farm advice and extension currently available directly to farmers in Malta. The establishment of farm advisory services will therefore be instrumental in helping farmers to adapt, improve and facilitate management and furthermore improve the overall performance of their holdings by further enhancing the human potential operating in the agricultural sector.

.Following budget transfers carried out throughout the implementation of the programme, Priority 3.1.1 Measures, aimed at promoting knowledge and improving human potential have been allocated 0.7% of EAFRD allocated resources.

3.2.1.2 Measures aimed at restructuring and developing the physical potential and promoting innovation

This priority group is deemed to be most crucial to the implementation of the whole programme and shall focus on modernisation, adding value, innovation, quality and supportive infrastructure. These constitute an essential means of support for agricultural enterprises and their activities in order to sustain competitive and qualitative survival in an internationalised market with exigent standards.

The objective of this priority axis is to address the inherent structural weakness of Maltese agriculture resulting from the extremely limited real capital expenditure channelled to upgrade existing production structures. Basically increased productivity will depend on the use of newly adopted farm management practices. New practices need to be enhanced through the promotion of technical development and the use of state-of-the-art production technology as well as progressive improvement in produce quality. In order to enable this change and increase the overall performance of holdings the following set of measures will be made available within this priority:

- 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

Through the modernization of agricultural holdings measure, farmers and entities engaged in agricultural activities will be supported to improve the performance of their holdings, not only in terms of economic criteria, but also the environmental, occupational safety, hygiene and animal welfare status. For the livestock sectors

restructuring and modernisation are essential not only to improve management and 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.

This shall be achieved through support for general modernization of farming systems and production factors, the introduction of new technologies aimed to improve the environmental performance of farms, and compliance with Community standards, particularly the Nitrate Directive.

Opening new market opportunities as well as sustaining the present market for agricultural products is crucial and can be achieved by targeting those micro, small and medium enterprises that can add value to agricultural products. Thus, improvements in the processing and marketing of primary agricultural products will be encouraged by means of support for investments aimed at improving efficiency in the processing and marketing sector, introducing new technologies particularly technologies aimed at reducing dependence on natural resources, and innovation in developing new processes, technologies and quality products. In addition to enabling the agro-food sector become more competitive, support shall be aimed at initiatives that bring about a tangible benefit to the primary production sector, and that are oriented to exploit or enhance certain intrinsic characteristics of the primary products, including freshness and product quality, so as to improve integration in the agri-food chain.

The general aim of the cooperation 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 will serve 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. The chosen strategy is to support actions implemented through a cooperation set-up between primary producers and other entities that are either aimed towards the development of new products based on agricultural products or for the development of new processes and technologies necessary for processing these products.

The type of interventions envisaged in the infrastructure development are aimed mostly at consolidating and updating existing infrastructure, the sustainable use of limited water resources, and the provision of improved access to agricultural holdings. Actions supported shall therefore focus on the need to increase the harvesting of rainwater for irrigation from collection

systems, the need to increase the utilisation of treated sewage effluent for irrigation, and the need to increase accessibility to agricultural holdings by farmers.

Following budget transfers throughout the implementation of the programme, Priority 3.1.2 Measures, which aimed at restructuring and developing the physical potential and promoting innovation have been allocated 36.9% of EAFRD resources.

3.2.1.3 Measures aiming at improving the quality of agricultural production and products

Assistance through qualitative marketing approaches for the participation of farmers in food quality schemes together with support for information and promotion activities is aimed to encourage the adding of value to primary produce, enhance market consolidation and provide improved quality products to consumers. In order to exploit opportunities for strengthening the rural economy on the basis of quality production, the following two measures will be adopted:

- Measure 132: Participation of farmers in food quality schemes
- Measure 133: Information and promotion activities

The encouragement and promotion of participation of farmers in food quality schemes shall not only add value to primary products and enhance market opportunities, but furthermore provide assurances to consumers on the quality of the product or the production process used. This will also promote increased co-operation between farmers and agro-processors ensuring the development of quality products that can give a distinctive advantage to local products and satisfy the demand of the local population and tourists alike. The recognition of quality products would improve the appreciation of this relatively neglected folkloristic heritage, as well as stimulate the rediscovery and revival of traditional skills/methodologies, crafts, cuisine and crops. Information and promotion activities would complement and further encourage the development of quality products whilst serving to ensure that economic benefits prevail. Although at this stage, these two measures shall be limited in scope to existing participation in the organic products quality scheme, the scope shall be broadened in future to accommodate support for other Community and national quality schemes as soon as producers start participating in them.

Following budget transfers carried out throughout the implementation of the programme, Priority 3.1.3 Measures aimed at improving the quality of agricultural production and products have been allocated 0.01% of EAFRD resources.

3.2.1.4 Transitional Measures

Support for the setting up of producer groups is required to remedy the structural deficiencies affecting the supply and marketing of agricultural products resulting from insufficient cooperation between producers. This is particularly important in ensuring an improved quality of agricultural products overall, as well as promoting the development of quality products. Through further support for producer groups, a more structured approach to market inefficiencies in a cultural background where primary producers have in the past considered each other as competitors, more targeted support for qualitative improvements shall hopefully be attained. In order to achieve these objectives, the following measure shall be implemented:

Measure 142: Setting up of producer groups

Following budget transfers carried out throughout the implementation of the programme, Priority 3.1.4, Transitional Measures, have been allocated 0.2% of the EAFRD budget.

Summary General Objective Axis 1	Community Priorities	National Priorities	Main Actions
Improving Competitiveness of the Agriculture and Forestry Sector	Promoting knowledge and improving human potential	Restructuring physical potential through measures that promote modernization and added value with a qualitative drive that strengthens competitiveness, supported by a parallel approach to improve technical levels of human resources	Improving competitiveness through creating more added value in agricultural sector. Strengthening the viability of horticultural and livestock enterprises. Qualitative modernization of agri-processing concerns. Support for the dissemination of knowledge through advisory services and training. Promoting market quality orientation.
	Restructuring and developing the physical potential and promoting innovation		
	Improving the quality of agricultural production and products		
	Transitional Measures	Assistance to PGs shall continue to be provided	Supporting development of PGs

3.2.2 Axis 2: Improving the environment and the countryside

Following budget transfers carried out throughout the implementation of the programme, Axis 2, which is based on two strategic measures, has a share of 28.0% of the total EAFRD allocation. As indicated, it is expected that, given the specific conditions prevailing in Malta, the support for areas with handicaps shall constitute the primary land management option that farmers associate with measures that contribute to improve the environment and the countryside, and that forms the basis for the whole agri-environmental approach.

The Maltese countryside is characterised by small-sized and fragmented agricultural land and a rich diversity of semi-natural habitats that are often under severe threat from human activities. As a result of centuries of farming activity, including extensive terracing and moulding of the land, farmers have contributed immensely to shape the rural landscape. Many habitats are rich in biodiversity but at the same time very fragile and can only be safeguarded if sustainable farm management practices are encouraged and adopted. The pressures on natural resources, including water and soil, have become increasingly demanding, especially in intensively managed areas. On the other hand, the risk of abandonment of marginal land leads to a number of negative environmental impacts associated with neglect and lack of management, including the accelerated rate of loss of soil as a result of breaches in the retaining rubble walls on terraced land. Therefore the major opportunities to safeguard the Maltese countryside lie in the promotion of farming practices that either reduce the impact of certain agricultural activities, including external inputs that have a direct effect on the wildlife, or that contribute to conserve or enhance the semi-natural habitats, the flora and fauna that they support, and the quality of natural resources, especially water and soil, in a manner that is also economically feasible to the farmer.

The strategic objective for this axis is to realize these opportunities by targeting the inherent weaknesses and building upon the strengths of the countryside and the broader environment. In order to achieve this objective, three measures will be used:

- Measure 212: Natural handicap payments in other areas with handicaps
- Measure 213: Natura 2000 payments and payments linked to Directive 2000/60/EC
- Measure 214: Agri-environment payments

All agricultural land in Malta is affected by significant natural handicaps, notably low soil productivity and poor climate conditions. Malta's position south

of the 42 parallel, and climatic conditions, including low and erratic rainfall patterns, that are not favourable to rainfed production, together with the effects of climate change, impose severe disadvantages on productivity. Natural handicap payments shall contribute to ensure the continued use of agricultural land and the maintenance of that land in good agricultural and environmental condition. This shall be achieved through the implementation of the GAEC standards and cross compliance statutory management requirements that target the maintenance of agricultural land, particularly of landscape features and soil conditions, and the preservation of particular habitats and associated biodiversity situated on the holdings.

Due to the diverse habitats and specific conditions of the different Natura 2000 designated sites, the environmental obligations that are necessary to achieve the set objectives and targets shall invariably differ. At this stage, most management plans still have to be established, therefore it shall not be possible to identify specific management obligations for farmers on which to base compensation payments. Given that this measure is considered as one of the key measures for the conservation of biodiversity, the strategic direction shall be to activate the measure at a later stage of the programming period, when more information becomes available through the financing of the management plans under measure 323.

Agri-environmental payments are necessary to encourage farmers and other land managers to act as countryside stewards by adjusting, introducing or continuing to apply agricultural production methods that are compatible with the protection and improvement of the environment, the rural landscape and its features. For this reason, these payments are considered as the most effective means of bringing about noticeable and measurable improvements in the environment. Supported actions shall target specific practices related to soil and water such as support for the establishment and maintenance of buffer strips in proximity to water courses. A number of soil conservation measures shall be adopted, including actions that rely on the use of traditional low-input crops, such as sulla, and support for low-input farming that imposes a low impact on the natural resources. Other measures, such as support to suppress the use of herbicides in vineyards and fruit orchards primarily aim to achieve a reduction in the chemical inputs, and contribute to reduce the potential for soil degradation through diffuse contamination. In order to strengthen the richness and diversity of wildlife species and to continue to support their habitats, specific measures shall be implemented that encourage the creation of corridors for wildlife through provision of melliferous strips and conservation buffer strips.

Although organic farming is still not established and widespread in Malta, it is believed that this form of farming is one of the most sustainable and environmentally-compatible systems. Therefore, in continuation of the efforts during the previous programming period, and in order to achieve the anticipated environmental benefits from this type of agricultural system,

support to farmers that are either certified organic producers or in the process of conversion to organic farming, shall continue.

The conservation of genetic resources in agriculture shall be given specific attention to ensure that local biodiversity is conserved and propagated. This is particularly relevant for the provision of a diversity of products for production and the rediscovery of national varieties and breeds that are more suited to local situations and therefore more sustainable in their need for our limited resources. Conservation and enhancement of indigenous species through careful management and the conservation of natural and cultural features and habitats within the holdings shall be supported through the financing of conservation projects for species in danger of genetic erosion.

In general, although Malta faces many environmental challenges, it also faces a number of obstacles in order to implement axis 2 measures. The dominant issue pertains to the size of the majority of holdings being less than 0.5 hectares which effectively hinders effective take up of land-based measures. During consultations stakeholders confirmed the need for continuation of the LFA measure whilst the environmental authority, MEPA, expressed a vested interest in agri-environment measures. Choice on the applicability of agri-environment measures was limited to the potential uptake by beneficiaries. Given that under the previous RDP programme there did not result a complete fund uptake of the agri-environmental measures and that, in principle, the same area-based funding parameters shall apply, in the context that Malta has the smallest holdings compared to other MS, the applicability of the one-size-fits-all policy for these measures does not translate into financial compensatory payments that particularly attract small size holdings.

Following budget transfers carried out throughout the implementation of the programme, Article 37 LFA measure has a budgetary allocation of 18.2% of EAFRD resources. Article 39, Agri-environmental measures, has an allocation of 9.8% of EAFRD financial resources.

Summary General Objective Axis 2	Community Priorities	National Priorities	Main Actions
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Improving environment and countryside	Sustainable use of agricultural land	Preserving the farmed landscape for the retention of agricultural activity so as to conserve the environment, and maintain the countryside; integrating environmental concerns through implementation of more sustainable environmentally viable practices; contribute to the management of Natura 2000 sites with the objectives of safeguarding the habitat	Supporting LFA territories and the traditional agricultural landscape. Assisting in agri-environmental support. Protection and maintenance of natural landscape. Improving ecological stability. Retention of biodiversity. Water and soil resource protection.
	Designation of areas	Malta granted derogation to 1783/2003 as per Treaty of Accession	Applicable to whole territory.

3.2.3 Axis 3: *Improving the quality of life in rural areas*

The strategy direction for this axis derives from the specific situation of Malta's rural areas where the main challenges do not lie in the lack of employment or services, but in the maintenance and strengthening of the close linkages between urban and rural areas. In particular, the need to address the demand for recreation as well as the conservation of the rural areas and their amenities for the quality of life and continued link to the Maltese cultural identity and traditions.

The rural areas represent an important asset that has not been sufficiently appreciated or exploited in a sustainable manner. The rural landscape, that is the result of millennia of human activity is an important national resource for the Maltese Islands and provides a fundamental part of the backdrop for the tourism industry. Unfortunately much of the rural landscape has already been lost to urbanisation that has also resulted in the loss of character of a number of villages. It is a key government priority to create a balance between constructions and open spaces and promote the sustainable development and efficient use of the rural resources. This can be achieved by channelling development away from sensitive rural areas and by protecting and managing the rural heritage.

Under this axis through the choice of measures, the objective is to ensure that the rural areas become a vibrant and multifunctional element of society. However, given the limited budget available plus the significant needs and cost

of initiatives to upgrade and maintain the rural heritage, the choice has been restricted to three measures.

- Measure 313: Encouragement of tourism activities
- Measure 323: Conservation and upgrading of the rural heritage
- Measure 341: Skills acquisition, animation and implementation

Concentrating available funds on a number of key measures also allows the application of a wider range of actions that are necessary to upgrade, rehabilitate and manage the natural and cultural heritage. This would result in economic benefits to the agricultural sector, enhance opportunities for rural tourism and promote the countryside as a recreational asset. Creating a beautiful environment will encourage private initiatives for exploiting the opportunities created by increased rural tourism and the potential for recreation. These initiatives undertaken by private / public bodies will work in synergy with the improved environment, thus making the rural areas an attractive place where to live, invest and which to visit.

The main objective of these measures is therefore the enhancement and rehabilitation of rural areas and landscape amenities that will provide the opportunities for diversification associated with tourism and informal recreation. This will ensure that the rural areas are conserved and properly managed for the enjoyment of all. Thus rural areas shall become an important multifunctional asset where a number of sustainable activities linked to the environment and rural heritage can develop and thrive.

Article 57, in particular, will be the key measure to deliver these objectives and will therefore command the major share of the EAFRD budget. Following budget transfers carried out throughout the implementation of the programme, the allocation under this Axis amounts to 26.2% of the total EAFRD allocation. The preparation of management and protection plans for Natura 2000 sites that will be funded under this measure is a key precursor to the proper management and protection of the limited natural habitats and its biodiversity. Further actions to upgrade the rural areas and enhance the landscape will be the upgrading and maintenance of various landscape features especially the built heritage relating to rural structures such as rubble walls and corbelled huts. Public awareness actions coupled with the particular initiatives will further reinforce these conservation initiatives and lead to increase sensitization of the local population of the resources in their localities leading to their protection.

Another priority area is the upgrading of the cultural heritage through studies and investments associated with restoration and maintenance of the diverse and rich cultural heritage present in the rural areas. These will be complemented with investments for the proper presentation and interpretation of this cultural heritage.

Together with these actions the encouragement of tourism activities will address the need for recreation and tourism through the creation of

recreational infrastructure, information and interpretation facilities which utilize as much as possible the redundant resources of the rural areas. Through these initiatives Malta's tourism can capitalise, other than indirectly, on the landscape, the rural way of life, the cultural heritage or the local speciality products of the Islands. There is now a strong agreement within the Malta Tourism Authority that the successful implementation of their strategic plan which calls for a more holistic approach is dependent on utilising, in a sustainable manner, Malta's rural assets.

The supported actions under measure 341 relating to skills acquisition, animation and implementation, shall be invaluable tools for both developing the skills of LAG members as well as developing good integrated area development plans for the LAG areas which will be essential for the realisation of these priorities described above.

Summary General Objective Axis 3	Community Priorities	National Priorities	Main Actions
Quality of Life in Rural Areas and Rural Economy Diversification	Diversifying rural economy	Improving the quality of life in rural areas through the conservation and valorisation of rural, natural and cultural heritage enhancing the multifunctional role of rural areas, as well as promote capacity building, skills acquisition and organization for local strategy development and implementation	Support for diversification and tourism including infrastructural development and promotion of rural areas. Implementing projects for the upgrading and preservation of natural, traditional and cultural heritage elements in rural areas and improving the quality of life in these regions.
	Improving quality of life in rural areas		
	Training, skills acquisition and animation		
	Implementation of axis		

3.2.4 Axis 4: Building local capacity

The leader initiative, which is a new approach for Malta will focus on bringing together the different public and private local actors, thus building local partnership capacity, promoting private-public partnership, cooperation and innovation and improving local governance. The financial allocation for the Leader Axis is 4.0% of the total EAFRD contribution. This will be dedicated to the implementation of the leader strategies, shall contribute to the running costs of LAGs and to implementation of cooperation projects.

The leader approach will be an invaluable tool in the realisation of the various measures under all axes through animation and facilitation of their uptake. Particularly for Axis 3 measures, their involvement should be a critical component in bringing conservation projects forward and ensuring they are integrated into a broader environment tourism and heritage context.

However, given that this is the first time that Local Action Groups are being formed, and given the newness of the concept for local stakeholders of getting together and addressing regional issues, it is expected that Leader could undergo a slow start especially until implementation of Article 59 catalyzes entities that want to contribute to the Leader approach. Even basing on an assumed success of skills promotion, the lack of any previous experience is expected to hinder participation in unfamiliar measures, although not excluding it. Nevertheless, it is perceived that the leader approach could be most successful in the realization of the various measures under Axis 3 since these measures have a local dimension that potential LAGs could be familiar with. In this context, it is relevant to indicate that given the islands' small size; no more than three LAGs are expected to form the regional set-up.

Summary General Objective Axis 4	Community Priorities	National Priorities	Main Actions
Leader	Leader approach	Building local capacity for improving governance and mobilising the endogenous development potential of rural areas	Implementation of local development strategies through LAGs assisted by local capacity building.
	Local Action Groups		
	Measures		

3.3. *The ex-ante evaluation*

Council Regulation 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development - EAFRD provides the legal framework for the preparation and the implementation of rural development programmes in the Member States for the period 2007 – 2013. Following Art 16 and 85 of Council Regulation 1698/2005, ex ante evaluation is an obligatory task in establishing a rural development programme for a geographical region concerned.

The aim of the ex-ante evaluation is to improve the RDP to build capacity for future monitoring and evaluation activities. Its purpose is to gather information and to carry out analyses which help to ensure that the policy objectives will be delivered successfully, that the measures used are cost-effective, and that reliable evaluation will be subsequently possible.

Ex ante evaluation in the context of rural development programmes analyses in detail for each programme its underlying strategy and objectives - including baselines, quantifiable objectives and target levels. It takes place before the implementation of the programme, with a view to support programming, and has to be designed to clearly identify needs and development strategies.

The independent evaluators awarded the service contract following a public call for tenders were Adi Associates Environmental Consultants Ltd. The key experts involved in the evaluation were:

Dr Gordon Cordina, a leading economist – Team Leader

Mr Adrian Mallia, a chartered environmentalist – Environmental Management

Dr George Attard, a leading agriculture specialist – Expert in Agriculture / Rural Development.

The evaluation comprises the ex-Ante Evaluation and the Strategic Environmental Assessment. The latter was carried out in accordance with Council Directive 2001/42/EC and Legal Notice 418 of 2005.

The complete ex ante evaluation is presented as an annex to the rural development programme (annex 18.6).

3.4 *Strategic and financial linkage*

Adopted 2007-2013 RDP measures constitute not only an extension of applicable previous Rural Development Programme measures, but also an amalgamation of new EAFRD measures that address community and national priorities as well as stakeholder interest. With a limited budget of but 100M€ spread over a seven year period, the utilisation of about 14M€ yearly to see to overriding obligations of Axis priorities, as well as ensure successful uptake by potential beneficiaries, constituted the primary strategy.

Yet, in the background of these limitations, there pervade the necessity to exercise a choice of priorities that would best address and realize the sustainability of the rural Malta. Invariably, this would also need to be based on previous successes and failures as well as reflect prevailing demand.

From 2004-2006 Rural Development Programme Guarantee measures, together with the Guidance Investment measures, as supported by Structural Funds, a number of basic conclusions can be drawn from the take up by applicants and resultant measure fund utilization applied:

Guidance Measures:

Investments in Agricultural Holdings: 616 applications. 119 beneficiaries having contracted investments at about €4M with projects value of about €9.08M.

Improving the Marketing and Processing: 57 applications. 27 beneficiaries having contracted investments at about €2M with projects value of about €3.46M.

Guarantee Measures:

Producer Groups: no beneficiaries.

Meeting Standards for Breeders: 55 beneficiaries with larger intake expected towards end 2007 and ensuing fund take up at around 50%.

Ad Hoc for Full-Time Farmers: full fund measure take up with a maximum of about 961 beneficiaries plus need for further fund allocation from unutilized measures for about 2M€ or 6% of total programme funds

Agri-Environment Measure: 1904 beneficiaries (Soil Retaining Walls – 1885 eligible applications, Organic farming – 7 beneficiaries, Conservation of Maltese Oak & Maltese Ox Species – 14 beneficiaries). Some 22.5% of allocated remained unutilized.

Less Favoured Areas: full fund measure take up with a maximum of about 5,629 beneficiaries in 2006 also obliging fund transfers from unutilised measure sources.

Complement to State Aid for Agriculture: full fund measure utilization.

An appraisal of the 2004-2006 measures shows huge interest in Investment Schemes by farmers and livestock breeders and similarly by agro-processors. This indicates the significant needs for restructuring of the sector which have to be addressed, particularly from a competitiveness and survival viewpoint. Although there was no co-operation amongst beneficiaries for cooperatives/associations applying for aid, the need still prevails for the organisation of primary producers. Limited take up for environmentally orientated measures reveals that applicants were deterred by the area based payments given that the majority of the holdings have less than 0.5 hectares. Whilst Malta orientated measures - Ad Hoc and Complement to State Aid, This exposes the requirement for a mentality shift and an orientation towards quality whilst focusing on national priorities and broadening the range of beneficiaries to target areas that the previous RDP did not tackle.

Stakeholder consultation and an analysis of territorial strengths and weakness, confirmed the need for:

- consolidation of support to agricultural investments both on farm holdings and to the food processing industry through a quality focused approach.
- an increase in the knowledge base of the sector through the setting up of farm advisory services backed by the provision of incentives for farmers to use the service
- infrastructural investments and water resource development due to evident environmental issues and to attain WFD objectives
- agri-environment measures, particularly Natura 2000 were commended upon by a category of environment-interested stakeholders
- conservation and upgrading of the rural heritage complementing a shift towards agro-touristic projects

This process led to the measures choice presented in the programme. The final measures and axis budgetary allocation reflect reappraisal to ensure further support to the environment in each axis.

- Axis I: 10 measures allocated 33.5% of the total EAFRD budget
- Axis II: 3 measures allocated 26.1% of the total EAFRD budget
- Axis III: 3 measures allocated 32.3% of the total EAFRD budget
- Axis IV: 3 measures allocated 4.0% of the total EAFRD budget.

Following budget transfers between measures and axes, the allocation towards each axis is as follows:

- Axis I: 9 measures allocated 37.8% of the total EAFRD budget
- Axis II: 2 measures allocated 28.0% of the total EAFRD budget
- Axis III: 3 measures allocated 26.2% of the total EAFRD budget
- Axis IV: 3 measures allocated 4.0% of the total EAFRD budget.

Thus, environment targeting is not restricted to Axis II but is enhanced by Axis I contributions through:

- improvement of environmental performance through farmer education and provision of advisory services support
- investment on farms having an environmental component
- support for organic production and preference to agro-processing using organic products
- investment in networks for TSE as an alternative water source complementing WFD and assisting in addressing climate change efforts

Environmental complementarity under Axis III would also be attained via:

- development of Natura 2000 and environmental management plans
- conservation or rehabilitation interventions in rural areas
- educational efforts in environmental issues

Funding, under Axis I has the overarching objective of ensuring survival of agricultural. This is achieved by addressing competitiveness through modernization of holdings, addressing infrastructural weakness, increase in knowledge potential and the organisation of the primary sector, amalgamated by a drive for quality in the primary and processing sector. The overall affect of these actions is inductive to development of agricultural sector viability.

Under Axis II, continuation of LFA under the previous rates as the baseline and link for potential agri-environmental measure take-up was seen as essential., while Natura 2000 developments had also to be addressed. Issues of timeliness and delivery of plans within the first stage of the programme will strongly influence associated fund take up. The LFA measure will serve as catalyst measure to encourage take up of other agri-environmental measures. This was observed under the previous RDP. It is moreover aspired that more focused agri-environmental measures directed towards promoting agricultural stability, retaining biodiversity, and protecting water and soil resources should all potentially complement this measure. Furthermore, through the Natura 2000 conservation measures, a more holistic approach towards safeguarding and preservation of the environment will be attained.

Axis III measures pertaining to tourism activities and conservation and upgrading of rural heritage are novelties to this programme that have however attracted widespread interest given their vast scope and broad benefits. Improvement in quality of life was seen as best achieved through 3 distinct measures. Tourism is of high importance in the local context and interventions are geared at translating some of the benefits to the rural community, whilst the conservation of rural heritage is expected to bring about a tangible improvement in the rural environments that will guarantee an improved landscape and the conservation of valuable rural features for posterity. Having a determined set of actions focusing on this approach, rather than more numerous measures, was deemed as more conducive to attaining desired results and targets. Such an innovative issue experience would again also apply to Axis IV, with Leader being a totally new concept for Malta. In Axis IV,

the novelty of Leader with LAGS still to be formed and set in motion, necessitated a degree of caution in commitment. The measure mix and financial allocations are considered best in addressing prevailing community and national priorities for a balanced synergistic programme.

3.5 Impact from the previous programming period and other information

During the 2004-2006 programming period, Malta implemented the Rural Development Programme funded by the European Agricultural Guidance and Guarantee Fund (EAGGF). The vision of this programme was based on the sustainable development of rural Malta in a manner that leads to increased economic competitiveness in a demand-driven, international market system, but in a context which takes into account the environmental, social and cultural dimensions and their importance to the Maltese way of life.

The results and lessons learned from this programme are discussed in the following sections. The descriptions of results achieved so far and expected effects have been based primarily on annual progress reports.

3.5.1 The Rural Development Programme

The Rural Development Programme for Malta for the period 2004 – 2006, had a total budget allocation of 33.625 M€. The Programme was divided in four Priority Axis.

3.5.1.1 Priority Axis 1

The priority of developing competitive and modern agriculture was translated into a number of operational objectives,, namely to assist projects that contribute to the creation of a more diverse and competitive agricultural sector, to encourage greater linkage with the tourism sector and to encourage the development of new products and market outlets.

A number of measures were implemented through this Axis including: Measure 3.1 Investments in Agricultural Holdings and Measure 3.2 Improvements in Processing and Marketing of Agricultural Products which were financed from the Structural Funds Programme for Malta.

The fund allocation for measure 3.1 was of 7.4 million Euros, and that of measure 3.2 of 4.6 million Euros. The EU contribution amounted to 35%, whilst the Malta Government contribution did not exceed 15% of the total eligible cost. The maximum level of support was calculated as a percentage of the volume of eligible investment and was limited to 50%.

Investments in Agricultural Holdings

The objective of this measure was to strengthen the competitive basis of farmers by reducing production costs, modernising production methods, improving output quality, and diversification of agricultural activities

Two calls were launched instead of the expected three due to high absorption, and 616 applications were received from which 19% were finally selected and contracted. Typical supported projects consisted of investments in protective cropping, investments in farm/field equipment and machinery, farming structures as well as in water conservation techniques.

Improving the Marketing and Processing of Agricultural Products

The main objective of this measure was to improve the processing and marketing of agricultural products so as to increase their competitiveness and added value. The measure targeted projects that exploited new and innovative marketing and processing channels and outlets that, led to new patterns of co-operation and working relationships between producers and processors, as well as initiatives that improved the quality of the produce offered to the consumer.

Two calls were launched and 57 applications were submitted of which 47% were finally selected and contracted. It emerged that the local agri-industry was undertaking larger scale investments, as in a number of instances, proposed investments were larger than the 50% refund allocation factor.

Other measures in priority axis 1 were aimed at assisting the restructuring of the sector. These included the Ad Hoc measure, the Meeting Standards measure, the State Aid Complement measure, and the Producers' Organisations measure.

Ad Hoc Measure

Maltese farmers had to face a number of problems upon EU accession mainly arising from the levy removal. This measure targeted full-time farmers and was meant to ease post-accession market pressures by compensating partially for the losses in market share and the declining net incomes. Payment were calculated on a per hectare basis with differing rates for dry and irrigated land, and to livestock breeders according to the number of livestock units on their holdings.

Until the end of 2006, beneficiaries under this measure received payments amounting to approximately 5.5 million Euros and a further 1.9 million Euros

had been committed. Table 9 shows the indicators and targets for the measure.

	Baseline (2001 Census)	RDP Target (%)	2004 Actual (%)	2005 Actual (%)	2005 Actual (%)
Full-time farmers	1,456	75	54.2	56.5	56.9
Irrigated land (ha)	1,509	25	73.8	92.8	95.9
Dry land (ha)	8,148	10	16.0	18.0	18.3
Livestock Units	37,201	60	74.2	69.7	70.8

Table 9: Indicators and Targets for Ad Hoc measure

As can be noticed from table 9, the Ad Hoc measure was successful as most of the indicators and targets have been reached or exceeded. The only indicator which lagged behind concerns full-time farmers, although some improvements were noticed between 2004 and 2006.

Meeting Standards measure

The Meeting Standards measure was aimed at supporting farmers to adapt to the standards emanating from Community legislation in the fields of the environment, public, animal welfare and occupational safety.

Till the end of 2006, 55 applicants received approximately 576,852 Euros. As shown in table 10, the uptake of this measure was slow and only reached 6% of the original target. Various reasons were attributed to this:

- a) the uncertain economic sustainability of various livestock sectors following accession due to increased competition from foreign imports;
- b) the significant investment required to conform to standards following accession;
- c) the low level of support granted under this measure which is negligible in comparison to the investment costs involved;
- d) the wait and see attitude of many farmers especially the older, part-time and small scale farmers;
- e) farm in inhabited or very close to inhabited areas where on-farm investment is not possible because of their size and/or proximity to inhabited areas;
- f) the lengthy time periods required for obtaining the necessary MEPA permits, compounded by the applicants not submitting all the necessary information on time.

Indicators	RDP targets for a 3 year investment period	Actual as at end 2006
Number of livestock holdings supported	900	55
% of holdings complying with Nitrate Directive 91/676	5	0.22

Table 10: - Indicators and targets for the Meeting Standards measure

To correct this situation a number of remedial actions were taken, including discussions between the MRAE, MEPA and breeders' cooperatives, the setting up of a special task force to assist breeders with their application process, the development of a set of detailed guidelines for architects, and the establishment of a fast track system within MEPA so that application would be processed in a shorter period of time.

State Aid Complement

Since most of the products typically grown in Malta are not supported by the Common Agricultural Policy (CAP), special temporary state aid was set to support products that would be negatively affected by the dismantling of import levies through the Special Market Policy Programme for Maltese Agriculture (SMPPMA). Strategic products - tomatoes for processing, potatoes and wine - were identified as forming the basis of the local agricultural economy in the long term. Other product categories - fresh fruit and vegetables, pig meat, dairy, eggs and poultry meat - were identified as having had a long standing presence in the local primary sector.

The SMPPMA programme provided assistance to producers in the form of direct income support, additional aid on an area basis, marketing aid, planting aid, restructuring aid and quality enhancement. 20% of the guarantee funds allocated to the RDP were diverted to the SMPPMA. As set in the Accession Treaty the Maltese Government is providing a maximum of 157 million Euros.

Producer Organisations

The Producer Organisations measure was set to remedy a structural deficiency of the agricultural sector associated with the set-up of the primary market. The formation of producer groups would enable the consolidation of rural income through stabilisation or increase in market share, and improvement in market potential. Whilst the total amount allocated to this measure has not varied considerably, the minimum levels of funding for some sectors was altered to reflect the local realities of limited turnovers and large numbers of part-time producers.

The Setting Up of Producer Groups measure had no successful applications. Hindering the success of this measure was the fact that leaders having the stamina to bring producers together are lacking, and the prevalent mentality of local producers of viewing other producers in their sectors only as competitors, with no venue for collaboration. Whilst recognizing the validity of the measure its successes depends on a much needed mentality shift.

3.5.1.2 Priority Axis 2

Axis 2 promoted environmentally friendly production through the the agri-environmental measures and the less favoured areas measure.

Agri-environmental measures

Agri-environmental measures aimed on raising farmers' consciousness on environmental awareness and encouraged them to use environmental planning techniques in their day-to day management decisions.

The agri-environment scheme consisted of three sub-measures: the restoration of terraced rubble walls, the conservation of autochthonous species, and the promotion of organic farming. The Restoration of Terraced Rubble Walls sub-measure was by far the most popular with a total of 1,937 applications throughout the three year programming period. A total of 367,445 m² of rubble walls were declared for restoration corresponding to a total commitment of 1,469,780 Euros per year.

Only one beneficiary was eligible for the Conservation of the Maltese Ox (sub-measure Conservation of Autochthonous Species). Having a total of 6 Maltese oxen, the beneficiary was eligible for 24,760 Euros, although natural decline or increase varies this amount. With regards to the Conservation of the Holm Oak under the same sub-measure, uptake was initially slow with only 3 beneficiaries for each of the first two years. In the third year, however, the number of beneficiaries rose to 14 and a total area of 8.4 ha.

The Organic farming sub-measure had 7 beneficiaries corresponding to 14.7 ha and payment of 8,802 Euros.

Since the measures began to gain momentum in 2006, it is difficult to evaluate the realization of targets (table 11). In the case of the rubble walls sub-measure, around 76,600 m² were restored not taking into account any restoration carried out linked to the 2006 applications as on the spot checks are still underway .

Objective	RDP Targets	Actual as at end 2006	% of target
Reducing soil erosion	Area of rubble walls restored: 200,000m ²	76,600 m ²	38
Conservation of autochthonous species	No of Maltese Oxen conserved: 9 oxen plus natural increases as per breeding	6 oxen	67
	Conservation of the areas with Holm Oak populations and their buffer zones: 13 ha	8.4 ha	65
Promotion of organic farming	Applicants practicing organic farming: 30 farmers	7 farmers	23

Table 11: Indicators and targets for Agri-Environment measures

The administration of the Conservation of Retaining Terraced Rubble Walls measure proved to be a complicated bureaucratic burden due to the:

1. high number of changes in land tenure and ownership throughout the 5-year commitment period that affected the area ceiling and in turn the payments due;
2. farmers' socio-economic factors, including ageing population in which meant frequent deaths and the consequent transfers of land;
3. checking rubble wall applications for overlaps on the same parcel, which proved to be a very tedious control exercise.

On the other hand, the fact that uptake of the Conservation of the Holm Oak increased in 2006 on altering eligible beneficiary of the possibility to avail themselves of support, demonstrated that effective animation leads to increases in participation rates. Notwithstanding, the area still falls short of the anticipated target of at least 13 ha. As to the rubble wall sub-measure, inadequate security that farmers have over land tenureship may have hindered the uptake of this measure. A factor hindering the uptake of the Promotion of Organic Farming sub-measure was the delay in the certification process.

These factors were all taken in consideration when designing the new agri-environment measures for the programming period 2007-2013 in a bid to increase the rate of success of axis 2. The limited choice of measures may have led to low uptake, hence the new programme shall make available a wider selection of agri-environment measures and designed to cater for a wider

variety of agricultural systems. At the same time, investment-type measures, similar to the rubble walls restoration, were avoided, since these represent quite an onerous responsibility for an ageing population of farmers.

The major difficulty in implementing agri-environmental measures in Malta however is related to the length of the commitment period and the payment rates. The highly dynamic nature of agricultural land in the Maltese Islands and the ever changing social and economic conditions that farmers face make it very difficult to adopt and administer agri-environment measures that are tied to a commitment of 5 years. The small-sized land and fragmented nature of the holdings also limit considerably the amount of support that farmers may access in relation to the obligations that they take upon during this period.

Less Favoured Areas and Areas Subject to Environmental Constraints (LFA) measure

The Less Favoured Areas and Areas Subject to Environmental Constraints measure covered all agricultural land and provided compensation to ensure continued agricultural land use. Although Regulation 1783/2003 stated that the total area covered by this measure must not exceed 10% of the area of a Member State, during the negotiations the EU agreed that all of the 11,000 ha of agricultural land in the Maltese islands should qualify for funds eligible under the Less Favoured Areas measure (CONF-M 121/02).

The expenditure committed for LFA measure had to be increased to service the level of requests, indicating that the measure was successful. As shown in table 12, although 56.3% of the targeted IACS registered farmers benefited from the scheme, the area of 8,434 ha under LFA commitment is higher than that originally targeted.

Indicators	RDP Targets	Actual as at end 2006	% of target
No of IACS registered farmers benefiting from scheme	10,000 farmers	5,629 farmers	56
Total area of agricultural land registered for the compensatory payment	8,000 ha	8,434 ha	105

Table 12: - Indicators and targets for LFA measure

3.5.1.3 Priority Axis 3

Axis 3 introduced measures for the diversification and development of the multifunctional role of rural enterprises. The operational objective was to support projects that contribute to enhance the linkages in the rural economy and contribute to a holistic approach to tourism development, encourage the development of new products and market outlets, and provide targeted training to support these new activities. This priority was achieved indirectly through the guidance measures Investment in Agricultural Holdings and Improving Processing and Marketing of Agricultural Products, as well as through the complementary guarantee Agri-environmental measures described above.

3.5.1.4 Priority Axis 4

Axis 4 targeted the successful implementation of the rural development programme. Through technical assistance for the implementation of the 'Guarantee' co-financed Rural Development plans, funding was used for the engagement of expertise, information campaigns and seminars, and the commissioning of specific reports. Two pilot projects were launched, three publicity campaigns were held, and six workshops and seminars were organized. Although of the total allocated budget of 1.285 million Euros, only around 6,000 Euros were disbursed up till the end of 2006, a number of projects were still underway.

3.5.1.5 Pre-accession schemes

In addition to guarantee rural development measures, pre-accession schemes also had an impact on the programming area.

Two Rural Development Support Schemes were launched, in particular the Rural Stewardship Scheme (project No. 4573/04) and the Rural Business Scheme for Producer Groups (project No. 4573/04). These were meant to provide exposure to two forthcoming Rural Development guarantee measures whilst also to promote environmental awareness and responsibility, improved management and landscape quality, and better market conditions.

Rural Stewardship Scheme

The total budget for the Rural Stewardship scheme was 850,000 €. Following its launch in January 2004, there were 80 eligible beneficiaries who signed a 2 year contract to restore about 20,000 m² of terraced rubble walls. Up to February 2006, approximately 18,000 m² of rubble walls had been restored. This scheme was successful when one considers that approximately 90% of the set target was achieved. Furthermore, throughout the implementation, the

necessary skills to handle such measure were attained both by departmental staff as well as by beneficiaries.

Rural Business Scheme for Producer Groups

The Rural Business Scheme for Producer Group can also be considered successful as it resulted in the formation of the first two Producers Groups although it was a completely new concept.

4. Justification of the priorities chosen and expected impact according to the ex ante evaluation

4.1 Justification of the priorities chosen having regard to Community Strategic guidelines and the national strategy plan

The overall objective of Malta's rural development policy is to promote multifunctional agriculture within a wider framework of integrated rural development so as to achieve the sustainable development of rural Malta. This encompasses the Göteborg sustainability goals and the Lisbon strategy for growth and jobs and primarily focuses on the development of a broader rural economy through the development of a stronger quality orientated agri-food sector capable of synergizing with tourism and recreational activity, sustaining and enhancing the rural environment as well as preserving and promoting regional natural, cultural and social values.

Rural development policy in Malta is closely linked to governmental strategic budget policy that aims towards a better quality of life, the National Strategy Programme's Lisbon Strategy orientated priority areas, the NSRF's benchmarks that further reinforce competitiveness, environmental quality and human resources, as well as MEPA's Rural Strategy Policy.

Consequently, the primary policy objectives for the current rural development programme in Malta constitutes an extension of the previous programme and accommodates stated policies, but, in the light of developments specific to axis priorities of the current EAFRD, as well as a result of lessons learned locally, and in other MS, from previous programmes, also targets the measures that at a national and EU level best relate to effected SWOT analysis and effectively best realize the chosen strategy.

This strategic orientation has thus been effectively translated as a further extension and fine tuning of the approach adopted in measure selection for Malta's 2007-2013 Rural Development Programme. Thus, in accordance with what was set out in the National Strategy, each priority axis shall be prioritised as follows:

1. For Axis 1, greater emphasis shall be placed on restructuring, physical potential and innovation through measures that promote modernization and added value with a qualitative drive that would strengthen competitiveness. Human resources shall also be supported to improve technical levels as a parallel approach.
2. For Axis 2, the issue of sustainability use of agricultural land shall be addressed through a concerted focus on the measure for areas with handicaps that serves as the basic tool to ensure the continued use of agricultural land and that encourages the adoption of agri-environmental measures in order to ensure that environmental objectives are attained.

3. For Axis 3, the drive is to promote an improvement in the quality of life in rural areas through a holistic investment in the rural cultural heritage. This would involve further investment in rural resources with accompanying synergy through tourism and conservation.

4. For Axis 4, it is envisaged that the Leader approach, which shall be adopted as a novelty, shall prove a tool with which to implement at a regional level, a more focused integrated approach that further complements desired rural improvements through multi-sectoral interaction.

4.1.1 Axis 1: Improving the competitiveness of the agricultural sector

Under this axis, the CSG indicate that resources devoted should contribute to a strong and dynamic European agri-food sector by focusing on the priorities of knowledge transfer, modernisation and innovation in the food chain and priority sectors for investment in physical and human capital. This priority Axis 1 under the NSP for Malta is “Improving the competitiveness of the agricultural sector by focusing on the priorities of knowledge transfer, modernisation of holdings, adding value to agricultural products with respect to quality and competitiveness in order to offer more differentiated, higher quality products and services to domestic consumers and foreign tourists and thus make farming a viable and more attractive career choice”.

Maltese agriculture cannot be sustained without a dramatic improvement in competitiveness, product quality, sustainability of processes and activities, holistic and long-term management of resource exploitation, and minimisation of environmental and landscape impacts. The national priority is therefore to facilitate the development of a dynamic, competitive and sustainable rural economy by encouraging an agriculture sector that is (i) competitive, diverse, sustainable and flexible, (ii) takes into account the quantity, quality and sustainable use of all limited resources available, (iii) is better poised to secure the opportunities of a changing market through more effective co-operation along the whole food chain and fulfilment of increasingly demanding concerns of local and European consumers; and (iv) is more conscious and respectful of its interphase and interdependence with the natural environment and the rural landscape. Therefore, it should also be responsive to consumer wishes and demands for the provision of quality and niche value added products that have been produced in full respect of the environment, occupational safety, hygiene and animal welfare considerations. Given linkages with the countryside and rural landscape, it should seek to achieve sustainable land management and use of natural resources whilst contributing to biodiversity, cultural and landscape targets.

The main challenges for developing a competitive agriculture relate to the inherent structural weaknesses of Maltese agriculture.

One of the sectors identified as facing particular pressures is the dairy sector. The dairy sector is considered to be a sector of strategic importance for Malta in terms of security of supply of fresh dairy products at competitive prices, economic activity generated and direct benefits to the environment in terms of land management.

The dairy sector started to face real international competition once Malta became a member of the EU and the market was liberalized. As has been highlighted in the NSP, the dairy sector is now 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 competitive prices to the consumer. With the gradual removal of the dairy quota it is likely that this balance will be lost.

This must be also be seen in light of the fact that the small size of the market makes it impossible for the local dairy sector to participate in Community support schemes such as private storage and export refunds for cheese and butter.

In view of the situation described above the Government of Malta will be allocating the additional funds available (€ 1.02 Million) from the Recovery Package specifically to the dairy sector where such funds will be aimed at improving the management, efficiency and productivity of the sector. These funds will complement the assistance which is available under Measure 121 within which dairy producers can receive financial assistance to modernize their holdings, improve production facilities and improve animal welfare all of which are aimed at making the sector more competitive.

The Government of Malta feels that it is best to direct all the funds available from the Recovery Package towards the dairy industry in view of the following:

- The dairy industry is of strategic importance to the country providing important economic, and social benefits in terms of employment and security of supply of fresh dairy products;
- The dairy industry also provides important environmental benefits through the maintaining of agricultural land utilised for the production of fodder;
- The dairy industry faces a number of natural and structural disadvantages mainly due to the size of the market and the lack of agricultural land;
- The dairy industry has been investing in its restructuring but more investment is required especially in the areas of waste management and production methods;

- The amount of funds available from the Recovery package are limited (€ 1.02 million) and therefore spreading them on more than one priority is likely to result in the funds having little or no impact.

This investment will be aimed at improving the management, efficiency and productivity of the sector, thus making the sector more competitive and putting it in a better position to face up to the challenge of increased competition that is expected to ensue during the gradual phasing out of the milk quota system. The dairy industry will also need to adapt to new market conditions whereby the current balance between supply and demand could be disrupted.

4.1.2 *Axis 2: Improving the environment and countryside*

Guideline 2: To protect and enhance the EU's natural resources and landscapes in rural areas, the resources devoted to Axis 2 should contribute to three EU-level priority areas: biodiversity and preservation and development of high nature value farming and forestry systems, water, and climate change. The measures available under Axis 2 should be used to integrate these environmental objectives and contribute to the implementation of the agricultural and forestry Natura 2000 network, to the Göteborg commitment to reverse biodiversity decline by 2010, to the Water Framework Directive objectives and to the Kyoto Protocol targets for climate change mitigation.

The priority for Axis 2 under the NSP for Malta is “Improving the environment and the countryside through encouraging the retention of agricultural activity, and promotion of environmentally friendly production methods in line with rural heritage³”. The key actions envisaged under this axis will focus on:

- preserving the farmed landscape which is an important and valued feature of our rural environment, through incentives for the retention of agricultural activity and associated traditional features in all of Malta in order to conserve and improve the environment, maintain the countryside and preserve the tourist potential of the islands as well as in order to protect the coastline; and
- increasing the environmental and ecological sustainability of farming through encouraging management practices that address the adaptation measures required for climate change mitigation that lead to the sustainable use of natural resources particularly water and soil;
- enhancing and protecting the diverse habitats and biodiversity including the genetic resources;
- upgrading and conserving the rural character and landscape;
- integrating environmental concerns in agriculture through the implementation of more sustainable environmentally viable practices

³ The evaluators' recommendation was to substitute the term “in line with rural heritage” with “to limit environmental degradation”. This recommendation was not taken up only because this is a direct quote from the national strategy for rural development.

that are conscious and respectful of their interdependence with the natural environment and the rural landscape; and

- contributing directly to the management of Natura 2000 sites with the objectives of safeguarding the habitat types and species of community interest inhabiting such sites.

The agronomic practices adopted as part of the agri-environmental measures under Axis 2 aim to address a number of environmental needs and weaknesses. Key priority areas such as biodiversity, water, soil conservation, conservation of genetic resources and protection of rural heritage are all translated into measures under measure 214 for which land managers apply and enter into a 5 year commitment.

In the Maltese context measure uptake is in some way limited given the nature of agricultural land with specific zones as well as the large amount of small parcels that can lead to ineligibility when logging an application under this measure. This limitation sets a maximum number of commitments for the different agri-environmental measures which can be adequately catered for with the current budget allocation.

With the current commitments as well as the trend in measure uptake the current budget for Axis 2 suffices to cover all commitments therefore there was no need to top up the budget with the 1.02 million Euros from the recovery package.

Should the recovery package budget be allocated to measure 214 the value added resulting from such action would have been extremely limited due to the diffusion of the budget over ten agri-environmental schemes resulting also in the apportionment of the budget in very small fractions over the whole programming period.

Payments with regards NATURA 2000 sites have not been adopted in the Rural Development Programme 2007-2013 as during the current programming period the management plans of these sites are still being developed. Financial aid for the compilation of the management plans for NATURA 2000 sites is however eligible under measure 323 – “Conservation and upgrading of the rural heritage”.

Through the selected approaches that support farming in areas with handicaps, support the implementation of measures that produce a tangible environmental result through the agri-environmental measures, and support for the conservation of biodiversity in Natura 2000 sites, the second axis of the Rural Development Programme shall contribute to improving the environmental status and furthermore further assist not only in promoting a more environmentally friendly agriculture, but also conserve biological diversity, and promote long term high added value in the protection of natural resources.

This vision for enhancing the rural environment also recognises that people in farming should be encouraged and supported for undertaking the stewardship

of the countryside and for providing these 'public goods' that are so vital in the local context.

4.1.3 Axis 3: Improving the quality of life in rural areas and encouraging diversification

Guideline 3: The resources devoted to the fields of diversification of the rural economy and quality of life in rural areas under Axis 3 should contribute to the priority of the creation of employment opportunities. The range of measures available under Axis 3 should in particular be used to promote capacity building, skills acquisition and organisation for local strategy development and also help ensure that rural areas remain attractive for future generations. In promoting training, information and entrepreneurship, the particular needs of women and young people would also need to be considered.

Under the NSP for Malta the priority for Axis 3 is "Improving the quality of life in rural areas through the conservation and valorisation of rural, natural and cultural heritage enhancing the multifunctional role of rural areas".

Considering the particular situation of Malta, in respect of its small size and the prevalence of rural areas closely interlinked to the urban localities, the Community's strategic priorities outlined for Axis 3, namely the creation of employment opportunities and conditions for growth are essentially priorities that will be tackled at the national level through the more comprehensive and far-reaching actions undertaken within the framework of the NRP as well as through other EU funding instruments namely the Structural and Cohesion funds as outlined in the NSRF for Malta. However, the limited EAFRD funding will further complement these actions and ensure that synergies between rural development policy and structural and employment policies are maximized.

The main priority that will be addressed by the Rural Development programme for Malta shall focus on "Improving the quality of life in rural areas". The countryside provides the backdrop to people living and working within urban environments in terms of food production, rural heritage and biodiversity and traditional rural landscapes. In turn, these activities contribute towards improvement of public welfare and economic opportunities for farmers.

The funds being made available from the Recovery Package will not be used to enhance the coverage of broadband in rural areas due to the fact that there is practically full coverage of broadband across the whole population of Malta. Due to the small size of Malta there is no distinction between rural and urban areas.

As at December 2007 DSL coverage was registered as reaching 99% of the population and cable modem coverage was registered as reaching 95% of the population. Broadband in Malta is accessible through DSL, cable modem and also through WiMAX service. As of December 2007, 46.5% of broadband connections were DSL, 51.2% were cable modem connections and the

remaining 2.3% were WiMAX connections. DSL is available in 99% of the national territory whilst cable broadband is accessed via cable modem and is available in more than 95% of the country through a bidirectional hybrid fibre coaxial cable network. The first WiMAX network deployed in Malta had coverage of more than 70% of the country by the end of 2007.

Over the course of 2007, the DSL incumbent upgraded its entire product line-up and doubled the speed of nearly all its connections, together with large increases in download limits. Cable network coverage in the country amounts to more than 95%. In 2007, cable operator also increased their download limits and speeds significantly at no extra cost for customers. Wireless LAN technology is becoming increasingly popular, thanks to its ability to serve roaming users. Both public and private entities have adopted the technology to provide access in a number of buildings around Malta. Wi-Fi is being installed by a number of operators in public access points (hotspots), providing high-speed access to the Internet. (see report Broadband Coverage in Europe – 2007 survey, DG INFSO, December 2008).

In view of the above whereby the broadband infrastructure has been recently updated by private operators thus making use of latest technology it is deemed that there is no scope for utilisation of Recovery Package funds for the upgrading of broadband infrastructure.

In principle this third axis further complements the overall vision of this strategy which has been reiterated in all four axis namely that of integrated rural development to achieve the sustainable development of rural Malta. This will be achieved through the conservation and valorisation of the rural areas' natural and cultural heritage, as well as the promotion of capacity building, skills acquisition and organization for local strategy development and implementation. Through focusing on these key areas the multifunctional role of the rural areas can be better realized.

Actions targeted under this axis, whilst contributing to the improvement in the rural environment, will lead to the rehabilitation, enhancement and improved management and protection of natural, cultural and landscape heritage as a means of economic and social regeneration. The rural heritage, including the villages, the surrounding rural landscape and associated traditional activities are social and economic assets, as they provide the setting that enhances the enjoyment of the countryside, as well as the link to our traditions, culture and identity. Exploiting these assets, through the encouragement of sustainable tourism, recreation and leisure activities that make use of the redundant resources in the countryside, shall assist the wider rural economy. Such opportunities should create a greater awareness of the local rural resources and of the need for their protection and conservation, thus ensuring that local rural areas under increasing pressure from urban centres are preserved for future generations and for the quality of life of all.

In this third axis, the Rural Development Programme's measures on tourism activity encouragement, conservation and upgrading of the rural heritage and

training shall serve to improve the quality of life in the country through the promotion of an increased awareness and revitalisation of natural and cultural values of rural areas.

4.1.4 Axis 4: Building local capacity for employment and diversification

Guideline 4: The resources devoted to Axis 4 (Leader) should contribute to the priorities of Axis 1 and 2 and in particular of Axis 3, but also play an important role in the priority of improving governance and mobilising the endogenous development potential of rural areas.

Under the NSP for Malta, the priority for Axis 4 is for building local capacity for improving governance and mobilising the endogenous development potential of rural areas. The leader approach is a completely new initiative for Malta given that under the previous programming period this initiative was not available to Malta. Although local actors are quite active in their respective fields, they have never before come together to develop and implement common proposals of a regional dimension, hence the need for capacity building. There is however, great potential for the Leader approach in the local context, on condition that it is introduced in a well-planned manner.

Experience derived from the implementation of the previous programme has amply demonstrated the importance of animation and cooperation and collaboration to realize the objectives of rural development. It is thus envisaged that the Leader approach in Malta can play a fundamental role in bringing together and connecting all the relevant local actors. This should help in building local partnerships that can develop and implement local development strategy/s better suited to address local needs and strengths.

In this fourth axis, through Leader, the Rural Development Programme should enable the creation of a more localised regional capacity through partnerships that not only prepare local development strategies, but more importantly, see to their realisation. It is aspired that the new Leader approach shall stimulate the local potential to realize the management of various rural issues aimed at improving natural and cultural heritage, supporting local tourism and also implement infrastructure related tourist activities.

4.2. Expected impacts deriving from the ex-ante evaluation with regard to the priorities chosen

4.2.1 Summary of ex-ante evaluation

1. Council Regulation 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) requires that an ex ante evaluation be drawn up alongside the preparation of the RDP. Article 85 states that the ex-ante evaluation shall:

...identify and appraise medium and long-term needs, the goals to be achieved, the results expected, the quantified targets particularly in terms of impact in relation to the baseline situation, the Community value-added, the extent to which the Community's priorities have been taken into account, the lessons drawn from previous programming and the quality of the procedures for implementation, monitoring, evaluation and financial management.

2. Based on this requirement, the major objectives for the ex-ante evaluation are to:
 - Prepare an ex-ante evaluation that is in accordance with Article 85 of Regulation 1698/2005/EC;
 - Evaluate the Plan and identify the environmental objectives in the priority areas;
 - Assess the expected impacts of the programme in accordance with Article 16(b) of Regulation 1698/2005/EC;
 - Improve the programming quality of the RDP;
 - Verify the extent to which EAFRD assistance is consistent with the objectives of Economic and Social Cohesion, and those of the Community support instrument for agriculture;
 - Check that the strategic approach adopted in the National Rural Development Strategy is maintained in the Rural Development Programme;
 - Verify that there is non-discrimination and equality between men and women; and
 - Prepare an Environmental Report as per Schedule 1 of Malta Legal Notice 418 of 2005.
3. In accordance with the Terms of Reference of the Tender, the following activities have been carried out and are included in this report:

- Assessment of programme-related SWOT analysis;
 - Assessment of programme targets;
 - Assessment of expected impacts;
 - Assessment of proposed implementation procedures, including monitoring, evaluation, and financial management; and
 - Reporting.
4. The Strategic Environmental Assessment (SEA) Report is included with the Ex-Ante Evaluation as a separate document as the methodology adopted in the SEA is based on the requirements of Legal Notice 418 of 2005 and is somewhat distinct from the Ex-Ante Evaluation. Notwithstanding, both the Ex-Ante Evaluation and the SEA cross-refer.
 5. The ex-ante evaluation exercise was carried out in a period of 8 weeks ending on 14 August 2007.

THE BASELINE SCENARIO

6. Although there has been a degree of restructuring and amelioration in recent years, the agricultural sector in Malta has not reversed its long-term decline nor does it appear to be on a path towards sustainability. This is reflected in a dearth of investment in viable and sustainable areas of activity, in part attributable to structural and geographical features of the territory, but also due to issues of policy, market and production arrangements, namely:
 - a lack of clear long-term policy direction for the sector which would create a consistent effort of public agencies towards established goals;
 - the conservative attitudes in the labour force towards modern, efficient and effective business practices;
 - the pattern of land ownership and tenure, curtailing productivity and the entry of new operators into the sector; and
 - the lack of properly functioning markets for outputs as well as inputs, in good part due to the maintenance of the present system of wholesale arrangements.
7. The effects of increasing competition and insufficient competitiveness has had adverse effects on output and activity in the sector, which were to an extent lessened but not offset by rural development efforts.

8. The agri-processing sector in general is also experiencing difficulties, mainly due to insufficient restructuring following the intensification of competitive pressures upon EU accession. Weak connections with domestic primary producers are also evident.
9. Environmental management is rapidly becoming a priority in Malta with the advent of EU Regulations and funding. However, the link between environmental and financial sustainability in agriculture and agri-processing is still not well established and needs to be addressed, especially in view of agricultural practices that have developed over the past few decades.
10. The development of activities that are complementary to agriculture and agri-processing with environmental compatibility in Malta is not sufficient and there remains untapped potential in this area. The effort to promote rural areas for recreation, culture, and to enhance Malta's international tourist effort is very recent and as yet needs to take root and develop at all levels of decision-making and implementation.
11. Although there are problems contributing to the long term decline of agriculture in Malta that cannot be effectively met through interventions under the RDP, there are measures with a potentially high degree of relevance and applicability to Malta and which could address a number of important target groups and needs in the country. The target groups include: agricultural business and its labour force; agri-processors; providers of training and advisory services; local authorities and NGOs; tourism and recreations business operators; tourists; and the population in general. The needs addressed span from the improvement of competitiveness in agriculture to environmental enhancements to ameliorating tourism and recreational facilities in rural areas.

NEEDS AND MEASURES

12. The following needs which can be addressed by rural development interventions can at this stage be identified:
 - education and skills acquisition in the agricultural labour force;
 - better agricultural practices and utilisation of resources;
 - more effective use of funding mechanisms and opportunities by agriculture;
 - investment in equipment;
 - compliance with standards;
 - enhancement of quality of agricultural products;

- access to land and water resources;
 - overall financial viability of agricultural activities;
 - reduced pressure on water resources by the agricultural sector;
 - environmental land stewardship by agriculture;
 - enhancement of Malta's tourism offer;
 - increase in recreational space in Malta; and
 - empowerment of local actors.
13. The Rural Development Programme for Malta 2007-2013 features seventeen measures aimed at addressing these needs, namely:
- Training, information and diffusion of knowledge;
 - Use of Farm Advisory Services;
 - Farm management, farm relief and farm advisory services;
 - Modernisation of agricultural holdings;
 - Adding value;
 - Cooperation for development of new products, processes and technology; Improving and developing infrastructure;
 - Supporting farmers who participate in food quality schemes;
 - Supporting producer groups for information and promotion activities under food quality schemes;
 - Supporting setting up of producer groups;
 - Payments to farmers in areas with handicaps, other than mountain areas; Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD);
 - Agri-environment payments;
 - Encouragement of tourism activities;
 - Conservation and upgrading of the rural heritage;
 - Skills acquisition and animation with a view to preparing and implementing a Local Development Strategy; and

Implementing local development strategies. 14. A significant part of budgetary resources is devoted to the enhancement of the tourism product and the creation of recreational space, which are needs that are, by and large, associated with Axis 3. Interventions under this Axis are new for Malta,

and their success will be critical to the overall success of the Programme. Land stewardship also attracts a considerable portion of budgetary resources, mainly due to measures under Axis 2. Various other needs, mainly pertaining to the agricultural and agri-processing sector and typically associated with Axis 1, individually attract lower portions of budgetary resources, although taken together they still form the most important part of the budget. In this regard, investment in equipment is the need which attracts the largest share of budgetary resources, while resources dedicated to improvement of education and skills attract the lowest portion.

EX-ANTE EVALUATION OF THE RDP

15. The socio-economic impacts of the RDP were evaluated by means of an expert assessment, stakeholder evaluation, and economic modelling in relation to the principal baseline indicators selected.
16. The expert assessment concluded that the overall relevance of the RDP to Malta is 43%, reflecting potential measures which are not applicable to Malta as well as the fact that certain problems in Malta cannot be solved through the RDP. The measures actually selected are considered to have the potential to reap 82% of the benefits which the RDP can generate for Malta, which score rises to 88% when the expenditure intensity by measure is taken into account. Thus, the measures chosen and the budget allocations are conducive to reap the potential benefits which the RDP can offer to Malta.
17. The next step in the evaluation process was to consider the likely effectiveness and applicability of the interventions actually designed under each measure. The overall evaluator score of the interventions designed within Malta's RDP is relatively high at 75.9%. All axes scored above 70%, with the highest score pertaining to Axis 1 and the lowest to Axis 2. The score can also be adjusted to reflect expenditure intensities, giving a result of 77.3%, indicating a bias within the plan of higher expenditure towards measures which have received a higher score by the evaluators.
18. Similar scores were obtained through an assessment of stakeholders effected through a questionnaire based upon the questions used for evaluation of the RDP. The overall relevance and applicability of interventions as designed were assigned relatively high scores of between 75 and 80%.
19. The results of a small scale economic model indicate that the likely effect of the Malta RDP for the 2007-2013 period on GVA is €214.3M, implying an average annual value of €30.6M, which corresponds to 0.6% of the total gross value added in the economy. This analysis also permits the consideration of the ratio of GVA generated by each axis to

the expenditure effected. Overall, the Plan is expected to generate €1.5 for every €1 invested over the seven year period of its operation, implying an annual rate of return of just under 6%.

20. Furthermore, the interventions of the RDP for Malta are expected to sustain an additional 481 FTE jobs for a seven-year period, equivalent to 0.3 of the total FTE jobs in the economy. The expected growth in full-time jobs in agriculture and agri-processing is of the order of slightly over 1%, while that in the rest of the economy is around 0.3%.
21. As the increase in employment is expected to be relatively low compared to that in value added, especially in the agricultural sector, it is contemplated that the RDP interventions would have their effects primarily on productivity. Growth in the productivity of the agricultural sector is expected at just over 9%, that in agri-processing at almost 1.8%, while in the rest of the economy, it would be slightly over 0.2%. The significant increase in productivity of the agricultural sector is to be interpreted in terms of the existing low productivity in the sector
22. The interventions designed for Malta under the RDP for this programming period are thus considered to be in general conducive to the socio-economic development of agriculture and the complementary activities. In particular, issues of productivity and education appear to be addressed. There are however limited or no efforts towards addressing the issues of the social standing of agricultural activities, the ageing population, the dependence of a stratum of families on agricultural life and the lack of opportunities for women in agriculture. There may exist avenues to address these issues under Axes 3 and 4, which aim at the diversification of agricultural activities and the promotion of a bottom-up approach in decision-making and resource allocation. This could be achieved by means of a deliberate bias to support actions under these Axes, which have a greater potential to address these social issues.

COMMUNITY INVOLVEMENT

23. The measures proposed in the RDP for Malta are consistent with other community objectives in which the country is participating. The interventions funded under the RDP also constitute a significant portion of the total funds to be received by Malta from the EU over the 2007-2013 programming period. It is essential for interventions within the RDP to dovetail with other funding mechanisms, and the design of interventions under the RDP take careful consideration of these issues.
24. From a wider perspective, it is to be recognised that the degree of success of the interventions under the RDP will have an important bearing on the degree to which EU funding in general will prove to be beneficial to the development of Malta. It is hoped that this will pose both a challenge as well as an opportunity for economic and social

actors in the country, especially to foster a collaborative approach needed to generate success.

COST-EFFECTIVENESS

25. An overall assessment of the degree of cost effectiveness of the interventions for Malta indicates that in terms of the budgeted outlays, there exists a reasonable degree of comfort that cost effectiveness will be achieved for measures in relation to which there already exists a significant degree of experience in Malta. These pertain mostly to interventions under Axis 1. For other measures, specific conclusions regarding the degree of cost effectiveness are at this stage premature, although the evaluation team found no evidence pointing prima facie to notable concerns in this regard. However, it is recommended that specific attention to cost effectiveness be given in the monitoring stage, especially to those interventions which are new in this RDP.
26. With regards to resources used for the implementation of the Plan, there exists no evidence pointing to inefficiencies or waste. The MA operates with the minimum indispensable resources, which actually need to be increased for it to fulfil its functions properly.

MONITORING AND EVALUATION

27. This ex-ante evaluation report considers that the monitoring and evaluation systems proposed in the RDP for Malta are suitable to fulfil their intended function. The report also proposes a system of indicators for these purposes. Some of the indicators chosen in the RDP have been included here, and modifications are proposed for others where this is considered appropriate. Targets have been set based on the lessons learned from the previous RDP, discussions with the programming team, and the budget allocation. The selection of indicators has been made in an effort to optimise between the need for parsimony and the need to have a system of monitoring and evaluation which is relevant to the specific needs of the Malta Rural Development Programme.
28. It is recommended that the monitoring and evaluation function places emphasis on those measures which are new for Malta, mainly under Axes 3 and 4, and whose effectiveness in terms of results and costs will need to be closely scrutinised. It is likely that technical assistance and expertise outside the MA will have to be sought to properly conduct these tasks.

29. Monitoring of the SEA is also required. This can be integrated into the monitoring plan for the RDP. If any significant negative impacts are identified from the implementation of the RDP, appropriate remedial measures can then be identified.

OVERALL ASSESSMENT

30. The overall assessment of this ex-ante evaluation report is that interventions under the RDP for Malta have been derived on a sound basis and that the selection of measures and budget intensities are suitable to generate the benefits which the Plan can potentially offer the country. It is however likely that this will not be sufficient to guarantee the sustainability of the agricultural and agri-processing sectors in the medium term, mainly because of problems characterising their long term evolution and which cannot be addressed via interventions within the RDP.
31. The evaluation team also notes the important emphasis being placed on interventions within Axis 3, which have important potential benefits for Malta and which will be critical to the overall success of the Plan. These interventions are new for the country and their implementation needs to take this issue into account as well as the fact that they may require collaborative approaches which are not yet sufficiently developed within the country's culture. It can also be considered that the interventions designed under Axis 3 are not sufficiently linked with the restructuring of the agricultural sector, and that there could have been a potential for better synergies in this respect.
32. It is furthermore to be highlighted that a number of interventions considered in this ex-ante evaluation report can be considered to lay solid foundations for the enhanced future sustainability of rural activities in Malta. This is especially for measures concerned with the introduction of Farm Advisory Services, the formation of Producer Organisations and the initiatives contemplated under interventions within Axes 3 and 4.
33. The evaluation team also notes the considerable efforts made by the Rural Development Department within the Ministry for Rural Affairs and the Environment in formulating measures under this Programme and in managing the Plan during the previous programming period with very limited resources. It is noted that the current Programme is far more extensive in magnitude and nature of activities, spanning sectors which do not traditionally fall under the domain of the Department. It will therefore be crucial that its implementation be accompanied by an increase in resources available to the Department and by a collaborative approach between the various authorities involved, including those in the environment and tourism domains.

4.2.2 Common impact indicators

This section summarises the common indicators included in the CMEF according to Annex VIII of Commission Regulation EC 1974/2006, deriving from the ex-ante evaluation of the programme.

The first three indicators: economic growth, employment creation, and changes in labour productivity are of an economic nature. The impacts of the programme on these three indicators, expressed in absolute and percentage growth terms, in total and distributed between agriculture, agri-processing and the rest of the economy are presented in Table 13. Indicators 4-7 are environmental indicators and their measurement is very much dependent on the existence of baseline data. Where quantification of anticipated impacts was not possible, qualitative targets were identified until data is available to allow quantification. Table 13 lists these indicators. An explanation as to why a quantified figure is not being provided together with the current and future status is outlined below.

		Target	Agriculture sector	Agro-processing sector	Rest of economy
1. Economic Growth	Net added value(PPS)				
	M€	2.31	1.69	0.28	0.34
	%	3.38%	9.7%	1.0%	1.5%
2. Economic Creation	Net jobs created	240	163	13	64
	%	0.2%	4.4%	0.6%	0.05%
3. Labour Productivity	Change in GVA/FTE (€)	263	519	233	36
	%	1.9%	4.2%	1.3%	0.2%
4. Reversing Biodiversity Decline	Change of biodiversity trend (%)	no decline regarding the population of farmland bird species			
5. Maintenance of HNV	Change in HNV areas (%)	less than			

farming areas		5% loss in HNV areas*
6. Improvement in water quality	Change in gross nutrient balance	40 kg N/ha, (target: 80kg N/ha)
7. Contribution to combating climate change	Increase in energy production from renewable energy (%)	< 1

Table 13: Impact Indicators

* This target is a provisional one, and shall be updated once the IRENA project is completed.

Alternative Indicator for Common Impact Indicator no. 6: Improvement in Water Quality

In view of the lack of data at this stage, an alternative indicator is being reported on a provisional basis, until project results are available. This is the use of fertilisers per hectare of agricultural land, expressed in kg N/ha. For the year 2005, the values for this indicator were 81 kg N/ha. The target for this provisional indicator is a decrease of 5% for use of nitrogen fertiliser per hectare on a three year period.

Impact Indicator 1: Economic Growth

The expected impact of the Malta RDP for the 2007-13 period on net additional annual value added is estimated at €31.3M, which corresponds to 0.6 per cent of the economy total. Of this, €6.2M is expected to accrue to the agricultural sector, mainly in terms of the operational aspects of measures under Axis 1. In the same manner, the value added of the agri-processing sector is expected to increase by €3.2M on an annual basis. The largest absolute impact on annual net value added is expected to accrue to other sectors of economic activity, mainly through the implementation phases of measures across all Axes and the operational aspects particularly of measures under Axis 3. Although not the largest beneficiary in absolute terms, the agricultural sector is expected to be the largest beneficiary in relative terms, with its net value added expanding by around 10.4%. This is indicative of the significant size of the RDP relative to the agricultural sector in Malta.

Impact Indicator 2: Employment Creation

The RDP for Malta 2007-2013 is expected to sustain an additional 488 FTE jobs for a seven-year period, equivalent to 0.3 per cent of the economy total. The amount of jobs expected to be created in the agricultural sector is 41, with a further 56 in agri-processing and 400 in the rest of the economy. The expected growth in full-time jobs in agriculture and agri-processing is of a magnitude of slightly over 1 per cent, while that in the rest of the economy is around 0.3 per cent. Division by gender is also expressed in Table 14:

Additional FTE jobs created by sector			
	Agriculture	Agro-processing	Rest of Economy
Males	36	34	280
Females	5	12	120

Table 14: - Expected FTE job creation

Impact Indicator 3: Labour Productivity

As a result of the RDP for Malta 2007-2013, the growth in the productivity of the agricultural sector is expected at just over 9 per cent, that in agri-processing at almost 1.9 per cent while in the rest of the economy, it would be slightly over 0.2 per cent.

The significant increase in productivity of the agricultural sector is to be interpreted in terms of significant potential of RDP measures to increase productivity in the sector. Indeed, the programme is expected to result in a higher GVA for the agriculture sector without producing any significant increase in new jobs. The increase in productivity in the agri-processing sector is also notable albeit to a much lesser extent. Although the rest of the economy absorbs the larger part of the GVA to be generated by the RDP, the resulting increase in productivity is more modest, given the existence of relatively high productivity economic activities in Malta which cannot be influenced by the RDP.

Impact Indicator 4: Reversing Biodiversity Decline

The measurement associated with this indicator is the change in trend in biodiversity decline as measured by farmland bird species population.

As explained in the Rural Development Programme and in the Ex-Ante Evaluation, no data exists for farmland bird species or whether any bird species is associated with farmland in Malta. In selecting an alternative species as an appropriate indicator, the Malta Environment and Planning Authority (MEPA), the competent authority on nature protection and biodiversity, was consulted. MEPA verified that currently, farmland species population data does not exist⁴. In order to address this lack of data, in 2006 the Department of Contracts issued a Tender (Tender Reference CT 2445 / 2006) that was funded under the Rural Development Programme 2004-2006 entitled "Integration of Environmental Concerns into Malta's Agriculture on the basis of the IRENA Operation". The aim of the project was amongst others, to

⁴ Telecon between Krista Farrugia of Adi Associates Ltd and Marie-Therese Gambin of MEPA on 21/11/2007

compute the IRENA indicators for a particular area (a Special Area of Conservation) in Malta.

It is noted that the IRENA study includes an indicator on farmland bird species (Indicator 28). The Preliminary Study⁵ prepared by the Consultants involved in the IRENA project above, no data currently exists that suggests that certain bird species are dependent on farmland in the Maltese Islands. The Study describes that research will be commissioned to determine whether the Maltese Islands can classify any bird species as being dependent on farmland. If the study does reveal that such a species is present in the Maltese Islands, this indicator may be added to the RDP. It is noted that the estimated date of completion of the IRENA study is mid-2008.

The Preliminary Report also discusses computation of Indicator 26, for the designation of High Nature Value (HNV) farmland. One of the criteria for designation of such areas is the identification of endemic / protected species in farmland. The Preliminary Report identifies that endemic species in the Maltese Islands are largely linked to rupestral and coastal habitats, rather than farmland. Other endemic species that may be associated with farmland, for instance, the Maltese Pyramidal Orchid (*Anacamptis urvilleana*) is only present for restricted periods and represents farmland that is becoming naturalised. Therefore, such a species would not serve as an appropriate indicator. It is also not informative to select species that are known to be rare. For this reason, the Consultants of the IRENA study consider that monitoring of species may not be the most informative tool to measure HNV. The same argument applies to consideration of individual species for monitoring biodiversity decline in the RDP.

An alternative approach proposed by the IRENA Consultants is to assess areas associated with farmland that are known to support biodiversity such as field margins, including rubble walls and carob trees. Certain species are in fact largely dependent on field margins for their survival, for instance the protected sub-endemic Maltese Wall Lizard, *Podarcis filfolensis*. Farmland that supports a number of types of margins, rather than a single margin type, can be expected to support wider species richness. As suggested in the Preliminary Report of the IRENA study, in order to assess biodiversity of agricultural margins in a given area, a habitat diversity index, such as the Shannon-Wiener Index (H') can be applied:

$$H' = - \sum p_i \ln p_i$$

where p_i is the relative abundance of the i^{th} form of margin (ranges from 0-1)

The IRENA study provides the following example in applying the index.

Considering a hypothetical situation with the following margins:

⁵ Preliminary Report by Consultants involved in IRENA project supplied by MRAE

<i>Margin</i>	<i>Abundance (m²)</i>
Carob	23
Rubble Wall	145
Prickly Pear	12
Great Reed	21

H' = 0.39

A different agricultural area with the following margins:

<i>Margin</i>	<i>Abundance (m²)</i>
Carob	10
Rubble Wall	209
Prickly Pear	1
Great Reed	1

H' = 0.10 reflecting the lower heterogeneity (biodiversity) of agricultural margins in the second situation.

Measurement of this indicator will therefore be based on estimating the density of agricultural margins (as length of margins per hectare), namely dry stonewalls (rubble walls) and hedges of Carob (*Ceratonia siliqua*) and Prickly Pear (*Opuntia ficus-indica*).

The IRENA study will gather the baseline data on field margins from the following data sources:

Digital land cover data in the form of aerial photographs that can be used for habitat mapping using GIS;

Results from any vegetation surveys carried out in the Area of Study;

Any distribution data on individual endemic or rare plants associated with agriculture.

It is noted that the RDP covers a wider area than IRENA's Area of Study. Extrapolation of the baseline data to consider Malta's entire rural environment will allow a target for reversing biodiversity decline to be assigned.

As discussed above the deadline for completion of the IRENA Study is mid-2008. Once this data becomes available, the RDP will use it to formulate the necessary indicators and targets.

Impact Indicator 5: Maintenance of High Nature Value Farmland and Forestry

As explained in the Rural Development Programme and in the Ex-Ante Evaluation Malta has not yet designated High Nature Value (HNV) Areas. In order to address this lack of data, in 2006 the Department of Contracts issued a Tender (Tender Reference CT 2445 / 2006) that was funded under the Rural Development Programme 2004-2006 entitled "Integration of Environmental Concerns into Malta's Agriculture on the basis of the IRENA Operation". The

aim of the project was amongst others, to compute the IRENA indicators for a particular area (a Special Area of Conservation) in Malta. One of the indicators (Indicator number 26) is the designation of High Nature Value Farmland. The terms of Reference of the Tender require the Consultants to “*develop a set of suitable criteria, parameters and methods for the identification and classification of High Nature Value Farmland in the Maltese Islands in accordance with IRENA Indicator No. 26*”.

The Study is still ongoing and no figures for indicators, including that of High Nature Value areas, have been computed. However, the Consultants who have been awarded the Tender have submitted to the Project Steering Group a methodology to enable them to collect the required data. The proposed methodology focuses on the use of “density of agricultural margins” as a measure for HNV areas. The methodology is currently being discussed with the local competent authorities.

The data sources proposed for the computation of the indicator are:

- The CORINE land cover 2000 images for the Maltese Islands;
- Any CORINE land cover maps already produced that show the 19 Corine Land Cover Classes (LCCs) which were regarded as being potentially associated with agricultural land;
- Digital land-cover data in the form of aerial photographs that can be used for habitat mapping using GIS. (Assumed to be available from MEPA’s Mapping Unit);
- Results from any vegetation surveys carried out either as part of the Local Plans studies or during the SAC designation process. (Assumed to be available from MEPA’s Nature Protection Unit within MEPA); and
- Any distribution data on individual endemic or rare plants associated with agriculture. (Assumed to be available from MEPA’s Nature Protection Unit within MEPA).

The Consultants state that “*in accordance with the principles of measurability, ease of interpretation, and cost effectiveness, and keeping in mind that this indicator will eventually need to be implemented on an island-wide basis, we are suggesting that measuring the “density of agricultural margins” as explained above will give a good, practical and readily applicable indication of all three types of HNV farmland in the Maltese context*”.

In view of the above it is proposed that should the IRENA indicator methodology described above be accepted, it would also be used for the computation of the indicator required under the RDP 2007-2013. Given that the indicator is not yet computed and that data regarding agricultural margins will be made available only in 2008, it is proposed to compute the target indicator once preliminary data of HNV areas is made available. Considering that the data is being collected by Consultants acting on behalf of the Ministry for Rural Affairs and the Environment, it is likely that the target can be computed in 2008. Considering the stage that the IRENA study is in it would

be unfounded for the Ex-Ante Evaluation Team to propose a target indicator at this stage. However, noting the parameters proposed in the IRENA indicator computation of HNV including measurement of rubble walls, it is assumed that the increase in HNV would not be less than 5% as a result of the RDP 2007-2013.

Impact Indicator 6: Improvement in Water Quality

This indicator measures the changes in gross nutrient balance. The gross nutrient balance for nitrogen provides an indication of potential water pollution and identifies those agricultural areas and systems with very high nitrogen loadings. As the indicator integrates the most important agricultural parameters with regard to potential nitrogen surplus it is currently the best available approximation of agricultural pressures on water quality. High nutrient balances exert pressures on the environment in terms of an increased risk of leaching of nitrates to groundwater. The application of mineral and organic fertilisers can also lead to emissions to the atmosphere in the form of nitrous dioxide and ammonia, respectively.

The following documents were researched to obtain gross nutrient values:

- European Environment Agency, Gross Nutrient Balance Indicators, May 2005;
- Environment Statistics, 2006 published by the National Statistics Office;
- Malta Resources Authority, Implementation of the European Union Water Framework Directive including initial characterisation of ground water bodies;
- Terms of Reference issued by the Department of Contracts for the Consultancy Services for a Preliminary Study on the Identification of the sources of Nitrate Contamination in groundwater in Malta; and
- Tender issued by the Department of Contracts (Tender Reference CT 2445 / 2006) that was funded under the Rural Development Programme 2004-2006 entitled “Integration of Environmental Concerns into Malta’s Agriculture on the basis of the IRENA Operation”.

According to the European Environment Agency, *“it is currently not possible to provide gross nitrogen balance estimates for the new EU Member States and the accession as the relevant statistical data are under elaboration”*⁶.

Local statistics only provide data on water consumption and not water quality.

The whole of the Maltese Islands is described as a Nitrate Vulnerable Zone under the Nitrates Directive. This is because the nitrate concentrations in the

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http://themes.eea.europa.eu/IMS/ISpecs/ISpecification20041007132056/IAssessment1116847222566/view_content

aquifers exceed the 50 mg/l parametric value in most regions of the Islands. In some areas the value exceeds 100 mg/l and in the perched aquifers levels exceed 200 mg/l. The characterisation of the groundwater bodies in Malta including all the aquifers has been carried out and the average nitrate concentration (in mg/l) in each aquifer is documented.

In none of the above listed official sources is the gross nutrient balance estimated. The indicator is estimated from the total nitrogen inputs to farm unit (including total fertilisers, organic inputs from non agricultural sources such as urban compost and sewage sludge spread on agricultural land, livestock manure production, manure stocks, biological nitrogen fixation, atmospheric deposition of nitrogen compounds, and other inputs such as seeds and planting material) and the total nitrogen outputs from farm unit (including all harvested crops and forage).

Reference is made to a Tender issued by the Department of Contracts (Tender Reference CT 2445 / 2006) that was funded under the Rural Development Programme 2004-2006 entitled "Integration of Environmental Concerns into Malta's Agriculture on the basis of the IRENA Operation". The aim of the project was amongst others, to compute the IRENA indicators for a particular area (a Special Area of Conservation) in Malta. One of the indicators (Indicator number 18) is "Gross Nitrogen Balance".

The Study is still ongoing and no figures for indicators, including that of Gross Nutrient Balance, have been computed. Once the indicator is computed in 2008, then the target for the RDP can be set.

Impact Indicator 7: Contribution to Combating Climate Change

This indicator measures the increase in production of renewable energy. Since the production of energy crops is not economically attractive in Malta, the increase in bio-energy will be very limited through the actions of the RDP. Having said this, renewable energy production, such as solar energy, is taken into account by other means, such as the OP 1 "Investing in Competitiveness for a better quality of life".

The production of renewable energy in Malta is only undertaken on a very small scale by a few individuals. In 2002 the Malta Resources Authority launched a "Consultation Paper on the Development of a Strategy for the Exploitation of Renewable Sources for Electricity Generation". The aim of the paper was to outline Government's strategy for the use of renewable energy. To date the strategy has not been taken forward and there is no large-scale source of green electricity on the Islands.

The lack of use of renewable energy has been noted by several experts in the field including the University of Malta's Institute for Energy Technology (<http://home.um.edu.mt/ietmalta/renewable.htm>).

Between September 2004 and January 2006 the Malta Resources Authority received 9 applications for the installation of photovoltaic installation with a capacity of less than 3.7 kWp. The total installed capacity of these installations is estimated at approximately 15 kWp⁷. The draft Energy Policy notes that uptake has been very low. The reasons cited are long pay back periods for PV installations considering the very low feed-in fees. The baseline therefore for the generation of renewable energy in Malta is close to zero percent. On this basis, and considering that changes in this field are slow, it is not anticipated that the RDP will have an impact on the generation of renewable energy. One-off initiatives could be achieved through the RDP however it is anticipated that take up would be limited and the target would be: < 1%

4.2.3 Integration of results of evaluation

In general it may be concluded that the ex-ante evaluation has determined that the approach, methodology and analysis was carried out in a serious and transparent manner. The various SWOT analyses that were effected on different sectors portray a realistic picture of Malta's rural situation and the subsequent RDP is relevant in that it effectively focuses on reducing weaknesses and threats while exploiting strengths and opportunities and at the same time contributes to resolve identified issues. The extensive selection of measures for the realisation of the programme represents both continuity and innovation to satisfy sustainable requirements. The selected strategy approach and associated measures is furthermore not only in line with identified objectives, but also conforms to EU priorities regarding the Göteborg sustainability goals and the renewed Lisbon strategy.

The entire ex-ante evaluation exercise was carried out in close collaboration between the evaluators' expert team and the programming team of the Rural Development Department. During the whole evaluation period, a number of meetings were held in order to discuss various issues and to assess the preliminary findings of the evaluators' team. This working relationship also enabled the two teams to identify common methodologies and to confirm that in cases where different approaches had been used, this led to the same result.

The process of ex-ante evaluation in general followed the same intervention logic used by the programming team. During the analysis of the situation in terms of strengths and weaknesses, a general agreement was reached between the evaluators' assessment and that performed by the programmers. The evaluators subsequently queried the fact that certain weaknesses in the sector, as identified by the analysis, had not been sufficiently addressed by the measures included in the programme. The programmers considered and acknowledged this deficiency, and explained that such measures could not be

⁷ Malta Resources Authority, 2006, A Proposal for an Energy Policy Draft for Public Consultation

adopted because they would not achieve the desired results in view of underlying deficiencies, including the absence of a national policy for agriculture, and because the effect of such measures would be potentially lost or diminished if implemented in isolation rather than in synergy with other initiatives to address structural deficiencies. The measures that were identified by the evaluators in this context included the setting up of young farmers, early retirement of farmers and meeting standards.

Another issue that was raised by the evaluators focused on the measures that were rated to be of relatively low relevance to Malta, but that were adopted in the rural development programme. These measures included for example, co-operation for the development of new process and products, and supporting farmers participating in food quality schemes. The programmers justified the inclusion of these and other similar measures with a relatively low rating in the programme on the basis of the argument that although it was acknowledged that the target sector of beneficiaries was limited, it was hoped that these measures would stimulate and provide the driving force for change in these areas. In view of these considerations, the financial allocation for these measures was reduced to reflect the realities limiting take up of the measures.

Following this initial assessment, the ex-ante evaluators conducted a wider consultation with stakeholders, whereby it was confirmed that there is a general interest in the measures adopted in the rural development programme. As a result of this consultation, the programmers shifted the financial allocation slightly and devoted a greater financial allocation to Axis 1 in view of the high demand for support for investment type operations by the sector that are aimed to increase the economic and social sustainability of rural activities.

Specific recommendations that the programmers took into account and integrated in the programme included the proposed revision of the private contribution, revision of measure targets, and a number of issues that are to be taken into consideration when drawing up the measure guidelines. The Rural Development Department is also making all possible efforts to augment and to strengthen its institutional and administrative capacity in view of the anticipated workload that shall result from the implementation of wider range of measures in the current programme. This will be partly supported by the technical assistance fund, where it is envisaged that funds shall be used to contract services that are not available in-house. The limited institutional capacity was also highlighted by the evaluators who expressed their concern as to how sufficiently equipped the Managing Authority is in terms of the limited resources available with which to manage the rural development programme for the next 7 years.

Since the evaluators' tasks included an assessment, and where relevant, a computation of the indicators proposed in the programme, certain variations emerged as a result of this exercise, in particular with respect to the baseline

indicators. For the sake of consistency and clarity, the same baseline indicators were retained in the final programme as in the national strategy plan. In cases where differences were noted, these arose either because the evaluators used a different reference year to the one used by the programmers, or because a different methodology was used. Results and recommendations arising from ex-ante evaluation have been integrated in the Rural Development Programme and the final version takes into account all the results. The complete ex-ante report, including the environment report, is annexed to the programme. The process of strategic environmental assessment of the RDP was carried out in compliance with applicable legislation. The conditions connected with the issuance of an affirmative option from the SEA have been respected and incorporated into the text of the RDP.

In accordance to article 9 of the SEA Directive, the designated authorities for this Directive, the Strategic Environment Audit Team within the Ministry for Rural Affairs and the Environment have taken provisions to ensure that due publication of the environmental report was made in order to invite consultation and feedback from stakeholders and the public in general. In this respect, all necessary procedures were adhered to and furthermore the relevant reports were made available on the website of the Ministry for Rural Affairs and the Environment (www.mrae.gov.mt and www.agric.gov.mt). The consultation period has terminated. No relevant feedback was received and SEA process is considered complete.

5. Information on the axes and measures proposed for each axis and their description

5.1 Requirements common to all measures

5.1.1 Transitional arrangement for ongoing operations

By the end of 2008, the relevant disbursements for the Ad Hoc, Meeting Standards and Technical Assistance measures under the Rural Development Programme 2004-2006 shall have been completed and transitional arrangements shall not be required. The overall measure situation is further amplified in the following table 15 which compares the measures implemented in the previous programming period with the measures that form part of this programme for 2007-2013. It outlines where transitional arrangements are necessary.

RDP 2004 – 2006 Council Regulation	RDP 2007-2013 Council Regulation	Transitional Provisions Commission Regulation
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(EC) No 1257/199	(EC) No 1698/2005	EC (No)1320/2006
Article 4. Investment in Agricultural Holdings	Article 26. Modernisation of agricultural holdings	Not applicable
Article 25. Improving Processing and Marketing of Agricultural Products	Article 28. Adding value to agricultural products	Not applicable
Articles 22, 23, 24. Agri-environment	Article 39. Agri-environment payments	Applicable
Article 33(d). Producer Organisations	Article 35. Producer groups	Not applicable
Article 33(m)(2), 47(b). Less Favoured Area	Article 37. Payments to farmers in areas with handicaps, other than mountain areas	Not applicable
Article 33(j). Ad Hoc Measures		Not applicable
RDP 2004-2006	Pending Public	Pending disbursements chargeable to EAFRD (€)
Article 21(a)(b)(d). Meeting Standards		Not applicable
Article 33(e). Technical Assistance	Article 66. Technical Assistance	Not applicable
Article 33(i). State Aid Complement		Not applicable

Table 15: Correlation of measures in RDP 2004-2006 to Measures in RDP 2007-2013

Less Favoured Areas Measure - Expenditure arising from commitments concerning compensatory allowances for Less-Favoured Areas in Malta related to the year 2006, have been completely disbursed in August 2007. In accordance with provisions of Article 6(2) of Regulation 1320/2006, expenditure arising from commitments concerning compensatory allowances for Less-Favoured Areas in Malta with respect to years 2007 and 2008 shall be charged to the EAFRD and shall comply with Regulation (EC) No 1698/2005.

Agri-environment measures - Transitional arrangements are only necessary for agri-environment measures. Estimates show that the bulk of disbursements related to commitments undertaken in relation to the programming period 2004-2006 shall be affected by 2008, leaving a limited amount to be changed to the EAFRD as till 2011. Table 16 shows the total pending disbursements and the yearly amounts chargeable to the EAFRD for the respective agri-environment measures.

Agri-env. measures	Disbursements after 2008 (€)	Total 2009-11	2009	2010	2011
Rubble Walls	2,429,917.20	1,943,933.76	1,036,754.12	568,488.52	338,691.12
Holm Oak	11,361.60	9,089.28	3,029.76	3,029.76	3,029.76
Maltese Ox	7,728.00	6,182.40	6,182.40	0	0
Organic Farming	12,553.20	10,042.56	3,347.52	3,347.52	3,347.52
Total	2,461,560.00	1,969,248.00	1,049,313.80	574,865.80	345,068.40

Table 16: Disbursements chargeable to EAFRD for ongoing contracts

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 shall be charged to the EAGGF. Expenditure related to Agri-environment commitments undertaken as from 1st January 2007 shall be charged to EAFRD and shall comply with the provisions of 1698/2005.

5.1.2 Cross Compliance Requirements

In accordance to Article 51 (1) of Council Regulation (EC) No 1698/2005, "Where the statutory management requirements or good agricultural and environmental condition are not complied with at any time in a given calendar year (hereinafter referred to as 'the calendar year concerned'), and the non-compliance in question is the result of an act or omission directly attributable to the beneficiary who submitted the payment claim under Article 36(a)(i) to (v) and Article 36(b)(i), (iv) and (v) in the calendar year concerned, the total amount of these payments granted or to be granted to that beneficiary related to the calendar year concerned shall be reduced or excluded in accordance with detailed rules referred to in paragraph 4."

Effectively this means that, for the current programming period in Malta, beneficiaries receiving support in respect of areas with handicaps, other than mountain areas, beneficiaries receiving Natura 2000 payments and payments linked to Directive 2000/60/EC, and agri-environment payments, shall comply with the requirements of cross compliance.

5.1.2.1 Statutory management requirements

In Malta, the standards for statutory management requirements (SMRs) in respect of each of the 18 Community Directives listed in Annex II of Council Regulation (EC) No 73/2009 and relating to one of the following areas: public and animal health, plant protection, the environment and animal welfare, were developed by the government department or agency with the most experience of that relevant issue. The SMRs themselves were based on existing national legislation. All SMRs are treated at same level with no specific emphasis on an individual SMR.

The list of Community legislation which form the basis for the SMRs are the following:

1. Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds. (Bird Directive).
2. Council directive 80/68/EEC of 17 December 1979 on the protection of groundwater against pollution caused by certain dangerous substances (OJ L120, 26.1.1980, area 15, vol. 2, p. 0211, Celex 31980L0068).
3. Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture. (Sludge Directive).
4. Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources. (Nitrates Directive).
5. Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora. (Habitat Directive).
6. Council Directive 2008/71/EC of 15 July 2008 on identification and registration of pigs (OJ L 213, 8.8.2005, p. 31)
7. Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the utilization of beef and beef products, and repealing Council Regulation (EC) No 829/97.
8. Council Regulation (EC) No 21/2004 establishing a system for the identification and registration of ovine and caprine animals (OJ L5, 9.1.2004, pp. 8–17, Celex 32004R0021), and amending Regulation (EC) No 1782/2003 (OJ L270, 21.10.2003, pp. 1–69, Celex 3200R1872) and Directives 92/102/EEC and 64/432/EEC.
9. Council Directive 91/414/EEC of 15 July 1991 concerning the placing of plant protection products on the market. (Plant Protection Directive).
10. Council Directive 96/22/EC of 29 April 1996 concerning the prohibition on the use in stockfarming of certain substances having a hormonal or thyrostatic action and of β -agonists in livestock production (OJ L125, 23.5.1996, p. 3–9, Celex 31996L0022). (Hormone Directive).
11. Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety

- Authority and laying down procedures in matters of food safety (OJ L31, 1.2.2002, pp. 1–24, Celex 32002R0178). ('food law').
12. Regulation (EC) No 999/2001 of the European Parliament and of the Council of 22 May 2001 laying down the rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies (OJ L147, 31.5.2001, pp. 1–40, Celex 32001R0991).
 13. Council Directive 85/511/EEC of 18 November 1985 introducing Community measures for the control of foot and mouth disease (OJ L315, 26.11.1985, area 3, volume 19, p. 0209, Celex 31985L0511).
 14. Council Directive 92/119/EEC of 17 December 1992 introducing general Community measures for the control of certain animal diseases and specific measures relating to swine vesicular disease (OJ L62, 15.3.1993, area 3, volume 48, p.0213, Celex 31992L0119).
 15. Council Directive 2000/75/EC of 17 November 2000 laying down specific provisions for the control and eradication of bluetongue (OJ L327, 22.12.2000, pp. 74–83, Celex 32000L0075).
 16. Council Directive 91/629/EEC of 19 November 1991 laying down minimum standards for the protection of calves. (Calf Directive).
 17. Council Directive 91/630/EEC of 19 November 1991 laying down minimum standards for the protection of pigs. (Pig Directive).
 18. Council Directive 98/58/EC of 20 July 1998 concerning the protection of animals kept for farming purposes.

5.1.2.2 Good agricultural and environmental condition

Annex III of Council Regulation (EC) No 73/2009 and referred to in Article 6 of the same regulation provides a framework for defining good agricultural and environmental conditions (GAECs) at Member State national or regional levels, taking into account the specific characteristics of the areas concerned, including soil and climatic conditions, existing farming systems, land use, crop rotation, farming practices and farm structures.

Framework for good agricultural and environmental condition set up in Annex III, referred to in Article 6:

Issue	Standards
<i>Soil erosion</i>	Minimum soil cover
Protect soil through appropriate measure	Minimum land management reflecting site specific conditions
	Retain terraces
<i>Soil organic matter</i>	Arable stubble management
Maintain soil organic matter levels through appropriate practice	Standards for crop rotations

<i>Soil structure</i>	Appropriate machinery use
Maintain soil structure through appropriate measures	
<i>Minimum level of maintenance</i>	Minimum livestock stocking rates and/or appropriate regimes;
Ensure a minimum level of maintenance and avoid the deterioration of habitats	Protection of permanent pastures; Retention of landscape features, including, where appropriate, hedges, ponds, ditches trees in line, in group or isolated and field margins; Avoid the encroachment of unwanted vegetation on agricultural land; Establishment and/or retention of habitats; Prohibition of the grubbing of olive trees; Maintenance of olive groves and vines in good vegetative condition
<i>Protection and management of water</i>	Establishment of buffer strips along water courses
<i>Protect water against pollution and run-off, and manage the use of water</i>	Where use of water for irrigation is subject to authorisation, compliance with authorisation procedures

Some of the standards, specifically those related to:

- protection of rubble (stone) walls;
- control of unwanted vegetation on agricultural land;
- protection of indigenous trees and shrubs;
- prohibition of non-biodegradable refuse in fields

are also included national legislation.

GAEC standards for Malta are proposed and adopted by the Paying Agency.

The first set of national GAEC standards defined and adopted for Malta were the following:

Soil Erosion

A1 Minimum Soil Cover - No sheet, rill or erosion gullies must be present on site.

A2 Minimum land Management reflecting site-specific conditions - Always plough parallel to the contours

Soil Organic Matter

B1 Standards for crop rotation where applicable - In crop rotation practices, crops belonging to the same botanical family should not be grown successively.

B2 Arable stubble management - Stubble should not be burnt in the field.

B3 Arable stubble management - On land cultivated with cereals, stubble should not be ploughed before mid-August.

Soil Structure

C1 Appropriate use of machinery - Machinery should not be used on the soil when it is flooded or water saturated.

C2 Appropriate use of machinery - Unnecessary trampling of the soil with heavy machinery should be avoided at all times.

Minimum Level of Maintenance

D1 Retention of landscape features - Terraced rubble walls should be preserved and maintained in good state.

D2 Retention of landscape features - Indigenous trees listed in the “Guidelines on trees, shrubs and plants for planting and landscaping in the Maltese Islands” should not be uprooted.

D3 Retention of landscape features - There should be no depositing of soil or dumping of sub-layer material on garigue habitats lying within the perimeter of the holdings.

D4 Avoid encroachment of unwanted vegetation on agricultural land - Unwanted vegetation on agricultural land should be controlled through the use of appropriate weed control measures.

D5 Maintenance of olive groves in good vegetative condition - Olive groves should be maintained in good condition and suckers should be removed from olive trees.

Protection and management of water

E1 Establishment of buffer strips along water courses – fertilisers shall be applied in accordance with the National Nitrate Action Programme

E2 Compliance with authorisation procedures – sources of water (such as boreholes) present on the holding must be registered with the Competent Authority. Any groundwater source which was not registered in accordance with the Notification of Groundwater Sources Regulations, 2008, must be notified to the Malta Resources Authority by all users of such a groundwater source

Other GAEC standards:

Controls related to Agri-Environment and Less Favoured Areas

R1 Non bio-degradable refuse should not be found on the parcel (this includes pesticide containers)

R2 There should be no signs of negligent spillage of water

R3 Manure should not be dumped on the parcel

Summary of rules for maintenance of minimum pasture levels:

There is no permanent pasture in Malta and livestock are all kept indoors. As a result, there is no need to have any standards in place for monitoring levels of permanent pasture.

Following the submission of these standards, and the receipt of comments from the Commission, the Paying Agency revised the GAEC standards in terms of the legislative framework and proposed another set of standards. These GAEC standards were submitted on the 10th October 2007 to the Commission's Director General, Directorate-General for Agriculture and Rural Development.

The newly adopted GAEC standards adopted as from 1st January 2007 are the following:

ISSUE: SOIL EROSION

Standard: Minimum soil cover

If not implemented, justification :

The main soil erosion problems in Malta are related with the heavy early autumn rains. Given that the climate in Malta is semi-arid, a summer crop cannot be established without irrigation. For this reason it is unsustainable to encourage the establishment of a soil cover during the arid period and therefore it is not possible to implement a standard for this requirement.

Standard: Minimum land management reflecting site-specific conditions
National Standard: On sloping land, ploughing should always practiced in parallel with the contours of the field.

Summary of the requirement(s) :

On parcels having a slope greater than 10%, ploughing, cultivation and planting should be carried out across the direction of the slope. There should be no evidence of sheet, rill or erosion gullies on site.

Standard: Retain terraces

National Standard: Load-bearing rubble walls that serve to retain soil on terraced slopes should be maintained in a good condition.

Reference(s) of the national legal provision(s) for implementation :

Legal Notice 160 of 1997 of the ENVIRONMENT PROTECTION ACT (CAP. 43) - Rubble Walls and Rural Structures (Conservation and Maintenance) Regulations, 1997.

Legal Notice 169 of 2004 of the ENVIRONMENT PROTECTION ACT (CAP. 43) - Rubble Walls and Rural Structures Conservation and Maintenance (Amendment) Regulations, 2004.

In addition, Legal Notice 346 of 2005 'Cross compliance related to EU aid applications in terms of the Paying Agency regulations, 2005' refers to the cross compliance requirements, including GAEC standards, that farmers must comply with.

Summary of the requirement(s) :

Load-bearing rubble walls that serve to retain soil on terraced land should be maintained in a good state. Any breaches occurring as a result of soil saturation following storms should be repaired in order to prevent further soil loss.

ISSUE: SOIL ORGANIC MATTER

Standard: Standards for crop rotations where applicable

National Standard: On irrigated land, crop rotation should be practiced regularly, and crops belonging to the same botanical family should not be grown successively on the same parcel of land.

Reference(s) of the national legal provision(s) for implementation :

There are no national legal provisions for crop rotation. Legal Notice 346 of 2005 'Cross compliance related to EU aid applications in terms of the Paying Agency regulations, 2005' refers to the cross compliance requirements, including GAEC standards, that farmers must comply with.

Summary of the requirement(s) :

On irrigated land, crop rotation should be practiced regularly, and crops belonging to the same botanical family should not be grown successively on the same parcel of land. Preferably, crops belonging to the same soil humus-depleting category should not be grown for more than three years successively on the same parcel and have to be put into rotation with at least one year of the soil-improving crops or with at least one year of set-aside.

Standard: Arable stubble management

National Standard: Stubble and vegetable residues should not be burnt on the soil, except where by order of the national plant health authority.

Reference(s) of the national legal provision(s) for implementation :

There are no national legal provisions for arable stubble management. Legal Notice 346 of 2005 'Cross compliance related to EU aid applications in terms of the Paying Agency regulations, 2005' refers to the cross compliance requirements, including GAEC standards, that farmers must comply with.

Summary of the requirement(s) :

It is forbidden to burn stubble or vegetation residues directly on the soil, except by order of the national plant health authority. Following such cases, farmers shall adopt corrective actions, including green manuring or application of organic material prior to the establishment of the following crop.

In cases where harvested vegetable residues are collected in a heap and need to be destroyed for the prevention of transmissible plant diseases, this should be done in a limited area of the field, not exceeding 10m². Appropriate stubble management, including ploughing and incorporation of residues, should be practiced where possible and where agronomic conditions permit, in order to increase soil organic matter.

ISSUE: SOIL STRUCTURE

Standard: Appropriate machinery use

National Standard: Machinery should not be used on the soil when it is flooded or water-saturated.

National Standard: Unnecessary trampling on the soil with heavy machinery should be avoided at all times.

Reference(s) of the national legal provision(s) for implementation :

There are no national legal provisions for appropriate use of machinery. Legal Notice 346 of 2005 'Cross compliance related to EU aid applications in terms of the Paying Agency regulations, 2005' refers to the cross compliance requirements, including GAEC standards, that farmers must comply with.

Summary of the requirement(s) :

1. It is prohibited to use machinery for normal agronomic purposes when the soil is water-saturated or flooded to avoid compaction and deterioration of soil structure.
2. Unnecessary trampling on soil with heavy machinery should be avoided at all times. It is forbidden to enter into the field unnecessarily with a vehicle, and to use any part of the field as a parking space for vehicles and machinery.

ISSUE: MINIMUM LEVEL OF MAINTENANCE

**Standard: Minimum livestock stocking rates or/and appropriate regimes
None**

If not implemented, justification :

Since there is no pastureland in Malta, livestock are reared indoors under intensive systems and are not taken out for grazing. Therefore minimum stocking rates on pastures/grazing land are not applicable, and it is not relevant to implement a GAEC standard in terms of this requirement.

**Standard: Protection of permanent pasture
None**

If not implemented, justification :

Since there are no permanent pastures in Malta, it is not relevant to adopt a standard for this requirement.

**Standard: Retention of landscape features, including, where appropriate, the prohibition of the grubbing up of olive trees
National Standard: Uprooting of indigenous trees listed in Schedule I-III of LEGAL NOTICE 12 of 2001 is forbidden.
National Standard: The deposition of soil or dumping of sub-layer material on garigue habitats is prohibited.**

Reference(s) of the national legal provision(s) for implementation :

LEGAL NOTICE 12 of 2001 of the ENVIRONMENT PROTECTION ACT (CAP. 34) - Trees and Woodland (Protection) Regulations
Legal notice 257 of 2003 of the Environment Protection Act (CAP 435) and Development Planning Act, 1992 (CAP 356), Flora, Fauna and Natural Habitats Protection Regulations, 2003.

In addition, Legal Notice 346 of 2005 'Cross compliance related to EU aid applications in terms of the Paying Agency regulations, 2005' refers to the

cross compliance requirements, including GAEC standards, that farmers must comply with.

Summary of the requirement(s) :

Protected trees listed in the Schedule I, II, III of LEGAL NOTICE 12 of 2001 should not be uprooted except when authorized by a permit from the national competent authority.

There should be no deposition of soil or dumping of sub-layer material on garigue habitats lying within the perimeter of the holdings.

Standard: Avoiding the encroachment of unwanted vegetation on agricultural land

National Standard: The encroachment of unwanted vegetation leading to abandonment of parts or all of the fields should be avoided.

Reference(s) of the national legal provision(s) for implementation :

Agricultural Leases Act, 1967 (CAP 199)

In addition, Legal Notice 346 of 2005 'Cross compliance related to EU aid applications in terms of the Paying Agency regulations, 2005' refers to the cross compliance requirements, including GAEC standards, that farmers must comply with.

Summary of the requirement(s) :

The encroachment of unwanted vegetation which interferes with the cultivation of agricultural crops should be controlled through appropriate measures in order to prevent abandonment of parts or all of the parcels of agricultural land. In cases where farmers establish buffer areas or conservation bio-belts within their fields for the purpose of encouraging biodiversity or protection of natural habitats, wildlife and water bodies using non-agricultural species, and in cases where the farmers adopt inter-row cultivation of non-agricultural species between trees or other crops for the purpose of soil cover, such proliferation of non-agricultural species is not to be considered as encroachment of unwanted vegetation.

Standard: Maintenance of olive groves in good vegetative condition

National Standard: Olive groves should be maintained in good condition.

Reference(s) of the national legal provision(s) for implementation :

There are no national legal provisions for the maintenance of olive groves. Legal Notice 346 of 2005 'Cross compliance related to EU aid applications in

terms of the Paying Agency regulations, 2005' refers to the cross compliance requirements, including GAEC standards, that farmers must comply with.

Summary of the requirement(s) :

Olive groves must be maintained in good condition:

- suckers must be removed from olive trees every year or at least every two years,
- the olive trees have to be pruned at least once every 5 years,
- infesting plants must be removed from aerial part of the trees every year.

ISSUE: PROTECTION AND MANAGEMENT OF WATER

Standard: Establishment of buffer strips along water courses

Fertilisers shall be applied in accordance with the National Nitrate Action Programme.

Standard: Compliance with authorisation procedures

Sources of water (such as boreholes) present on the holding must be registered with the Competent Authority. Any groundwater source which was not registered in accordance with the Notification of Groundwater Sources Regulations, 2008, must be notified to the Malta Resources Authority by all users of such a groundwater source.

MAINTENANCE OF THE LAND UNDER PERMANENT PASTURE PURSUANT TO ARTICLE 6(2) OF REGULATION N°73/2009 AND ARTICLES 3 AND 4 OF REGULATION N°1122/2009

If not implemented, justification:

Malta has no permanent pastures. Therefore this standard is not applicable to Malta.

5.1.2.3 National minimum standards and other relevant national provisions concerning the use of fertilisers and plant protection products

Provisions for fertilisers

Malta does not have specific legislation concerning the use of fertilisers.

In terms of legal notice 233 of 2004, all of Malta has been designated as a Nitrate Vulnerable Zone.

The Maltese Code of Good Agricultural Practice (MRAE, undated draft) (hereafter referred to as the Code) contains certain provisions concerning the use of fertilisers that are applicable to all agricultural land – good fertilisation practices.

Good fertilisation practices

Storing and handling of mineral fertilizers

1. Mineral fertilisers must be stored in the original containers inside suitable storage facilities.
2. Fertilisers should be stored in areas separate from fresh produce, nursery stock, animal food and food for human consumption.
3. All fertilisers should be stored with the original label.
4. Liquid fertilisers must be stored in original containers or corrosion-resistant leak-proof tanks. Overfilling of tanks must be avoided.
5. No fertilisers should be stored within 150m of a drinking water well and 300m from the coast.

Fertilisation planning

1. Application of mineral and organic fertilizers should be based on a fertilisation plan. Input and output of plant nutrients should be balanced. A fertilisation plan should be made for each field and each crop individually.
2. Within a protection zone around a drinking water well, a fertilisation plan has to be followed. Organic fertilisers should not be applied within this zone. The minimum distance from the well should be 30m.

Fertiliser application rates

To determine fertiliser application rates, N, P and K delivered by mineral and organic fertilisers as well as by other sources (e.g., irrigation water) must be taken into account.

Timing of fertilisation

Mineral nitrogen fertilisers and organic fertilisers must be applied close to sowing. Splitting of fertiliser applications is recommended whenever possible.

Appropriate application techniques

1. Fertiliser (mineral and organic) should be distributed uniformly on the field.
2. Fertilisers (mineral and organic) should not be applied to any type of fresh water courses. A minimum distance of 5m must be kept from natural water courses and boreholes during fertiliser application.
3. Whenever possible, sub-surface placement of mineral and organic fertilisers is recommended.

Specific regulations for the use of organic fertilisers

1. The amount of “total nitrogen” applied from livestock manure (solid manure, liquid manure, slurry and urine) including excreta by the animals themselves must not exceed 210 kg N/ha per year on farm scale for the first four years of the current action programme and 170 kg N/ha per year starting from the second action programme (2008).
2. All types of organic fertilisers should not be applied between the 15th October to the 15th of March.
3. Liquid manure should not be applied to soils with a slope of 10m/100m or more. Solid manure and mineral fertilisers should not be applied to sloping land unless they are incorporated immediately after application.
4. Liquid and solid manure should not be applied within 100m from the coast.
5. Liquid and solid manure should be incorporated into the soil as soon as possible. Liquid manure can be applied close to soil surface if it cannot be incorporated without damaging a growing crop.
6. Fertilisers (mineral and organic) should not be applied to water saturated soils and to soils that are likely to be flooded.

Record keeping of fertilisation

Purchase and application of all types of mineral and organic fertilisers should be recorded.

Fertigation

1. Whenever possible, the fertilizers should be applied by fertigation
2. The quantity of fertilisers applied with the irrigation water must be based on the crop's needs and the nutrient content of both the soil and the irrigation water.

Provisions for plant protection products

The main legal provisions concerning the use of plant protection products by farmers are embodied in the Pesticides Control Act, Act XI of 2001, Chapter 430 of the Laws of Malta, the Plant Protection Products Regulations, 2004, L.N. 115 of 2004, amended by L.N. 502 of 2004, and the Maximum Residue Levels of Pesticides in Produce of Plant Origin Regulations, 2004, L.N. 119 of 2004 and amended by L.N. 281 of 2005 and L.N. 306 of 2005.

According to LN 115 of 2004, no person shall use or allow to be used any plant protection product that is designated as a high-risk plant protection product unless the user is authorized as a professional user in accordance with the provisions of these regulations, and any person wishing to qualify as a professional user shall attend a course of instruction regarding the safe use and handling of a high risk plant protection product.

In respect of high risk plant protection products used by the professional user, the following records shall also be kept:

- (a) The name of the high risk plant protection product;
- (b) The quantities and batch number of the high risk plant protection product being used in a particular instance
- (c) Details to identify the location or crop on which the product was used;
- (d) The date on which the product was applied in the particular location.

A professional user shall ensure that he takes all necessary and indicated precautions in order to minimize the risk of unwanted effects to humans, animals and the environment that may result from the use or disposal of the plant protection product or its packaging.

The Code of Good Agricultural Practice for the Maltese Islands (MRAE, 2004) also contains provisions concerning the use of plant protection products – good plant protection practices.

Good plant protection practices

Good plant protection practice (GPPP) is a basic strategy in plant protection and means the application of plant protection measures that:

1. Are safe for humans, animals and the environment from a scientific point of view
2. Have been recognized by the competent authorities as suitable, appropriate, and necessary in practice
3. Are recommended by official extension services or recognized and qualified consultants, and
4. Are practiced by skilled users

The principles of good plant protection practice constitute a framework of action for those concerned with plant protection measures in agriculture, horticulture and forestry. Together with the national law on the placing of plant protection products on the market and on their use, namely:

- Pesticides Control Act XI of 2001

- The Plant Protection Products Regulation

General principles:

1. Plant protection measures shall be carried out so as to fit the site, the crop, and the situation, and the use of plant protection products shall be reduced to what is absolutely necessary
2. Proven cultural, biological and other non-chemical measures to reduce damage from pests and diseases shall be used as far as possible wherever practical and economically feasible
3. The aim shall be not to eliminate harmful organisms, but to reduce infestation so that there is no economic damage. There may be cases, however, which require zero tolerance for a pest organism.
4. Growers shall use the diverse assistance of official and other extension services, look for advanced training and any other decision aids

Principles of measures to prevent infestation by harmful organisms

1. The growers should consider the possibility of prevention of infestation by harmful organisms through choice of adequate cropping systems, crops, crop rotation and tillage.
2. Cultivars and origins which are resistant or have at least a certain tolerance of important site-specific pest organisms should be considered especially in known cases of soil-borne diseases.
3. Hygienic measures must be taken to create the conditions for healthy and vigorous crop stands.

Principles of evaluation of infestation and/or damage that may be caused by pathogens, pests and weeds

1. Growers should not resort to calendar spraying; instead, regular monitoring should be carried out on the crops to determine the degree of infestation before a decision is made on what method is used to control any possible harmful organisms.
2. In making a decision on what control measures to apply, growers should be aware of the availability of other official information included in informative leaflets, information by the meteorological office, grower meetings, radio broadcasts, training courses and laboratory/extension office advice.

Principles of application of non-chemical plant protection measures

If there are effective and environmentally friendly non-chemical measures, they should be preferred to others.

Principles of correct and intended use of plant protection products

1. Authorized plant protection products, suitable equipment and competent users are the fundamental conditions for use of plant protection

products must only be introduced, distributed or used if they are authorized in Malta after registration and authorization by the Department of Plant Health.

2. Plant protection products are chosen after consideration of the target organisms, their efficacy and cost, the site, and the crop. The most suitable products for the specific circumstances should be chosen.
3. Treatments and dose rates should be adapted to the given conditions. The grower should be aware of the possibility of reducing the maximum indicated the maximum indicated number of applications and application rates.
4. Appropriate strategies of resistance management, namely use of different families of active substances, combination of active substance and other chemicals, e.g., mineral oil shall be used to tray and prevent development of resistance.

Principles and instructions for correct and intended use of plant protection equipment

Only suitable plant protection equipment in good working order should be used. During applications of plant protection products, smoking, eating and drinking should not be permitted.

Principles of storage and other handling of plant protection products

1. Storage of plant protection products should be limited to the necessary minimum in time and amount, and is subject to particular legal responsibility to exercise caution.
2. If an accident happens and pesticides leak from transport containers, the Department of Plant Health, Ministry for Rural Affairs and the Environment, and if necessary the distributor must be called.
3. Special safety precautions must be taken to protect the user and the environment when preparing the spray liquid.
4. To avoid danger, the safety precautions described in the user instructions, in particular with regards to protecting skin absorption and respiratory organs, must be followed when handling the concentration and preparing the spray mix.

Principles of verification of success and documentation of plant protection measures

1. Every plant protection measure should be followed by an inspection to see whether it was successful. This allows competent decisions about further steps and gathering experience about the effect of plant protection measures in certain situations. The success of plant protection measures should be verified by suitable means.
2. The usage of plant protection products must be documented by the growers as a minimum for all edible crops.

5.1.3 Targeting of investments

The major objective in Axis I is to improve the competitiveness of the agricultural sector through increasing the effectiveness and quality of the production while adhering to the principles of sustainable development and ecologic farming. So as to attain this aim, a classical assistance for the whole agricultural sector shall be adopted so as to guarantee the maintenance of stable and dynamic enterprises and furthermore optimize resources in the use of inputs, use of new technologies, and orientation towards quality products.

Within Malta, and its 10,000 hectares of UAA, there does not exist any identifiable rural region which is in structural decline and in need of diversification. There also exists a significant degree of proximity between different economic activities, both in terms of geography as well as in terms of occupational involvement. Consequently, the rural sector in Malta would benefit more from efforts aimed at intervention needs facing rural Malta that focus on the need for investments that lead to increased productivity and competitiveness, diversification plus promotion of sustainable agricultural practices. While the survival of both the agricultural and livestock sector remains the overriding scope to maintain the rural framework and correlated cultural heritage, relevant targeting shall thus focus on improving holding efficiency, maintaining and improving current productivity levels whilst orientating towards market quality, improving water resource management as well as fostering projects of environmental benefit.

The associated actions to be funded are organized according to three objectives a) general modernization and improvements of holdings; b) environmental investments; c) investments orientated towards new and better standards. Financing support shall include: a) installation, modernization and/or automation of systems for livestock housing including animal welfare, fruit production, horticultural propagation plus harvesting of produce; b) investment in water storage facilities; c) investments for the improvement of the productive installations mainly greenhouses; e) investments addressed to the reconversion of the production in vineyards and apiaries if compatible with relevant regulation specificities; f) investments that constitute environmental improvements; g) investments linked to compliance with Community standards.

5.1.4 Criteria and administrative rules

One of the responsibilities of the Managing Authority is to ensure that all investment applications are properly presented and evaluated. Given that only one source of EU funding may be used to finance project applications, measure eligibility criteria is so designed to exclude the possibility of duplication of aid. Nevertheless, once the application is registered, scrutinized and checked, if the application should present itself in an area potentially bordering on other funds, it will be separated and referred via the MA to all

concerned authorities. In this respect, regular consultations are envisaged to be carried out with all other EU funding authorities. There is also the added precaution that all applications shall also be cross checked and verified by the relevant Centralized Authorization Function unit of the PA.

Particular attention has been given to the segregation and the achievement of synergy between the actions of the Programme and of the measures of the first pillar of the Common Agricultural Policy (CAP). The first pillar of the CAP primarily concerning direct payments aims at the financial support of the farmers. Consequently, the RDP shall be coherent with the first pillar of the CAP, in particular fruit and vegetable common market organisations, Annex 1 produce as well as information and promotion, through measure specificity. No double funding of projects is allowed and measure provisions are in place to ensure that the scope of aid will not overlap.

For the fruits and vegetables sector, the general rule is that the CMO for fruit and vegetables is to be used for support. Producer organisations shall only be eligible for support under this measure if they are able to demonstrate that they cannot receive support for the same activity/operation under the CMO. The Managing Authority shall liaise with the competent authority for support under the CMO to verify that the PO is not eligible for support.

Investment support for modernisation in the agricultural sector, adding value involving the processing of agricultural goods plus those for information and promotion activities under Axis I and also for tourism and conservation activities under Axis 3 have specific demarcations and delimitation between EAFRD and ERDF, EFF and other funds which shall apply to different target groups and project parameters.

5.1.5 Consistency and plausibility of calculations

The calculations related to agri-environmental payments have been established on the basis of objective criteria by a competent agronomist engaged by the Managing Authority specifically for this purpose.

Islands Consulting Services together with E-Cubed Consultants have been commissioned as an independent body to carry out an assessment of payments calculated by the Rural Development Department for the agri-environment measures included in Malta's Rural Development Plan 2007-2013. Consequently as a functionally independent entity ICS together with E-Cubed Consultants have checked and verified the agri-environmental calculations and confirm that these meet Commission requirements as so indicated in article 48 (2) of Reg. 1974/2006.

A copy of the consultants' statement concerning the methodology and verification of calculations is found in Annex 18.6.

5.2 Axis 1 – Improving the competitiveness of the agricultural sector

5.2.1 Training, information and diffusion of knowledge

Legal basis: Article 21 of Regulation (EC) No 1698/2005

Measure code: 111

Rationale for intervention

Training, information and diffusion of knowledge are basic requirements for the evolution and specialisation of any sector. This need is even more pronounced in Malta in agriculture, agro-food industries and related activities. Workers within the agricultural sector have limited opportunities for training since existing formal training only caters for young people or other individuals wanting to embark on a career in agriculture or interested in starting a business in this sector. Training for adult and established farmers, agro-retailers, and other workers in agro-food industry, including the employees within the Ministry for Rural Affairs and the Environment, is almost non-existent. The situation is slightly better in the agro-food industries, as it is becoming customary for processing companies to provide in-house training to their employees on such subjects as food safety and hygiene. The Malta University Services and the Institute of Agriculture have also recently started organising courses for specific groups of agro-workers with noticeable success.

Information and diffusion of knowledge are also lacking, except for the occasional seminars and talks organised by the Department of Agriculture within the Ministry for Rural Affairs and the Environment and by some of the farmers' co-operatives. Another singular effort is the weekly radio programme and monthly information leaflet issued by the information section within MRAE which tackle practical agricultural issues.

Since the local expertise base is relatively limited, a lot of knowledge and information in the agricultural field is acquired from foreign experts who occasionally visit the islands. Practical and learning experiences abroad are equally fruitful. However, such knowledge still has to be applied to the unique and specific local conditions. This highlights the need for pilot, demonstration and experimentation projects and for the dissemination of the results and know-how gained from such initiatives.

People working in agriculture need to be provided with training on the basic skills required to run their activity in a profitable manner (marketing, technical skills, etc), to be kept informed about recent developments in the sector, to be made aware of developments in new regulations and to become knowledgeable about practices that respect the environment.

Objectives

The objective of this measure is 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 and thus meet the challenges that result from the new standards and demands of the rural economy.

The specific objectives 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.

Scope and actions

Support under this measure shall cover training that does not form part of the normal programmes or systems of agricultural education at secondary or higher levels, as well as demonstration activities and diffusion of information actions.

It is expected that this measure will lead to:

- the application of production practices compatible with the maintenance and enhancement of the landscape, the protection of the environment, hygiene standards and animal welfare;
- qualitative re-orientation of production leading to diversification;
- acquisition of the skills needed to manage an economically viable agri-business enterprise.

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.

Also, since producer groups are still not well developed in Malta, both in terms of adapting to the shift from co-operatives and in terms of operational functioning, specific training under this measure shall be targeted to existing and prospective members of producer organisations in order to ensure their successful operation, and to increase the likelihood of successful implementation of the measure supporting such groups under the rural

development programme. Training will also equip the producers with the necessary knowledge and skills in order to overcome difficulties and derive maximum benefit from membership within producer groups.

Beneficiaries

The immediate beneficiaries shall be legal entities that have been appointed by the Ministry for Rural Affairs and the Environment, following a call for expression of interest, to organise training; natural persons or legal entities engaged in scientific research and experimental activities in the agriculture, rural development and food sectors, and natural persons or legal entities engaged in activities related to agriculture and food.

The final beneficiaries of this measure shall be adult persons and legal entities that are engaged in activities related to agriculture and food, including public officers having a regulatory function.

In the event of limited capacity or financial restriction, priority for training for persons engaged in agricultural activities shall be given to beneficiaries of measures 121, measure 142 and measure 214. In the case of measure 214, which in practice consists of a number of sub-measures, the obligation to acquire training and priority for training shall be extended to all participants of agri-environment measures, including beneficiaries of the rural areas conservation scheme sub-measures, as well as standalone agri-environmental sub-measures, with the exception of sub-measure 5.2.4.3 (standalone AEM 3): support for the conservation of genetic resources in agriculture, where the direct beneficiaries shall consist of entities already involved in the protection of the environment and the conservation of the rural landscape rather than farmers/land managers.

In general, in the food sector, training shall be limited to the managers or owners of micro-enterprises only, and shall not be extended to their employees. This is considered necessary in view of the demarcation criteria established with respect to training provided under the ESF. Also, in view of the very small size of the targeted enterprises, it is considered that managers and owners of micro-enterprises are in an adequate position to transfer acquired skills and knowledge to workers/employees within their business. In the food sector, EAFRD support shall therefore be limited only to 'train the trainers'.

Description of the operations

The type of operations that shall be supported under this measure may be:

- Training programmes, including courses, seminars, workshops and e-learning activities. Training may be in different modalities, including frontal lessons with big or small groups, conferences and/or seminars, and informal on-site training sessions
- Mass-media information, including books, publications, websites and information activities that make use of various media channels
- Demonstration activities, including operations that increase the visibility of project results, that provide access to experimental sites, and that facilitate interactivity.

Actions supported under this measure shall target only the primary production and agro-food sectors.

Coverage of support

Support under this measure for training, dissemination of information and demonstration activities may fall within one or more of the following categories of topics:

- Maintenance and enhancement of landscape and protection of the environment, including good agricultural practices
- New technological processes and machinery/ innovative practice
- ICT training in agriculture
- Management, administration and marketing skills
- New standards
- Product quality, including food preparation

The Managing Authority shall issue a call for an expression of interest for the provision of training or other means of diffusion of knowledge covering one or more of the topics listed above, possibly specifying the number of hours that the course should entail, the modules to be covered and the expected number of participants. Bidders shall be selected on a competitive basis according to public procurement regulations.

Eligible expenditure:

- Non-capital costs for organising training courses, workshops, seminars, and experiences abroad. This may include trainers' salaries, the salaries of co-ordinating, and administrative assistance staff, training/course material, the cost of venue and equipment hire, the cost of advertising training actions, and other expenditure related to promotional events.
- Non-capital costs incurred in organising and facilitating the dissemination of information and in increasing the visibility of scientific results of pilot experiments or demonstration projects. This may include costs related to the setting up of multi-media and audio-visual facilities for exhibition, demonstration and transfer of knowledge (such as exhibition halls).

Non-eligible expenditure:

- Expenses associated with training courses that are provided through secondary schools and higher levels and that form part of the regular programme of agricultural education.
- Expenses associated directly with the implementation of scientific projects and experiments or trials will not be eligible for support. Moreover, support shall only be provided for projects whose results contribute in a tangible way to increase the sustainability of agriculture.

Bodies providing the training and information actions

The training providers shall be those appointed by the Ministry for Rural Affairs and the Environment following a public call for proposals. Selection criteria shall include the requirement to demonstrate capability of organising and conducting training and information actions, having access to suitably qualified trainers and training facilities, and having a proven track record in conducting successfully projects and or scientific experiments in the specified areas.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
461,984	346,488	75	115,496	25

Demarcation with other EU financial instruments

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.

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.

Measure 111 will focus on:

- The application of sound and sustainable production practices at the primary level of production as well as at the primary processing level (the agro-food industry);

- Strengthening of the control function within the Paying Agency (This will target public officers and FAS providers)
- The acquisition of skills under this measure will focus to provide training that leads to better management for an economically viable agri-business enterprise, This includes more specifically:
 - How to write a business plan
 - Carrying out market research
 - Developing food export markets
 - The specific requirements of running a food business
 - Implementing food quality control systems

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 such as;

- Application of IT packages
- General Financial management
- Customer care
- Human resource management, etc

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.

Transition arrangements

This is a new scheme and therefore no transition arrangements are needed from the previous plan.

Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of participants to training	2500
	Number of training days received	2635
Result	Number of farmers successfully ending training	2000
Impact	Change in gross value added per full time equivalent	1.2%

5.2.2 Use of advisory services by farmers

Legal basis: Article 24 of Regulation (EC) No.1698/2005

Measure code: 114

Rationale for intervention

For the agricultural sector in Malta to increase its competitiveness the inherent structural weaknesses need to be eliminated and farmers need to become more responsive to new developments and techniques that increase efficiency and economic viability. The traditional nature of Maltese agriculture, and the transition, in some areas, to more intensive forms of production, has moreover increased the need for farmers to adapt their practices in order to comply with new standards of environmental protection, occupational safety and hygiene and animal welfare.

These conditions spell the need for farm advisory services that can support agricultural holdings align their operations to comply with Community standards and to respond to economic realities. The use of advisory service by farmers complements the objective of measures aimed to enhance human potential through training, by providing farmers with an incentive to seek direct advice that addresses their specific situation.

The advisory service operated by the Department of Agriculture has been discontinued as a result of changes in the organisational structure and streamlining of functions, and at this stage farmers do not have access to officially recognised and professional advisory services. Since the provision of privately operated advisory services will be a new development, farmers will need to get used to the notion that this type of service will need to be acquired at a cost whereas it was previously provided to them for free. Through this measure farmers will be compensated for part of the costs incurred in using the advice that will become available.

Objectives

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;

Scope and actions

Support shall be granted to help farmers meet the costs arising from the use of farm advisory services to improve the overall performance of their holding and to comply with statutory requirements.

The scope of this measure shall extend to farm advisory services that cover at least advice related to the mandatory requirements set out in Article 4 and 5 of and in annexes III and IV to Regulation 73/2009, and occupational safety standards based on Community legislation.

In addition, farm advisory services may be related to the preparation of supporting documentation required for certain measures supported under the EAFRD, including waste management plans, nutrient management plans, conservation plans, business plans, plant protection plans, environmental/energy audit reports, etc.

Definition of beneficiaries

The beneficiaries of this measure shall be farmers that make use of advisory services, offered by farm advisory consultants or companies that have been included in the register of farm advisory consultants and companies.

In line with the provisions of Article 14 of Regulation (EC) No 73/2009, priority shall be given to farmers who receive more than 15,000€ in direct aid. In addition, priority shall be given to farmers who have entered into an agri-environmental commitment and holdings that are relatively more commercially viable, where there is a greater likelihood that the support will translate into an increase in the agricultural gross value. The commercial viability of holdings shall be assessed on the basis of objective criteria, including the size of the holding, and the number of livestock units. The weighting given to holdings in terms of size and livestock units shall be tied to certain thresholds and included in the guidelines for the measure and in the evaluation matrix.

Description of the farm advisory systems and the procedure for the selection of the bodies responsible for the provision of those services to farmers

The bodies responsible for the provision of farm advisory services to farmers shall be selected following a public call for applications issued by the Farm Advisory Registration Board appointed by the Ministry for Rural Affairs and the Environment in terms of Legal Notice 113 of 2010, Farm Advisory Services Regulations, 2007 of the Supplies and Services Act (Chapter 117 of the Laws of Malta). The Registration Board shall evaluate applications received from interested farm advisory service providers and shall decide whether to grant or refuse an application for recognition in the Register of Farm Advisory

Consultants and Companies. The Farm Advisory Board shall issue a certificate of registration upon recognition. Farm Advisory Consultants and Companies shall comply with the minimum registration requirements set in terms of LN 113/2010.

Amount and rate of support

Support for the use of advisory services shall be limited to 80% of the eligible costs related to the use of advisory services, and shall not exceed a maximum of 1,500€ per farmer per comprehensive service. Support for the use of advisory services shall be 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.

Provisions will be put in place to prevent double financing of the same service and to prevent illicit claims for payment.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
200,000	150,000	75	50,000	25

Demarcation with other EU financial instruments

This measure will only support the use of advisory services by individual farmers aimed at improving the overall performance of farm holdings and to help them comply with their statutory requirements.

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.

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.

Transition arrangements

This is a new scheme and therefore no transition arrangements are needed from the previous plan.

Quantified targets of EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of farmers supported	1000
Result	Increase in agricultural gross value added in supported holdings	2.7%
		€ 0.6m
Impact	Change in gross value added per full time equivalent	2.7%
		€441

Measures 114 and 115 have been calculated in total on account of their complementary nature, because in the Maltese context, these two measures cannot be implemented independently of each other, but the effectiveness of each depends critically on the implementation of the other. Therefore, individually, each of the measures is expected to bear not results, but jointly, their results can be quantified as per above targets.*

Programme specific indicators and targets

Type of indicator	Indicator	Target 2007 -2013
Result	Increase in agricultural gross value added in the whole agricultural sector	2.7%
		€ 1.7m
Impact	Change in gross value added per full time equivalent in the whole agricultural sector	2.7%
		€ 441

Measures 114 and 115 have been calculated in total on account of their complementary nature*.

5.2.3 Setting up of Farm Advisory Services

Legal basis: Article 25 of Regulation (EC) No.1698/2005

Measure code: 115

Rationale for intervention

Farmers need to keep themselves aware of new developments in Community legislation in the fields of environmental protection, animal welfare, and hygiene and occupational health and safety, in order to comply with mandatory standards and provide the consumer with a product that is wholesome and that has been produced using methods that are compatible with the environment. Furthermore, farmers need to respond to market demands and upgrade their management systems in order to become more competitive. In this context, the provision of farm advisory services to support farmers meet these challenges is essential to facilitate change.

Following the restructuring of the Ministry for Rural Affairs and the Environment, the farm advisory services provided to farmers through extension service offices have been dismantled, and presently, there are no officially recognised and registered bodies that can provide these services.. In view of the need for such services, and the risk that farmers resort to unofficial sources of information and assistance in their absence, the Ministry for Rural Affairs and the Environment has taken the necessary steps to regulate this service by establishing the parameters by which the provision of farm advisory services may be recognised and monitored. Therefore supporting the setting up of farm advisory services bodies is instrumental to help farmers to adapt, improve and facilitate management and to improve the overall performance of their holdings by enhancing the human potential operating in the agricultural sector

Objectives

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.

Scope and actions

Support will aid the setting up of farm advisory service bodies. Actions eligible for support under this measure shall be limited to tangible and intangible investments carried out by such entities in order to strengthen their institutional capacity.

The scope of this measure shall 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.

Definition of beneficiaries

The immediate beneficiaries of this measure shall be private legal entities that have been recognised as farm advisory service providers according to the requirements of Legal Notice 113 of 2010, and that have been selected as eligible for support following a public call for applications issued by the Managing Authority. The selection criteria shall include as a minimum, the requirement that farm advisory services companies are able to demonstrate that they have the necessary competence and experience to provide advice in relation to the statutory management requirements, good agricultural and environmental conditions and occupation safety standards. In this context, companies having temporary farm advisory officials shall not be deemed to have the necessary competence and experience and shall not be eligible for support.

Individual farm advisory consultants shall not be eligible for support under this measure. Temporary farm advisory officials shall not be eligible for support under this measure.

The final beneficiaries of support granted under this measure shall be the farmers that make use of advisory services.

Setting up procedures

The bodies responsible for the provision of farm advisory services to farmers shall be set up following a public call for applications issued by the Farm Advisory Registration Board appointed by the Ministry for Rural affairs and the Environment in terms of Legal Notice 113 of 2010, Farm Advisory Services Regulations, 2007 of the Supplies and Services Act (Chapter 117 of the Laws of Malta). The Registration Board shall evaluate applications received from interested farm advisory service providers and shall decide whether to grant or refuse an application for recognition in the Register of Farm Advisory Consultants and Companies. The Farm Advisory Board shall issue a certificate

of registration upon recognition. Farm Advisory Consultants and Companies shall comply with the minimum registration requirements set in terms of LN 113/2010.

The Farm Advisory Board shall register a person only if it satisfied that the person has the minimum qualifications and the necessary experience. In order to be registered, companies shall have to demonstrate their technical competence in the relevant fields and must undertake to organise training courses on certain topics to their clients. Companies must provide a schedule of fees to the Board as part of the recognition process. The Board may cancel the certificate granted to a Farm Advisory consultant or company under certain conditions listed under of LN 113/2010.

Status of service providers

The Managing Authority shall set up rules and administrative criteria for the regulation and monitoring of the supported Farm Advisory Services companies. These rules and criteria shall form the baseline conditions for support to be granted. The regulatory and monitoring system shall be implemented through a system of controls affected by the Control unit of the Paying Agency of the Ministry for Rural Affairs and the Environment.

Type of services covered

Since at present there are no officially recognised farm advisory services providers, there is no information on the type of services covered. The entities that shall be set up in terms of Legal Notice 113 of 2010 and that shall be eligible for support under this measure shall offer advisory services related to the list of topics mentioned above. In addition, the appointed bodies may also offer professional advisory services on other topics related to agriculture, food and rural development.

Type of eligible expenditures

Eligible expenditure for which support shall be granted shall be related solely to the setting up of the farm advisory services.

Tangible expenditure may include:

- ICT hardware and software
- On-site (field and farm) instruments for analysis, monitoring, etc.
- Laboratory instruments for analysis, monitoring, etc.
- Office ware
- Reference materials including library, archive, and catalogue materials

Intangible expenditure may include:

- Course fees related to continuous professional development of short courses not leading to the achievement of a formal qualification
- Salaries
- Travel expenses

Ineligible Expenditure:

- Legal fees, professional membership fees and registration annual renewal fees
- Purchase of transport vehicles
- Running costs including office and laboratory consumables, electricity and water charges, communication expenses (such as use of telephones, mobile phones, etc).

Level of support

The rate of support shall be up to a maximum of 100% of the total eligible costs up to a threshold not exceeding 100,000 € paid over the entire 5 year period. Support shall be paid annually over five years. Support rates will be reduced by the same percentage every year, such that they will be completely phased out by the sixth year. The applicable rate of digressivity and the corresponding maximum rate of support shall apply as follows:

Year	Rate of Support	
	%	Maximum Euros
1	100	33,300
2	80	26,640
3	60	19,980
4	40	13,320
5	20	6,660

Eligible expenses incurred in the first year will be taken as the reference amount on which the subsequent yearly digressive amounts will be based.

All expenditure shall be paid upon presentation of fiscal receipts. As a minimum, the farm advisory service provider shall be requested to provide proof of the number of farmers that have been provided with the required services.

State Aid

Support shall be subject to *de minimis* aid conditions as per Commission Regulation (EC) No 1998/2006.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
99,900	74,925	75	24,975	25

Transition arrangements

This is a new scheme and therefore no transition arrangements are necessary from the previous plan.

Quantified targets of EU common indicators

Type of Indicator	Indicator	Target 2007-2013
Output	Number of newly set up advisory services	1
Result	Increase in agricultural gross value added in supported holdings	3.8% EUR 223,288
Result	Increase in agricultural gross value added in the whole agricultural sector	2.33% EUR 1,370,000
Impact	Change in gross value added per full time equivalent	0.43% EUR 52

Measures 114 and 115 have been calculated in total on account of their complementary nature, because in the Maltese context, these two measures cannot be implemented independently of each other, but the effectiveness of each depends critically on the implementation of the other. Therefore, individually, each of the measures is expected to bear not results, but jointly, their results can be quantified as per above targets.*

Programme specific indicators and targets

Type of Indicator	Indicator	Target 2007-2013
Result	Increase in agricultural GVA in the whole agricultural sector	2.33% EUR 1,370,000
Impact	Change in gross value added per full time equivalent in the whole agricultural sector	0.43% EUR 52

Measures 114 and 115 have been calculated in total on account of their complementary nature.*

5.2.4 Modernisation of agricultural holdings

Legal basis: Article 20(b)(i) and 26 of Regulation (EC) No 1698/2005

Measure code: 121

Rationale for intervention

One of the main challenges facing Maltese agriculture is its inherent structural weakness due to the extremely limited real capital expenditure channeled to upgrade existing production structures, introduce the latest technologies and modernise systems. Tougher competition and changing conditions in the agricultural sector resulting from reforms in agricultural policy have increased the need for investments in agricultural holdings. Farm investments aid can facilitate conversion to more competitive and more sustainable production, in accordance with existing food and rural development policy goals. Increased productivity depends on the use of newly adopted farm management practices, adoption and enhancement of new practices and the use of state-of-the-art production technology. This is particularly true for the livestock sectors where it is widely acknowledged that there is ample space for efficiency gains at various levels in all sectors.

This measure should facilitate Maltese farmers to take up investments in production techniques that enable them to meet new market conditions and demands. Through this measure farmers will be supported to modernise agricultural holdings so as to improve not only their economic performance but also the environmental, occupational safety, hygiene and animal welfare status of their holdings. For the livestock sector in particular, restructuring and modernisation are essential not only to improve management but also to improve the efficiency and productivity of the sectors and attain higher quality products.

Aid for the modernisation of agricultural holdings ensures that the Maltese agricultural sector becomes more competitive and market-oriented and that

supported investments contribute to the improvement of agricultural incomes and to the living, working and production conditions. This measure could also catalyse investments that lead to the development of more differentiated production with clear added value in food quality, sustainable use of natural resources, and environmentally friendly production that builds upon principles of animal welfare, and high standards of hygiene and occupational health and safety.

As has already been highlighted in the NSP and indeed in Chapters 3 and 4 of this RDP, one of the sectors currently facing particular difficulties is the dairy sector. The dairy sector which is particularly vulnerable due to the inherent disadvantages of the Maltese market is now facing additional difficulties due to the fact that the milk quota system is gradually being phased out. This is likely to result in added production and competition on the local market which could very well destabilise what has otherwise been so far a very stable local market.

This must be also be seen in light of the fact that the small size of the market makes it impossible for the local dairy sector to participate in Community support schemes such as private storage and export refunds for cheese and butter.

In view of the immediate urgency of the situation described above and in view of the fact that the dairy industry is considered to be of strategic importance to Malta, the additional funds available from the Recovery Package will be specifically earmarked for the dairy sector and will be utilised under Measure 121 with the aim of helping dairy farms to modernise their holdings so as to improve the management and economic performance of their holdings.

Objectives

The purpose of this measure to support farm investment is 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 and on farm diversification, 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 newly introduced Community standards that have come into force in Malta.

Scope and actions

Support provided for under this measure shall be granted for tangible/intangible investments that:

- a) Improve the overall performance of the agricultural holding, and that
- b) Respect the Community standards applicable to the investment concerned.

Where investments are made in order to comply with Community standards, support may be granted only to those which are made in order to comply with newly introduced Community standards. In that case, a period of grace, not exceeding 36 months from the date on which the standard becomes mandatory for the agricultural holding, shall be provided to meet that standard.

Support provided for under this measure shall be granted for three types of investments:

1. General modernisation and improvements in the performance of agricultural holdings (sub-measure 1)
2. Environmental investments (sub-measure 2)
3. On-farm investments in order to comply with newly introduced Community standards (sub-measure 3)

The categorisation of investments into the above mentioned three sub-measures shall serve in order to target investments according to different requirements. These targets shall moreover serve as a basis for conducting evaluation and selection of proposed investments according to predefined objective criteria. In practice this means that the evaluation and selection of investments shall be carried out separately, and that proposed investments shall be given precedence on a sub-measure basis.

The receipt of applications for investments in respect of all three sub-measures shall be catered for by one concurrent call. The categorisation of this measure into three sub-measures is therefore to differentiate investments according to objectives rather than types of actions.

In view of the decision to allocate the funds available from the Recovery Package to restructuring of the dairy industry (which is one of the Health Check priorities), the funds available will be used across all three sub-measures according to applications received from the dairy sector.

This means that the dairy farmer will be given the opportunity to avail from the financial assistance under the recovery package budget according to the investment proposal submitted. Once a project is selected the applicant will be entitled to 50% of the total eligible expenditure up to a maximum of 150,000 Euros in aid. This will allow projects that integrate actions eligible under sub-measure 2 to be eligible for support and be financed from the recovery package apportionment.

This threshold, which indicates that the total eligible expenditure cannot exceed 150,000 Euros shall not be valid for projects of a national dimension. This will help to address the general need for larger projects as to achieve the objectives of Measure 121. This will facilitate the implementation of the contracted projects by providing the financial facility required to execute the project.

Support for environmental investments shall be targeted towards investments that aim to reduce the consumption of resources, including energy, mitigate and adapt to climate change, including reducing the emissions of greenhouse gases, reduce emissions to air, water, and soil, reduce noise and vibration, reduce impact on biodiversity, achieve better management of farm-generated wastes, achieve better land use management, including soil management, develop green business strategies and achieve environmental certification.

The demarcation criteria delineating sub-measure 3 from sub-measures 1 and 2 are defined by the specific types of investments that may be supported under this sub-measure, i.e. the installation of storage, management and treatment structures for manure and slurry. These types of investments shall not be eligible for support under either of the other sub-measures 1 and 2. Therefore, there is no potential for overlap in terms of eligible actions between this sub-measure and any of the other two.

Although there is a certain degree of potential overlap in terms of type of eligible actions between sub-measures 1 and 2, in practice there is no potential for double funding of the same action if this is submitted under different sub-measures, since all applications shall be assessed by the same managing authority. Moreover, the managing authority shall in the measure guidelines, specify that investments for environmentally friendly techniques, i.e. investments that fit within the objective of sub-measure 2, shall be favoured. In practice this shall be done by ensuring that a higher ratio of investments submitted under sub-measure 2 are selected and approved, provided that these investments fulfil the eligibility criteria and fully meet the objectives and conditions of the sub-measure.

In the case of assessing environment friendly investment proposals submitted under sub-measure 2, the Managing Authority will ensure that relevant environmental authorities are adequately represented in the selection committee/s for the evaluation of applications.

The Managing Authority shall also take provisions to ensure that the energy efficiency of plants, machinery and installations is one of the criteria used to rank and prioritise proposed investments when selecting projects for the modernisation of agricultural holdings.

Sub-measure 1

General modernisation and improvements in the performance of agricultural holdings

Support shall be granted to farmers, and enterprises engaged in agricultural activity, to modernise their holdings, and to improve the performance of their agricultural holding.

All beneficiaries of this sub-measure shall commit to undertake a specified number of hours of training provided for under the training, information and diffusion of knowledge measure under Axis 1. The area of training will match the topics covered by the scope of Measure 111 including protection of the environment and good agricultural practice, and management, administration and marketing skills of relevance to agricultural holdings.

Priority for support in the general modernisation and improvements in the performance of agricultural holdings shall be given to integrated operations rather than standalone type of investments.

Livestock (including cattle, pigs, sheep, goats, poultry, and rabbits)

In the livestock sector, actions that are eligible for support under this measure may include the installation, modernisation and/or automation of systems of livestock housing, nutrition and water requirements, milking and dairy hygiene, reproduction and mating management, ventilation, humidity and ambient temperature control, animal health and welfare, and systems of waste management that go beyond the relevant statutory management requirements.

Fruit crops (including grapevines, olive, citrus, stone fruits, berry fruits, pome fruits, and nuts)

In the fruit crops sector, actions that are eligible for support under this measure may include the installation, modernisation and/or automation of systems of propagation, machinery for tree planting, pruning, fruit harvesting, nutrient management, pest management and weed control, sanitation, rationalisation of irrigation, soil management, and on-farm fruit storage, post-harvest pest management, grading, labelling and packaging at farm level in preparation for the first sale.

Vegetable crops, floriculture crops, seeds, forage crops, nursery, and greenhouses

In the vegetable crops, floriculture crops, seeds, forage crops, nursery and greenhouse sectors, actions that are eligible for support under this measure may include the installation, modernisation and/or automation of systems of propagation, potting media, seeding, seed processing and treatment, cut flower production, harvesting, baling, storage of baled hay and silage making, nutrient management, pest management and weed control, rationalisation of irrigation, soil management, and on-farm crop storage, post-harvest pest management, grading, labelling and packaging.

Investments for purposes of 'soil management' may include manual implements, such as rotovators with attached implements such as 4, 6 or 8 elements with disk, ridger, one bottom plough, swivel plough, inter-row cultivators, teeth cultivator; tractor implements - normal plough, reversible plough, mounted rotovator, ripper. Investment for the purpose of weed control may include manual implements such as mowers, wheel barrow mounted sprayers, knap sack grass cutters, tractor implements, including mounted sprayer, mounted mower and others. Investments for pest control may include similar manual implements, such as knap sack sprayers, knap sack dusters, foggers, wheel barrow mounted sprayers, and tractor implements, including mounted sprayer with boom, mounted mistblowers and others. These investments are only eligible under sub-measure 1.

Support for investment in water storage facilities, including reservoirs, shall only be granted on condition that it can be demonstrated that the water shall be harvested or collected rather than abstracted from the groundwater. In general, investment in irrigation projects shall only be supported on condition that it can be demonstrated that the project will result in the reduction of reliance on groundwater as the source for irrigation water. Investment in water facilities shall only be supported on condition that it is demonstrated that it respects the provisions of the Water Framework Directive (WFD), especially the provisions of article 4.7 of the same directive. The Managing Authority shall therefore ensure that, in line with article 4.8 of the WFD, the application does not permanently exclude or compromise the achievement of the objectives of this Directive in other bodies of water within the same river basin district and is consistent with the implementation of other Community environmental legislation.

Support for investment in greenhouses shall only be granted on condition that it can be demonstrated that the investment shall result in an overall improvement in the performance of the holding, intended to overcome some of the climatic and other constraints on fruit and vegetable production. Simple replacement operations shall not be eligible for support. Support for investment in greenhouses shall be granted provided that the development is covered by the necessary permits, that the impact on the environment is minimised, and that in general, the development is in line with the policy and design guidance on agriculture, farm diversification and stables of the Malta Environment and Planning Authority (policy 2.5: greenhouses).

The restructuring and conversion of vineyards as specified under Articles 12 and 13 of Regulation (EC) No 1493/1999 and Chapter IV of Regulation (EC) No 1227/2000 and the corresponding investments eligible under the measure in the National plan for the restructuring and conversion of vineyards in Malta 2004-2009, including (i) regrafting, (ii) improvement of vineyard management, and (iii) relocation, shall not be eligible for support under this measure.

The restocking of hives, including simple replacement of bees and hive boxes, as implemented through the Malta National Apiculture Programme Years 2008/09/10 and as specified under Article 2 of Council Regulation (EC) No

797/2004, shall not be eligible for support under this measure. New investments in beekeeping that are not covered by the scope of measures in the Malta National Apiculture Programme shall be eligible for funding under this measure on condition that the investment is to be carried out by a registered beekeeper/breeder and meets certain conditions related to the minimum number of hives.

Sub-measure 2 Environmental investments

Support for environmental investments shall be granted to farmers and legally constituted agricultural enterprises to adopt environmental sensitive technologies, operating systems and processes on their holding.

The areas that are eligible for support under this sub-measure shall not be restricted since environmental improvements are subject to evolutions in technology. Support shall be granted only on the basis of the recommendations and conclusions of an environmental management assessment report by designated professionals in respect of the agricultural holding. These recommendations shall have the aim to achieve clear environmental benefits on the farm holding, to reduce the impact of agricultural activity on the natural resources, and to increase the environmental sustainability of the farming operations.

Support for environmental investments shall be targeted towards investments that aim to reduce the consumption of resources, including energy, mitigate and adapt to climate change, including reducing the emissions of greenhouse gases, reduce emissions to air, water, and soil, reduce noise and vibration, reduce impact on biodiversity, achieve better management of farm-generated wastes, achieve better land use management, including soil management, develop green business strategies and achieve environmental certification.

Eligible actions include the procurement and installation of new equipment, including installation of systems that make use of alternative sources of energy and water, training related to the operation of new equipment and new systems, and the development of on-farm systems and processes that are designed to achieve a well-defined environmental benefit.

Priority for support shall be given to integrated operations rather than standalone type of investments.

Sub-measure 3 On-farm investments in order to comply with newly introduced Community standards

Support under this sub-measure shall be granted for investments that are made on farm holdings in order to comply with newly introduced Community standards.

The actions eligible for support under this sub-measure include the installation of new systems or the modernisation of existing systems in order to comply with the provisions of newly introduced Community standards in Malta.

In the case of the Nitrate Directive, support shall be granted to achieve compliance with the provisions of the Malta Action Programme regarding the storage capacity for manure and slurry. According to the schedule of the actuation of the Nitrates Directive (Table 57 of section 4.8.6 of The Rural Development Plan for Malta, 2004-2006 (June 2004)), and the legal notices transposing the Directive into national legislation (LN 343 of 2001 as amended by LN 233 of 2004), the date when the standards relating to the storage capacity for manure and slurry come into force in Malta is the 1st May 2008.

In the case of the Nitrate Directive, the actions eligible for support include the installation of waste storage, management and treatment structures necessary in order to meet the requirements of the Malta Nitrate Action Plan as specified in the Code of Good Agricultural Practices (CoGAP) for the Maltese Islands.

Description of the requirements and targets with regard to the improvement of the overall performance of the agricultural holdings

The applicant shall be required to demonstrate that the proposed investment shall result in the achievement of certain targets.

Sub-measure 1: General modernisation and improvements in the performance of agricultural holdings

In order to be eligible for support under this sub-measure, applicants shall be required to demonstrate, by means of supporting documentation, including a detailed business plan, that the proposed investment shall improve the economic viability of the enterprise.

Sub-measure 2: Environmental investments

In order to be eligible for support under this sub-measure, applicants shall be required to demonstrate, by means of supporting documentation, that the proposed investment shall result in distinct environmental benefits.

Sub-measure 3: On-farm investments in order to comply with newly introduced Community standards

In order to be eligible for support under this sub-measure, applicants shall be required to demonstrate that the proposed investment shall result in

compliance with the newly introduced Community standard in respect of the whole holding.

Type of investments (tangible-intangible)

Eligible investments shall be limited to:

(a) the construction, acquisition, or improvement of immovable property

(b) the purchase or lease-purchase of new machinery and equipment, including computer software up to the market value of the asset. Other costs connected with the leasing contract, such as lessor's margin, interest refinancing costs, overheads and insurance charges, shall not be eligible expenditure.

(c) general costs linked to expenditure referred to in points (a) and (b), such as architects, engineers and consultation fees, feasibility studies, the acquisition of patent rights and licences

The type of tangible investments that shall be eligible for support under this measure may include:

- the construction or modernisation of new or existing buildings and structures, including greenhouses, reservoirs, and waste management facilities;
- the acquisition of new and/or specialised farm equipment, machinery, systems and infrastructures;
- the acquisition of IT equipment, including software

Types of intangible expenses eligible under this measure shall include general costs linked to tangible investment expenditure such as architects', engineers' and associated consultation fees, costs of feasibility studies, environmental management assessment report fees, costs of business and/or management plans and the acquisition of patent rights and licences up to a maximum threshold of 12% of the total eligible costs of the investment.

The expenses incurred to obtain the necessary planning permit from the Malta Environment and Planning Authority shall not be eligible for support. The purchase of agricultural production rights, animals, annual plants and their planting shall not be eligible for support. Simple replacement investments shall not be eligible for support.

Descriptions of targets with regards to overall improvements of the overall performance of the agricultural holdings

Malta's rural areas do not suffer particular differentiation and a holistic approach for the whole rural sector is envisaged so as to ensure the principles of sustainable development and ecologic farming targeted at increasing the effectiveness and quality of the production that furthermore optimizes

resources in the use of inputs, uses of new technologies, and is orientated towards quality products. Whilst maintaining of both the agricultural and livestock sectors is deemed crucial for the support of the rural framework and associated natural and cultural heritage, relevant targeting shall thus focus on improving holding efficiency, maintaining and improving current productivity levels whilst orientating towards market quality, enhancing resource management as well as prioritizing environmental benefit. Whilst holding consolidation orientated towards efficiency and productivity for both the agriculture and livestock sector, in the case of the latter, a degree of priority to the dairy, pork and beef sub-sectors is initially anticipated.

In view of the current difficulties being faced by the Dairy sector due to the gradual phasing out of the milk quotas,(as elaborated in Chapter 1 and 2 of the NSP) the additional funds available from the Recovery package are being allocated in order to support further the modernization and improved competitiveness of the sector.

Definition of the type of beneficiaries

The type of beneficiaries shall be farmers and enterprises engaged in agricultural production.

Farmers shall be registered as part- or full-time self-employed with the Employment and Training Corporation (ETC), whilst agricultural enterprises shall be registered as legal entities.

Designation of the newly introduced Community standards for which support may be granted, justification related to the specific problems involved in complying with these standards and duration and justification of the grace period per standard concerned

Malta requests a grace period of 36 months in respect of Council Directive 91/676/EEC (Nitrate Directive). This period is justified on the basis of the time required in order to implement the provisions of the Directive on the farm holding, including the engagement of surveyors and architects to assess and quantify the extent of the works, obtaining the necessary permits and licences, which in some cases might take up to 6 months, and the construction of the necessary manure and slurry storage, management and treatment structures, such as cesspits, cesspools, and manure clamps. Furthermore banking procedures to obtain the necessary financial liquidity are expected to take up to two months. Also in view of the limited available space on the farm holding such as is the case for most livestock farms, considerable delays are expected to be entailed in the execution of restructuring works as these would very likely involve either curtailing of certain areas of production or temporary stalling of the livestock enterprise production process. As a consequence it is expected

that the project execution phase with associated construction works would entail between 1 to 2 years.

Type of Support

Payments will be carried out upon presentation of proof of payment and once the on the spot check control establishes that the investment is in line with the contractual obligations.

However in line with the provisions of Article 56 of Commission Regulation 1974/ 2006 an advance payment may be effected in respect of investment support.

The amount of the advances shall not exceed 50% of the public aid related to the investment.

In cases where interim payments have already been effected the advance payment shall be calculated as a percentage of the unpaid portion of the contract.

Advance payments shall be subject to the establishment of a bank guarantee corresponding to 110% of the amount of the advance.

The Guarantee shall be released once the beneficiary provides to the Paying Agency receipts establishing that the amount of the actual expenditure corresponding to the public aid related to the investment exceeds the amount of the advance.

Level of support

- Sub-measure 1: 50% of the total eligible expenditure
- Sub-measure 2: 50% of the total eligible expenditure
- Sub-measure 3: 50% of the total eligible expenditure. In the case of the Nitrate Directive only, and in accordance to Annex of Council Regulation (EC) 1698/2005, the rate of support shall be 75% of the amount of eligible investment for applications that are approved by the Managing Authority by the 30th April 2008. For applications that are approved on the 1st May 2008 until 30th April 2011, an aid intensity of 50% shall apply.

The specified aid intensities shall be granted up to a maximum eligible amount not exceeding 150,000 EUR. This threshold shall not be valid for projects of a national dimension.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
23,402,970	17,552,227.50	75	5,850,742.50	25

Transition arrangements

This measure requires no transitional arrangements. In the 2004-2006 period, a measure targeting the same sector was implemented through EAGGF Guidance Fund. Payments related to Guidance Measure 3.1 – Investments in Agricultural Holdings shall be completed by end 2008. Last commitments were affected in 2006, where a one-year contract was signed, obliging final recipients to complete their project proposals by the end of the third quarter of the following year (2007).

Coherence with first pillar

The scope and demarcation criteria applicable under this measure are intended to ensure consistency and coherence with first pillar payments and to avoid the possibility of double funding for the same operations. As a general rule, operations that shall benefit under the support schemes listed in Annex I of Regulation (EC) No1974/2006 shall not be eligible for support under this measure.

For the fruits and vegetables sector, the general rule is that the CMO for fruit and vegetables is to be used for support. Producer organisations shall only be eligible for support under this measure if they are able to demonstrate that they cannot receive support for the same activity/operation under the CMO. The Managing Authority shall liaise with the competent authority for support under the CMO to verify that the PO is not eligible for support. This position is justified on the basis of the limited support that POs are entitled to under the CMO as a result of the extremely small turnover which in turn determines the rate of support that they are eligible for as a percentage of their VMP. Given that in Malta POs are in their first years of operation and as yet both the number of members and the turnover are extremely low, the rate of financial assistance that they are eligible for, although proportionally comparable to that provided in other MS, remains disproportionately low in order to sustain their operations.

For the wine sector, the restructuring and conversion of vineyards as specified under Articles 12 and 13 of Regulation (EC) No 1493/1999 and Chapter IV of Regulation (EC) No 1227/2000 and the corresponding investments eligible under the measure in the National plan for the restructuring and conversion of

vineyards in Malta 2004-2009, including (i) re-grafting, (ii) improvement of vineyard management, and (iii) relocation, shall not be eligible for support under this measure.

For the honey sector, the restocking of hives, including simple replacement of bees and hive boxes, as implemented through the Malta National Apiculture Programme Years 2008/09/10 and as specified under Article 2 of Council Regulation (EC) No 797/2004, shall not be eligible for support under this measure.

The only support foreseen under Pillar I for the olive oil sector is that payment as part of the entitlements under the Single Payment Scheme. Malta does not withhold any amounts in accordance to Article 8(1) of Council Regulation (EC) No. 865/2004 for national programmes.

For the beef and veal sector, Malta is not applying the provision on extensification payments as per Article 132 of Regulation (EC) No 1782/2003, and hence the possibility of overlap with EAFRD funding does not exist.

For the sheep and goats sector, Malta shall not be applying the provisions on supplementary premiums and additional payments in accordance with Article 114(1) and Article 119 of Regulation (EC) No 1782/2003 and therefore the possibility of overlap with EAFRD funding does not exist.

Quantified targets for EU indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of farm holdings supported	363
	Total volume of investment	€ 39.7m
Result	Number of holdings introducing new products or techniques	216
	Increase in gross value added in supported	9.2%

	holdings	€ 1.4m
Impact	Net additional value expressed in PPS	PPS 1,483,012
	Change in gross value added per full time equivalent	4.7% € 564

5.2.5 Adding value to agricultural products

Legal basis: Article 28 of Council Regulation (EC) No 1698/2005

Measure code: 123

Rationale for intervention

The manufacturing sector in Malta shows a very high predominance of micro enterprises (with less than 5 persons employed). This especially applies to food manufacturing which has the highest number of micro enterprises. Generally locally-owned, micro and small sized enterprises operate alongside a small number of relatively large export-oriented companies, in some cases foreign-owned subsidiaries of multinational companies. Although micro and small enterprises are more in number, it is the larger enterprises (with 50 or more persons employed), which provide the highest number of jobs in the manufacturing sector, and this same pattern is observed with regards to turnover. However, this does not detract from the importance of micro and SMEs in the local context. Maltese micro and SME's have proved to be a major engine of growth and an important contributor to the development of the economy. They are seen as the backbone to the local commercial and social infrastructure.

The smallness of these enterprises gives them a number of advantages. They generally enjoy a higher degree of flexibility and adaptability to sudden changes, they exhibit a low degree of bureaucratic time wasting and minimal industrial relations problems, and being positioned closer to the consumer they are in a better position to identify and exploit niche markets. However, they also suffer from an array of disadvantages, which combined with those characteristic of the Maltese economy - such as the fragmented composition the manufacturing sector, economic openness, insularity and high export concentration of goods and services - exacerbate their vulnerability. Characteristic of SMEs is their limited ability to exploit economies of scale. Small firms cannot enjoy the advantages of specialisation allowing them to spread overhead costs. They find it harder than larger firms to access borrowed funds and it is also difficult for them to utilise technologically advanced machinery because their small production runs may not permit the utilisation of state of the art equipment, which is often designed for mass production. Moreover the last few years carried the prospect of the dismantling of protective measures and the consequent challenges posed by the international markets.

To continue operating competitively and to be in a better position to satisfy a more exigent consumer, the Maltese agro processing industry needed to restructure. Accession also carried the added burden of compliance costs. The last few years have seen the closure of a number of enterprises in the sector.

These companies primarily served the local market, and seized operations on intensified competition and import penetration following the dismantling of import levies. However, there have also been success stories with some operators adapting successfully and some even penetrating foreign markets. Exported products did not generally derive value from the link with the country of origin, although some products with quality associations have started making some headway in international markets. Also, micro enterprises oriented at serving the local market continue to proliferate. There is also the realisation by such enterprises, that the tapping of niche markets by offering differentiated and specialised products that appeal to consumers because of their unique quality characteristics, have a high value added.

Given the limitations imposed by size and insularity which render cost-based competition unfeasible, the opportunities to generate economic growth and employment opportunities in the agro processing sector rests of the capability of such micro and small enterprises to innovate, and switch towards high quality, premium products that can secure higher prices.

Objectives

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.

Scope and actions

Investments fitting the overarching objective of enabling the agro-processing sector to become more competitive by:

- guiding of production in line with foreseeable market trends
- improvement or rationalisation of marketing channels or processing arrangements
- improvement in the preparation and presentation of products
- application of new technologies and innovation in the processing and marketing stages

- bringing in line with newly introduced standards, or going beyond existing ones to meet tougher quality standards increasingly imposed by retail customers
- reducing dependence on natural resources, by improving conservation, rationalising use, re-use and recycling renewable resources, such as run-off water, by-products, and processing effluents
- adopting of environmental actions, such as waste minimisation strategies

Support through this measure shall only be 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.

Support shall therefore be limited to proposed investments that involve one of the following:

- Projects focusing on quality in particular quality that can be attested by quality marks be they national or European (for example organic certification, PDO, PGI, TSG, DOK Malta, DOK Gozo, IGT for the Maltese Islands);
- Projects that build upon the traditional characteristics of the product (for example, having the Malta Crafts Council label);
- Projects that build upon the freshness of the agricultural input they use in processing or marketing activities;
- Projects characteristic of the 'cottage industry' such as involving elaboration of the primary product by hand in small scale units (not a large industrial set-up);
- Projects that create a new market for agricultural products i.e. projects that create a new use to products supplied by farmers.

In order to ensure that the investment translates into a direct benefit to the primary production sector, enterprises that are able to demonstrate that they have a guaranteed supply of agricultural products directly from primary producers shall be given priority for support under this measure.

Investments aimed at increasing the efficiency of the general operations of the enterprise, whilst not contributing to the above mentioned objectives, shall not be supported under this measure.

In the context of this measure, processing activities shall be taken to mean those activities that involve the transformation of agricultural raw materials at units which are normally characterised by machines and equipment, as well as the transformation to new products carried out by hand or in the worker's home from where the elaborated product can also be sold, generally characteristic of the cottage industry. (On farm activities necessary for preparing an animal or plant for the first sale are not considered as processing).

For the purpose of this measure, marketing shall only encompass activities that entail some manipulation at the processing plant (not necessarily transformation but it can involve grading, bottling, packaging, etc.) that adds value to the product. Wholesaling and retailing - holding or displaying with a view to sale, delivery or an other manner of placing on the market, including the first sale by the primary producer - shall not be considered as marketing for the purpose of this measure. Support for marketing activities shall only be granted to enterprises that are also in the business of processing (transforming) the same product that the said marketing investment concerns.

The investment must respect the Community standards applicable, such as those related to occupation health and safety and food hygiene.

Type and size of beneficiary enterprise

The beneficiaries are limited to micro, small and medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC. Enterprises that are not covered by Article 2(1) of that recommendation but with less than 750 employees or with a turn over of less than EUR 200 million are also eligible but the aid intensity will be halved.

Support shall not be granted to enterprises in difficulty within the meaning of the Community guidelines on State aid for rescuing and restructuring firms in difficulty.

Description of the requirements and targets with regard to the improvement of the overall performance of the enterprises

The applicant shall be required to demonstrate, by means of supporting documentation, including detailed business plans that include a financial plan containing details on at least:

- the financial viability of the enterprise prior to the investment
- the viability of the proposed financing of the project
- the expected financial situation after the investment by cost estimates
- the long-term prospects of the enterprise through financial estimates of profitability and liquidity.

Primary production sectors and type of investments

Since the objective of this measure is to enhance the competitive potential of the agro-processing sector, this measure shall extend to all sectors that, for the purpose of the proposed investment that is to be supported under this measure, make use of products specified in Annex I to the Treaty as an input product. Support under this measure shall also extend to investments that transform an Annex 1 product into a non-Annex 1 product.

Investments that process or market products having an Organic Certification will be given priority.

Types of investments

Tangible investments may include:

- fixed and mobile installations
- new operational buildings or refurbishing of existing ones
- new equipment and machinery

Intangible investments may include:

- application of new technologies
- hire-purchase costs (as long as length of hire-purchase is terminated during the duration of project; lessor's margin, interest refinancing costs, overheads and insurance charges, shall not be eligible expenditure).

General costs such as architects', engineers' and consultants' fees engaged at project conceptual stage, may be supported up to an established ceiling (10% of the eligible investment). However, such costs shall only be eligible if presented as an integral part of the proposed investment.

Simple replacement investments that do not result in an improvement in the technological performance of the operations shall not be eligible for support.

Type of Support

Payments will be carried out upon presentation of proof of payment and once the on the spot check control establishes that the investment is in line with the contractual obligations.

However in line with the provisions of Article 56 of Commission Regulation 1974/ 2006 an advance payment may be effected in respect of investment support.

The amount of the advances shall not exceed 50% of the public aid related to the investment.

In cases where interim payments have already been effected the advance payment shall be calculated as a percentage of the unpaid portion of the contract.

Advance payments shall be subject to the establishment of a bank guarantee corresponding to 110% of the amount of the advance.

The Guarantee shall be released once the beneficiary provides to the Paying Agency receipts establishing that the amount of the actual expenditure corresponding to the public aid related to the investment exceeds the amount of the advance.

State aid

Guidelines on National Regional Aid carrying registration number N. 627/2007 apply.

Level of support

For micro and small sized enterprises within the definition of Commission Recommendation 2003/361/EC, an aid intensity of 50% of the total eligible investment will be provided up to a maximum of EUR 150,000. For medium enterprises an aid intensity of 40% of the total eligible investment will be provided up to a maximum of EUR 150,000.

This threshold, which indicates that the total eligible expenditure cannot exceed 150,000 Euros shall not be valid for projects of a national dimension. This will help to address the general need for larger projects as to achieve the objectives of Measure 123. This will facilitate the implementation of the contracted projects by providing the financial facility required to execute the project.

For enterprises that do not fit under the SME category but with less than 750 employees or with a turn over of less than EUR 200 million, the maximum aid intensity shall be 25% and the same maximum grant applies.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
3,829,890	2,872,418	75	957,472	25

Transition arrangements

This measure requires no transitional arrangements. In the 2004-2006 period, a measure targeting the same sector was implemented through EAGGF Guidance Fund. Payments related to Guidance Measure 3.2 - Improving the Marketing and Processing of Agricultural Products shall be completed by end 2008. Last commitments were affected in 2006, where a one-year contract was signed, obliging final recipients to complete their project proposals by the end of the third quarter of the following year (2007).

Demarcation

The European Regional Development Fund (ERDF) supports investments for innovation in the production chain across the whole manufacturing sector through horizontal aid schemes which are not linked to specific sectors/products. This complements the more focused EAFRD interventions, which supports only enterprises using an Annex 1 input and investments linked specifically and exclusively to quality certification, traditionality and the cottage industry, and new market outlets. Support for investments aimed at increasing the efficiency of the general operations of the enterprise, whilst not contributing to the above mentioned objectives, will not be eligible for EAFRD support but will be eligible for ERDF support. A constant liaison between the managing authorities, as in the 2004-2006 period, will help tackle any possible uncertainties on the nature of submitted projects. The maximum aid rate under the two funds is the same (50% for SMEs) and this eliminates the potential for competition across schemes.

Coherence with first pillar

From the support schemes listed in Annex 1 of Commission Regulation (EC) No 1974/2006, Fruits and Vegetables as per Article 14(2) and Article 15 of Council Regulation (EC) No 2200/1996 and Olive Oil as per Article 8(1) of

Council Regulation (EC) No 865/2004 present the only possibility of overlap with this measure. The following provisions shall apply.

For the fruits and vegetables sector, the general rule is that the CMO for fruit and vegetables is to be used for support. The CMO only supports activities carried out by producer organisations. Producer Organisations shall only be eligible for support under this measure if they are able to demonstrate that they cannot receive support for the same activity/operation under the CMO. The Managing Authority shall liaise with the competent authority for support under the CMO to verify that the PO is not eligible for support. This position is justified on the basis of the limited support that POs are entitled to under the CMO as a result of the extremely small turnover which in turn determines the rate of support that they are eligible for as a percentage of their VMP. Given that in Malta POs are in their first years of operation and as yet both the number of members and the turnover are extremely low, the rate of financial assistance that they are eligible for, although proportionally comparable to that provided in other MS, remains disproportionately low in order to sustain their operations.

Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of holding supported	40
	Total volume of investment	€6,866,621
Result	Increase in gross value added in supported holdings/enterprises	8.4%
		€ 953,595
Result	Number of enterprises introducing new products or techniques	22
Impact	Net additional value added expressed in PPS	PPS 280,000
Impact	Change in gross value added per full time equivalent	1.3% €233

5.2.6 Cooperation for development of new products, processes and technologies in the agriculture and food sectors

Legal basis: Article 29 of Regulation (EC) No 1698/2005

Measure Code: 124

Rationale for intervention

Farmers have traditionally planned the crop for the subsequent year on the basis of the produce that fetched a good price the previous year, or based on what agro-processors require to supply their production lines. The recent market liberalisation has exposed both the farmers and processors to increasing competitive pressures, increasing the farmers' risks, both as a seller of fresh products for direct consumption and also as a supplier of the processing industry. Today's market realities require the farming community to evolve, from simple suppliers of demand to demand creators and drivers. Farmers can no longer continue to depend entirely on the production of regular crops, but need to act strategically and venture into the production of value added products. Maltese farmers tend to lack the entrepreneurial know how and the marketing expertise. The experience of the processing industry can help them identify the opportunities presented by the market and by evolving consumer preferences, whilst research institutions can stimulate innovation and contribute to the elaboration of new ideas. Associations with distributors can serve to develop more effective logistic systems.

The agro-food processing industry is also capitalising on the local dimension to market products that achieve their value added from packaging and presentations that denotes the traditional local characteristics. This is a positive development and in cases where the product connotations are genuine the farmer community stands to gain. Hence, further exploitation of this niche market is desirable and the active involvement of the farming community in this area would be beneficial.

Operators in the agro-food processing industry, particular the small ones, whose size prohibits them from embarking on ambitious innovative projects, may greatly benefit from cooperating with each other, as this would enable them to achieve sufficient mass to explore innovative ideas concerning the production of new products, processes and technologies.

Collaborative efforts between farmers, processors and researchers would also serve to develop production processes - be they related to primary (agricultural) production or to food processing – so as to adapt more to the local pedo-climatic conditions or to small production capacity.

Objectives

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 will also serve 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.

Scope and actions

Support under this measure is provided to support actions implemented through a cooperation set-up between primary producers and other entities that is either aimed towards the development of new products based on agricultural products or for the development of new processes and technologies necessary for processing these products. The cooperation project must involve at least two actors, one of which must always be a primary producer.

Cooperation projects should focus on either the development of a:

1. 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.
2. 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.
3. New technology – an innovative technological development related to primary production or agro-food processing that can be registered or patented.

Cooperation projects must fit in one or more of the above categories. However, a common factor that all projects supported under this measure must have is primary focus of the project - the benefit transcending to the farmer and primary production. The only exception is when the benefit to the environment is outstanding.

The projects shall have a maximum duration of three years.

Sectors covered

The sectors covered by this measure shall include enterprises from every sector of agriculture (geared towards both food and non-food products), the processing industry, and third parties. Third parties may include organisations that specialise in trade, marketing of agricultural products, and the industry supplying the agricultural industry. The participation of primary producers is the only condition that is obligatory for this type of co-operation to be supported.

Type of partners

The main actors that shall be supported under this measure shall include either individual entrepreneurs, or a partnership of entrepreneurs from the following sectors:

- Primary producers: farmers, farmers' associations and cooperatives and producer groups and organisations
- Agro-food processors
- Other manufacturing industries
- Establishments involved in food preparation

The partnership must include at least one entrepreneur involved in primary production.

Only one holding/enterprise may act as an applicant. The beneficiary is financially responsible for the project and for all contact with the managing authority. The holdings/enterprises shall be required to draw up a cooperation agreement between the partners and to officially register this agreement.

Enterprises specialising in research, experimentation, testing, engineering, training, information, advice or education shall for the purposes of this measure not be considered as applicants. These enterprises may however be sub-contracted by the applicant and the costs for their services shall be eligible for support.

Eligible costs

Eligible expenses shall include:

- Preparatory operations including laboratory testing, field trials, market research, feasibility studies, and packaging development, needed to elaborate the new product or process
- General costs, owing to third parties, such as consultancy and expert fees that are directly related to and necessary for the project planning and implementation
- The acquisition of patent rights and licences
- Wage costs for staff directly involved in the planning, management and execution of the project

In the case of investments, eligible expenses shall be limited to:

- The construction of testing jigs and prototypes
- The purchase of new machinery and equipment, including computer software, intended for trial runs and testing of the new product or process

The above costs are only eligible for subsidy when incurred before the new products, techniques and processes are used for commercial purposes.

Interest refinancing costs and insurance charges shall not be eligible. Promotion of the new products, processes and technologies, and their commercialisation, shall not be eligible for support.

Type of Support

Payments will be carried out upon presentation of proof of payment and once the on the spot check control establishes that the investment is in line with the contractual obligations.

However, in line with the provisions of Article 56 of Commission Regulation 1974/ 2006 an advance payment may be effected in respect of investment support of the project.

The amount of the advances shall not exceed 50% of the public aid related to the investment.

In cases where interim payments have already been effected the advance payment shall be calculated as a percentage of the unpaid portion of the contract.

Advance payments shall be subject to the establishment of a bank guarantee corresponding to 110% of the amount of the advance.

The Guarantee shall be released once the beneficiary provides to the Paying Agency receipts establishing that the amount of the actual expenditure corresponding to the public aid related to the investment exceeds the amount of the advance.

Level of support

The rate of support shall be limited to 60% of the total eligible costs of the investment for co-operation. Support shall be limited to 120,000 € per project over a maximum duration of three years.

State aid

Support shall be subject to *de minimis* aid conditions as per Regulation (EC) No 1998/2006.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
427.568	320,676	75	106,892	25

Quantified targets for EU common indicators:

Type of Indicator	Indicator	Target 2007-2013
Output	Number of cooperation initiatives supported	5
Output	Volume of investment	EUR 712,615
Result	Increase in gross value added in supported holdings/enterprises	EUR 68,622
Result	Enterprises introducing new products / technologies	10
Impact	Net additional value expressed in PPS	PPS 63,751
Impact	Change in gross value added per full time equivalent	0.2% EUR 22

5.2.7 Infrastructure related to the development and adaptation of agriculture

Legal basis: Article 30 of Regulation (EC) No 1698/2005

Measure code: 125

Rationale for intervention

In view of the local hydroclimatological conditions, including low rainfall and high evapotranspiration rate, the relatively dry season, small surface area, irregular topographic relief and the characteristics of the aquifers, Malta has limited natural water resources that must be duly safeguarded. The Maltese islands' natural water resources depend entirely on rainwater percolating through the porous limestone rock and accumulating in aquifers from where it either seeps out or otherwise pumped. It has been estimated that between 16 to 25 % of the annual rainfall infiltrates to recharge the aquifers. The annual rainfall amounts to about 550 mm but is highly variable. It is estimated that half of this recharge water is in turn lost to the sea by natural subsurface discharge at various points along our coastline.

This very limited natural supply of freshwater is in itself a major significant restriction on the productivity of the Maltese agricultural sector, and is an issue of increasing concern, especially in view of the anticipated climate changes that are expected to affect southern European countries as a result of global warming. The efficient and effective management of those water resources that are available to farmers is therefore essential for the continued survival and development of agriculture. 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 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.

At the same time sources of surface water, such as rainwater, are not harvested effectively and their potential for irrigation is under-exploited, although historically some very effective systems for managing surface run-off for agriculture existed. A limited amount of treated sewage effluent is produced by the Sant' Antnin sewage treatment plant and used for irrigation purposes in the surrounding agricultural areas, and a number of urban wastewater treatment plans (in Gozo, Malta North and Malta South) are currently under construction or in the design phase. Notwithstanding, two concerns would still need to be addressed to make use of this resource in agriculture. The quality of the treated sewage effluent is not necessarily suitable for irrigation, and

water from the treatment plants must be further polished to reach desirable irrigation quality criteria and standards; and the necessary infrastructure for storage and distribution of water is absent.

Various dams situated along some of the major valleys in the Maltese islands also serve an important function in retarding flow of storm water and therefore enhancing aquifer recharge, and at the same time, providing temporary storage of water that can be abstracted for irrigation purposes. These dams are estimated to have a total capacity of approximately 154,000 m³ but require periodic maintenance and rehabilitation, mostly in order to remove silt, soil, vegetation and rubble stones that accumulate in them. The restoration and maintenance of these dams would result in an increase in the provision of water storage, in increased retention time for percolation and hence aquifer recharge, in increased control over the rate of water flow, and in the creation of new semi-permanent freshwater habitats.

The efficient management of local infrastructure is not only vital to ensure competitiveness in agriculture but also to ensure the sustained preservation of farm holdings that are increasingly under threat of land abandonment as a result of difficult accessibility due to fragmentation. The lack of adequate access to these holdings, particularly those situated in terraced hills and coastal cliffs, is one of the major causes driving land abandonment in the Maltese islands, since it limits mechanization, productivity and leads to land marginalisation. The improvement in accessibility to these holdings through the upgrading of farm access roads will increase farm utilization, improve farm management and increase farm efficiency.

Objectives

The objective of this measure is to facilitate the development and adaptation of agriculture by supporting the development of the necessary infrastructure to address two of the major limitations affecting agricultural land quality and productivity – water scarcity and farm accessibility.

Water related investments help farmers to become more competitive, since if they were to internalise the cost of abstracted water, their activity would be much less profitable. Furthermore, although water abstraction is not charged at the moment, one of the proposed demand management measures in the WFD programme of measures is an abstraction tax on borehole owners that would be applicable to the agricultural sector in the entire island. A first step in this direction would be the installment of water measurement infrastructure to assist in the sustainable management of groundwater which is extracted for agricultural purposes.

The ability to utilise parcels that are difficult to get to with machinery would translate into a better utilisation of agricultural land resources, resulting in

better economies of scale, and even an enhanced possibility to diversify production.

Scope and actions

This measure shall make provision for supporting a range of off-farm investment-type actions that will enable the agricultural sector to develop and adapt to meet the challenges of water scarcity and access to agricultural holdings by putting in place and rehabilitating the necessary infrastructure for such improvement.

No support shall be provided for on-farm activities/operations with the exception of support to investment in water measurement infrastructure aimed at assisting in the sustainable management of groundwater which is extracted for agricultural purposes.

The geographical scope of this measure shall be limited to rural areas except for Action 2 type activities.

Supported actions under this measure shall 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.
3. Actions to increase the utilisation of treated sewage effluent for irrigation including the infrastructure to treat supplies of TSE to meet the minimum quality criteria for irrigation, and infrastructure to store and distribute the TSE to agricultural land.
4. Actions to increase accessibility to agricultural holdings by farmers including the upgrading of existing farm access roads and passageways.

Description of the type of eligible operations

- Rehabilitation of river valley dam systems, including restoration of dams, reinstatement of pump houses and habitat engineering.
- Restoration and upgrading of existing public cistern/reservoir systems to facilitate and increase the collection and storage of storm water.
- Installation of infrastructure required to measure and monitor the amount of groundwater extracted for agricultural purposes.
- Development of treatment facilities for treated sewage effluent.
- Construction of new storage facilities and distribution networks for treated sewage effluent, including the replacement of existing open channels.
- Upgrading and resurfacing of access passageways and roads to agricultural holdings, including re-surfacing and reconstruction of water channels.

Support shall not be provided for ordinary maintenance operations.

Support for investments under this measure shall only be granted on condition that the projects are in compliance with environmental rules on the requirements of the Water Framework Directive, including the need to prepare a water balance at watershed level for irrigation projects. In cases where road works are carried out, the applicant must consult with the relevant competent authorities to ensure if permits are required..

Investment in new storage facilities and distribution networks for treated sewage effluent shall only be supported on condition that it is demonstrated that it respects the provisions of the Water Framework Directive (WFD), especially the provisions of article 4.7 of the same directive.

The Managing Authority shall therefore ensure that, in line with article 4.8 of the WFD, the application does not permanently exclude or compromise the achievement of the objectives of this Directive in other bodies of water within the same river basin district and is consistent with the implementation of other Community environmental legislation.

The construction of new roads is not eligible for support under this measure.

Beneficiaries

The beneficiaries for this measure shall consist of legal entities forming part of central or local government, including ministries, authorities, corporations and local councils, legally constituted farmers' groups and associations, and non-governmental organisations.

Type of support

No advance payment shall be granted to private entities.

An advance payment for investment support of the project as per Article 56 of Commission Regulation 1974/ 2006 may be granted to public entities.

The amount of the advances shall not exceed 50% of the public aid related to the investment.

Advance payments shall be subject to the presentation of a written guarantee in the form of a letter of undertaking issued by the competent authority relevant to the beneficiary. The authority has to declare that it will undertake to pay the amounts covered by that guarantee should entitlement to the advance paid not be established.

The Guarantee shall be released once the beneficiary provides to the Paying Agency receipts establishing that the amount of the actual expenditure corresponding to the public aid related to the investment exceeds the amount of the advance.

Level of Support

The maximum aid intensity that shall be granted shall be that of 90% of the total eligible cost of the investment.

Complementarity with Structural Funds

This measure supports investments that are complementary but not overlapping with investments supported through structural funds. Structural funds shall support the construction of the sewage treatment plants, but shall not cater for the irrigation network and the treatment of effluent to meet irrigation water quality criteria. In terms of the upgrading of transport networks, Structural funds shall support interventions on arterial and distribution networks forming part of the National Strategic Road Network. Farm access roads do not form part of this network, and therefore only this EAFRD measure shall cater for the upgrading of such access roads.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
10,511,035	7,883,276	75	2,627,759	25

Transition arrangements

This is a new measure and therefore no transition arrangements are needed from the previous plan.

Quantified targets of EU common indicators

Type of Indicator	Indicator	Target 2007-2013
Output	Number of operations supported	25
Output	Total volume of investment	EUR 11,678,929
Result	Increase in GVA in supported holdings	0% EUR 0
Impact	Net additional value added expressed in PPS	PPS 0
Impact	Change in gross value added per full time equivalent	0% EUR0

5.2.8 Participation of farmers in food quality schemes

Legal basis: Article 32 of Regulation (EC) No.1698/2005

Measure code: 132

Rationale for intervention

Nowadays consumers' product selectivity has increased and consumers are increasingly more willing to pay a reasonable additional cost if assured that the products purchased conform to established quality standards. Agricultural food products that are of guaranteed freshness have been prepared by traditional techniques, or whose production methods favour the environment are being requested on a more frequent basis.

In view of this demand by consumers, the certified quality of agricultural food products constitutes an added value and confers a competitive advantage over food products that although similar in composition, do not bear the quality mark. The rural economy may benefit considerably if agricultural food products are promoted as quality items on the market. Farmers should thus be encouraged to participate in Community quality schemes, such as the Geographical Indications (PGI), Designations of Origin (PDO), Traditional Specialities Guaranteed (TSG), Quality Wines, Organic production and other national schemes. Participation in these quality schemes imposes certain fixed costs to the farmers that are not necessarily compensated for by the product price return, especially if this is not produced in sufficiently large quantities.

In Malta the participation of farmers in food quality schemes has been rather limited to date, but initiatives by producers and producers' organisations are aiming to exploit this market opportunity. Since Malta's accession to the EU, a number of farmers have entered the scheme for organic production and are in the process of conversion before being certified. Currently, informal discussions are being held on the application for the recognition of sweet orange produced in Gozo. Market and feasibility studies are being prepared for the submission of other applications for the recognition of quality products in the categories of PDO and PGI. The competent authority for quality wines has also received an application for the evaluation of a production protocol for the recognition of a quality wine for the region of Gozo.

Objectives

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.

Scope and actions

Support provided for under this measure shall be 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 shall also be provided to products that are still in the period of conversion.

Schemes whose sole purpose is to provide a higher level of control or respect of obligatory standards under Community or national law shall not be eligible for support.

Beneficiaries

The support provided under this measure is intended for the primary producers/farmers who participate in Community or National Quality Schemes. Primary producers who are in the conversion period of the organic farming quality scheme shall also be eligible for support.

Community and national quality schemes eligible for support

At this stage, the only Community quality scheme that is eligible for support under this measure is the:

- Organic production of agricultural products as specified in Council Regulation (EC) no 2092/91

At present there are no national food quality schemes.

New schemes targeting products that shall become eligible in the future shall be introduced in the programme through a programme amendment, after all the necessary information elements are notified to the Commission.

Indication of the official authorities responsible for the supervision of the functioning of the quality schemes and description of the organisational arrangements for the supervision

The Competent Authority on Organic Farming Board of the Ministry for Rural Affairs and the Environment is the official authority responsible for the supervision of the functioning of the quality scheme for organic production of agricultural products as specified in Council Regulation (EC) no 2092/91. At present, there is only one certification body, the Foodstuffs, Chemicals &

Cosmetics Directorate of the Malta Standardisation Authority, however, it is envisaged that another certification body will be recognised in the near future.

The Managing Authority for EAFRD shall set up the necessary organisational arrangements for supervision required for the successful implementation of this measure. At application stage, applicants shall be requested to provide a copy of the certification documents. Subsequently, the Managing Authority shall check the authenticity and validity of the certification, through administrative checks and by verification with the relevant certification body. The procedure for checking the validity of the certification shall be repeated on an annual basis, concurrently with the request for payments, not only on the first year of application for support under this measure. Applicants who submit claims for payment in respect of certification that is either not authentic or no longer valid shall be disqualified from further support under this measure.

Level of support

Farmers participating in this measure shall be eligible for a refund of the expenses incurred as a result of participation in the organic farming quality scheme.

The eligible expenses shall be inclusive of:

- The cost of certification which comprises charges related to professional analysis and administrative fees
- The annual contribution consisting of expenditure on checks required verifying compliance with the specifications of the scheme and the annual fee paid to a competent authority

Support under this measure shall be up to a maximum annual amount of €3000 for all schemes per holding up to a maximum duration of five years.

Production adjustments to make the necessary technical changes and expenses to sustain the new production techniques applied shall not be eligible for support under this measure.

Justification of the fixed costs

The fixed costs include the additional associated expenditure incurred for entering in a quality scheme. This comprises certification costs and annual contributions that are inclusive of administrative fees, and may also include checks required to verify compliance with the specifications of the scheme.

Complementarity with first pillar

Malta shall not be implementing the provisions of Article 69 of Regulation 1782/2003 with respect to retaining 10% of the component of national ceilings referred to in Article 41 corresponding to each sector referred to in Annex VI for specific types of farming which are important for the protection or enhancement of the environment or for improving the quality and marketing of agricultural products. Therefore, there is no overlapping of support under this measure with that under Article 69 of Regulation 1782/2003.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
7,895	5,921	75	1,973	25

Transition arrangements

This is a new scheme and therefore no transition arrangements are needed from the previous plan.

Quantified targets for EU common indicators:

Type of Indicator	Indicator	Target 2007-2013
Output	Number of supported farm holdings participating in a quality scheme	3
Result	Increased value of agricultural production under recognised quality scheme	EUR 18,185
Impact	Net additional value expressed in PPS	due to the nature of the supported

		projects (non-market oriented production), no increase is envisaged
Impact	Change in gross value added per full time equivalent	due to the nature of the supported projects (non-market oriented production), no increase is envisaged

5.2.9 Information and promotion activities on food quality schemes

Legal basis: Article 33 of Regulation (EC) No 1698/2005

Measure Code: 133

Rationale for the measure

The certification of an agricultural product under one of the European Community or national quality schemes is a means to increase the value and marketability of these products. The full benefit of achieving quality certification will be rendered ineffective unless such products are effectively promoted. It is thus of crucial importance that farmers and producers connect more effectively with the consumers by means of information and promotion activities.

Information and publicity tools are important and challenging competitive instruments for small-scale quality food producers. Traditional commercial channels may be unprofitable and small-scale food producers often lack access to a highly concentrated retail sector. Product promotion and marketing may be supported in various ways - market research, provision of market information, organisation of trade opportunities, presentations to customers, establishing producer-customer contacts, and dissemination of literature.

Objectives

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 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

Scope and actions

The support provided through this measure is aimed to reach consumers through promotion activities and distribution of information on agricultural food products that are certified in conformity with a Community or national quality scheme and are intended for human consumption only. Promotion and information activities shall elucidate the specific characteristics and/or advantages of the product, notably the quality, specific production methods, high animal welfare standards and respect for the environment linked to the quality scheme concerned, and may include the dissemination of scientific and technical knowledge about these products.

Information and promotion activities shall 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.

Only information, promotion and advertising activities in the internal market shall be eligible for support. Support under this measure shall not be granted for the promotion and/or information actions related to a particular commercial brand. Support shall not be provided for the promotion of the place of origin of the quality product except for agricultural products that are covered by EU geographical indications and designation of origin and quality wines produced in specified regions. The origin of a product may nevertheless be indicated provided the mention of the origin is subordinate to the main message.

Definition of beneficiaries

The beneficiaries of this measure shall be producer groups that produce agricultural products intended for human consumption and that are certified as organic products in line with the provisions of Council Regulation (EC) no 2092/91.

For this purpose of this measure, 'Producer Group' does not only imply an organisation of any legal form that gathers operators actively participating in the organic Community quality scheme, but also a group of producers of organic products that are formally constituted.

List of products qualifying for support under the quality schemes chosen under Measure “Participation of farmers in food quality schemes”

- Organic production of agricultural products as specified in Council Regulation (EC) no 2092/91

At present there are no national food quality schemes.

Coherence with first pillar

Malta shall not be implementing the provisions of Article 69 of Regulation 1782/2003 with respect to retaining 10% of the component of national ceilings referred to in Article 41 corresponding to each sector referred to in Annex VI for specific types of farming which are important for the protection or enhancement of the environment or for improving the quality and marketing of agricultural products. Therefore, there is no overlapping of support under this measure with that under Article 69 of Regulation 1782/2003.

Criteria and administrative rules for ensuring that operations benefiting exceptionally from rural development support in the support schemes listed in Annex I to the implementing Regulation and in the support established under Regulation (EC) No. 2826/2000

The competent authority for Regulation (EC) No. 2826/2000 in Malta is a board set up within the Malta Ministry for Rural Affairs and the Environment. Calls for applications are issued by the Ministry and details are provided on the website. The current call closes on the 30th November 2007. Following this call, the competent authority shall issue a subsequent call with a restricted scope to that allowed by Regulation (EC) No. 2826/2000, i.e. excluding the eligibility of producer groups producing organic products. This shall ensure that there is no possibility for overlap with this measure.

Procedure for ex-ante checks on information, promotion, and advertising materials

Ex-ante checks on information, promotion and advertising materials shall be performed by the competent authority for organic farming. Material shall be assessed as to whether it conforms with Community legislation. This means that in practice the beneficiary of this measure shall be required to submit all draft information, promotion and advertising materials to the Organic Farming Board of the Ministry for Rural Affairs and the Environment.

In case of any proposed amendment to the draft material submitted to the competent authority, the beneficiary may only proceed with the information,

promotion and advertising campaign on a quality product on completion of modification and after it has been overly confirmed by the same authority.

The Community logo should appear in all information, promotion and advertising activities related to products covered by EU geographical indications, designation of origin or certificate of specific character. Such activities will be rendered ineligible if the community logo is not present.

Type of eligible costs

The expenses that shall be eligible for support under this measure include:

- The development and production of informative and promotion activities such as advertising via the different channels of communication or at the point of sale intended to increase consumers' interest in agricultural products or foodstuffs covered by quality schemes. Such activities shall portray the specific features or advantages of the products concerned, notably the quality, specific production methods, high animal welfare standards and respect for the environment linked to the quality scheme concerned, and may include the dissemination of scientific and technical knowledge about these products
- Demonstrative actions such as tasting events by the organisation of, and/or participation in fairs and exhibitions
- Administrative expenses related to particular organisation of the above events

Level of support

The maximum rate of support for this measure shall be limited to 70% of the eligible cost.

The type of aid will be in a form of reimbursement of up to 70% of the eligible costs incurred to develop and implement information, promotion and advertising activities so as to draw the attention of consumers to the specific characteristics and advantages on the products concerned.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
0	0	75	0	25

Quantified targets for EU common indicators:

Type of Indicator	Indicator	Revised target
Output	Number of supported actions	0
Result	Value of agricultural production under recognised quality label	0
Result	Increase in GVA added in the agricultural sector	0
Impact	Net additional value expressed in PPS	0
Impact	Change in gross value added per full time equivalent	0

5.2.10 Setting up of producer groups

Legal basis: Article 35 of Regulation (EC) No 1698/2005

Measure code: 142

Objectives of the measure

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.

Scope and actions

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 shall not in principle be eligible for support under this measure.

Support shall also be 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.

Description of the official procedures for recognising the groups

Groups of primary producers interested in acquiring PO status must lodge an application to the Director Agriculture. Recognition as a PO is given on satisfaction of a number of conditions concerning the minimum number of members and the minimum value of marketable production.

Groups must show a minimum number of five members and 10% of production of marketable production for the pigmeat, poultry and milk sectors whilst other sectors must have at least 2.5% of marketable production. The annual turnover must however reach at least 200,000 Euros. In the case of wine grapes the group must have at least fifty members and a minimum volume of marketable

production in the area where the organisation operates not less than 200 tonnes of wine grapes.

Type of aid, maximum amount of aid and ceilings

Aid granted under this measure shall:

- Consist of a flat rate support granted in annual instalments
- Be granted for the first five years following the date on which the producer group is recognised;
- Be calculated on the basis of the group's annual marketed production and shall not exceed:
 - (a) 5%, 5%, 4%, 3% and 2% of the value of the production up to EUR 1 000 000 marketed respectively in the first, second, third, fourth and fifth year, and
 - (b) 2,5%, 2,5%, 2,0%, 1,5% and 1,5% of the value of the production exceeding EUR 1 000 000 marketed respectively in the first, second, third, fourth and fifth year.

The support shall not exceed the following amounts:

100 000 €	For the first year
100 000 €	For the second year
80 000 €	For the third year
60 000 €	For the fourth year
50 000 €	For the fifth year

In accordance with Art. 25 (2) of Commission Regulation (EC) No 1974/2006, the minimum amount of support for producer groups in Malta, calculated on the basis of the costs necessary to form a small producer group, is set in Annex III of the same regulation and reproduced hereunder:

63 000 €	For the first year
63 000 €	For the second year
63 000 €	For the third year
60 000 €	For the fourth year
50 000 €	For the fifth year

Sectors benefiting from derogation and justification related to extremely low output

This measure will support the establishment and operation of producer groups where the proposed group can demonstrate that its formation will contribute towards maintaining viable businesses supplying genuine market outlets. This measure will only support those Producer organisations for the sectors not covered by the Common Market Organization (CMO's) since under the latter producer groups (or Producer Organisations) are already the beneficiaries of support provided by the CMO under the CAP. The proposed support sectors are potatoes, pigmeat, poultry, milk, cheeselets, rabbits, honey and grapes for wine production. Given the specific difficulties facing the Maltese agricultural sector and the limited levels of producer cooperation, Malta considers that producers require specific encouragement and assistance.

Article 33d of the Accession Treaty provides for each producer organisation to receive support on the basis of its annual marketed production at the specified rates. However given the limited scale of Malta's production and producers as well as the limited opportunity for economies of scale, this method of payment would be extremely unfair to Maltese producers groups. Malta was given a concession to establish an absolute minimum aid level calculated to cover the minimum establishment costs of a small producer group for those eligible sectors with a small total output. Given that some of the sectors of interest to Malta which are eligible for support under this measure namely potatoes, cheeselets, rabbits, honey and grapes for wine production have either a high number of part-time producers or a limited total annual turnover, as shown below, this minimum aid level should apply for these sectors.

	Gross Value for 2006 (€)	Share of Total Gross Production (%)	Number of Holdings
Potatoes	5,522,013	4.6	2,427
Pigmeat	12,863,499	10.6	145
Poultry	5,488,935	4.5	77
Milk	14,262,055	11.8	150
Cheeselets	5,664,803	4.7	455
Honey	192,173	0.2	168
Rabbits	22,460,983	18.6	1,476
Wine	4,373,864	3.6	2000
Gross Agriculture Production (€)	120,820,172		

Gross agricultural production figures for the sectors

Data Source: The Gross Value is taken from the Economic Accounts for Agriculture 2006. The data is taken as the Gross Agricultural Production at Producer Prices. The number of holdings is taken from the Farm Structure Survey 2005. Holdings may be double counted as they may be included in two different sectors.

Notes: Poultry includes those holdings rearing 499 broilers or more. Milk includes dairy farms only. The number of holdings with potatoes refers to those holdings that sow and harvest potatoes on a commercial basis. The gross production of cheeselets and rabbits are estimated and are mainly considered a backyard industry and the number of holdings with cheeselets and rabbits may not be representative of the total population. Data on honey is taken from the Census of Apiculture 2004.

As for wine this excludes production of 3 major commercial grape producers.

Justification for annual amounts

This measure is restricted to sectors for which no equivalent provision is made within the framework of the Common Market Organization (CMO's) which include potatoes, pigmeat, poultry, milk, cheeselets, honey, rabbits and grapes for wine production. Considering that the objective of the measure is to promote concentration of supply, and considering the degree of fragmentation of Maltese agriculture, for the pigmeat, poultry and milk which have a small number of producers, it is expected that a producer group should bring together at least 10% of the sectors' production and 2.5% of the overall number of producers in the sector. Thus for these three sectors, Producer Groups will be eligible for the measure on the standard basis, without application of the minimum funding derogation.

For all the remaining sectors, i.e. potatoes, cheeselets, honey, rabbit and grapes for wine production, the minimum derogation will be applied given that they contain numerous part-time individuals who produce solely for own consumption. However Producer groups for the latter sectors must have a minimum of 2.5% of the overall number of producers and an annual turnover which amounts to at least 2.5% of the sectors' total value of marketable production to qualify for the minimum aid levels granted in the derogation as per Regulation 740/2004 Article 7(2). This 2.5% of annual turnover must amount to at least 200,000 Euros of market output for the producer group to benefit from the minimum aid levels described. These sectors are characterised by a large number of small producers where production is for own consumption, thus the 2.5% production minimum would definitely require groups larger than five producers to qualify for support offered by the minimum threshold.

Due to land fragmentation, small sized holdings and limited production, local farmers usually grow a variety of crops, both to ensure their independence from the market conditions on which they have little control as well as to provide a limited form of insurance against the vagaries of climate, disease and pests. Consequently, a producer forming part of a specific producer organization may not be in a position to market all his produce through the group since it may consist of various products. However, through this measure, it is anticipated that producers will be encouraged to specialise and streamline their production in line with improved market conditions created.

Definition of beneficiaries

Eligible beneficiaries are producer groups or producer organisations recognised by the Director of Agriculture, in accordance to the provisions of legislation enacted in line with Art 19 of the Producer Organisations Act, Act IX of 2002.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
236,000	177,000	75	59,000	25

Transitional arrangements

Under the 2004-2006 programme no applications were submitted under RDP measure for Producers Organisation, hence transitional arrangements do not apply.

Quantified targets of EU common indicators:

Type of Indicator	Indicator	Target 2007-2013
Output	Number of supported producer groups	1
Output	Turnover of supported producer groups	EUR 1,950,000
Result	Number of farms entering the market	4
Result	Increase in GVA by supported producer groups	EUR 149,750
Impact	Net additional value expressed in PPS	PPS 139,119
Impact	Change in gross value added per annual work unit	0.2% EUR 23

5.3 *Axis 2 – Improving the environment and the countryside*

5.3.1 *Support for areas with handicaps, other than mountain areas*

Legal basis: Article 37 of Regulation (EC) No 1698/2005

Measure code: 212

Rationale for intervention

Agriculture in Malta is characterised by extensive land fragmentation, small-scale holdings, and intensive livestock rearing. The most important biophysical factors driving abandonment of agricultural land are land fragmentation, lack of farm access, topographical position and poor soil productivity. In general, large-scale abandonment of agricultural land implies a general wastage of an economically productive resource and is inductive to mass land degradation. Land management should be continued in order to conserve and improve the environment, maintain the countryside and preserve the tourist potential of the areas.

All agricultural land in Malta is affected by significant natural handicaps, notably a low soil productivity and poor climate conditions. Malta's position south of the 42 parallel, and climatic conditions, including low and erratic rainfall patterns, that are not favourable to rain-fed production, together with the effects of climate change, impose severe disadvantages on productivity. All areas of utilisable agricultural land in Malta are affected by one or more of the following natural handicaps: unfavourable soil chemical status as a result of alkalinity and the calcareous nature of the soils, soil salinity, unfavourable soil physical characteristics, shallow depth to bedrock, low soil organic matter, high soil stoniness, and unfavourable water regime as a result of an impermeable surface crust.

Objectives

Natural and specific handicaps in agricultural areas threaten the social, economic and environmental sustainability of farming in these areas. 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. Moreover, this measure supports and encourages undertaking of agri-environmental commitments and thus facilitates the uptake of actions that have a direct positive impact on the environment. Support for areas with handicaps also helps to reinforce the respect of environmental standards and the

protection of natural habitats and landscape features in these areas through cross-compliance.

The main objective of the measure for support for areas with handicaps is to prevent land abandonment in areas that are disadvantaged. Agri-environmental actions, on the other hand, have a more direct positive impact on the quality of the environment, because these actions go beyond the maintenance of agricultural land in utilisable condition (prevention of abandonment and degradation) and emphasise on mitigation and pro-active actions rather than prevention of environmental damage. Since both measures have a common baseline, farmers that are compliant with cross compliance and GAEC and have acceded the less favoured areas measure are encouraged to take on agri-environmental measures on a voluntary basis. Moreover, the system of the single application for area-related measures facilitates the application to agri-environmental measures in addition to the less favoured areas measure. This is especially important in a country where farmers are not particularly keen to take up agri-environmental measures because of the relatively low compensation that they are entitled to as a result of the limited size of their holdings.

Scope and actions

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

Level of support

The level of support will not be differentiated according to severity of handicaps on a regional basis. The small, fragmented nature of agricultural land results in a very heterogeneous and quite complex landscape, and makes it very difficult to differentiate between utilisable agricultural areas on the basis of the major types of handicaps operating and their severity in a particular region. The quality of agricultural land differs markedly even within a distance of a few meters, depending on soil type and topography, and for this reason it is neither justified nor practical to apply varying levels of financial aid in pre-designated areas according to the severity of handicaps.

Level of support will be based on the eligible utilisable agricultural land area. Payment rates will be 250€ per hectare of utilisable agricultural area. There will be no limit to the total area that can be claimed for support under this measure. In case of transfer of land the minimum area of land under commitment (1 tumolo) needs to be respected.

The legal basis for the premium of 250€/ha is Commission Decision approving the Malta Rural Development Programme 2004 – 2006 C(2004) 2978 and point 5.3.2.1.2 of Annex II of Commission Regulation (EC) 1974/2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) which stipulates that ‘the provisions of points 9.3.V.A(1) and 9.3.V.B(1), (2), and (3) and of the second indent of point 9.3.V.B of Annex II to Regulation (EC) No 817/2004 apply until 31 December 2009.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
17,655,867	14,124,693	80	3,531,173	20

Quantified targets of EU common indicators:

Type of indicator	Indicator	Target 2007-2013
Output	Agricultural land area supported in areas with handicaps, other than mountain areas	8,500 ha
Output	Number of supported holdings in areas with handicaps, other than mountain areas	6,000
Result	Area under successful land management contributing to:	
	a) biodiversity	195 ha
	(b) water quality	202 ha
	(c) climate change	0 ha
	(d) soil quality	303 ha
	(e) avoidance of marginalisation and land abandonment	170 ha
Impact	Change in trend in biodiversity decline	no decline regarding the population of farmland bird species, and effective control of trapping and hunting activities
Impact	Maintenance of HNV farming and forestry areas	no more than 1% loss of HNV farming and forestry areas

5.3.2 Rural Areas Conservation Scheme

Legal basis: Article 39 of Council Regulation (EC) 1698/2005

Measure code: 214

Rationale for intervention

The role of agriculture in Malta is far more important than its economic contribution indicates, primarily because it is the largest single land user, occupying about 48% of the total land area, and because of the increasing appreciation of its multifunctionality – including its role in maintaining the rural landscapes and biodiversity, in addition to providing food and rural livelihoods. It is also recognised, however, that certain agricultural activities may have negative impacts on the quality of the natural environment related to intensive agricultural systems and associated increased use of inputs, and resulting in threats to the natural resource base in the form of pollution of soil, water and air, fragmentation of natural habitats and loss of wildlife, and land abandonment and marginalisation. Agri-environment measures therefore 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.

Objectives

The overall objectives of the measure are:

- To promote and support sustainable farming systems that are compatible with the conservation of the rural environment and the natural resources, in particular the landscape and rural features, water quality, air, soil and biodiversity
- To satisfy society's demand for a better rural environment that provides an essential element of release from the pressures of a heavily urbanised and densely populated society that depends on the quality of the aesthetic experience provided by the rural landscape
- To encourage the use of environmental planning and monitoring through record keeping and assessment in farming practices and promote practices that translate into an environmental benefit without departing too far away from traditional and conventional systems

Scope and actions

The Rural Areas Conservation Scheme shall be 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. In such commitments, the decrease of the farming area must be limited to 10% throughout the 5 year period. If this is not respected by the farmers, appropriate reductions or exclusions of compensatory payment will be imposed.

Support to organic farming and support for the conservation of endangered species shall be provided through standalone sub-measures that do not form part of the Rural Areas Conservation Scheme.

Specific actions

The Rural Areas Conservation Scheme shall consist 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.

Mandatory action

Acquire training in agricultural practices that are compatible with the protection of the environment.

Agri-environmental measures

- Measure 1: Support for the use of environmentally friendly plant protection products in vineyards
- Measure 2: Support for the traditional cultivation of sulla through crop rotation
- Measure 3: Support for low input farming
- Measure 4: Support to suppress the use of herbicides in vineyards and fruit orchards

- Measure 5: Support for the establishment and maintenance of conservation buffer strips
- Measure 6: Support for the conservation of rural structures providing a natural habitat for fauna and flora
- Measure 7: Support for providing a healthy forage area for bees

Scheme entry requirements

Applicants of the Rural Areas Conservation Scheme shall commit themselves to undertake training in agricultural practices that are compatible with the protection of the environment. Applicants shall also commit to undertake at least one agri-environmental measure. There shall be no limit to the number of agri-environmental measures that an applicant may opt to undertake.

Mandatory action: Acquire training in agricultural practices that are compatible with the protection of the environment

Underlying considerations

Although farmers are increasingly being perceived as stewards of the rural landscape by society, many have still not become fully aware of the demands that this role entails and do not possess the necessary knowledge to align agricultural practices to comply with environmental standards and to take actions that provide an environmental service to the community. This means that the farmer, while being expected to look after the very same rural environment that yields agricultural produce, is not fully equipped to do so. This not only hinders the achievement of conservation targets, but also impinges on the successful implementation of the agri-environmental measures themselves, in that farmers may not be fully aware of their environmental obligations, and may not be confident to adapt agricultural practices in line with the objectives of the actions that are being supported.

Objectives

The main aim of this action is to provide the necessary training to participants of the Rural Areas Conservation Scheme. The objective is to train farmers to change agricultural practices so that they are not only compliant with environmental standards but also in line with conservation targets that go beyond the minimum mandatory requirements. Training shall not only provide farmers with information on the environmental benefits deriving from the uptake of agri-environment schemes and help them understand the measure requirements and basic skills required to comply with their commitments, but will in itself facilitate entrance to the scheme and thus increase the participation rate of farmers to agri-environmental measures.

Obligations

Participants shall attend a 15-hour training course over a period of two years from the date of entry into the scheme. However, for those beneficiaries that where committed in 2008 training has to be completed by end 2011 given that difficulties in implementing measure 111 where encountered.

The training shall be organised by training entities that are appointed by the Ministry for Rural Affairs and the Environment. Participation to applicants of the Rural Areas Conservation Scheme shall be free of charge and shall be supported through measure 111. The course shall as a minimum cover topics related to the mandatory minimum requirements, including the statutory management requirements and the good agricultural and environmental conditions, and principles and practices of good agricultural practices, including nutrient, waste, plant protection and soil management.

Measure combinability

For the purpose of measure combinability where the farmer has the possibility to adopt more than one measure on any of the parcels within his holding, some of the measures within the Rural Areas Conservation Scheme were grouped in two packages. Each package contains a set of two measures that can be adopted on the same type of land use. However, it will not be possible to adopt measures, either singly or in combination, on an area that is less than the area of a single parcel.

Package 1 consists of agri-environmental measures that can be adopted only on dry-farmed agricultural land. The package includes AEM 2 and AEM 3 (Support for the traditional cultivation of sulla through crop rotation and Support for low input farming), and consists of three choices, one of which is a combination of two measures.

Package 2 consists of agri-environmental measures that can be adopted on vineyards and fruit orchards. The package includes AEM 1 and AEM 4 (Support for reduced use of plant protection products in vineyards and Support for suppress use of herbicides in vineyards and fruit orchards), and includes three choices, only one of which is a combination.

Agri-environmental measures package 1

Package 1 consists of agri-environmental measures that can be adopted on dry-farmed agricultural land.

Package reference	Title of agri-environmental measure
1A	AEM 2: Support for the traditional cultivation of sulla through crop rotation
1B	AEM 3: Support for low input farming
1C	AEM 2 and 3: Support for the traditional cultivation of sulla through crop rotation and Support for low input farming

Rate of support

The rate of support for actions carried out under this agri-environmental measures package is 553.47€ per hectare per year.

Agri-environmental measures package 2

Package 2 consists of agri-environmental measures that can be adopted on vineyards and fruit orchards.

Package reference	Title of agri-environmental measure
2A	AEM 1: Support for reduced use of plant protection products in vineyards.
2B	AEM 4: Support to suppress the use of herbicides in vineyards and fruit orchards
2C	AEM 1 and 4: Support for reduced use of plant protection products in vineyards and Support to suppress the use of herbicides in vineyards and fruit orchards

Rate of support

The rate of support for actions carried out under this agri-environmental measures package is 1,280.79€ per hectare per year.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
9,525,000	7,620,000	80	1,905,000	20

The financial allocation under this measure includes also the financial allocation for the three standalone measures. Therefore, the total public contribution allocation of 8.43 M€ caters for the 7 sub-measures of the Rural Areas Conservation Scheme, the measure for support for organic farming, the measure for support for the conservation of species in danger of genetic erosion, and the measure for support for the conservation of genetic resources in agriculture.

Evidence of consistency and plausibility of calculations

The calculations related to agri-environmental payments have been established on the basis of objective criteria by a competent agronomist engaged by the Managing Authority specifically for this purpose.

Islands Consulting Services together with E-Cubed Consultants have been commissioned as an independent body to carry out an assessment of payments calculated by the Rural Development Department for the agri-environment measures included in Malta's Rural Development Plan 2007-2013. Consequently as a functionally independent entity ICS together with E-Cubed Consultants have checked and verified the agri-environmental calculations and confirm that these meet Commission requirements as so indicated in article 48 (2) of Reg. 1974/2006.

A copy of the consultants' statement concerning the methodology and verification of calculations is found in Annex 18.6.

Transitional arrangements

Estimates show that the bulk of disbursements related to commitments undertaken in relation to the programming period 2004-2006 shall be affected by 2008, 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. Exceptions to this concern measures relating to good farming practice and cross-compliance respectively. The good farming practice principle must 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 shall be charged to the EAGGF. Expenditure related to agri-environment commitments undertaken as from 1st January 2007 shall be charged to EAFRD and shall comply with the provisions of EC Regulation 1698/2005.

Quantified targets of EU common indicators:

Type of indicator	Indicator	Target 2007-2013
Output	Number of farm holdings supported	2,241
Output	Total area under agri-environment support (ha)	5,486
Output	Total number of contracts	6,096
Output	Physical area under agri-environment support	2,017
Output	Physical area under organic farming	6 ha
Output	Number of contracts related to maintenance of endangered breeds and varieties	498
Output	Number of conservation projects related to genetic resources	1
Result	Area under successful land management contributing to:	
	a) biodiversity	195 ha
	(b) water quality	202 ha
	(c) climate change	0 ha
	(d) soil quality	303 ha
	(e) avoidance of marginalisation and land abandonment	40 ha
Impact	Reversal in biodiversity decline (farmland bird species population)	no decline regarding the population of farmland bird species, and effective control of trapping and hunting activities
Impact	Change in high nature value areas	less than 5% loss of HNV area
Impact	Change in gross nutrient balance	40 kg N/ha less (target: 80kg N/ha)

Impact	Increase in production of renewable energy	Not directly applicable to Malta
Impact	Contribution to combating climate change-through soil and tree planting	Improved soil protection by at least 25% of beneficiaries

Agri-environmental actions by farmers in respect of baseline obligations

Sub-Measure 1. Support for the use of environmentally friendly plant protection methods in vineyards

Measure objective/s		To reduce the use of chemical plant protection products in vineyards by supporting the use of alternative method of pest control that are more environmentally friendly.
Overall objective		Reversing decline in biodiversity on farmland (reduction of plant protection products)
Current Baseline	National minimum standards concerning the use of plant protection products L.N 115 of 2004	<p>Farmers may use any of the following commonly used plant protection products that are registered and authorised for control against the grape moth:</p> <ol style="list-style-type: none"> 1. Fenitrothin* Active ingredient Fenitrothion, Reg No: 228/2004/17 2. Chlorpysifos-methyl Reg No:574/2003/4 3. Pomex- Active ingredient Carbaryl 49%** Reg No: 353/2004/3 <p>(rates dependant on dosage, infestation pressure and overall protection strategy.)</p> <p>As bird repellent product:</p> <ol style="list-style-type: none"> 1. Hantrex PB (active substance Antraquinone 80%- Reg/No 229/2004/7 <p>A complete list of registered products is shown in annex 18.3.2</p>
Measure actions	How actions go beyond baseline obligations	<ol style="list-style-type: none"> 1. Farmers are prohibited from using the above mentioned registered and authorised products at any time on vineyards. 2. Farmers are restricted to treat infestation of grape moth with <i>Bacillus thurengensis</i> only, which is more expensive. 3. Farmers are restricted to use nets as bird deterrents, which are more expensive because their installation is time consuming.
	How actions reach measure objective/s	These actions shall result in a reduced use of chemical plant protection products.

* 25/11/2007 to be withdrawn from the market, 25/11/2008 last date of use

** 21/11/2007 to be withdrawn from the market, 21/11/2008 last date of use

Sub-Measure 2. Support for the traditional crop rotation including the cultivation of sulla

Measure objective/s		To encourage and support the growth of the traditional sulla crop through its inclusion in a specified crop rotation.
Overall objective		Reversing decline of biodiversity on farmland (extensification of farming systems)
Current Baseline	GAEC standard for crop rotation (Issue: Soil Organic Matter) National Standard: On irrigated land, crop rotation should be practiced regularly, and crops belonging to the same botanical family should not be grown successively on the same parcel of land.	This requirement states that on irrigated land, crop rotation should be practiced regularly, and crops belonging to the same botanical family should not be grown successively on the same parcel of land. Preferably, crops belonging to the same soil-humus depleting category should not be grown for more than three years successively on the same parcel and have to be put into rotation with at least one year of the soil-improving crops or with at least one year of set-aside.
Measure actions	How actions go beyond baseline obligations	Farmers must include sulla for 2 non-consecutive years within the specified 5 year crop rotation plan even on dry land.
	How actions reach measure objectives.	Through the inclusion of sulla soil organic matter and soil humus is enriched and favourable cropping practices are extended even on dry land.

Sub measure 3: Support for Low input Farming

Measure objective/s		To reduce the use of herbicides in forage production
Overall objective		Reversing decline of biodiversity in farmland (reduction, better management of plant protection products)
Current Baseline	<p>Provisions for plant protection products,</p> <p>Including Pesticides Control Act, Act XI of 2001, Chapter 430 of the Laws of Malta, the Plant Protection Products Regulations, and the Maximum Residue Levels of Pesticides in Produce of Plant Origin Regulations, 2004, L.N 119 of 2004.</p>	<p>Farmers may use any of the registered and authorised post-emergence herbicides available on the market for broad-leaved weed control.</p> <p>A complete list of registered products is shown in annex 18.3.2</p>
Measure actions	Beyond Baseline	Farmers are prohibited from using post-emergence herbicides that target broad-leaved weeds at any time after germination.
	Reach Objective	The prohibition of post-emergence herbicides, which are usually widely used, serves to reduce the input of ppp's in forage cultivation.

Sub- Measure 4: Support to suppress the use of herbicides in vineyards and fruit orchards

Measure objective/s		To reduce the use of herbicides in vineyards and fruit orchards by supporting the use of an alternative method of weed control.
Overall objective		Reversing decline in biodiversity on farmland (reduction of plant protection products)
Current Baseline	National minimum standards concerning the use of plant protection products L.N 115 of 2004	Farmers may use any of the registered herbicides for weed control in vineyards and fruit orchards listed in table XX. Most commonly used herbicides include the following: Round Up – Active ingredient - Glyphosate 41.7% - Reg No: 233/2004/1 and Round up Max – Active ingredient - Glyphosate 78.5% - Reg No: 233/2004 A complete list of registered products is shown in annex 18.3.2.
Measure actions	How actions go beyond baseline obligations	Farmers are banned from using ANY herbicides not only for restricted period but for the WHOLE year.
	How actions reach measure objectives.	Through this measure a total ban of herbicide application is requested, farmer may simply trim crop cover so as not to serve as competition to vines or fruit trees.

Sub-Measure 5: Support for the establishment and maintenance of conservation buffer strip

Measure objective/s		Protection of surface water bodies from agricultural pollution as a result of the transfer of agro-chemicals along with sediment from agricultural land
Overall objective		Improvement in water quality (creation and upkeep of buffer areas)
Current Baseline	National minimum standards concerning the use of fertilisers (on the basis of statutory management requirements in terms of the Nitrate Directive): With regards to appropriate application techniques 'fertilizers (mineral and organic) should not be applied to any type of fresh water courses. A minimum distance of 5 m must be kept from natural water courses and boreholes during fertilizer application.	Farmers are allowed to till and grow produce practically till the edge of the parcel. Therefore, although they are prohibited from using fertilisers in the 5 m zone bordering water courses, there is continued disturbance of the soil in this zone.
Measure actions	How actions go beyond baseline obligations	Farmers must refrain from any form of cultivation of produce in the specified 2 meter buffer strip from the waters' edge. This is more restrictive than the current baseline obligation.
	How actions reach measure objectives.	The restriction on cultivation in the 2 m buffer area and the requirement to maintain spontaneous vegetative cover ensures that there is a more permanent, undisturbed root zone that binds soil particles and prevents transfer of chemicals through runoff and soil erosion.

Sub-Measure 6: Support for the conservation of rural structures providing a natural habitat for fauna and flora

Measure objective/s		To support the protection of wildlife through the conservation of valuable structural features that provide a habitat to species of flora and fauna in the Maltese islands and to reduce the risk of damage and deterioration of such/sites features.
Overall objective		Reversing decline in biodiversity (maintenance of habitats favourable for biodiversity).
Current Baseline	<ol style="list-style-type: none"> 1. Statutory management requirement on the basis of Council Directive 92/43/EEC on the Conservation of natural habitats and of wild fauna and flora. 2. L.N 160 of 1997 of the Environment Protection Act (CAP.435)- Rubble Walls and Rural Structures (Conservation and Maintenance) Regulations, 1997. and L.N. 169 of 2004 of the Environment Protection Act (CAP. 435)- Rubble Walls and Rural Structures Conservation and Maintenance (amendment) Regulations, 2004. 3. GAEC Standard: Retain terraces. National Standard: Load bearing rubble walls that serve to retain soil on terraced slopes should be maintained in a good condition. 	<ol style="list-style-type: none"> 1. Provisions under this directive are concerned with the protection of natural habitats on an area basis. 2. The legal notices both emphasise upon the restoration works to be carried out with regards to rubble walls and other rural structures. 3. Load-bearing rubble walls that serve to retain soil on terraced land should be maintained in a good state. Any breaches occurring as a result of soil saturation following storms should be repaired in order to prevent further soil loss.
Measure actions	How actions go beyond baseline obligations	Farmers are restricted from cultivating a 1 m strip surrounding rural structures, and are thus not only obliged to retain the walls in good condition, but furthermore, are constrained in the use of their land.
	How actions reach measure objectives	These actions (the 1 m buffer area) serve to protect wildlife flora and fauna from disturbance associated from cultivation and from the impact of chemical products applied in very close vicinity to the rural structures.

Sub-Measure 7: Support for Providing a Healthy forage Area for Bees

Measure objective/s		To support and safeguard the livelihood of the bee by providing a richer, more varied, and healthier forage area.
Overall objective		Reversing decline in biodiversity on farmland (creation and upkeep of habitats favourable for biodiversity).
Current Baseline	Statutory management requirement on the basis of Council Directive 92/43/EEC on the Conservation of natural habitats and of wild fauna and flora.	Farmers are obliged to protect <i>existing</i> natural habitats.
Measure actions	How actions go beyond baseline obligations	Farmers commit to 'create' a melliferous patch that serves as a forage area for bees.
	How actions reach measure objectives	The livelihood and well-being of bees will be safeguarded and supported in areas that were previously not favorable to bee foraging.

5.3.2.1 Agri-environmental measure 1: Support for use of the environmentally friendly plant protection methods in vineyards

Underlying considerations

In the late nineties agricultural practices in the local viticulture industry experienced a major shift towards trellis training methods instead of the traditional free standing vines. In addition to offering several advantages in terms of production methods, vine trellising systems however encouraged further exposure to damage by pests, especially by birds in the hotter drier months when the grapes would ripe for harvest. The tree sparrow (*Passer montanus*) and the Spanish sparrow (*Passer hispaniolensis*) are among the main bird pests responsible for these types of damages. Since the damage caused by birds to the vines can be very severe and may lead to significant harvest losses, farmers often resort to pest control or pest deterrent methods, such as taste repellents and automatic canon shooting. Following the primary avian damage, the sweet nectar flowing from the wounds in the grape further attracts insects - mainly flies, wasps and honey bees. The liquid flow may also trigger fungal infections. At this stage it is necessary for farmers to use chemical forms of plant protection methods, including insecticides and fungicides. These products cause the death of beneficial insects such as honey bees and result in the contamination of their honey comb, and increase the probability of the risk of pollution of the environment.

The traditional agronomic practice is to use plant protection products having active ingredients including fosalone, fenitrothion, malathion, chlorpyrifos methyl, chlorpyrifos, indoxacarb and spinosad for the chemical control of the grape moth (*Lobesia botrana*).

In vineyards, the use of physical and biological methods of pest control would result in a lower use of plant protection products, and would result in a beneficial effect on the environment and on other organisms, including beneficial insect populations such as honey bees. The use of nets to prevent attack by birds and subsequent infestation by other pests is an effective means of physical barrier designed to suppress the use of certain chemical bird deterrents. Likewise, the grape moth can be controlled by means of *Bacillus thuringiensis*, which is a biological technique of pest control.

Baseline obligations

The main legal provisions concerning the use of plant protection products by farmers are embodied in the Pesticides Control Act, Act XI of 2001, Chapter 430 of the Laws of Malta. According to LN 115 of 2004, no person shall use or

allow to be used any plant protection product that is designated as a high-risk plant protection product unless the use is authorised as a professional user in accordance with the provisions of these regulations. The principles of good plant protection practice constitute a framework of action for those concerned with plant protection measures in agriculture and horticulture. These principles provide generic guidelines on how pesticides should be used, handled and applied, and upon measures to prevent infestation by harmful organisms, principles of correct and intended use of plant protection products, principles and instructions for correct and intended use of plant protection equipment, principles of storage and other handling of plant protection products and principles of application of non-chemical plant protection measures.

Objectives

The objective of this measure is to substitute the use of certain chemical plant protection products in vineyards by supporting the use of alternative methods of pest control that are more environmentally friendly. This measure aims to support farmers not to use certain plant protection products that would normally be used for vines in the period prior to the grape harvest, and to reduce the use of other products that are normally used to control the grape moth. The final aim of this measure is to reduce the risk of pollution of the environment, especially of the soil and water bodies, to reduce the risk of pesticides entering the food chain and thus presenting a risk to other organisms.

Scope and actions

Support for the reduced use of plant protection products in vineyards is applicable to all farmers who have at least 1 tumolo of agricultural land area devoted to the cultivation of vines in trellised systems, and registered in the vineyard register kept by the Viticulture and Oenology unit of the Ministry for Rural Affairs and the Environment.

Farmers shall be eligible for support under this measure only if they do not use any of the registered and authorised chemical products to control infestation by grape moth and to deter birds. In the case of the grape moth, farmers shall commit to use the proposed alternative biological control by means of *Bacillus thuringiensis* that is the only biological control alternative to traditional pesticides used for the control of grape moth and is compatible with organic production. The treatment would be followed by monitoring exercises so as to affect treatments within 5-7 days from the first flights of the grape moth's adults. Within this scheme farmers are obliged to perform 2-3 treatments per year this treatment is considered as being a more expensive though beneficial product. Also farmers receiving support under this measure shall commit to cover the vines with nets that are specifically designed to prevent the entry of

birds but not to trap them. Farmers shall commit to install the net at the stage of fruit ripening, which is approximately two weeks before harvest and shall not remove them until harvest time. In this case, although two weeks is a short period, it would be sufficient since the net only needs to be installed before bird damage begins and until harvest time. Therefore, there is no reason for farmers to spray bird repellents when a net is used and neither before the net is placed, because the repellent will not be effective if the net is in place, and because it will not be economically feasible for them to use the repellent at the same time that the net is to be installed. During this period, farmers shall not use any plant protection product that targets birds namely. In this regard farmers are restricted to use nets as bird deterrents, which are more expensive due to the labour requirements for installation and removal.

Rate of support

The rate of support for the reduced use of plant protection products in vineyards is 701.41 € per hectare per year.

Method of calculation and agronomic assumptions

The rate of support for this measure will be calculated upon the difference in price in substituting the conventional authorized plant protection products with the more expensive *Bacillus thuringiensis* and netting practices which in turn is computed on the basis of the increased costs arising from the number of hours of labour involved to install and remove the nets. Savings from not using the conventional plant protection products were deducted from the additional costs. Transactional costs were based upon two main issues. Obtaining information from advisory services with regards to the alternative plant protection products and support for adaptation of the new agronomic operations.

5.3.2.2 Agri-environmental measure 2: Support for the traditional crop rotation including the cultivation of sulla

Underlying considerations

The recent changes in farming systems and the intensive cultivation of certain cash crops in the Maltese Islands has interfered with traditional agricultural practices featuring low input farming. Traditional farming was a major contributing factor in the formation of our national cultural heritage and in fact, certain forage legumes that used to be cultivated in antiquity are the subject of several popular idioms that have nowadays dropped out of usage. Although

today locally grown forage crops serve an important function in livestock feeding systems, farmers have adapted themselves to grow wheat that provides the main source of fodder as dried hay or straw for feeding ruminant and non-ruminant herbivores rather than other traditional legumes and crops.

Until some time ago the cultivation of low-growing, low-podding winter legumes, such as vetches and pulses for feeding animals was more predominant, with sulla being one of the most cultivated legume. Today, sulla has lost much of its importance, and survives only as a small-scale farming operation, since mechanical harvesting has not been well-adapted to this type of crop.

The use of sulla can play an integral part in maintaining soil fertility which depends on complex interactions between the biological, chemical and physical properties of the soil. On bare soils seedlings rapidly form an effective ground cover, and once established the plants are moderately drought resistant. Sulla has been reported to improve the levels of soil nitrogen and organic matter (Foote, 1988). The locally grown sulla (*Hedysarum coronarium*) contributes to the fixation of atmospheric nitrogen into the ground thus eliminating the dependence on fertiliser application, in particular chemical nitrogen for itself and also for the consecutive crops to come, that in turn help to reduce plant nutrient leaching. This type of management indirectly leads to a number of environmental benefits, notably the control of infestation by harmful organisms, and the sustained growth of the crop itself by nitrogen fixation, without the need for use of fertilisers.

Baseline obligations

Under GAEC standards for crop rotation (Issue: soil organic matter) the National Standard states that on irrigated land, crop rotation should be practiced regularly and that crops belonging to the same botanical family should not be grown successively on the same parcel of land. Crops belonging to the same soil-humus depleting category should not be grown for more than three years successively on the same parcel and have to be put into rotation with at least one year of the soil-improving crops or with at least one year of set aside.

Objectives

The main objective of this measure is to encourage the cultivation of the traditional sulla crop through its inclusion in a specified crop rotation. This would serve to preserve an important part of the island's traditional rural heritage. This measure will help combat soil degradation, especially in terms of

the decline of organic matter, and to reduce the level of input of chemical fertiliser. The specific environmental benefits of this measure are to:

- Enhance soil humus content and reduce the risk of soil structural problems through the soil binding effects of the legume;
- Control soil erosion through increased crop cover;
- Reduce the dependence on fertiliser application, in particular chemical nitrogen, by making use of biologically fixed nitrogen by sulla itself, which in turn contributes to reduce nitrate leaching;
- Support diversity in the agricultural landscape;
- Increase the available forage area for honey bees, thus contributing to sustain other organisms in the food chain;
- Reduce the likelihood of certain pest infestations by growing the locally adapted legume, thus minimizing the use of plant protection products.

Scope and actions

Support for the traditional cultivation of sulla shall be applicable to all farmers who have at least 1 tumolo of agricultural land area.

Farmers shall be eligible for support under this measure if they undertake to cultivate sulla on two separate non-consecutive years during the 5-year commitment period. During the growing season, farmers shall not use herbicides, and shall not use any fertilisers, including livestock manure and chemical fertilisers.

Farmers shall commit to follow a specified crop rotation pattern throughout the five year commitment period by including crops that do not require any irrigation within the rotation scheme.

By undertaking to implement actions in this measure farmers will go beyond the baseline obligations by following a specified crop rotation pattern even on dryland, where this is not required in terms of GAEC standards, and by refraining from using fertilisers and herbicides.

A typical crop rotation pattern that could be implemented within the scope of this measure is illustrated below:

Year 1:	garlic (or a crop from the <i>Liliacea</i> family)
Year 2:	sulla
Year 3:	wheat (or barley or oat)
Year 4:	sulla
Year 5:	potato

Variations of this pattern could be allowed on condition that they satisfy the following conditions:

1. Do not include crops of the same botanical family in two consecutive years;
2. Do not include crops that rely on supplemental irrigation during the winter season;
3. Include sulla as a crop in two non-consecutive years during a 5-year period.

Rate of support

The rate of support for the traditional cultivation of sulla is 312.32 € per hectare per year.

Method of calculation and agronomic assumptions

The basic rate of support for this measure is calculated on the basis of the additional labour costs associated with the manual removal of weeds; however savings made with respect to not using herbicides as well as savings with respect to not using fertilisers were deducted. Income forgone is calculated upon the difference in revenue when comparing wheat, a commonly grown crop on dryland, with sulla. Transactional costs arise as a result of the need to obtain information about the new practices as well as to adapt to the new agronomic operations.

5.3.2.3 Agri-environmental measure 3: Support for low input farming

Underlying considerations

Forage cultivation on arable land is a beneficial form of low-input cultivation from a plant nutrient point of view, and generally imposes a favourable impact on the environment. Forage cultivation promotes variation in certain areas where intensive farming is predominant, increases humus content and reduces the risk of structural problems, the latter being crucial with regards to long-term soil productivity. In view of the fact that agricultural holdings in Malta are relatively small and fragmented, resulting in an agricultural landscape that is richly varied, these factors are of major importance to flora, fauna and the natural environment. Due to the fact that different crops have different nutrient and water requirements and that not all crops have the same susceptibility towards different pests and diseases, the prospect of growing forage crops imposes not only relatively low nutrient and water demands, but also presents a natural resilience against common infestation.

In Malta, the area under forage cultivation amounts to approximately 4,644 ha, which represents about 46% of the total utilizable agricultural area. This means that any change in the normal agricultural practices that translates into an environmental benefit would have a significantly large impact on the environment, because of the large area where this measure could potentially be applied.

The normal practices of forage cropping on Malta Islands are quite different comparing to the other countries due to the type of soil (shallow and alkaline) and climate (warm and dry). For instance, it is customary to practice deep ploughing in summer, usually in late August, to avoid the proliferation of certain weeds, and to sow crop seeds obtained from the previous crops. Traditionally, wheat stubble is left in the field until mid-August, however, this is not always possible, since some farmers that only have access to their fields through neighbouring parcels, are granted temporary access only until mid-August, therefore, any passage with machinery for ploughing and rotovation must be done before this period.

Wheat crops are not usually grown under irrigation, however, in the case of very dry winter-spring seasons, sometimes farmers resort to irrigation to increase the potential crop yield. Although in the majority of cases, it is normal to dedicate the land solely to forage cultivation, in some situations, farmers make more intensive use of the same land by including a summer crop in the period when the field would normally be left fallow.

According to the time and manner of herbicide application, there are four types of protection: after harvest (in autumn); pre-emergence (after sowing but before emerging); post-emergence (after emerging in autumn); post-emergence (after emerging in winter). Seasonality of plant protection products use is typical of practices that might be expected of a Mediterranean climate, with herbicide applications beginning in October at the start of the rainy season when weed seeds begin to germinate, rising to a peak in January, with negligible use from April to September when dry conditions retard weed growth. The major plant protection product of importance used on forage wheat in Malta is the herbicide M.C.P.A for broad-leaved weed control.

Baseline obligations

According to the minimum national standards for plant protection products (Pesticides control Act, Act XI of 2001, Chapter 430 of the Laws of Malta, the Plant Protection Products Regulations, and the Maximum Residue Levels of 2004), farmers may use any of the registered and authorised post-emergence herbicides available on the market for broad-leaved weed control.

Objectives

The objective of this measure is to reduce the use of plant protection products in forage production (wheat, barley, and oat). This measure aims to decrease the impact of the repetitive use of plant protection products on the environment, and thus to decrease the likelihood of ground and surface water contamination; increase biodiversity; and avoid/decrease pesticide residues in forage crops intended for animal consumption.

Support for low-input farming shall encourage farmers to practice manual weeding for annual and perennial weeds growing within cereals at the pre-emergence stage and post-emergence stage, before the appearance of the flag leaf. After the flag stage it would be impossible to thread into the field without causing any physical damage to the crop. On the other hand, after the flag stage many harmful weed species would have well developed roots and could thus compete for crop inter-space.

Scope and actions

Support for low input farming is applicable to all farmers having at least 1 tumolo of agricultural land. Farmers shall be eligible for support provided for under this measure only if they grow forage crops under the following set of agronomic conditions.

Farmers shall be prohibited from applying post-emergence herbicides that target broad leaved weeds at any time after germination. Farmers shall resort to manual de-weeding in order to remove weeds at this stage.

Farmers are expected to abstain from sowing any other additional crops and are restricted to cultivate only one crop on the specified parcel per year. Stubbles left in the field in the period after the harvest in during summer would serve as a verifiable standard in order to determine compliancy with respect to this condition.

Farmers receiving support for low-input farming are prohibited from irrigating the crop during the whole growing season.

In order to decrease the presence of weeds, and thus to avoid any use of herbicides in the post-emergence period, farmers receiving support under this measure shall be required to sowing healthy seeds (without presence of weed seeds) purchased from a reliable source instead of using seed collected from the previous crop. Farmers shall be asked to provide proof of purchase of seeds in order to verify compliance with this condition. Farmers shall also be encouraged to increase the density of sowing to provide more competitive relations towards weeds regarding water, nutrients and airspace.

By complying with these actions, farmers are going beyond the baseline requirements, whereby they are allowed to use any of the registered and authorised post-emergence herbicides.

Rate of support

The rate of support for low input farming is 660.18€ per hectare per year.

Method of calculation and agronomic assumptions

The rate of support for this measure is calculated on the basis of the increased costs arising from the hours of labour involved in manual de-weeding. Savings with respect to not post-emergence herbicides in winter were taken into account and deducted from the total additional costs. The income foregone arises as a result of the anticipated loss in yield associated with the prohibition of the use of plant protection products. Transactional costs arise as a result of the scheme entry condition to getting information about new practices, and the process of adapting to a different pesticide application regime.

5.3.2.4 Agri-environmental measure 4: Support to suppress the use of herbicides in vineyards and fruit orchards

Underlying considerations

The practice of using cover crops as intercrops between rows of fruit trees to protect the soil by filling gaps in space at a time when the ground would otherwise be left bare is one of the vegetative techniques of soil conservation designed to prevent soil erosion. Cover crops are also beneficial for soil structure because active microbes produce exudates that stabilise soil aggregates. Since the dry climates typical of Mediterranean countries limits their use in the dry season, such cover crops may only be established during periods when the availability of rainwater is more likely. Cover crops are usually either slow-starting plants that can be seeded with the preceding crop (e.g. small-seeded legumes sweetclover, red clover, vetch) or fast-growing plants that can become established rapidly after harvest of the previous crop (winter peas, rye, oats).

In Malta it is customary to allow the growth of spontaneous vegetation in the rows between vines and other fruit trees in the rainy period, usually from October to March. In order to control the growth of grasses and other flowering species of plants of non-agricultural importance, farmers often apply

herbicides. This is usually done once during the winter, at a time when all the vines have shed their leaves. The purpose of controlling inter-row vegetation is to suppress the production of seeds; to reduce the risk of harbouring of pests especially snails, which finally effect the growth and production of vines and other fruit trees; and to reduce the amount of water that is taken up by the weeds thus maintaining an optimum soil moisture.

Alternatively, farmers may avoid the use of herbicides by using a grass cutter to maintain and control the growth of the inter-row grass cover. In this type of management system, the vegetative growth needs to be cut at least 3 to 4 times during the whole rainy season, depending on the amount of rainfall. This practice is considerably much more labour intensive compared to the application of herbicide, but implies less risk to the environment.

Baseline obligations

According to the national minimum standards concerning the use of Plant Protection Products (L.N 115 of 2004), farmers may use any of the registered herbicides for weed control in vineyards and fruit orchards.

Objectives

The objective of this measure is to prohibit the use of herbicides in vineyards and fruit orchards by supporting the use of an alternative method of vegetation (weed) control. This measure aims to support farmers to refrain from the use of herbicides that would normally be used to control non-agricultural inter-row vegetative species. The final aim of this measure is to reduce the risk of pollution of the environment, especially of the soil and water resources, and to support the maintenance of an adequate soil cover in an effort to prevent soil erosion.

Scope and actions

Support to suppress the use of herbicides in vineyards is applicable to all farmers who have at least 1 tumolo of agricultural land area devoted to the cultivation of vines registered in the vineyard register kept by the Viticulture and Oenology unit of the Ministry for Rural Affairs and the Environment. Support to prevent the use of herbicides in fruit orchards and in olive groves is applicable to all farmers who have at least 1 tumolo of land area devoted to the cultivation of fruit trees (other than vines).

Beneficiaries eligible for support under this measure shall commit to maintain a suitable inter-row vegetative cover in the space between the rows of the

relevant fruit trees during the rainy period, between October and March, for the duration of the agri-environmental commitment. The vegetative cover shall consist of spontaneously growing or purposely seeded grasses such as ryegrass and other non-agricultural vegetative species, including flowering plants, that act to maintain a good dense soil cover in the inter-row space in winter. Any use of herbicides to control the inter-row vegetative cover shall be strictly prohibited during the whole cropping cycle (throughout the whole year). On-the-spot controls shall be performed during the period when the effect of herbicide on the vegetation would be apparent, such as in January. In order to be eligible for support under this measure, farmers shall not till the land during the mentioned period, and shall ensure that any excess vegetation cut by means of the grass cutter is left on the ground to serve as a green mulch.

Rate of support

The rate of support for suppressing the use of herbicides in vineyards and fruit orchards is 604.28 € per hectare per year.

Method of calculation and agronomic assumptions

The support rate for the measure to suppress the use of herbicides in vineyards and fruit orchards is calculated on the basis of the additional labour costs incurred by the farmer to control the vegetative growth mechanically rather than by herbicides. The savings that arise from not using herbicides in suppressing weeds in inter rows of vineyards were deducted. Transactional costs arise as a result of the need to obtain information about new practices, and the process of adapting to a different agronomic regime.

5.3.2.5 Agri-environmental measure 5: Support for the establishment and maintenance of conservation buffer strips

Underlying considerations

Due to the limited land area and the nature of agricultural holdings featuring very small parcels in Malta, agricultural activities often exert pressures on the natural resources, including direct effects on the organisms and the habitats that they live in, both land based and freshwater or marine habitats. In most utilisable agricultural areas the only economically viable mode of growing vegetables and other crops of relative high market value is to strive for a high input high output mode of production. This implies that the quality of freshwater resources, especially surface water bodies is continuously under threat of pollution by nitrates and other chemicals that are received from agricultural systems.

Surface freshwater courses are an important source of groundwater recharge, therefore it is essential to reduce and prevent the risk of surface pollution as much as possible. The soils are also becoming increasingly vulnerable to threats of soil degradation, including erosion, eutrophication, loss of biodiversity and salinisation, as a result of the intensive nature of farming systems featuring high inputs.

Conservation buffers are small areas or strips of land in vegetation, designed to slow water runoff, provide shelter and stabilise riparian areas. Strategically placed in the agricultural landscape, buffers can effectively mitigate the movement of sediment, nutrients, and pesticides within farm fields. Types of conservation buffers include contour buffer strips, field borders, filter strips (especially adjacent to rivers, ditches etc.), windbreaks, and wetlands. Buffer strips would serve a number of purposes: (a) serving as a barrier for 'spill' of any pesticides and fertilisers in the vicinity of natural resources such as water courses, (b) serving as natural corridors for wildlife to seek refuge and forage and (c) combating soil erosion and run off especially during heavy rains due to the extensive root network.

In Malta, numerous water courses that are short lived throughout the wet season perforate through a considerable part of the rural areas. These 'quick drying' springs result in water and soil being 'lost' either to the sea resulting in eutrophication or end up percolating into the groundwater table carrying any excessive/unused pesticides or fertilisers. In this regard buffer strips would be an effective solution in preventing different activities directly related to agriculture that impose an adverse effect upon our natural rural heritage.

In view of the very small size and fragmented nature of local agricultural parcels the financial loss incurred as a result of prohibiting productive crop cultivation in a wide corridor would be significantly high, therefore it is recommended to establish buffer strips/bio-belts of at least 2 meters in width to assist producers in meeting both economic and environmental goals. These buffer areas justify the viability for farmers to take up this measure without posing an excessive loss of production whilst ensuring effective relatively dense corridors delineating highly fragmented parcels in the vicinity of the water courses.

Baseline obligations

The national minimum standard concerning the use of fertilizers (on the basis of statutory management requirements in terms of the Nitrate Directive) with regards to appropriate application techniques states that 'fertilisers (mineral and organic) should not be applied to any type of fresh water courses, and that a minimum distance of 5 meters must be kept from natural water courses and boreholes during fertilizer application'. This means that farmers may still grow produce practically till the edge of the parcel bordering the water course. Therefore although they are prohibited from using fertilizers in 5 meter zone,

there is the possibility for use of plant protection products as well as the continued disturbance of the root zone in this area.

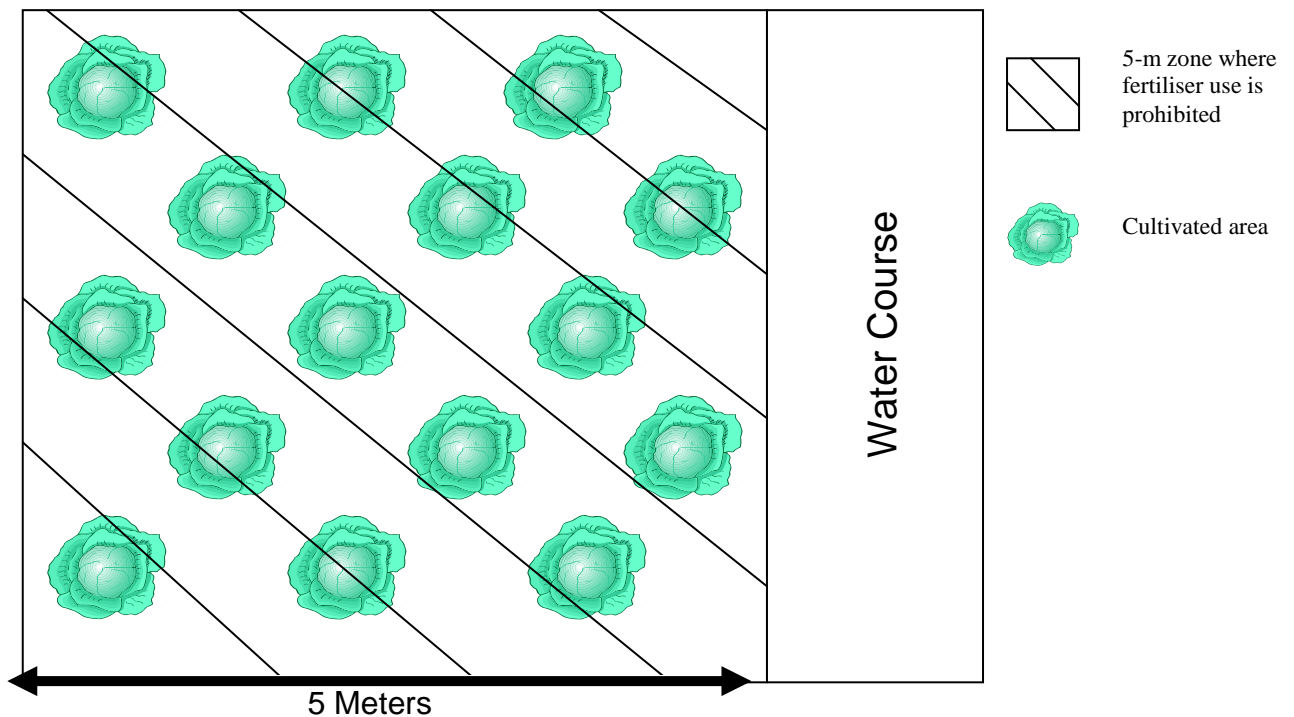


Figure 5: Baseline agronomic conditions in parcels situated in the vicinity of watercourses

Objectives

The objective of this measure to support the establishment and maintenance of conservation buffer strips (bio-belts) is to protect water resources from the pressures of agricultural inputs and to reduce the risk that these activities and inputs have on the quality of these resources. This measure aims to encourage farmers to take on an active role in the conservation of biodiversity and in the protection of environmental resources, by abstaining from carrying out any cultivation practices in designated parts of their fields and to allow these areas to serve as buffer areas between land use for agricultural purposes and land-based or freshwater habitats harbouring wildlife. This measure shall also increase farmers' awareness of the value of ecological assets and the need to conserve and protect them.

Scope and actions

Support to establish and maintain conservation buffer strips in farmland is applicable to all farmers who have at least 1 tumolo of agricultural land. The standard on establishment of buffer strips along water courses shall apply from

the 1st of January 2010 at the earliest and by the 1st of January 2012 at the latest (Article 149 of Regulation (EC) 73/2009), meaning that no further payments shall be effected as from the start of 2012.

Beneficiaries that are eligible for support under this measure shall commit to establish and maintain buffer areas consisting of strips of non-agricultural vegetation (such as ryegrass) or spontaneously growing vegetation of not less than 2 meters in width (figure 6) in designated areas that are situated along water bodies.

Buffer strips should be maintained in good condition and if it becomes necessary to control the growth of vegetation within these zones, this should be done only by mechanical means. In this measure not only is the use of fertilisers strictly prohibited in the designated areas (as in the baseline conditions), but the use of other type of chemicals, including plant protection products, is also prohibited.

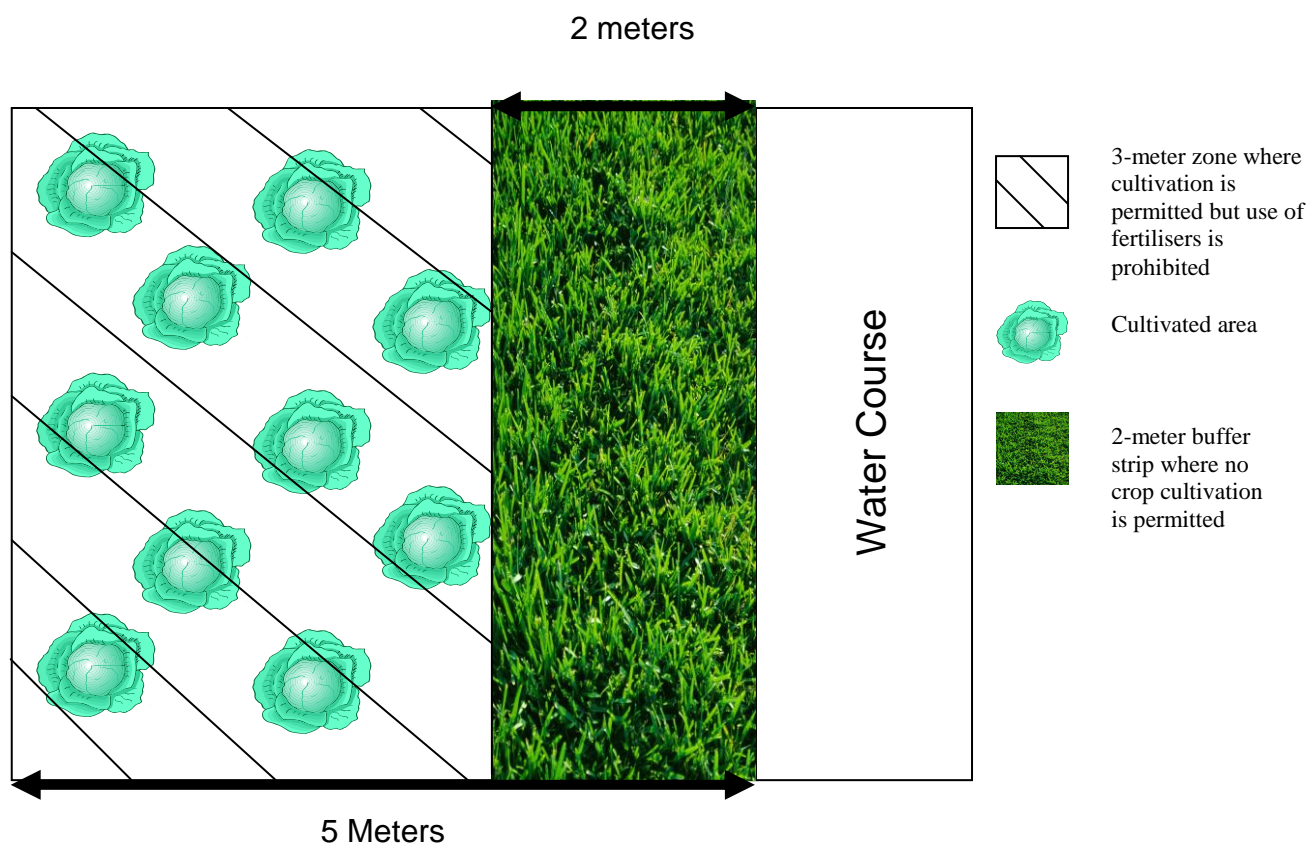


Figure 6: Agri-environmental measure conditions in parcels situated in the vicinity of watercourses

The restriction on cultivation in the 2 meter buffer area and the requirement to maintain spontaneous vegetative cover ensures that there is a more permanent, undistributed root zone that binds soil particles and prevents transfer of chemicals through runoff and soil erosion.

Rate of support

The rate of support for the establishment and maintenance of conservation buffer strips is 545.94€ per hectare per year.

Method of calculation and agronomic assumptions

The basic support rate for the establishment and maintenance of an adequate vegetation cover in these buffer areas is based on the additional labour involved in operations to maintain the vegetation in a good condition, such as trimming and cleaning. Savings made with respect to not using pesticides in the buffer strip were taken into consideration and deducted from total additional costs. Income forgone was calculated on the basis of the loss of income as a result of the loss of productivity from setting aside part of the land available for agricultural use and converting it into a buffer area. Transaction costs arise as a result of the need to obtain information about the new practice and to adapt to the new operations.

5.3.2.6 Agri-environmental measure 6: Support for the conservation of rural structures providing a natural habitat for fauna and flora

Underlying considerations

In addition to their role as an integral part of the Maltese rural and cultural heritage, rural structures found in agricultural areas provide a form of habitat for several species of flora and fauna, some of which are endemic to the Maltese islands. The location of these rural structures in farmed areas or in their immediate proximity often means that these species are under threat from mechanized farming practices as well as modifications in land use.

Structural features found in agricultural areas include structures of architectural and cultural importance that serve as a refuge to various species of animals such as cobbled huts (*giren*) that provide natural shelter against high temperatures heavy rains, old reservoirs (*gwiebi*) that serve as a water source for birds and breeding grounds for Malta's only amphibian, the painted frog *Discoglossus pictus pictus*, open water channels (*kanali*) that also provide a source of water for small birds, and dry stone rubble walls. Rural rooms constructed in rubble and rubble walls are in fact well known to be the best

suited habitat types for Malta's only carnivore animal the weasel *Mustela nivalis*. The importance of these rubble walls is not only primarily linked to their soil retaining function (prevention of soil loss) but also to their importance as habitats. The density of agricultural margins (dry stone rubble walls, together with other linear elements including the carob and prickly pear) shall be used as an indicator of species diversity in areas under active cultivation and an indicator of HNV farmland because they are prime habitats for practically all reptiles, including the sub-endemic Maltese Wall lizard, *Podarcis filfolensis*.

Baseline obligations

The statutory management requirement on the basis of Council Directive 92/43/EEC on the Conservation of natural habitats and of wild fauna and flora, are concerned with the protection of natural habitats on an area basis. The provisions of L.N 160 of 1997 of the Environment Protection Act (CAP 435)-Rubble Walls and Rural Structures (conservation and maintenance) Regulations, 1997 emphasise on the need to carry out restoration works to rubble walls and other rural structures. The national standard for the GAEC standard: retain terraces states that load bearing rubble walls that serve to retain soil on terraced slopes should be maintained in good condition. This standard implies that any breaches occurring as a result of soil saturation following storms should be repaired in order to prevent further soil loss.

Objectives

The objective of this measure is to support the protection of wildlife through the conservation of valuable structural features that provide a habitat to species of flora and fauna in the Maltese islands and to reduce the risk of damage and deterioration of such sites/features in view of their role in providing an 'artificial' ambience for wild species to thrive in on farm holdings. This measure aims to promote greater awareness of the importance of conserving features that provide shelter and breeding grounds of such species by establishing simple management strategies compatible with the safeguarding and protection of such features relative to the related species.

Scope and actions

Support under this measure is applicable to all farmers who have at least 1 tumolo of agricultural land.

Farmers shall be eligible for support under this measure on condition that they maintain a buffer strip along and in alignment to structural features of importance to the conservation of biodiversity identified in the rationale, including rubble walls, corbelled stone huts, open water channels and old

reservoirs. Farmers shall commit to adapt their current agricultural practices to reduce the risk of damage or deterioration of these sites/features that may in some way disturb any species living there and shall establish a buffer area of not less than 1 meter around or along these features. For this reason, farmers receiving support under this measure shall commit themselves to refrain from cultivating crops in this 1-m strip and to leave this area uncultivated, unploughed, unfertilised and unsprayed. The use of any type of fertilisers and plant protection products in this buffer area is strictly prohibited. Farmers may use appropriate alternative methods of weed control such as manual weeding or mechanical trimming of weeds to control vegetation in these buffer areas.

Therefore farmers are must not only ensure the walls and rural structures remain in good condition, but furthermore are constrained in the use of their land. These actions serve to protect wildlife flora and fauna from disturbance associated from cultivation and from the impact of chemical products applied in proximity to the rural structures.

Rate of support

The rate of support for the conservation of rural structures providing a natural habitat for fauna and flora is 547.44 € per hectare per year.

Method of calculation and agronomic assumptions

The basic support rate for the establishment and maintenance of conservation buffer strips in designated areas is calculated on the basis of the additional costs incurred with regards to the mechanical maintenance of strips of vegetation. Savings with respect to not using fertilisers and pesticides in buffer area have been deducted from the total costs. Income forgone was calculated by taking into consideration loss of revenue as a result of converting the part of land into a buffer area and for abstaining from growing any crops. Transactional costs take into consideration the need to obtain information about the new practice and to adapt to the new operations.

5.3.2.7 Agri-environmental measure 7: Support for providing a healthy forage area for bees

Underlying considerations

Honey production in Malta has a long history and can be considered as being a traditional product of Malta since Roman times. Some even believe that the Latin name for Malta, '*Melita*' refers to the abundance of the product during Roman times. The most popular type of honey is the one produced by bees feeding on the nectar from the flowers of wild thyme. Other type of honey is

also produced. Nowadays, one still finds prominent places, like *Wied il-Ghasel* and *Imgiebah*, which prove the abundance of bee population and honey produced on the Island. Presently some 1,100 hives, belonging to an estimated 160 beekeepers are present.

Bee keeping can be considered as one of the oldest agricultural practices in Malta. This is mainly attributed to the favourable climatic conditions as well as the rich and indigenous flora thriving in rural areas which has given rise to a unique variety of high quality honey. Although the general expertise of apiculture has improved especially as a result of the concerted effort of enthusiastic apiculturists, the natural landscape is under threat with regards to the available and favourable forage area for bees to gather their nectarines. Land abandonment on one hand and increased urbanisation, and intensification on the other have in some cases contributed to the diminishing forage area for bees. Understandably, farmers generally opt to cultivate their land with high income crops such as fruit and vegetables that do not always constitute an ideal forage surface area for bees. The habitual high pesticide input from these agricultural activities also leads to a decrease in the overall quality of honey being produced, besides being directly harmful to the bee itself.

The quality of the honey produced is directly related to and depends on the richness and well being of the rural and natural environment. There is an increasing need for farmers to be educated and to be made aware that pollination and crop production will suffer an adverse effect should the bee population decline, since the extent of pollination dictates the maximum number of fruits and that any efforts to safeguard the livelihood of the bee will result in a direct benefit to the rural environment. Apart from pollination of wild plants, bees feeding on plant nectar are the second link within the food chain and are thus a crucial element in adjoining the initial sources of energy (sun) to the third and subsequent stages within the food chain. Bees are a source of food for predators such as birds (bee eaters) which could serve as food supplement during their migration over the Maltese islands.

One way of achieving these objectives is to provide a healthy source of forage crops for bees. These melliferous strips or patches should substitute typical high-input high-output crops with crops that have less demands and impacts on the environmental resources, and that are free from additional inputs that might be deleterious to the bee itself.

Baseline obligations

Statutory management requirements on the basis of Council Directive 92/43/EEC on the Conservation of natural habitats and of wild fauna and flora, imply that farmers are obliged to protect existing natural habitats, in areas in proximity or within their land parcel management.

Objectives

The objective of this measure is to support and safeguard the livelihood of the bee by providing a richer, more varied, and healthier forage area. This measure aims to encourage farmers to establish and maintain melliferous strips or patches having forage potential for honey bees on at least part of their holding. This serves to increase the farmers' awareness of their role in supporting biodiversity and in contributing in the intricate life cycles and food web patterns of organisms in the wider rural environment.

Scope and actions

Support under this measure will be applicable to all farmers who have at least 1 tumolo of agricultural land. Farmers eligible for support under this measure shall commit to cultivate certain plant species that provide a healthy and nutritious forage area for bees, on part of their holding. Farmers have the flexibility to grow the selected and approved types of plant species either on the perimeter of the parcel, or in other areas of the field. In the case of perimeter-type cultivation, the width of the plant cover shall not be less than 1 meter; in the case of other areas, the plant cover shall not occupy less than approximately 10 m² per tumolo of land area.

Farmers eligible for support under this measure shall commit to cultivate plant species that flower in the summer months (between May and October) when the forage area available for bees is at a minimum. Such plants shall not be demanding on irrigation and shall not require chemical means of plant protection, examples include flowering herbs, and shrubs (such as thyme, rosemary, and lavender). Farmers shall abstain from using any plant protection products on these plant species allocated for honey foraging. A more extensive list of plant species that will be considered as eligible species for the purpose of this measure shall be issued at a later stage in the measure guidelines. Through this measure farmers shall commit to 'create' a melliferous patch that serves as a forage area for bees. Through this measure the livelihood and well-being of bees will be safeguarded and supported in areas that were previously not favourable for the foraging of bees.

Rate of support

The rate of support for providing a healthy forage area for bees is 429.20€ per hectare per year.

Method of calculation and agronomic assumptions

Financial support for this measure is calculated on the basis of the additional costs incurred for the manual removal of weeds. The income forgone was based upon the loss of income incurred as a result of converting part of the

land. Transaction costs also arise as a result of the need to obtain information about the new practice and to adapt to the new operations.

5.3.3 Agri-environment standalone measures

5.3.3.1 Support for organic farming

Legal basis: Article 39 of Council Regulation (EC) 1698/2005

Measure code: 214

Rationale for intervention

Organic production is one of several approaches to sustainable agriculture. It involves environmentally-friendly agricultural production which uses none or little amounts of pesticides and synthetic. Organic foods may be considered as quality foods produced under strict and internationally recognized standards. On the other hand organic farming offers the incentives of farming systems that give weight to environmentally friendly farming practices. Since Malta's accession to the EU, and following the introduction of the agri-environmental measure for support to organic farming within the Rural Development Plan for Malta for 2004-2006, the area under organic farming in Malta has increased and currently there are 13 producers who are using organic techniques of production and are recognised by the certification bodies for organic farming to be in the process of conversion to organic farming. The total agricultural land area farmed by these producers currently stands at 26 ha, which represents 0.22% of the total utilisable agricultural land in Malta. A large part of this area (40%) is devoted to olive trees, 23% for fruit and berries, 15% for cereals, 12% for vegetables and 10% for grapes.

Malta is aware of the need to develop farming practices that take into account not only land based agriculture practices relating to crop husbandry, but also the need for better welfare throughout the stages involving animal production. Malta has now designated two Certification Bodies:

MT-ORG-01: Malta Standards Authority
2nd Floor, Evans Building
Merchants' Street
Valletta
Tel: + 356 21242420
Fax: + 356 21242406
E-mail: francis.e.farrugia@msa.org.mt
Website: www.msa.org.mt

MT-ORG-02: BIOZOO

Via Chironi 9
07100 Sassari
Tel: + 39 079 276537
Fax: +39 178 2247626
E-mail: info@biozoo.org
Website: www.biozoo.org

Objectives

The objective of the measure to support organic farming in accordance with Council Regulation No 834/2007 is to promote the sustainable use of farmland and to support organic forms of production as one of the most sustainable types of agricultural systems. The measure aims to increase the total agricultural land under organic farming and to increase farmers' awareness of environmentally-friendly farming practices.

Scope and actions

Support for organic farming shall be applicable to farmers who are recognised by the certification bodies to be either i) in the process of conversion to organic production and expected to achieve the organic quality label within a stipulated timeframe; or ii) certified organic producers that have achieved the quality label for organic production. Only utilised agricultural land shall be eligible for support. Participants to this measure shall apply for support in respect of either part or all of their holdings.

All types of organic or conversion crop production within the scope of Regulation 834/2007 shall be supported. Support shall only be applicable to the actual area under organic production or conversion production, not to the total area of the holding, and the extent of this area shall be determined by verification with the certification body. All types of crops, including annual crops, specialised crops, and perennials, shall be eligible for support, as long as they are intended for human or animal consumption.

Participants to the measure in support of organic farming shall comply to enter into a five-year commitment in respect of the parcels which they commit to farm organically. In such commitments, the decrease of the farming area must be limited to 10% throughout the 5 year period. If this is not respected by the farmers, appropriate reductions or exclusions of compensatory payment will be imposed.

Organic farming shall be carried out on the same land throughout the entire commitment period. Farmers who fail to achieve organic farming status after the initial period of conversion, as determined by the certification bodies, shall

cease to receive support. Following the first year, beneficiaries shall make a request for payment in subsequent years on an annual basis and shall confirm that they are still actively either in the process of converting to organic farming, or certified organic farmers by presenting the certificate issued by the certifying body when carrying out the annual payment claim. Beneficiaries whose status has changed and who achieve the certification following the period of conversion shall be noted during the presentation of the certificate issued by the certifying body.

Participants to the standalone agri-environment measure for support for organic farming shall commit themselves to undertake training in agricultural practices that are compatible with the protection of the environment. Participants shall attend a minimum of 15-hour training course over a period of two years from the date of entry into the measure. However, for those beneficiaries that were committed in 2008 training has to be completed by end 2011 given that difficulties in implementing measure 111 were encountered.

The training shall be organised by training entities that are appointed by the Ministry for Rural Affairs and the Environment in accordance to the provisions of measure 111. Participation for beneficiaries of this measure shall be free of charge.

Beneficiaries eligible for support

Farmers having a minimum of 1 tumolo of utilisable agricultural land who are recognized by the official certification body as either certified organic farmers or as organic farmers in the process of conversion to certified organic farming.

Rate of support

Financial support to organic producers that have not achieved certification but are in the process of conversion shall be provided on the basis of the rates shown in the table below. For certified organic producers the rate of support shall be limited to 80% of the amounts shown in the table.

Forage plants including cereals	613 €/ha
Vines (and other fruit trees)	996 €/ha
Open field vegetables	1,378.5 €/ha

Support for organic animal husbandry shall be provided following a programme amendment for the Commission's consideration.

Method of calculation and underlying assumptions

Support for organic farming has been calculated by comparing the additional costs incurred and the income forgone in organic farming systems compared to the baseline reference of conventional production systems and estimating the additional economic differences derived from the two different modes of production. Transaction costs have not been taken into account for this particular measure, since the process of converting to organic farming in itself implies that the farmer needs to obtain information about the standards, particularly about the alternative means of plant protection methods used, list of materials that may be allowed, etc. Conversion to organic farming also implies that the farmer needs to adapt himself to new farming practices, therefore these costs are included in the cost of the measure itself.

Transitional Arrangements

The contractual conditions embodied in the previous set of regulations will continue to apply to commitments related to support for organic farming approved in 2004-2006. The good farming practice principle had 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 shall be charged to the EAGGF. Expenditure related to agri-environment commitments undertaken as from 1st January 2007 shall be charged to EAFRD and shall comply with the provisions of 1698/2005.

5.3.3.2 Support for the conservation of species in danger of genetic erosion

Legal basis: Article 39 of Council Regulation 1698/2005

Measure code: 214

5.3.4.2.1 Conservation of endangered breeds

Rationale

Although a number of livestock breeds are believed to be indigenous to Malta, including the 'Maltese' goat, the 'Maltese' sheep, the 'Maltese' Black chicken, the 'Maltese' turkey, the 'Maltese' rabbit and the 'Maltese' ox (Attard, undated), scientific evidence is very poorly documented if at all, and with the exception of the Maltese ox, the animals are not officially registered and the number of breeding females is not recorded.

The Maltese Ox breed better known as '*Il-Baqra Maltija*', is a critically endangered indigenous breed and in dire need of conservation owing to the small number of remaining specimens. In fact it is listed in the FAO's World Watch list for Domestic Animal Diversity for the year 2000. Their dwindling numbers and danger of losing a part of the genetic reservoir of these animals require the urgent establishment of conservation measures. This breed of Maltese Ox is utilised solely as a working animal. Till but a few decades, the ox was a common farm animal however, with the introduction of mechanisation, its rearing has decreased dramatically and only a few animals survive. The ox is still being used occasionally for the ploughing of fields which are inaccessible by tractor.

According to the information collected by the Animal Husbandry Section of the Ministry for Rural Affairs and the Environment (which is the recognised technical body which certifies the breed and keeps an up-to-date register of breeding females of the breed available for purebred reproduction) the current population of this Maltese breed of cattle currently stands as follows:

- 1 private farmer having 8 females and 4 males, and
- 6 oxen: 3 males and 3 females at the Ministry for Rural affairs and Paying Agency.

Of the 18 specimens left, only 4 breeding cows survive that can be considered as genetically pure Maltese Ox breed.

Objectives

The aim of this measure is to conserve and maintain biodiversity by preserving Maltese indigenous livestock breeds in danger of genetic erosion, in particular the Maltese ox, by supporting the rearing and breeding of this particular breed.

Scope and actions

Support for the conservation of the Maltese ox breed is applicable to livestock breeders who are registered with the Food and Veterinary Regulation Division as rearing or breeding this particular breed of cattle. In order to be eligible for support under this measure, breeders shall:

1. Carry out a sanitary programme that includes introduction of hygiene and management measures to avoid disease outbreaks;
2. Maintain detailed records for each animal in the herd book under the supervision of the Food and Veterinary Regulation Division;
3. Participate in selection and breeding programmes developed with the aim to select, conserve and increase the population of this endangered breed.

Participants to the standalone agri-environment measure for support for the conservation of the Maltese ox breed shall commit themselves to undertake training in agricultural practices that are compatible with the protection of the environment. Participants shall attend a 15-hour training course over a period of two years from the date of entry into the measure. The training shall be organised by training entities that are appointed by the Ministry for Rural Affairs and the Environment in accordance to the provisions of measure 111. Participation for beneficiaries of this measure shall be free of charge.

Support for the conservation of other Maltese breeds of livestock may be introduced at a later stage during the current rural development programme, once more information on the number of registered breeding females becomes available, through a programme amendment, and following the necessary approval from the Commission.

Support

The rate of support to registered breeders that participate in the conservation of the Maltese ox measure shall be 1,238 € per livestock unit per year.

Method of calculation and underlying assumptions

Support for breeders of the Maltese ox has been calculated on the basis of the additional costs incurred to maintain the Maltese ox in comparison to the costs incurred when using a normal rotary cultivator for ploughing the land.

5.3.3.2.2 Conservation of endangered plant species

Rationale

Local varieties of plant resources are under the threat of genetic erosion as a result of several factors, including agricultural practices that are mostly related to intensification of production, the substitution of local varieties by cultivars that have higher productivity, the substitution by cultivars that have appreciable market and organoleptic qualities, the practice of monoculture cropping systems, and the introduction of new pests. In addition to these factors that are within the direct control of the farmer, plant genetic resources of importance are threatened by the marginalisation of the agricultural sector, the change in use of agricultural land, mostly as a result of urbanisation and associated ancillary infrastructural works, the loss of young farmers to other more lucrative work opportunities, and the lack of preservation of local varieties in germplasm collections. Of all the local varieties, annuals, biennials and short-lived trees are the most prone to genetic erosion.

Scientific evidence of genetic erosion of plant resources is very scanty. Except for a few grape cultivars described in the framework of the Twinning Project MT 2002/IB/-AG-02 “Capacity Building at the Plant Health Department”, no official description of local fruit cultivars (fruit trees, citrus, olives and grapes) is available. One recent study – “Sub-Sector Studies for Key Sector” conducted by leading experts from the CIHEAM – Mediterranean Agronomic Institute of Bari and financed through a Twinning project, focused on fruit crops as a key sub-sector. In their background and recommendations, the experts highlighted the problem of genetic erosion of plant varieties and emphasised the need to preserve and maintain the native genetic resources as an important heritage for the country in view of their economic importance and to reduce the phytosanitary risk that is introduced through the importation of infected nursery material in the country.

Notwithstanding that scientific results and indicators cannot be produced for most of the plant varieties under threat at this stage, it is recognised that any measure that would support farmers to conserve the local genetic heritage

would also increase the appreciation of these resources, would facilitate the identification and selection of primitive varieties/landraces that would otherwise remain unknown, and would encourage farmers to participate in national/regional programmes and projects for the conservation of plant resources under threat of genetic erosion. Farmers' participation in measures aimed at preserving the genetic resources would facilitate the mapping of geographic distribution of the target varieties as well as provide further information on the population diversity.

Without giving added value to the product it would be difficult to persuade farmers/land owners to conserve old and unproductive varieties. Support in the form of aids would therefore serve as an incentive to protect and possibly to propagate these varieties. In this sense, aids would therefore help:

1. to maintain standing existing ancient trees and fruit trees, of which a register can be drawn up,
2. to characterize and propagate local varieties, which are then entered on a national variety list,
3. to encourage local propagators to commercialise these varieties, and
4. to encourage farmers to maintain and/or establish family collections of local fruit varieties on their own land.

In the circumstances, Malta shall, for the time being, for the purpose of supporting the conservation of plant genetic resources under threat, support only those plant varieties for which a minimum level of information on population diversity and occurrence is available. It is expected that, as more information become available, the scope of the measure and the coverage of support shall be widened to include other plant genetic resources of conservation value.

Background information

Holm oak: The Holm Oak (*Quercus ilex*) is the only known oak species native to the Maltese islands. The Holm Oak *per se* is on the whole rare, and has a restricted distribution in the Maltese Islands, hence it is listed in the "Red Data Book for the Maltese Islands". According to the latter, a small copse of these trees still exists at Wardija which includes some trees which may be between 500 and 900 years old, possibly the oldest trees in the Maltese Islands. These are technically protected by virtue of the Antiques Act of 1925 and were in fact listed in an appendix of this Government Notice which appeared in the 19th July 1933 issue of the Malta Government Gazette. The Malta Environment and Planning Authority designates as protected areas the 'Il-Ballut tal-Wardija' and 'Wied Hżrun/Ta' Baldu' areas with a surface area of 20.4 ha and 4.1 ha respectively, and the area of 'Imgiebaħ' with 1.43 ha which include the Holm oaks population and adjacent land (which includes agricultural land). These latter areas serve as a buffer zone for the Holm oak populations and proper

management of these areas surrounding the oak populations is of major importance for the survival of these remnant trees.

Olive: According to interviewed local agricultural technicians, although most of the existing olive germplasm is largely anonymous, and consists of varieties that were only recently imported from neighboring countries, the 'Bidnija' olive, for which many age-old plants are still present in Malta, and the 'Maltese' olive, the prevailing variety in the island in the last century, can be considered as two autochthonous Maltese varieties. The millenary 'Bidnija' olive trees (also known as 'Tal-Bidni') have an important historical and landscape value, and consequently also generate a great commercial interest. The known ancient olive groves in Malta are those at Bidnija, where only 20 trees remain from 40 at the beginning of the 20th century, those below Mdina in the location of Tal-Maħruq, those next to Lija cemetery, and those at Santa Catherina l/o Dingli. Single ancient specimens are found in old gardens and next to old farmhouses. The two specified species are also commonly known in Gozo, and found in various localities such as il-Wied ta' San Blas (Nadur), Ġnien tal-Kapuċċini (Victoria). In Kerċem there are old trees of the varieties called "San Blas", and "Santa Maria", but it is not clear whether the varieties are identical to each other, or equivalent to the other two specified varieties.

Carob: Carob trees are more widespread and are found along the length and breadth of the Island of Malta and to a lesser extent in Gozo. A mixture of varieties is usually found in all holdings. Eight varieties have been identified and many of the trees are over a hundred years old, with some of imposing girth having 500 years or more. Traditionally the carob tree had a multipurpose function in that it provided a form of fodder for farmyard animals, a source of cool underground storage for harvested potatoes, as well as a source of humus. It also served as a windbreak and provided shade to the farmer. Given the large shift towards pluriactivity, traditional practices have diminished and with increased fragmentation, the prevalence of the carob has decreased. The conservation of the carob tree, in itself a traditional feature linked to the rural landscape, is therefore also important to preserve the agricultural genetic heritage.

Mulberries: Black Mulberries are more ancient than the white mulberries since they have reached Malta during the time of the Phoenicians. Some Black Mulberries are of majestic proportions and are generally found close to springs, along valley beds and close to farmhouses. The only variety identified so far is that known as 'Ta' Spanja'. White Mulberries were extensively planted along valley beds during the beginning of the 20th century, as part of an initiative to set up a silk production industry. Most probably the seedlings used were raised from seed as there is great variability in the fruit produced by these trees, some of which are worthy of propagation. Single specimens are also found planted close to farmhouses, and these are generally of the 'Tal-Lombardija' variety. Local experts are of the opinion (Delia, 2007) that mulberries are seriously in danger of destruction especially now that trees especially the black type are being attacked by the mulberry long-horn beetle.

Citrus: Malta can be considered as quite unique not only in the Mediterranean but worldwide for its citrus genetic diversity of very old citrus species (CIHEAM, 2005). Several citrus species have been introduced in Malta more than one thousand years ago (J. Borg, 1922); nowadays most of these species are still grown in several gardens as aged trees which were mostly localised along the valleys because of the presence of water: Buskett, Ġnien il-Kbir, Girgenti, Ġhajj il-Kbira, Baħrija, Imtaħleb, etc., in Malta and Nadur, Xaghra, and Xlendi valley in Gozo. In these sites, citrus trees have been replanted several times with the same varieties and several trees are more than 100 years old. They are mostly represented by sweet oranges ('Seville orange', 'Egg orange' or 'Portuguese orange', 'Malta Vanilla orange', 'Blood orange', etc.) followed by mandarin, lemon, lime ('Seedless lime', 'Sweet lime').

A real risk of genetic erosion of the native citrus germplasm exists, most of which is still of high economic importance because of its great peculiarities. In addition to this a phytosanitary risk is severely threatening the Maltese citrus germplasm because of the introduction of plants which may be infected by the most severe citrus disease, *Citrus tristeza*, which destroys all citrus species if grafted onto sour orange rootstock. Because of the unique characteristics of the Maltese citrus germplasm, it is urgent to protect this valuable resource from the risk of biodiversity erosion by supporting the citrus stock holders to understand such a value and to enhance the peculiarities of these species for economic and landscape purposes. To this aim, it is important to characterize the true genetic diversity which is now based only on visual morpho-pomological characters; most of the germplasm is indicated with different names and a clarification is needed.

Citrus trees in private gardens are managed quite well, because of the few plants which are used not only for fresh fruit family consumption but mainly for ornamental purposes. In some cases they represent a family income, too. Public gardens are usually big citrus collection plots, which are not well managed. Because of their size, they may rather be considered as commercial groves referring to the Maltese standard. Dead trees are unfortunately not replaced by the same variety and it seems likely that genetic erosion is occurring. Nevertheless, public gardens have been used as main sources of the Maltese citrus germplasm. As for commercial groves, which have a very limited size, some are managed by conventional or organic practices whereas others are completely abandoned. Experts (CIHEAM, 2005) have underlined that although orchards are in good conditions, and some may even possibly serve as demonstration plots for good agricultural practice, higher attention should be attached to the administration of fertilisers and pesticides in order to rationalize treatments in environmentally-friendly and economic terms.

In 2000 the Plant Biotechnology Centre of the Ministry for Rural Affairs and the Environment conducted a survey among citrus growers with the aim of assessing and carrying out preparatory work for Maltese clonal selection of citrus. The location of these growers has in fact been identified and the geographical distribution of the varieties has been mapped. During this survey

the different citrus varieties were identified and their morpho-pomological characteristics described.

Objectives

The objective of this measure is to protect and maintain agricultural biodiversity by preserving those plant species that are in danger of genetic erosion, through support for their maintenance. The aims of this measure include the preservation of native varieties, the maintenance of habitats associated with endangered fauna and flora, and the conservation of genetic heritage to improve the agri-touristic potential of the island.

Scope and actions

Support for the conservation of plant species under threat of genetic erosion is applicable to farmers, other land managers, including private orchard owners, and non-governmental organisations that have been entrusted with the management of a particular site where such trees are situated and maintained. In such commitments, the decrease of the farming area must be limited to 10% throughout the 5 year period. If this is not respected by the farmers, appropriate reductions or exclusions of compensatory payment will be imposed.

In order to be eligible for support, farmers/land managers shall adopt appropriate orchard management techniques, and good agricultural practices, including canopy management, training and production pruning, green pruning, fruit thinning, pest control and rationalisation of fertiliser and pesticide treatments in environmentally-friendly and economic terms. In some cases, as recommended by experts, however, it may be better not to carry out any interventions at all.

In the case of fruit trees, beneficiaries shall be obliged to register the trees in the ancient fruit tree register maintained by the Plant Biotechnology Centre and keep appropriate records on agronomic practices in respect of the trees under their conservation. In the case of the Holm oak, beneficiaries shall present a certificate issued by the Nature Protection Unit, Environment Protection Directorate, MEPA stating that agricultural land falls within the buffer zone of these oak populations as defined and delimited by MEPA.

Participants to the standalone agri-environment measure for support for the conservation of endangered plant species shall commit themselves to undertake training in agricultural practices that are compatible with the protection of the environment. Participants shall attend a 15-hour training course over a period of two years from the date of entry into the measure. The training shall be organised by training entities that are appointed by the Ministry for Rural Affairs and the Environment in accordance to the provisions

of measure 111. Participation for beneficiaries of this measure shall be free of charge.

For the purpose of this sub-measure, the list of trees that shall be eligible for support shall consist of the following:

1. Holm oak
2. Olive – ‘Bidnija’ and ‘Maltese’ olive varieties
3. Carob – all varieties
4. Mulberries – all varieties
5. Citrus - oranges (sweet orange, sour orange, common orange, blood orange, navel orange, orange with a thin rind); lemons (sweet lemon, perpetual lemon); lime (sweet and non-sweet); mandarin; and grapefruit.

Support

The rate of support for the conservation of the holm oak, carob and mulberries shall be 23.96 €/tree per year up to a maximum of 18 trees per hectare. The rate of support for the conservation of olives and citrus trees shall be 44.26 €/tree per year up to a maximum of 10 trees per hectare.

Method of calculation and underlying assumptions

The rate of support to farmers and other land managers shall be provided to compensate for the increased costs of adopting appropriate orchard management techniques, including canopy management, training and production pruning, green pruning, fruit thinning, pest control and rationalisation of fertiliser and pesticide treatments in environmentally-friendly and economic terms. Transaction costs also arise as a result of the need to obtain information about the new practices and the adaptation to these new operations.

5.3.3.3 Support for the conservation of genetic resources in agriculture

Legal basis: Article 39 (5) of Council (EC) Regulation 1698/2005.

Measure code: 214

Underlying Considerations

In the last one hundred years, Maltese agriculture genetic resources were dispersed throughout the Mediterranean basin (Attard, undated). The introduction of modern varieties of livestock and plants has led to the complete disregard of all local populations in favour of these imported new exotic hybrids. The end result is that our local genotypes have already been lost or are in danger of becoming extinct. Most are well suited for extensive production systems and also well suited for integration into organic or free range type of production.

Years of cultivation and propagation of plant species within a geographically isolated location such as Malta has given rise to species that have been secluded within a restricted gene pool that suits the islands' ecological and climatic conditions. This has given rise to various plant species that are now considered to be of a local variety and indeed differ phenotypically and in culinary taste and use from any other in Europe. These varieties are specifically vulnerable to genetic erosion due to the importation of plants of international varieties, being considered more productive. This has given rise to an urgent need to establish a local certified nursery 'activities' (including propagation etc.) of native plant varieties of agricultural importance which should fulfil the genetic and sanitary EU requirements for the trade of such materials.

During the 1800-early 1900, Malta had strong economic links with the North African coast spanning from Egypt to Morocco, and also with the other larger islands namely: Cyprus, Sardinia, Gibraltar and Sicily. It was commonly known that the many Maltese stationed in these regions took along livestock. The Maltese Goat is most probably the best known example, but the Maltese sheep, Maltese Mule, Maltese turkey and Maltese pigeon as having also experience the same fate, resulting in the widespread popularity of these breeds. Very often the "Maltese" type is recognised as a well adapted breed possessing hardy characteristics coupled with high productivity.

Changes in the Maltese production systems and in the Maltese consumer lifestyle have resulted in the setting aside of these local breeds to make way

for the introduction of modern and imported hybrids and/or synthetic line type of animals. Some of these Maltese breeds can today only be found outside of Malta. The reintroduction of Maltese breeds of livestock, such as the Maltese sheep and the Maltese goat into Malta will bring back breeds that are hardy, prolific and high milk producers under Mediterranean conditions. These breeds can have a significant contribution towards the Maltese rural development and also has the potential to contribute to the social economic aspects in the northern shores of the Mediterranean and maybe an even greater role along the southern shore.

Objectives

To conserve and possibly reverse the trend of erosion of genetic resources in agriculture including plant species and varieties and livestock breeds.

Scope and actions

Support for the conservation of genetic resources in agriculture shall be implemented through a specific sub-measure targeting project type actions aimed at reversing the trend in genetic erosion of the resources on specialised and technical level. All actions shall be directly focused on conservation procedures that will in broad terms include *ex-situ* and *in-situ* conservation.

The decrease of the farming area must be limited to 10% throughout the 5 year period. If this is not respected, appropriate reductions or exclusions of compensatory payment will be imposed.

Type of operations

Conservation-type operations supported under this measure shall concern either one or more of the following actions:

- (a) targeted actions: actions promoting the *ex situ* and *in situ* conservation, characterisation, collection and utilisation of genetic resources in agriculture, including web-based inventories of genetic resources currently conserved *in situ*, including *in situ/on-farm* conservation, and of *ex situ* collections (gene banks) and databases.
- (b) concerted actions: actions promoting the exchange of information for the conservation, characterisation, collection and utilisation of genetic resources in agriculture, among competent organisations in the Member States.
- (c) accompanying actions: information, dissemination and advisory actions involving non-governmental organisations and other relevant

stakeholders, training courses and the preparation of technical reports.

Support for the conservation of plant species of agricultural importance shall target: (1) projects aiming to increase importance and awareness of fruit sectors, (2) increasing the efficiency of the local nursery sector to satisfy the high demand for plant propagation material, in terms of quantity and quality (3) controlling the incessant introduction from abroad of new varieties, which are gradually substituting the local germplasm (4) to immediately intervene for the safeguard of the local fruit producing plant's germplasm through its conservation and, where necessary, its enhancement by clonal selection programs and utilization through certification programs; and (5) to minimize the risks of introduction of dangerous quarantine pests in the island.

In general, conservation projects for plant genetic resources shall focus on any or more of the following types of operations:

- (a) Identification: selection and sampling of fruit varieties, including DNA analysis of selections to establish the identity of the variety.
- (b) Characterisation
- (c) Conservation: accessions from the selected plants would be identified and introduced into conservation fields then monitored to collect further data on physiological and morphological characteristics for the necessary registration to the National Register of Varieties.
- (d) Sanitation: testing of accessions and sanitation to produce virus free material.
- (e) Valorisation: to test aptitude to certain criteria, establishment of mother blocks of selected varieties for the production of healthy local varieties; promotion within the local farming community.

Conservation actions for plant genetic resources may include:

- the establishment and maintenance of seed collections from the wild or cultivated sites;
- germination testing for seed batches;
- establishment of plots for the conservation of candidate stocks;
- variety assessment and preparation of variety data sheets based on the morpho-pomological description of candidate stocks;
- assessment of the sanitary status of candidate stocks;
- sanitation of candidate stocks;
- activation of certification programme;
- activation of pro tempore nursery activity;
- mandatory control of certain pests.

Support for the conservation of animal genetic resources shall be targeted mainly at the re-introduction of Maltese indigenous breeds of livestock that are either highly endangered or nearly extinct.

In general, conservation projects for animal genetic resources shall focus on any or more of the following types of operations:

- (a) Phenotypical evaluation and identification of livestock breeds in Malta;

- (b) Genetic profiling of registered purebreds in other countries, in cases where the breed is existent;
- (c) Identification of herds and high producing individuals;
- (d) Establishment of specific pathogen free purebred herds in Malta/Gozo;
- (e) Setting up of Maltese herd book including pedigree;
- (f) Establishment of a breeding programme with improved genetic merit.

Type of eligible beneficiaries

Support for conservation of genetic resources in agriculture shall be extended to public entities, research institutions, private bodies, non-governmental organizations, producers' organisations, and associations.

Details of eligible costs

The eligible costs that could be supported under this measure could include:

- Personnel engaged in the management and implementation of conservation projects;
- Infrastructure, including equipment;
- Experts fees (excluding travelling and subsistence costs);
- Costs of training personnel;
- Production of information/dissemination material, including databases and websites.

Level of support

The level of support is 100% of the eligible costs and projects must be completed over a maximum duration of three years.

5.4 Axis 3 – Improving the quality of life in rural areas and diversification of the rural economy

5.4.1 Encouragement of tourism activities

Legal basis: Article 55 of Council Regulation (EC) No. 1698/2005

Measure code: 313

Rationale for intervention

Rural areas contribute to the Islands' cultural and natural diversity, and offer a unique recreational facility that is much sought after by local and foreign tourists. This is even more so in a country where as a result of the high population density and limited land space, rural areas offer a means of escape and tranquillity compared to the stresses and chaotic environment associated with urban centres. Rural villages possess a wealth of cultural and archaeological heritage that gives them a distinct character to the urban and more modern environments.

Rural areas are in fact becoming increasingly popular as a residential destination, however, the employment base of the vast majority of residents of rural localities is still within the urban areas. Therefore, economic activities that maximise the potential of the rural heritage and that capitalise on this heritage for economic purposes are few, if any. The major issue is therefore not one of a risk of depopulation of the rural areas, but rather of the absence or limited economic activities in these areas, both in terms of number and variety.

The encouragement of rural tourism, in a broad sense including cultural tourism, ecotourism and agritourism, would offer support for individual initiatives that build on the traditional, cultural and natural heritage of rural areas. As a result of the flourishing of such initiatives, the tourism product offered would become more varied and activities in rural areas would diversify into high value added economically sustainable activities. Encouragement of tourism in rural areas would rekindle entrepreneurial activities, lead to diversification, growth and employment in rural areas, and contribute to a better territorial balance.

This measure will address the need for recreation and tourism through the creation of recreational infrastructure, information and interpretation facilities and through the development of and marketing of products that embody the heritage of the Islands and provide rewarding experience and memento to visiting tourists. The overall effect of the initiatives undertaken through this measure shall create an increased awareness of local rural resources and the need for their conservation, for future generations and for an improvement in the quality of life for all.

Objectives

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

Scope and actions

Support shall be applicable to actions that encourage tourist activities in rural areas in Malta and Gozo.

Support shall be applicable to natural persons or public and private legal entities.

Support shall cover actions that increase the potential for countryside recreation 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 shall be given to projects that exploit the added value of the natural and man-made 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.

Support shall be 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 shall include the development of and marketing of small centres promoting and selling traditionally made crafts and hand-made products, the development of centres that produce and offer specialty foods typical of the region, and the organization and promotion of events, including fairs and festivals on a local level that are linked to the natural and man-made heritage of the areas.

Scope shall cover actions that exploit the context provided by the rural environment itself, and that make use of this environment as a backdrop for the promotion of the rural service or product. Priority shall be given to support actions that develop tourist services and products that have a direct link with the rural heritage of the areas concerned, that are isolated from the more 'commercial' zones, and that are not provided in an 'artificial' setting that does not bear a link to the service or product.

Type of operations

Support shall cover the following type of operations:

1. The provision of small-scale infrastructure for tourism and countryside recreation such as, signposting of sites or route-trails. The provision of other small scale amenities sensitive to their surroundings, which are needed for the practicing of a particular recreational activity, such as bird watching or sight-seeing.
2. The creation and facilitation of access to areas of high nature, cultural, archaeological, geological/geomorphological and landscape value, such as natural habitats, monuments, temples, chapels, coastal cliffs etc.
3. The setting up of trails that interlink various sites of tourist value.
4. The provision and one-time restoration of small-scale recreational amenities, such as leisure parks, which are tourist attractions.
5. The development of tourism products based on the rural tourism concept and that promote the traditional character of rural communities, such as the development of arts and crafts centres exhibiting indigenous talents, etc.
6. The development of regional marketing services relating to rural tourism including the creation of ICT platforms.

Projects under this measure must show how they build upon the rural dimension and the physical setting in which they will be located. Preference shall be given to integrated projects, applying more than one action under this measure or Measure 323, and to projects which demonstrate how the tourism product of rural areas will be visibly enhanced through their investment.

The modality of implementation across different actions may differ.

Type of support

Payments will be carried out upon presentation of proof of payment and once the on the spot check control establishes that the investment is in line with the contractual obligations.

However, an advance payment for investment support of the project can be effected according to the provisions of Article 56 of Commission Regulation 1974/ 2006.

The amount of the advances shall not exceed 50% of the public aid related to the investment.

When the beneficiary is a public entity advance payments shall be subject to the presentation of a written guarantee in the form of a letter of undertaking issued by the competent authority relevant to the beneficiary. The authority has to declare that it will undertake to pay the amounts covered by that guarantee should entitlement to the advance paid not be established.

When the beneficiary is a private entity advance payments shall be subject to the establishment of a bank guarantee corresponding to 110% of the amount of the advance.

The Guarantee shall be released once the beneficiary provides to the Paying Agency receipts establishing that the amount of the actual expenditure corresponding to the public aid related to the investment exceeds the amount of the advance.

Level of support

Where the beneficiary is a public entity, including local councils, the rate of support may cover up to 100% of the total eligible costs of the project.

Where the beneficiary is a private entity, block exemption as per Commission Regulation (EC) No 1628/2006 on national regional investment aid shall apply. Only small enterprises within the meaning of Commission Recommendation 2003/361/EC are eligible for support. Support to private entities shall be provided at a rate of 50% of the total eligible expenditure of the project.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
14,575,356	10,931,517	75	3,643,839	25

Demarcation criteria with other EU financial instruments

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.

Transition arrangements

No transition arrangements are required for this measure.

Quantified targets of EU common indicators:

Type of Indicator	Indicator	Target 2007-2013
Output	Number of new tourism actions supported	60
Output	Total volume of investment	EUR 14,872,812
Result	Increase in non agricultural GVA in supported businesses	1,5% EUR 3,720
Result	Additional number of tourist visits	24,800
Result	Gross number of jobs created	53
Impact	Net additional value expressed in PPS	PPS 5,597
Impact	Net additional full-time equivalent jobs created	59

5.4.2 Conservation and upgrading of the rural heritage

Legal basis: Article 57 of Council Regulation (EC) No 1698/2005

Measure code: 323

Rationale for intervention

Malta's rural heritage and the surrounding rural landscape are multifunctional assets. Their setting enhances the enjoyment of the countryside and contributes to countryside recreation. Although natural habitats are limited and very little, if any of the landscape and associated wildlife habitats of the Maltese Islands may be considered as 'natural' given that most of them have been affected by human activities, yet Malta's natural and man-made rural heritage is particularly rich. The isolated but central position in the Mediterranean has provided the ideal setting for a relatively large number of unique species living in varied habitats such as cliffs, valleys, *xaghri*, sand dunes and coastal waters. Moreover, since natural habitats are limited and highly fragmented locally, agriculture land forms an integral part of that particular landscape and habitat. Agricultural land is therefore an essential and inextricably linked element of the natural environment.

Malta's archaeological heritage is dominated by the Islands' prehistoric megalithic temples, underground chambers and fortified cities, some of which are designated UNESCO World Heritage sites. Equally important, although smaller in scale and grandeur, are various other archaeological heritage sites scattered around the islands. Together with farmhouses, country houses, old agricultural structures and other rural structures such as rubble walls, these man-made formations compose the local rural character and are important components of rural heritage, as they reflect the cultural way of life of past agrarian societies. Rubble walls in particular are an important landscape feature. Protection of fields against erosion by means of rubble walls, dates back to the times of the Arabs. Since then rubble walls have dominated the Maltese countryside, and today they are appreciated by the general public mostly for being characteristic of the countryside landscape albeit their importance in reducing soil erosion and being a habitat of numerous macrofauna. The dense concentration of several epochs and cultures within a relatively small area constitutes a unique heritage asset of great value that should be safeguarded not only for its intrinsic value, and for the appreciation of residents and tourists, but also for future generations.

Rural heritage resources, be they of a natural, built or cultural form must be restored, conserved and utilised in a sustainable manner, by and for, the good of the community. Malta faces major challenges in ensuring their conservation and sensitive interpretation. An enhanced legal framework has been put in place to ensure the protection of ecologically important sites in the Maltese

Islands, with a number of areas protected under both national and international designations. There is however a need for management and action plans, regular monitoring and enforcement, as well as communication, education and public awareness actions. Furthermore, although a number of Sites and Areas of Archaeological Importance in the rural areas have been scheduled and protected, few were the rural structures which were afforded a specific protective designation. Partly as a result of this, various structures of heritage value in rural areas have been abandoned or subjected to significant structural changes. This calls for the protection, conservation and management of this built heritage, together with the rehabilitation of the wider physical setting from which they emanate and which serves as visual backdrop.

Objectives

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.

Scope and actions

The scope of this measure shall include support for preparatory work including studies and conservation plans, and support for restoration actions. Support under this measure shall cover:

- (a) the drawing-up of protection and management plans relating to Natura 2000 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.
- (b) studies and investments associated with maintenance, restoration and upgrading of the cultural heritage such as the cultural features of villages and the rural landscape.

Type of operations covered

The type of operations that shall be eligible for support under this measure shall be oriented towards those with a public interest and that do not incorporate a commercial purpose. These operations shall include:

1. 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 (landscape, ecological, geological and geomorphological); as well as cultural, archaeological, and architectural value. Eligible actions may include the elaboration of surveys to gather site-specific baseline data and to develop monitoring indicators for areas/sites; the drawing up or reviewing of existing management and conservation plans; condition assessment studies, documentation, etc.
2. Environmental awareness and educational actions and events, including general and site-specific actions; linked to approved plans and studies. Eligible costs may cover diffusion of knowledge in rural conservation principles and environmentally-sensitive techniques aimed at land managers and other stakeholders.
3. Investments associated with the conservation, restoration and upgrading of the natural and the man-made rural heritage. These types of operations shall be of either of the following types:
 - i. Specific actions that have been recommended as part of the management, conservation or rehabilitation plans. With regards to natural heritage, investments may cover threat mitigation measures, habitat engineering, water resource management, visitors' management, and provision of public access to sites. Investment type actions within the built rural heritage may include the actual restoration, *in situ* reproductions, restoration and installation of walkways and installation of security measures, the setting up of interpretation aids and visitors' centres.
 - ii. Stand alone actions, implemented through a regional approach through public entities, that do not necessarily emanate from approved conservation and management plans. These actions shall be subject to the fulfilment of certain criteria, to be determined at the operational level, such as the condition that they are implemented on a significantly large area basis in a consistent manner, and have a direct and apparent impact to improve the visual and intrinsic value of the rural heritage in the area. The type of eligible investment operations under this type of standalone actions shall include the restoration of small, man-made structures of rural heritage value located in 'Outside Development Zone' (ODZ) areas and other areas covered by necessary planning permits, and where such areas contain a large proportion of agricultural land. These structures may include small chapels in

valleys and other rural areas, traditionally built stone corbelled huts (*giren*), bridges of historical importance in valleys, pigeon lofts (*barumbara*), mill stones, traditionally built rubble walls and water channels.

In the case of actions 1, 2 and 3, support shall be applicable to public entities, local government as well as non-governmental organisations and foundations whose primary interest, as stipulated in their statute, is the conservation of the environment, and cultural heritage.

The modality of implementation across different actions may differ.

Type of Support

Payments will be carried out upon presentation of proof of payment and once the on the spot check control establishes that the investment is in line with the contractual obligations.

However, an advance payment for investment support of the project as per Article 56 of Commission Regulation 1974/ 2006 may be granted.

The amount of the advances shall not exceed 50% of the public aid related to the investment.

When the beneficiary is a public entity advance payments shall be subject to the presentation of a written guarantee in the form of a letter of undertaking issued by the competent authority relevant to the beneficiary. The authority has to declare that it will undertake to pay the amounts covered by that guarantee should entitlement to the advance paid not be established.

When the beneficiary is a private entity advance payments shall be subject to the establishment of a bank guarantee corresponding to 110% of the amount of the advance.

The Guarantee shall be released once the beneficiary provides to the Paying Agency proof of payment that exceed the amount of the advance.

Level of support

The nature of the projects funded through this measure does not carry state aid considerations. The aid intensities differ across different operation, as follows:

Type 1 operations	100%
Type 2 operations	90%
Type 3 (i) operations	90%
Type 3 (ii) operations	90%

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
12,266,035	9,199,526	75	3,066,508	25

Preliminary allocations between the different type of actions, assign around 8 million Euros to Type 1 operations which essentially concern the elaboration of studies of which most are expected to be of environmental nature; environmental awareness and educational actions and events covered by Type 2 operations are expected to absorb 1 million Euros, whilst type 3 operations being the tangible component of the measure may absorb around 12 million Euros, 7 million Euros may be absorbed by type 3(i) and 5 million euros by type 3 (ii) stand-alone actions. These figures are not final and are only meant to provide an indicative allocation across the different activities financed by this measure.

Demarcation criteria with other EU financial instruments

This measure shall be the exclusive source of financing for the drawing up of management plans for Natura 2000 sties. 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.

Transition arrangements

The predecessor RD programme had no similar measure. However, the restoration of rubble walls was an agri-environment measure. Rubble wall commitments transcending from the 2004-2006 period will accrue to Axis 2 and the walls the restoration of which has already been financed shall not be eligible under the current programme.

Quantified targets of EU common indicators:

Type of indicator	Indicator	Target 2007-2013
Output	Number of rural heritage actions supported	17
Output	Total volume of investment	€ 13.9m
Output	Completed Natura 2000 management plans as a % of total Natura 2000 sites	100%
Results	Gross number of jobs created	8
Results	Population in rural areas benefiting from improved services	192,442
Impact	Net additional full-time equivalent jobs created	9
Impact	Net additional value added expressed in PPS	0

5.4.3 Skills acquisition and animation with a view to preparing and implementing a Local Development Strategy

Legal basis: Article 59 of Council Regulation (EC) No 1698/2005

Measure code: 341

Rationale for intervention

The Leader approach is initiated with the establishment of cooperation between broad-based partners in the rural area and with the formulation of a local development strategy. On the soundness of this initial phase rests the success of the subsequent implementation of the Leader initiative. Targeted skills acquisition and information efforts are essential for capacity-building and empowerment of rural actors that are not versed with operating in the bottom-up system that the Leader approach builds upon. Bearing in mind that this is the first time that the Leader approach is being adopted in Malta, it is even more important to ensure that during this delicate initial phase, the various rural actors involved receive focused training that enables them to establish representative partnerships, prepare the local development strategy and gain sufficient know-how in implementation techniques.

Skills acquisition and animation activities are expected to be at their most intensive during the first two years of implementation of the Rural Development Programme and initially they will be geared at encouraging and speeding up the creation of Local Action Groups (LAGs) and the formulation of effective local strategies. The training provided will also serve to set high quality and cost effectiveness procedures for the running of the LAGs and for the implementation of projects and measures. Animation activities will seek to heighten awareness among the rural population and stakeholders, about what Leader is really about and what it can be set to achieve.

Objectives

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.

Scope and actions

Eligible actions foreseen under this measure will be restricted to those covered by Article 59 indents (a) to (d) of Council Regulation (EC) No 1698/2005:

- a) studies of the area concerned;
- b) measures to provide information about the area and the local development strategy;
- c) training of staff involved in the preparation and implementation of a local development strategy;
- d) promotional events and the training of leaders.

In the case of actions envisaged under (c) and (d) above, the Managing Authority shall have a direct participatory role. These activities shall be planned, coordinated and implemented jointly with the Managing Authority.

The implementation of local development strategies by partnerships that are not successful in the selection process as specified in Measure 41 and are not designated as LAGs, shall not be financed under this measure.

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.

Public-Private Partnership under article 59

Description of types of partnerships, and estimate of the number of public-private partnerships and the population covered

The public-private partnerships that establish themselves under Article 59 must be geared at achieving recognition as LAGs under measure 41. Hence, the composition of the partnership and the private component of the Decision Body must be consistent with the provisions of Measure 41, which stipulate that:

- The Local Development Strategy must be built on local public-private partnership, reflect the bottom-up approach adopted in decision making, and have an integrated multi-sectoral approach.
- The Local Councils involved in the group must pertain exclusively to the rural territory covered by the proposed LAG.

- The private component of the Decision Body which embodies representatives from the economic and social partners, and civil society must make up at least 51% of decision body.
- Only one action group per territory is allowed, and no overlapping of localities is permitted.
- A minimum of eight Local Councils must be involved in the public-private partnership.
- The number of inhabitants in the partnership must not exceed the 150,000. The only exception, although this is to be avoided, is in the case where only 1 LAG is established to cover all rural regions in Malta.
- All the rural localities, as defined in the National Rural Strategy Plan, can participate in the Leader initiative, hence there can be 100% participation of rural areas.

As a way of elaborating on the first bullet above, a general condition of the public-private partnership is that it shall be representative of the public and private sector actors at the geographical level which the partnership represents. This is taken to mean that entities forming part of the partnership must, wherever possible, have their identity linked to the localities represented by the partnership.

The maximum number of public-private partnerships that will be funded under this measure is limited by the funds available, and by the consideration that only three LAGs shall be supported under Measure 41. Therefore it is envisaged that no more than a maximum of 5 public-private partnerships shall be supported under this measure.

Public-private partnerships must be legally formalised as a non-profit making Foundation. The statute of the Foundation, officialising its setting up and regulating its operations shall be drawn on guidelines provided at operational level.

Measures under Axes 1 to 3 implemented by public-private partnerships

The local development strategies supported through this measure will define measures and outline the actions that the LAG will be implementing in its territory. Besides measures specifically designed by the LAG and tailor made for the rural territory in question, LAGs shall also have the opportunity to implement a selection of actions outlined in the Rural Development Plan. The very nature of these actions generates more added value when implemented through a collective/integrated approach as characterised by the Leader initiative.

The following are the specific actions from the Rural Development Programme under Axes 1 and 3 measures that may be implemented by the LAG in its territory, within parameters set by the Managing Authority.

- Axis 1: Measure 125 – Infrastructure related to the development and adaptation of Agriculture

Action type 4 - Actions designed to increase the accessibility to agricultural holdings by farmers, including the improvement and upgrading of existing farm access roads and passageways. This may include the re-surfacing of pathways, reconstruction and/or maintenance of adjacent walls and/or water culverts where such services are required.

- Axis 3: Measure 313 – Encouragement of Tourism Activities

Action type 1 - The provision of small-scale infrastructure for tourism and countryside recreation such as, signposting of sites or route-trails. The provision of other small scale amenities sensitive to their surroundings, which are needed for the practicing of a particular recreational activity, such as bird watching or sight-seeing.

Action type 2 - The creation and facilitation of access to areas of high nature, cultural, archaeological, geological/geomorphological and landscape value, such as natural habitats, monuments, temples, chapels, coastal cliffs etc.

Action type 3 - The setting up of trails that interlink various sites of tourist value.

Action type 4 - The provision and one-time restoration of small-scale recreational amenities, such as leisure parks.

Action type 5 - The development of tourism products based on the rural tourism concept and that promote the traditional character of rural communities, such as the development of arts and crafts centres exhibiting indigenous talents, etc.

Action type 6 - The development of regional marketing services relating to rural tourism including the creation of ICT platforms.

- Axis 3: Measure 323 – Conservation and Upgrading of Rural Heritage

Action type 3(ii) - Investments associated with the conservation, restoration and upgrading of the natural and the man-made rural heritage. Stand alone actions, implemented through a regional approach through public entities, that do not necessarily emanate from approved conservation and management plans. These actions shall be subject to the fulfilment of certain criteria, to be determined at the operational level, such as the condition that they are implemented on a significantly large area basis in a consistent manner, and have a direct and apparent impact to improve the visual and intrinsic value of the rural heritage in the area. The type of eligible investment operations under this type of standalone actions shall include the restoration of small, man-made structures of rural heritage value located in 'Outside Development Zone' (ODZ) areas and other areas covered by necessary planning permits, and where such

areas contain a large proportion of agricultural land. These structures may include small chapels in valleys and other rural areas, traditionally built stone corbelled huts (*giren*), bridges of historical importance in valleys, pigeon lofts (*barumbara*), mill stones, traditionally built rubble walls and water channels.

Demarcation criteria with other EU financial instruments

The skills acquisition and animation activities funded through this measure will be strictly related to the Leader programme and the Local Development Strategies developed by the LAGs. No other EU fund, apart from the EAFRD, finances such activities.

Level of support

Actions under this measure shall be fully co-financed. In accordance with Article 36 of EC Regulation no 1974/2006, the running costs of the public-private partnership shall not exceed 15% of the public expenditure relating to the local development strategy of each individual strategy.

Since this measure is not targeted to specific economic operators or to the production of certain goods, which may threaten to distort competition or affect trade between Member States, this measure does not carry state aid considerations.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
308,438	231,329	75	77,109	25

Quantified targets for EU common indicators

Type of Indicator	Indicator	Target 2007-2013
Output	Number of skills acquisition and animation actions	6
Output	Number of participants in actions	30
Output	Number of supported public/private partnerships	3
Result	Number of participants that successfully ended a training activity	25

5.5 *Axis 4 – Leader*

5.5.1 *Implementation of the local development strategies*

Legal basis: Article 64 of Council Regulation (EC) No 1698/2005

Measure code: 41

Rationale for intervention

Leader is a rather innovative concept for Malta, since it was not implemented in the previous programme. However, its reputation has preceded its implementation and there is a sense of expectancy amongst local actors for its launch. The distinguishing characteristics of Leader, that have made it such a success in other Member States, are the bottom-up-approach it builds upon and the inclusive local participation it promotes. These factors translate in integrated local strategies that embody local-knowledge and ideas that are otherwise not given prominence in central strategies and national programmes.

Leader therefore presents local communities and policy makers with a win-win situation. Local actors have the opportunity to develop and implement integrated strategies specifically elaborated for their region, without the restrictions of conferred priorities that may be too generic and that do not reflect the specific needs of their area. Moreover local strategies contribute to the achievement of rural development policy objectives. Synergising with the national RDP, the local strategies contribute to the RDP's horizontal and specific axes' objectives, whilst having the flexibility to model action according to the area's specific characteristics.

Leader adopts innovative approaches for mobilising the rural areas' development potential. The local origin of action groups stimulates them to interact and coordinate their activities and work actively to bring about projects that address the need of their territory. The fact that the local action groups themselves decide on the Leader measures to implement means that the responsibility for project decisions remains in the area and that the distance between decisions and implementation is shortened. A further aspect that makes the Leader approach so valuable in the implementation of rural measures is local and private co-financing. Local co-financing inspires greater commitment and ensures that the implementation of local strategies genuinely yields favourable results for the area.

Objectives

The objective of this measure is 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, to animate local stakeholders especially farmers and land managers to tap funds under Axis 1, 2 and 3, and to utilise fully the funds they have at their disposal through Axis 4 to implement projects that result in improvement to their territory.

Procedures and time-frames for selecting the Local Action Groups

Procedure for the selection of Local Action Groups (LAGs):

- The Managing Authority shall issue a call for proposals.
- Applications shall be received within the stipulated time-frames of the call. The applications must include: (1) a Local Development Strategy, (2) a Business Plan, and (3) other documentation as specified in the call for proposals.
- The evaluation of applications and selection will be carried out by the Managing Authority.
- Successful applications shall be approved as LAGs and shall be eligible for implementation under this measure.

Note – Only private-public partnerships, legally set-up as a non-profit making Foundation, as per guidelines provided at operational level, and whose applications successfully passes the selection process under this measure, will be officially designated as LAGs.

Article 37(2) of Commission Regulation (EC) No 1974/2006 stipulates that LAGs must be selected within two years from the date of approval of the RDP. However, in Member states like Malta where the Leader initiative is a novelty, additional calls for proposals may be issued even after the second year.

The process to initiate the selection of the LAGs shall be initiated as early as practically possible following the approval of the rural development plan. This is envisaged to happen around the second half of 2008. Whether and when the second call shall be issued will depend on the uptake and the success of the first call. The second call is meant to give groups that do not qualify in the first call the possibility to improve their proposal and to resubmit. However, given that the selection of LAGs shall proceed on a competitive basis, in that the same locality cannot participate in more than one LAG, the second selection process will be more restrictive and no applications shall be accepted from territories that are already covered by a recognised LAG.

Selection Criteria

To be approved as a LAG and to be eligible for funding under the Leader Axis, applications must firstly meet the following eligibility criteria:

- The partnership must be formalised under a non-profit making Foundation setup.
- The Local Councils involved in the group must pertain exclusively to the rural territory covered by the proposed LAG.
- The private component of the Decision Body which embodies representatives from the economic and social partners, and civil society must make up at least 51% of decision body.
- Only one action group per territory is allowed, and no overlapping of localities is permitted.
- A minimum of eight Local Councils must be involved in a LAG.
- The number of inhabitants in a Leader group must not exceed the 150,000, unless 1 LAG is established to cover all rural regions in Malta.

On satisfaction of eligibility criteria the strategy and the business plan will be evaluated on a range of broad criteria concerning the quality of the strategy and the quality of the partnership.

The quality of the partnership will be assessed amongst other things on the:

- Representativeness of the partnership vis-à-vis the regional community it represents. This means that a multi-sectoral partnership that draws on many segments of the community will be preferred. It is expected that the partnership will encompass a broad range of stakeholders including women's groups, young people and possibly other minority groups, environmental and cultural interest groups, farmers, entrepreneurs, the business community, voluntary groups, civil society and any other interest group that identifies itself as such.
- Soundness of the partnership. This will be determined by the way the group presents itself in its proposal and by the synergy it demonstrated during its formation and elaboration of the strategy i.e. the stages supported through Axis 3.
- Understanding it shows on administration of funding and on the coherence of the organizational and administrative structure it proposes.

The quality of the strategy will be assessed amongst other things on the basis of:

- The integrity of the SWOT analysis of the region.
- How well the proposed measures and actions:
 - reflect the region's weakness and strengths identified in the SWOT;
 - reflect a bottom-up approach which should have characterized the identification of areas of intervention and elaboration of the measure/action characteristics;
 - respond to the needs of various groups and not just one in particular.
 - focus on objectives that are considered to have a high value added for the local community such as focus on women and youths, continuous learning, diversification, improvement in quality of life, protection and amelioration of the landscape, etc.

- How the financial projections fit the priorities of the LAG and how the private contribution element has been taken into account.
- Whether innovative approaches are proposed.
- Whether co-operation projects are envisaged.

Leader areas and planned number of LAGs

The rural area of Malta, as defined in the National Rural Development Strategy Plan (NSP), is made up of 47 local councils, 14 of which are located in Gozo. All the rural localities can participate in the Leader initiative, hence there is the potential for 100% participation of rural areas. However, each locality as defined by Local Council delineations has the right to participate in only one Local Action Group.

Malta's small size renders the concept of regions practically irrelevant. Consequently the LAGs that will form do not have to fit within pre-set regional boundaries. However, given the level of funding that has been allocated to this axis and the ceiling on the proportion of the budget that can be dedicated to running costs, the maximum number of LAGs that shall be funded under this programme shall be limited to three – a maximum of one in Gozo and two in Malta. The setting-up two LAGs in Malta is consistent with Community policy and national strategy, since the two groups operating in the different parts of the island are more likely to address the particular and distinct realities of the different territories.

Justification for selection of areas whose population falls outside the limits set out (5,000 to 150,000)

Article 37(3) of Commission Regulation (EC) No 1974/2006 stipulates that the population of each area must not be more than 150,000. Given Malta's high population density, this threshold is expected to be surpassed only in the event that the rural community of Malta decides to set up only one LAG instead of the intended two.

Procedure for the Selection of Operations by the Local Action Group

The Local Development Strategy and the Business Plan that the LAG will submit with its initial application, shall outline the LAG's interests and intended areas of intervention. When it comes to implementation, the LAG or rather its administrative arm, will issue and publicise calls. The applications will then be filtered, on the basis of the basic eligibility criteria, and the applications which conform to the requirements of the call will be presented to the Decision Committee. The Decision Committee has the final responsibility of endorsing projects that will be receiving funding. Nonetheless, good practice requires that

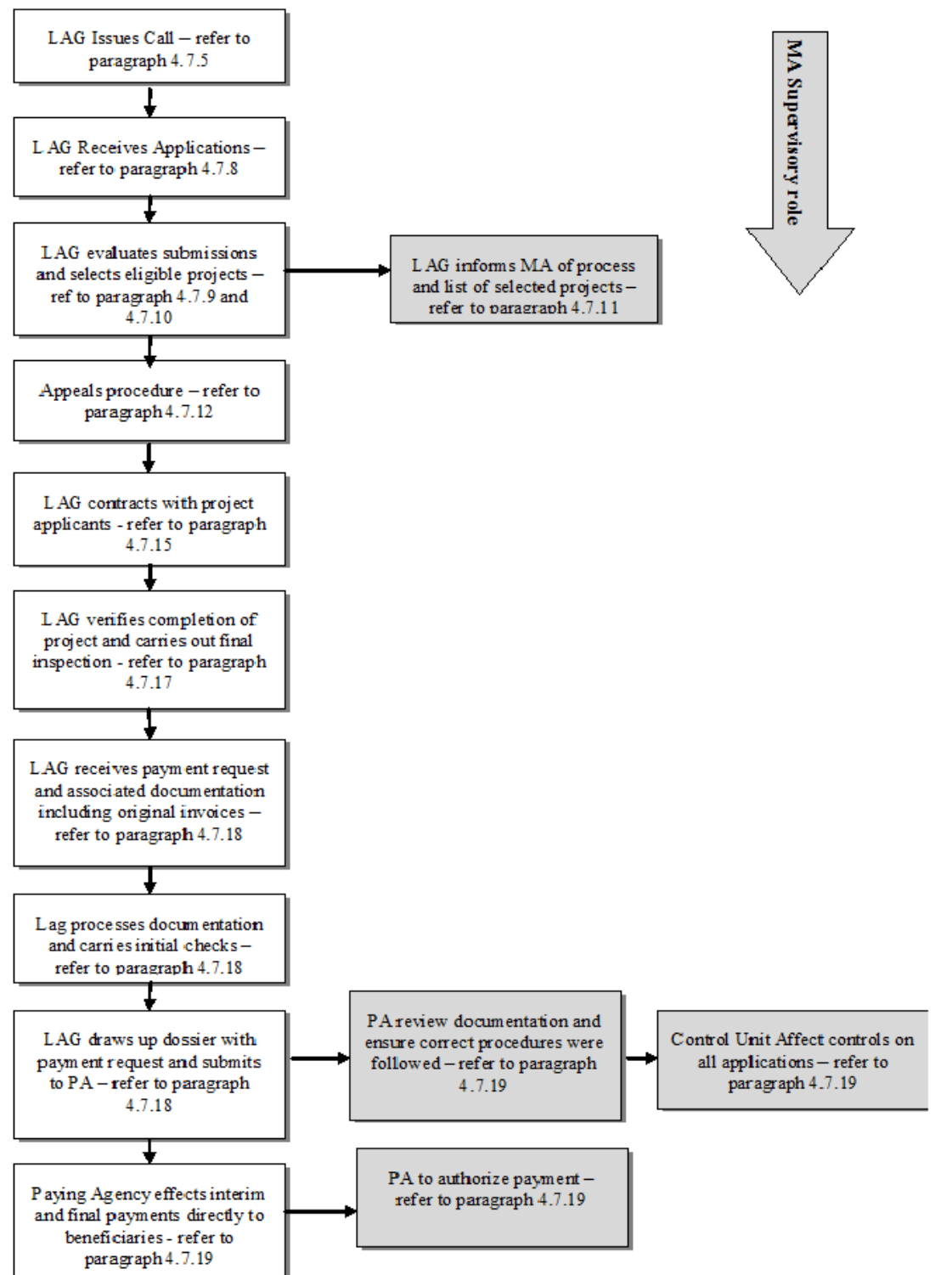
the Decision Committee seeks the guidance of the related thematic working group led by experts, to evaluate and select the beneficiaries. In the case of pilot projects, submitted as a one-off initiative for funding through Leader, and not fitting into one measures implemented by the LAG, the same procedure will apply, whereby the Decision Committee seeks the guidance of the related thematic working group led by experts, to assess whether or to what extent the projects proposed fit the objectives set in the LAGs strategy. However, the decision as to whether to approve a project or not, rests with the Decision Committee.

Description of the implementation circuits applicable for local action groups

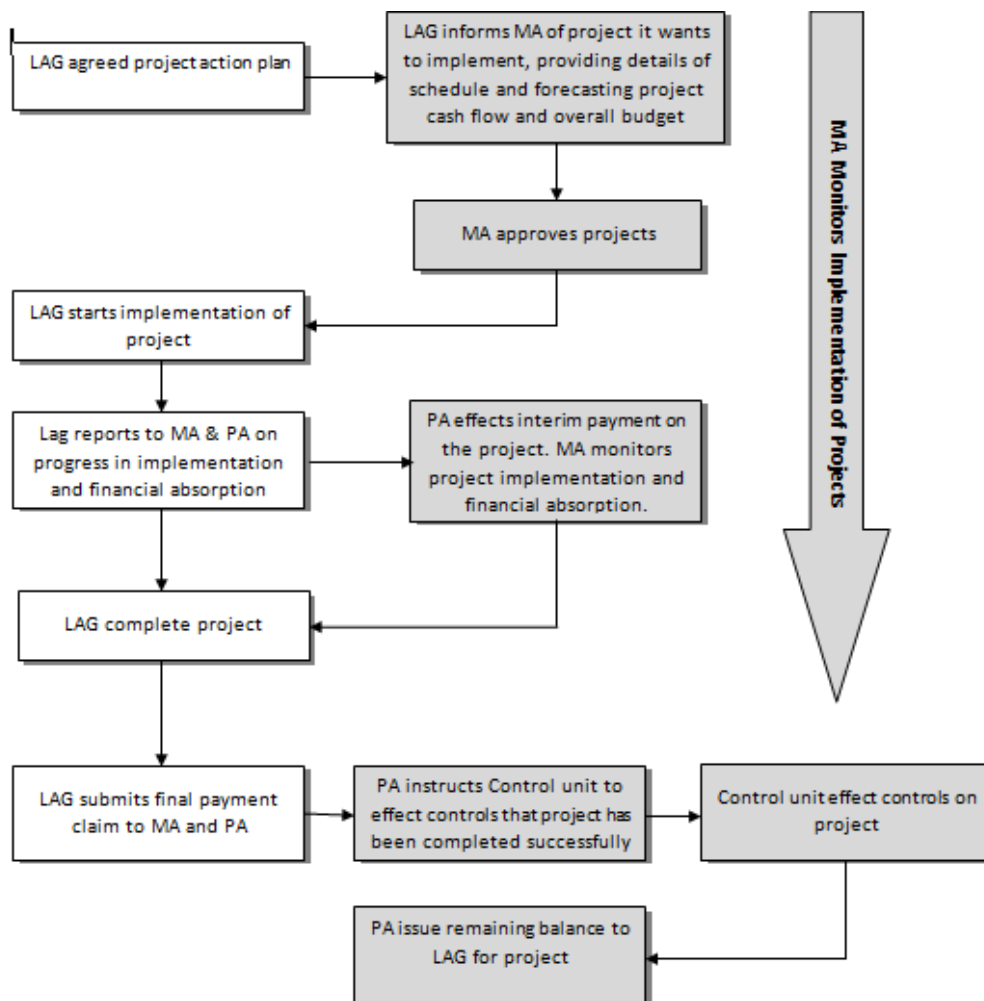
A cash advance of 20% of the yearly allocation of the budget allocation for the implementation of the Local Development Strategy shall be provided to each LAG for administrative purposes (i.e. for running costs).

The implementation circuit applicable to the LAGs shall be determined by the type and nature of the action, and shall follow the procedures detailed hereunder:

CASE 1 – In the case of Axis 1 and Axis 3 actions that are defined in the Rural Development Plan and may be administered by LAGs, and also in the case of pilot projects that are proposed and put forward by interested stakeholders/entrepreneurs in the region and which shall be financed by the budget allocated to LAGs, the following implementation circuit shall apply. This implementation circuit will also be followed in the case of actions financed through Measure 410.



Case 2 – In the case of measures/projects that are directly formulated and implemented by LAGs through the budget allocated to them, the following implementation circuit shall apply:



Compliance with state aid rules

Actions from measures in Axis 1 and 3 of the Rural Development Programme, which are administered by LAGs, shall conform to the state aid provisions outlined in the respective measure fiche.

If measures or actions designed by the LAG conform to measures of Council Regulation (EC) No. 1698/2005 the same state aid provision as in the measure fiche shall apply, otherwise, aid provided has to be limited to *de minimis* and will conform to Commission Regulation (EC) No 1998/2006.

Projects put forward by private stakeholders/entrepreneurs and endorsed by the LAG shall be limited to *de minimis* level of support as per Commission Regulation (EC) No 1998/2006.

Demarcation with Structural funds

Actions arising from Axes 1, and 3 will be limited in scope to the parameters set in the relevant measures. Whilst, Local Action Groups are expected to verify that projects proposed for EAFRD funding under Axis 4 cannot be funded under any other European and National Funds, the MA will equally verify this before approving initiatives.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
2,935,000	2,348,000	80	587,000	20

Quantified targets of EU common indicators:

Type of Indicator	Indicator	Target 2007-2013
Output	Number of local action groups supported	3
Output	Total size of LAG area (km ²)	287
Output	Total population in LAG area	260,635
Output	Number of projects financed by LAGs	40
Output	Number of beneficiaries supported	40
Result	Gross number of jobs created	6
Result	Number of successful training results	0
Impact	Net additional value added expressed in PPS	not interpreted
Impact	Net additional full-time equivalent jobs created	5

5.5.2 Interterritorial and Transnational Cooperation

Legal basis: Article 63 of Council Regulation (EC) No 1698/2005

Measure code: 421

Scope and actions

This measure seeks 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.

This measure provides 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. One of the LAGs must play the role of a coordinator, having the final responsibility of implementing the project and being the channel of communication with the national and/or regional authorities.

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.

Co-operation should not consist simply of exchanges of experience but must include the implementation of a joint project if possible, supported by a common structure. The running of a common structure is seen as the most integrated form of cooperation. A shared new structure must be a body using a legal form recognised in the Member State(s) concerned. The partners must also be legally-constituted structures recognised by the MS concerned. Where cooperation spreads outside Leader actors, the Group involved must be modelled on a Leader basis.

Actions eligible for funding cover the preparatory activity, co-ordination and animation, however, cooperation must also include the implementation of a joint project. While joint actions may involve groups from third countries, only activities taking place within the EU are eligible for funding.

Procedure, timetable and objective criteria to select inter-territorial and transnational cooperation projects

Procedures

Being the first time the Leader initiative will be implemented in the local context, this measure will not be made compulsory for LAGs and it is up to the LAGs to decide how much of their budget they want to allocate to cooperation projects. However, they will be made aware of the potential this measure offers and encouraged to include it in their Local Development Strategy if it is deemed necessary.

As a first prerequisite for embarking on cooperation projects, the co-operation methodology must be integrated in the LAG's business plans at the outset of the programme. The selection and approval of projects must be carried out following the same procedure as for other projects i.e. through the project evaluation committee. Projects selected by the LAG must be then submitted to the Managing Authority for the final approval.

Timing

LAGs will be formed for the first time during this programming period and consequently it might be late in the programme until coordination projects start being launched. However, at the latest contracts for cooperation projects must be drawn and signed by the 31st December 2013, and associated projects have to be concluded by the end of 2015.

Financial Table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
165,000	132,000	80	33,000	20

Quantified targets for EU indicators

Indicator		Target
Output	Number of supported cooperation projects	3
Output	Number of cooperating LAGs	3
Result (s)	Gross number of jobs created	0
Impact (02)	Net additional full-time equivalent jobs created	0

5.5.3 Running costs, acquisition of skills and animation

Legal basis: Article 63(c) of Council Regulation (EC) No 1698/2005

Measure code: 431

Objectives

The efficient administration of the Local Action Group is crucial for the success of the Leader Axis. The skills acquisition and animation measure under Measure 341 under Axis 3 will extend up to when LAGs are officially approved. This measure will get in motion once LAGs start implementing their strategy. It will be mostly geared to the 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.

Rationale

This measure seeks to provide LAGs with sufficient resources and expertise to effectively implement their strategy and to efficiently administer identified actions under mainstream measures in axes 1 and 3. This need is more pronounced in the local scenario where the Leader initiative is being implemented for the first time.

Limit to apply on the share of the LAG budget for overhead costs

As set in Article 38 of Commission Regulation (EC) No 1974/2006, the running cost of LAGs may be up to a maximum of 20% of their total public expenditure of the local development strategy.

Financial table

Public contribution (€)	EAFRD amount (€)	EAFRD contribution rate (%)	Malta Govt. Amount (€)	Malta Govt. contribution rate (%)
775,000	620,000	80	155,000	20

Quantified targets for EU indicators

	Indicator	Target
Output	Number of skills acquisition and animation actions	30
Output (s)	Number of participants in actions	n/a

Programme specific indicator and target

	Indicator	Target
Result (s)	Number of successful training results	n/a

Table 5.3.6. List of types of operations referred to in Article 16a (3)(a) of Regulation (EC) No 1698/2005 and up to the amounts referred to in Article 69(5a) of that Regulation.

Axis/measure	Type of operation	Potential effects	"Existing" or "new" type of operation	Reference to the description of the type of operation in the RDP	Output indicator – target
Axis 1 Measure 121	Investment support related to dairy production	Improvement of the competitiveness of the dairy sector	New	Measure 121	Number of farm holdings supported 45 Total Volume of investment €2.7 M

6. Financial Plan

Table 6.1.: Annual contributions from the EAFRD (in EUR)

	2007	2008	2009	2010	2011	2012	2013	Total
Convergence regions (*)	12,434,359	11,527,788	10,656,597	10,544,212	10,347,884	10,459,190	10,663,325	76,633,355
New Challenges – Convergence Regions			600,000	420,000				1,020,000
Total EAFRD	12,434,359	11,527,788	11,256,597	10,964,212	10,347,884	10,459,190	10,663,325	77,653,355

Table 17: Annual contribution from EAFRD

6.2 Financial plan by axis

Table 6.2.1: Financial plan by axis (in EUR total period)

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	39,177,245	75	29,382,935
Axis 2	27,180,867	80	21,744,694
Axis 3	27,149,830	75	20,362,371
Axis 4	3,875,000	80	3,100,000
Technical Assistance	4,084,473	75	3,063,355
Total	101,467,415	76	77,653,355

Table 6.2.2: Financial plan by axis - Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005

Axis	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	1,360,000	75	1,020,000
Axis 2			
Axis 3			
Axis 4			
Technical Assistance			
Total	1,360,000	75	1,020,000

Tables 18 and 19: Financial plan by axis

Table 6.3.: Indicative budget related to operations referred to in Article 16a of Regulation (EC) 1698/2005 between 1 January 2009 and 31 December 2013 (Article 16a(3b) up to the amounts specified in Article 69(5a) of Regulation (EC) No 1698/2005).

Axis/measure	EAFRD contribution for 2009-2013
Axis 1	
Measure 121	1,020,000
Total axis 1	1,020,000
Axis 2	
Total axis 2	0
Axis 3	
Total axis 3	0
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	
Axis 4	
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	
Total axis 4	0
Total programme	1,020,000

7. Indicative breakdown by Rural Development Measure

Measure/Axis	Public expenditure	Private expenditure	Total costs
Measure 111	461,984	0	461,984
Measure 114	200,000	40,000	240,000
Measure 115	99,900	0	99,900
Measure 121	23,402,970	24,200,000	47,602,970
Measure 123	3,829,891	7,094,874	10,924,765
Measure 124	427,569	171,028	598,597
Measure 125	10,511,036	1,475,587	11,986,623
Measure 132	7,895	0	7,895
Measure 133	0	0	0
Measure 142	236,000	0	236,000
Total Axis 1	39,177,245	32,981,489	72,158,734
Measure 212	17,655,867	0	17,655,867
Measure 214	9,525,000	0	9,525,000
Total Axis 2	27,180,867	0	27,180,867
Measure 313	14,575,356	200,000	14,775,356
Measure 323	12,266,036	1,226,603	13,492,639
Measure 341	308,438	0	308,438
Total Axis 3	27,149,830	1,426,603	28,576,433
Measure 411	1,115,000	259,200	1,374,200
Measure 412	520,000	155,200	675,200
Measure 413	1,300,000	388,000	1,688,000
Measure 421	165,000	53,600	218,600
Measure 431	775,000	194,000	969,000
Total Axis 4	3,875,000	1,050,000	4,925,000
Total axes 1,2,3 and 4	97,382,942	35,458,092	132,841,034
Technical Assistance	4,084,473	0	4,084,473
Grand Total	101,467,415	35,458,092	136,925,507

8. Additional national financing

Additional national financing in accordance to articles 16(f) and 89 of Council Regulation (EC) No 1698/2005 will not be applied for the rural development programme of Malta.

9. Appraisal under competition rules

The design and implementation of the measures based on Council Regulation (EC) No 1698/2005 must conform to the basic principles of Community law governing state aid, as laid down in Articles 87 and 89 of the Treaty establishing the European Community. These provisions establish that aid granted by a Member State, in whatever form, must not distort or threaten to distort competition by favouring certain undertakings or the production of certain goods, and must not effect trade between Member States.

The measures proposed in this programme are in line with Community rules on state aid. Under Article 88(1) of Council Regulation (EC) No 1698/2005, the rules concerning state aid do not apply to financial contributions provided by Member States as counterpart of Community support for rural development within the scope of Article 36 of the Treaty, i.e. production of and trade in agricultural products. As shown in Table 13, measures under Articles 25 and 52 and certain actions under Articles 28 and 29 which fall outside the scope of Article 36 of the Treaty are being notified in accordance with each area's regulatory framework on state aid, or will be applied in conformity with the *de minimis* rule.

Measure Code	Name of aid scheme	Indication of lawfulness of the scheme	Registration number	Duration of aid scheme
115*	Setting up of farm advisory services	Commission Regulation (EC) No 1998/2006 on <i>de minimis</i> aid	/	2007-2013
123*	Adding value to agricultural products	Guidelines on National Regional Aid	N. 622/2007	2007-2013
124*	Cooperation for the development of new products, processes and technologies	Commission Regulation (EC) No 1998/2006 on <i>de minimis</i> aid	/	2007-2013
313**	Encouragement of tourism activities	Block exemption in accordance with Commission Regulation (EC) No 1628/2006 on national regional investment aid	XR 184/2007	2007-2014

* As regards this measure, no further commitments shall be undertaken in 2014 and 2015. Payments linked to the commitments taken during the period of validity of Regulation 1698/2005 shall be covered by Regulation 1998/2006.

**With regards this scheme, no further commitments shall be undertaken after 30th June 2014.

Table 19: Application of competition rules in respect of measures

Any cases of application of the schemes enumerated above for which under State aid rules or under conditions and commitments laid down in the respective State aid approval decision, individual notifications are required, will be notified individually pursuant to Article 88(3) of the Treaty.

10. Information on consistency and complementarity

The Rural Development programme is designed to ensure that it is strategically consistent and complementary to other national and community strategies and funding instruments, including other measures financed by the Common Agricultural Policy instruments, the Cohesion policy, and the European Fisheries Fund.

10.1 Consistency with the Common Agricultural Policy

Besides sharing the CAP's common objective of providing farmers with a reasonable standard of living, consumers with quality food at fair prices and preserving the rural heritage, direct payments under Pillar I and area-based payments under Pillar II share a common baseline in terms of compliance with environmental standards and obligations, as from 1st January 2007. Since Malta had, upon Accession, implemented the EU 15 standard direct support system and not opting to apply the transitional simplified scheme - Single Area Payment Scheme (SAPS), in accordance with article 71 of EC Regulation 73/2009 Malta had to adopt the Single Payment Scheme as from 1st January 2007 at the latest. In practice, this meant that all direct aids including area-based payments, were subject to the cross-compliance regime with effect from 1st January 2005. On the other hand, whilst agri-environment measures in the programming period 2004-2006 required compliance with Good Farming Practices (GFPs), established by the national authorities in respect of a number of farming practices, in the new programming period and as from 1st January 2007, the GFPs that constituted the environmental baseline for area-based rural development measure have been replaced by Good Agricultural and Environmental Conditions (GAECs), established on the basis of the criteria set out in Annex III of Council Regulation (EC) 73/2009. Effectively, this system ensures that there is more internal consistency between Pillar I and II in terms of the baseline compliance with environmental standards and obligations for farmers receiving support in that both have to comply with the Statutory Management Requirement (SMRs) and GAEC. (For further information on consistency with cross-compliance obligations refer to section 5.5).

As a new member state, and in accordance to Article 143(a) of Council Regulation (EC) 73/2009, Malta is effecting direct payments according to the stipulated schedule of increments, and will not attain the 100% payment rate before 2013. In this respect, area-based payments to farmers under Pillar II will complement Pillar I direct aid, and will further contribute to prevent the risk of land abandonment, make farming more profitable, and quality-oriented

and respectful of environmental, hygiene and animal welfare standards. In this way, the payments received under the EAFRD will complement and reinforce the objectives of Pillar I payments.

The new programming period 2007-2013 will also have the added benefit of complementing the proposed Common Market Organisation reform for fruits and vegetables which seeks to improve the competitiveness and market orientation of the fruit and vegetable sector, reduce income fluctuations resulting from crises, increase consumption, enhance environmental protection and, where possible, simplify rules and reduce the administrative burden. This holistic approach shall complement rural development measures that were adopted in the 2004-2006 RDP and complement the measures that will be implemented in the coming programming period. Present support for the setting up of Producer Organizations (POs) will be extended further through the greater flexibility with the possibility to include the promotion of fruit and vegetable consumption, growers will continue to be encouraged to form and associate themselves into Producer Organisations; and organic production will be further promoted, whilst simplification through harmonisation of basic principles relating to marketing standards shall be beneficial to all.

In order to ensure consistency and complementarity with first pillar payments and to avoid the possibility of double funding for the same type of operations, demarcation criteria shall be applicable. As a general rule, operations that shall benefit under the support schemes listed in Annex I of Regulation (EC) No1974/2006 shall not be eligible for support. In particular, the following provisions shall apply for certain sectors.

For the fruits and vegetables sector, the general rule is that the CMO for fruit and vegetables is to be used for support. The CMO only supports activities carried out by producer organisations. Producer Organisations shall only be eligible for support if they are able to demonstrate that they cannot receive support for the same activity/operation under the CMO. The Managing Authority shall liaise with the competent authority for support under the CMO to verify that the PO is not eligible for support. This position is justified on the basis of the limited support that POs are entitled to under the CMO as a result of the extremely small turnover which in turn determines the rate of support that they are eligible for as a percentage of their VMP. Given that in Malta POs are in their first years of operation and as yet both the number of members and the turnover are extremely low, the rate of financial assistance that they are eligible for, although proportionally comparable to that provided in other MS, remains disproportionately low in order to sustain their operations.

For the wine sector, the restructuring and conversion of vineyards as specified under Articles 12 and 13 of Regulation (EC) No 1493/1999 and Chapter IV of Regulation (EC) No 1227/2000 and the corresponding investments eligible under the measure in the National plan for the restructuring and conversion of vineyards in Malta 2004-2009, including (i) regrafting, (ii) improvement of vineyard management, and (iii) relocation, shall not be eligible for support under the EAFRD.

For the honey sector, the restocking of hives, including simple replacement of bees and hive boxes, as implemented through the Malta National Apiculture Programme Years 2008/09/10 and as specified under Article 2 of Council Regulation (EC) No 797/2004, shall not be eligible for support under the EAFRD.

The only support foreseen under Pillar I for the olive oil sector is that payment as part of the entitlements under the Single Payment Scheme. Malta does not withhold any amounts in accordance to Article 8(1) of Council Regulation (EC) No. 865/2004 for national programmes.

For the beef and veal sector, Malta is not applying the provision on extensification payments as per Article 132 of Regulation (EC) No 1782/2003, and hence the possibility of overlap with EAFRD funding does not exist.

For the sheep and goats sector, Malta shall not be applying the provisions on supplementary premiums and additional payments in accordance with Article 114(1) and Article 119 of Regulation (EC) No 1782/2003 and therefore the possibility of overlap with EAFRD funding does not exist.

Furthermore Malta is not implementing the provisions provided for in article 69 of Regulation 1782/2003 and therefore there is no possibility of overlap with RD measures related with improving quality of certain types of production.

10.2 Complementarity with Cohesion Fund, ERDF, ESF and EFF

The Operational Programme I “*Investing in Competitiveness for a Better Quality of Life*” (Cohesion Fund and ERDF) has two objectives: Objective 1 of Sustaining a growing, knowledge-based competitive economy, and Objective 2 of Improving Malta’s attractiveness and the quality of life. The central themes of this Operational Programme are to improve the country’s competitiveness through the generation of a better quality of life.

These objectives aim at supporting entrepreneurship, promoting export development, mobilizing investment in RTDi, sustaining the tourism industry and promoting culture. Objective 2 of Improving Malta’s attractiveness and the quality of life is underpinned by four Axes: Axis 3 *developing the TEN-T*, Axis 4 of *upgrading services of general economic interest*, Axis 5 of *safeguarding the environment* (including risk prevention) and Axis 6 of *urban regeneration and improving the quality of life*. These Axes refer to diverse but interrelated dimensions to secure a better quality of life for the Maltese population, as well as, measures aimed to improve the attractiveness of Malta as an ideal investment location and a country with a good quality of life. Objective 1 and 2 and the Axes are underpinned by technical assistance and administrative capacity building measures.

Operational Programme II “*Empowering people for more jobs and a better quality of life*” (ESF). The overall objective of this Operational Programme is to raise the overall employment rate. The overall objective of the Operational Programme II, will be achieved through the attainment of two operational objectives of Investing in human capital and Strengthening labour market

structures. Investment in human capital aims to improve the quality of education and skills level of the labour force to achieve the necessary flexibility in the labour market for it to be in a better position to respond to the needs of Malta's economic growth and development, whilst supporting disadvantaged segments of the population. This objective includes support to enterprises to help them face the ever changing challenges of the market and sustaining a growing competitive economy. The operational objective of strengthening labour market structures aims to increase the employment rate by ensuring that those facing difficulties or barriers to enter work or to retain employment are supported.

The linkage between the NSRF Strategic Objectives and the EAFRD is highlighted on three main focus areas; the issue of competitiveness of the agri-business sector, sustainable environmental development and the enhancement of the quality of life. Under the EAFRD, the importance of competitive business activity in the agriculture sector will be actively pursued. Similarly, the importance of the physical, natural and cultural environment on both economic performance and the quality of life enjoyed by the Maltese population is underlined through the specific objectives highlighted in the Rural Development Programme. As a result, NSRF Strategic Objective 1 *sustaining a growing knowledge-based competitive economy* and NSRF Strategic Objective 2 *improving Malta's attractiveness and the quality of life* are consistent with the Rural Development Programme. NSRF objective 3 *Investing in human capital* will contribute to the upgrading of human resources in the sector, particularly at the vocational level in order to make the sector a more viable career choice. The NSRF fourth objective is to address Gozo's regional distinctiveness whereby accordingly Government committed to ensure a minimum of 10% of funds be allocated to Gozo.

Malta's National Strategic Plan for Fisheries (2007-2013) enlists several objectives and priorities for the sustainable development of the Maltese fisheries sector. These objectives include the development of the fleet, the promotion of the aquaculture sector and the development of the processing and marketing sectors, the development of fisheries' infrastructure, the development of the human resources in the fisheries sector and the sustainable development of fisheries areas. With regard to increasing competitiveness in the sector, the Strategy envisages the increase in investment in processing and packing facilities for the fisheries and aquaculture products and in marketing and promotional campaigns. Linked to the enhancement of competitiveness in the fisheries sector is the objective to further develop human resources capabilities, improve the structure, organisation and working environment and the upgrading of skills. From the physical infrastructural perspective, the Strategy has the objective of consolidating and improving the current infrastructure servicing the fisheries and aquaculture industry through the construction of amenities at designated ports and the relocation of fish markets. Linked to this, is the objective to improve the quality of life in specific coastal areas through the diversification of employment prospects and infrastructural works.

The European Fisheries Fund and EAFRD have little in common in that both objectives and target groups differ significantly. The possible exception is

aquaculture in land based systems where a combination of agriculture and aquaculture development is pursued in particular for leisure/recreational purposes. However, such initiatives will not be funded through the EAFRD programme. There exists a possibility for overlap between the EAFRD and the EFF, under axis 4 of the EFF which focuses on the sustainable development of fisheries areas. The local strategy for EFF limits the application of Axis 4 considerably to infrastructural works in specific coastal areas in favour of existing fisheries communities; and only in conjunction with other funding instruments and private participation. Co-funding for such initiatives utilising the EAFRD shall not be possible.

10.3 Demarcation criteria in relation to Axis 1, 2 and 3 measures

In order to maximize on the funding opportunities available for Malta under the different Community programmes and initiatives it is necessary to ensure consistency and complementarity between the major programmes so that all objectives are met with no duplication of effort and actions. Through consultation with the authorities responsible for the drafting of the National Strategic Reference Framework (NSRF) and the National Strategy Plan for Fisheries (NSF), the areas of potential overlap have been determined and a number of demarcation criteria established.

Table 20 lists the demarcation criteria that have been established in respect of each of the EAFRD measures applicable.

EAFRD measure	Demarcation criteria
Training, information and diffusion of knowledge (Measure 111)	<p>EAFRD will only support training actions related to the agricultural and agro-food sectors. It will be specifically aimed at farmers and at managers/owners of micro-enterprises operating in the agro-food sector. The training provided to the food sector will be strictly geared at increasing the level of preparedness of entrepreneurs already operating in the sector.</p> <p>On the other hand, the ESF will exclude training geared at farmers and cooperatives. Its focus will be on training with a link to the labour market – creating new employment. Training schemes for the private sector enterprises whilst being broad range and not specific to the agro-food sector will target the professional development of employees.</p>
Adding value to agricultural products (Measure 123)	<p>ERDF shall support investments for innovation in the production chain across the whole manufacturing sector through horizontal aid schemes which are not linked to specific sectors/products.</p> <p>EAFRD interventions shall be restricted to enterprises using an Annex 1 input. Moreover, the investment submitting for support must build upon quality certification, traditionality and the cottage industry, and the provision of new market outlets to agricultural products. EAFRD will not support investments aimed at increasing the efficiency of the general operations of the enterprise, whilst not contributing to the above mentioned objectives. Such investments would be eligible for support from the ERDF only.</p> <p>A constant liaison between the managing authorities, as in the 2004-2006 period, will help tackle any possible uncertainties on the nature of submitted projects. The maximum aid rate under the two Funds is the same (50% for SMEs) and this eliminates the potential for competition across schemes.</p>
Encouragement of tourism activities (Measure 313)	<p>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.</p> <p>Operations supported through the EAFRD shall exclude initiatives in urban localities coherent with the definition of urban and rural areas used in this programme, and will be limited to small scale infrastructure and marketing activities having a local and regional (multi-local) dimension. 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</p>

	national level, EAFRD will only support small-scale services that integrate and conform with national systems.
Conservation and upgrading of the rural heritage (Measure 323)	<p>EAFRD will be the exclusive source of financing for the drawing up of management plans for Natura 2000 sites. This intervention has been excluded from both structural funds and the LIFE+ fund for demarcation purposes. Both EAFRD and ERDF may support additional requests for the implementation of management plans, however, ERDF will only support the implementation of such plans as long as these are considered to be important in communities that are dependent 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.</p> <p>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.</p> <p>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.</p>
Skills acquisition and animation with a view to preparing and implementing a Local Development Strategy (Measure 341)	The skills acquisition and animation activities funded through this measure will be strictly related to the Leader programme and the Local Development Strategies developed by the LAGs. No other EU fund, apart from the EAFRD, finances such activities.

Table 20: Demarcation criteria in respect of EAFRD measures

11. Designation of competent authorities and bodies responsible

The Ministry for Rural Affairs and the Environment has the overall responsibility for rural development. The role of the Ministry includes deciding on national public funding, when applicable, deciding on the national legislative framework of programme implementation, designating the managing authority, accrediting the paying agency and certifying body, and designating a representative to sit on the Monitoring Committee.

The Rural Development Department as representative of the Ministry for Rural Affairs and the Environment for rural development policy and planning, has the overall responsibility for programme planning. Besides planning the rural development programme, this department also has responsibility for formulating amendments to the programme after approval of the Monitoring Committee, and deciding on the form and organization of evaluations in accordance with the Common Monitoring and Evaluation Framework.

As the Managing Authority (MA) for the Rural Development programme, the Rural Development Department has the responsibilities outlined in Article 75 of Council Regulation 1698/2005, including programme planning, implementation, administration, monitoring and follow up. The MA shall:

- (a) ensure that operations are selected for funding in accordance with the criteria applicable to the Maltese Rural Development Programme 2007-2013;
- (b) ensure that there is an electronic system to record and maintain statistical information on implementation adequate for the purposes of monitoring and evaluation;
- (c) ensure that beneficiaries and other bodies involved in the implementation of operations:
 - are informed of their obligations resulting from the aid granted, and maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation,
 - are aware of the requirements concerning the provision of data to the Managing Authority and the recording of outputs and results.
- (d) ensure that programme evaluations are conducted within the time limits laid down in Council Regulation (EC) No1698/2005 and conform to the common monitoring and evaluation framework and for submitting evaluations undertaken to the relevant national authorities and the Commission;
- (e) lead the Monitoring Committee and send it the documents needed to monitor implementation of the programme in the light of its specific objectives;
- (f) ensure compliance with the obligations concerning publicity referred to in Article 76;

- (g) draw up the annual progress report and, after approval by the Monitoring Committee, submit it to the Commission;
- (h) ensure that the paying agency receives all necessary information, in particular on the procedures operated and any controls carried out in relation to operations selected for funding, before payments are authorised.

The MA is also responsible to see to the adequate provision of information and publicity to beneficiaries. The MA shall be directly responsible for the dissemination of information, promotion and animation of EAFRD measures.

The Ministry for Rural Affairs and the Environment is currently undergoing a process of restructuring and reorganization that is expected to effect mostly higher hierarchical levels within the organization. This means that certain structures may witness a change in their current roles and responsibilities. At the time of programming, the proposed changes were not in effect, therefore the following designation of functions is based on the current set up in force.

In line with the present organisational set up of the Ministry for Rural Affairs and the Environment, some functions of implementation of the RD programme shall be carried out by specialised structures within the Paying Agency (PA), particularly the aid applications unit and the control unit. The associated functions that shall be conducted by these bodies essentially include: receipt of applications, first administrative controls of applications, on-the-spot controls, and payments in respect of all RD measures. The MA shall prepare detailed requirements documents and guidelines and liaise constantly with these structures to ensure a high level of specification and quality control.

The functions of the Paying Agency shall focus on authorisation, execution, accounting, and internal audit, however, this is envisaged to also entail RD administrative measures pertaining to administration and processing. The Paying Agency shall also be in a better position to receive all applicant information and store it, maintain documents, and subsequently publish lists of beneficiaries. The Paying Agency will be responsible for the implementation of the programme, on procedures and criteria drawn up by the Managing Authority whilst the Managing Authority will be responsible for the policy, monitoring and evaluation of the programme. The PA shall also report to the Managing Authority on all associated issues as per 1698/2005 obligations, however it also has the primary responsibility to see to the execution of EC regulations No 1290/2005 , No 1920/2005 and No 85/2006.

The Paying Agency of the Ministry for Rural Affairs and the Environment is the approved Paying Agency for the purpose of EAGGF guarantee measures and is already effecting payments following the Clearance of Accounts procedure with regards to EAGGF guarantee measures. The PA's system of internal set up, checks/controls, information/communication, and monitoring has undergone an accreditation and IT audit.

The Competent Authority is the Department of EU Affairs of the MRAE while the Internal Audit Inspectorate Directorate of the Ministry of Finance (MFIN) is the Certifying Body for the Paying Agency.

The Maltese Paying Agency has been accredited on 15th October 2007 by the Competent Authority. Therefore such procedure confirms that the Agency fully meets the obligations and responsibilities in line with Council Regulation (EC) No: 1290/2005 as well as Commission Regulations (EC) Nos.: 883/2006 and 885/2006.

Although the Maltese Paying Agency was granted partial accreditation as regards the new EAFRD measures (to-date the RDP 2007-2013 has not yet been formally approved by the Commission), a further review is envisaged within the next twelve months so that a full accreditation can be granted as to both EAGF and EAFRD measures.

The Maltese Paying Agency's setup structure is in full compliance with Council Regulation (EC) No.: 1290/2005 as to the conditions listed in Article 6 (a) to (e), ensuring that the adequate checks are performed to ensure the eligibility and correctness of the application being processed/and documented prior to any payment effected and the accounting thereof.

The Internal Audit and Investigations Directorate (IAID) is the Certifying Body of the former EAGGF (Guarantee section), EAGF and EAFRD in terms of Commission Regulation (EC) Nos. 885/2006. As the Certifying Body of these funds, the IAID has to draw up a certificate that the annual accounts transmitted by the Agriculture Paying Agency to the Commission are true, complete and accurate, and that the internal control procedures have operated satisfactorily. The IAID is also the Special Department with respect to same funds in terms of Council Regulation No. 4045/1989 and in this regard the IAID conducts scrutinies (checks) at the level of the beneficiaries (farmers) to ascertain whether the actual transactions have been executed correctly.

The IAID is the designated interlocutor of DG OLAF in Malta and is the Anti-Fraud Co-ordinating Service (AFCOS) for Malta; this implies that the IAID can conduct sole or joint investigations with OLAF, the European Anti-Fraud Office, with respect to EU funds availed of by Malta.

The IAID reports irregularities to DG OLAF on a quarterly basis with respect to Pre-accession Funds, Transition Facility Funds, Structural Funds, Cohesion Fund, the former European Agricultural Guidance and Guarantee Fund (EAGGF, Guarantee section), EAGF and European Agricultural Funds for Rural Development (EAFRD).

In performing the certification audits, the IAID follows the International Standards for the Professional Practice of Internal Auditing and the International Standards on Auditing.

Contact Details of Competent Authorities

Managing Authority	Rural Development Department Agricultural Research and Development Centre Ghammieri, Marsa. MRS 3300 Malta Tel. (00356) 25904 181
Paying Authority	Paying Agency DG RD & PA Agricultural Research and Development Centre Ghammieri, Marsa. MRS 3300 Malta Tel. (00356) 25904 333
Certifying Body	Internal Body and Investigations Directorate Valletta Buildings, Lower Ground South Street Valletta. VLT 1103 Malta Tel. (00356) 21237737

As from the 14th of April 2014 the Managing Authority migrated from the Ministry for Sustainable Development, Environment and Climate Change (MSDEC) to the Funds and Programmes Division within the Ministry for European Affairs and the Implementation of the Electoral Manifesto (MEAIM).

In this respect for calls for proposals published after the 1st of August 2014, the Managing Authority will be responsible for the following tasks:

Publicity and information, drafting of measure guidelines and applications, receipt of applications (if necessary) and their processing, selection of projects and contracting.

The Agricultural and Rural Paying Agency (ARPA) within MSDEC will be responsible for part of the authorisation process; procedures for payments; accounting; advances and securities; and recording and follow up of debtors. The other part of the authorisation process will fall exclusively under the competence of the Managing Authority which includes: receipt of applications (if necessary); processing of applications; selection process and contracting with selected beneficiaries.

This migration has also led to a change in the Competent Authority, in order to ensure full autonomy, which is now the Policy Development and Programme Implementation Department (PDPID), within the Ministry for European Affairs and Implementation of the Electoral Manifesto. The Paying Agency will remain within the Ministry for Sustainable Development, Environment and Climate Change.

Contact Details of the current⁸ Competent Authorities

Managing Authority	Funds and Programmes Division Triq il-Kukkanja, St Venera, Malta. Tel. (00356) 22001476
Paying Agency	Agriculture and Rural Payments Agency Agricultural Research and Development Centre Ghammieri, Marsa. MRS 3300 Malta Tel. (00356) 22924107
Certifying Body	Internal Audit and Investigations Department Valletta Buildings, Lower Ground Floor South Street Valletta. VLT 1103 Malta Tel. (00356) 21237737

12. Monitoring and evaluation systems

Well organised monitoring and evaluation systems serve to ensure that the programme is implemented in an efficient and effective manner. During this programming period, monitoring and evaluation tasks will draw on the Commission's Common Monitoring and Evaluation Framework (CMEF) and where relevant common indicators will be substituted or supplemented with additional indicators specific to local situation. In line with the provisions of Council Regulation (EC) No 1698/2005 the Managing Authority (MA) and the Monitoring Committee will have the responsibility for monitoring and evaluation systems.

Monitoring informs on progress in programme implementation through continuous and systematic stocktaking of financial inputs, of the activities financed through the programme and of initial results arising from implementation of measures. Monitoring results are summarized in input, output and result indicators, which form the basis of the annual progress reports. Through assessment of implementation, any deviations from operational objectives become apparent and highlight the need for corrections. Information arising from the monitoring process also serves as an input to evaluations.

It is envisaged that the monitoring function will be undertaken directly by the Managing Authority. Currently underway are capacity building efforts which shall lead to an increase in the staff complement dedicated to follow programme implementation and monitoring. The primary focus at this stage, preceding launch of measures, is on the establishment of the data gathering

⁸ As from 14 th April 2014.

requirements per measure for monitoring purposes and the identification of sources from where such data can be tapped. This exercise is concurrently informing the development of a specialized IT system which should cater for all stages of programming, from application receipt to authorization of payments. The rural development IT system will interface with the IACS system. Farmers will be recognized by a unique identification number and the same applies to land parcels. As to agri-environmental land based measures an interface with the single application system will be in place.

The Managing Authority is aware that to fulfill the reporting requirements specified in the CMEF and to gather data and information on areas on which information is still lacking, studies have to be commissioned or thematic groups with this aim have to be formed. The monitoring system will work with the National Rural Network in this respect. Monitoring exercises will identify areas of interest that can draw on the insight from the diverse representatives and from the collaborative approach of the network.

In accordance to Article 75 of Council Regulation (EC) No 1698/2005, the Managing Authority (MA), will fulfil the following tasks related to monitoring:

- (a) Have in place a computerized system to record and maintain statistical information on implementation.
- (b) Lead and inform the Monitoring Committee such that together they can monitor implementation of the programme.
- (c) Draw up the annual progress reports on the basis of Article 82 of Council Regulation (EC) No 1698/2005 and submit it to the Commission following approval by the monitoring committee before the 30th of June of each year.

Regarding the content of the annual progress report, the MA shall be responsible to ensure that all information detailed in Annex VII of Commission Regulation 1974/2006 is included. The data for common indicators will be collected from different sources – information that is not readily available at the MA itself, will be collected from the Paying Agency, National Statistics Office, other entities or from surveys commissioned specifically for the compilation of indicators - so that the report can be presented to the monitoring committee in the spring following the reporting year. Prior to commencement of implementation, the concerned authorities will be informed of the data gathering requirements.

Evaluation involves the assessment of the programme's effectiveness by analyzing the extent to which objectives are being achieved; efficiency in terms of how well resources are being employed to achieve the desired results; and the relevance of interventions in addressing needs, problems and issues. The evaluation's assessment is summarized in result and impact indicators.

In accordance with Article 84 of Council Regulation (EC) No 1698/2005, evaluations will be carried out by independent evaluators although the responsibility to ensure programme evaluations are conducted in time and are undertaken in conformity to the CMEF will rest with the MA, as per Article 75 of the same regulation. Evaluation will be organised on a continuous basis

leading from the ex-ante evaluation to the mid-term evaluation in 2010 and the ex-post in 2015 in accordance with Articles 85, 86 and 87 of the same regulation. An ex-ante evaluation of this programme was prepared by Adi Associates. It is summarised in section 3.3 and attached as a full report in Annex 18.6. The results of the evaluations shall be made available subject to Regulation (EC) No 1049/2001.

From the experience the Managing Authority has attained to date, specifically from the ex-ante evaluations of the 2004-2006 and the 2007-2013 programmes, it has become knowledgeable about the usefulness of this exercise and of the elements to avoid. It is imperative to draw the tender requirements exhaustively and of the necessary depth and to assess carefully what expertise is necessary. The call should be publicized widely and the bidding period should be sufficiently long to allow various entries. Once the evaluation process gets underway, programming quality improves significantly from an unhindered flow of communication between the programme developers and the evaluators, combined with the latter's independent judgment and insights gained from consultation.

To ensure a system of continuous follow-up and coherent evaluation of the RDP, Article 86 of Council Regulation 1698/2005 requires Member States to set up procedures for continuous follow-up of the RDP. This ongoing evaluation will prepare the basis and furnish a basis for the formal mid-term and ex-post evaluations of the programme. In Malta's case, follow-ups will be based on indicators specified in the CMEF and on national supplementary indicators which are likely to keep on evolving throughout the programme, and complemented by a number of in-depth follow-ups on specific themes related to areas of interest to the programme.

In view of its limited human resource complement the MA retains the possibility to engage an independent body to manage the monitoring and evaluation process throughout the lifetime of the programme.

12.1 The Monitoring Committee

The monitoring committee shall be formally constituted within three months from approval of the RDP as required by Article 77 of Council Regulation (EC) 1698/2005. The Monitoring Committee will be required to develop its working procedure and adopt them in agreement with the MA in its first meeting. The Managing Authority will be responsible for assisting the committee by preparing agendas and documentation ahead of meetings and by producing material relation to monitoring and evaluation. The committee will be chaired by a representative of the MA and will include representation from:

- economic and social partners
- competent local and public authorities
- other bodies representing civil society, non-governmental organisations (including environmental organisations and those responsible for promoting equality).

The proposed members of the Monitoring Committee are listed hereunder.

- Local Council Association
- Ministry for Rural Affairs and the Environment
- Office of the Prime Minister (Planning and Priorities Division)
- Malta Environmental and Planning Authority
- Malta Resources Authority
- Malta Standards Authority
- Malta Tourism Authority
- Malta Statistics Authority
- Superintendence of Cultural Heritage
- National Youth Council
- Nation Commission of Persons with Disability
- National Commission for Promotion of Equality
- Confederation of Malta Trade Unions
- Malta Chamber of Commerce
- Malta Federation of Industry
- National Federation of NGOs

In selecting the participants of the committee, attention was placed on electing bodies which are representative on a national basis and which in themselves as far as possible do not constitute beneficiaries. The Managing Authority reserves the right to add or change members on the Monitoring Committee in view of possible future developments that may occur. The European Commission may participate in the work of the Monitoring Committee in an advisor capacity.

Together with the MA, the Committee will be responsible for monitoring the quality of programme implementation. To this end, the specific tasks of the Monitoring Committee as outlined in Article 78 of Council Regulation (EC) No 1698/2005 shall be to:

- (a) assess the selection criteria for operations that will be financed through the programme
- (b) scrutinise implementation results by monitoring utilisation of financial allocations to the respective measures and progress in achievement of programme targets
- (c) consider and approve the annual progress reports before onward submission to the Commission by the MA
- (d) propose to the MA any adjustments or reviews to the Plan as may be necessary to achieve the objectives of the EAFRD or to improve the implementation and / or financial management of the plan
- (e) consider and approve any proposal to amend the content of the programme prior to submission to the Commission.

As from the 14th of April 2014 the MA migrated to the Funds and Programmes Division under the Ministry for European Affairs and the Implementation of the

Electoral Manifesto (MEAIM). In this regard changes in the Terms of Reference and composition of the MC have been effected to reflect this change. These changes have been adopted unanimously during the 10th MC meeting held on the 27th May 2014.

13. Provisions to ensure that the programme is publicised

13.1 *The Communication Plan*

13.1.1 *Objective of the communication strategy*

The aim of the communication strategy is to inform all the different stakeholders as well as the general public about the Rural Development Programme. The communication plan will be two pronged. On a first instance it will seek to increase awareness about the launching of the programme, its overall scope and objectives, and funding opportunities, while another stream of publicity will provide the interested stakeholders with more specific details as to the programme's structure, specific measures and actions, the administrative procedures to be followed to qualify for financing, the procedures followed in examining applications and the eligibility conditions and the criteria for selecting and evaluating project. Such a communications plan shall utilise the most suitable media channels to serve the purpose of the type of publicity, to capture the public's attention and to direct the interested parties. The broadest coverage will be ensured and the Community's role and contribution to the RDP will be given the due coverage.

13.1.2 *Target group*

Besides individuals and the public in general, the publicity campaign shall seek to target specific potential beneficiaries, including professional organizations, the economic, social and environmental partners, bodies involved in promoting equality between men and women, and the non-governmental organizations. Various stakeholders - agricultural cooperatives and associations, Government ministries and departments, public authorities, local councils, environment and cultural NGOs, sectoral industries, and Women's Associations, – already participated in the consultation process (etc).

13.1.3 *Bodies responsible for implementation*

The Managing Authority, shall have overall responsibility for publicity. The publicity campaign shall be funded through technical funds.

13.1.4 *Direct information dissemination*

Recognising that passive information dissemination provided by a Publicity Campaign has to be complemented by direct information provision, close contact is being established with the various information relay agencies, which act as a point of contact to parties seeking to tap EU funding. It is envisaged that once the Advisory Services start operating they will also fulfill a similar role. These bodies will be indispensable in completing RDDs efforts in supplying detailed information about the programme.

13.1.5 *Publicity and communication channels*

Different media channels shall be employed so as to have an effective publicity campaign that achieves the broadest coverage possible and to distribute information regarding the programme as well as the measures. Specific sectors shall be targeted. Channels employed shall include:

- Web sites: The official RDP website will contain the latest updates and reference material and will provide detailed information about the programme in general and the specific measures. The Ministry's website also links to the RDP's website.
- Information meetings, seminars and workshops: these will be set up with cooperatives, farmers' groups, particular sectors, socio-economic actors, etc. The content tackled in the activity will be modelled according on the audience.
- Written press: including articles in national newspapers both in Maltese and English explaining RDP, measures and Community contribution; press releases; announcements in the Government Gazette; and articles in the agricultural magazine 'Biedja u Sajd' which is widely distributed amongst farmers.
- Publications (Flyers/brochures/newsletters): publication of periodic information booklets, newsletter and other distribution material; posters; and billboards.
- TV and Radio broadcasts: scheduled slots during national TV and radio programmes.

All the publicity actions mentioned above will clearly state and explain how the Community has contributed to the RDP.

The evaluation of the efficacy of the communication strategy employed shall be carried at intervals by independent entities and specifically following major campaign initiatives. It will assess how effective the campaign was in terms of reach, raising of awareness about the rural development programme in general, quality of information disseminated, transparency and the role played by the Community, and of the benefits from the programme.

The plan will be made available electronically, via the MA website, and in printed form, to ensure and increase transparency. The rural development plan's adoption, its updates, the main achievements in the implementation

and its closure will be communicated. The national RDPs website will also be kept updated with the list of beneficiaries receiving support from the rural development plan, the names of the operations and the amounts of public contributions allocated to these operations.

13.1.6 Financing of the Communication Plan

The Communication Plan will be 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 for Technical Assistance which translates to approximately €0.4 million.

13.2 Actions to inform the general public about the role played by the Community

All the information material relating to the RDP be it in printed or electronic form, visual or audio, will clearly delineate the Community's contribution in co-financing the measures. All criteria in Annex VI of EC Regulation 1974/2006 will be duly adhered to.

14. Partnership and consultation

14.1. The designation of the partners consulted

At the end of 2005, and following several consultations, a partnership was set up in accordance to Article 6 of EC Regulation 1698/2005. The partnership consists of representatives from public and private entities that constitute the most representative local partners in the economic, social and environmental spheres.

Together with the Rural Development Department, the partnership has been actively involved in the preparation of the National Rural Development Strategy Plan as well as the elaboration of the measures of the RDP 2007-2013. Several meetings were held with partners, complemented by regular communication through email correspondence.

The following is a list of public and private partners that have been designated and consulted on a regular basis:

Public Partners:

- Ministry for Rural Affairs and the Environment
- Plant Health Department
- Food and Veterinary Regulation Division
- Malta Environment & Planning Authority
- Malta Resources Authority
- Ministry for Tourism and Culture
- Heritage Malta
- Ministry for Justice and Home Affairs
- Department for Local Councils
- Ministry for Gozo

Private Partners:

- Nature Trust
- Gozo Cottage Ltd
- Koperattiva Produtturi tal-Halib (Milk Producers Cooperative)
- Farmers Central Co-Operative Society

In addition to the list of partners mentioned above, other bodies representing the wider civil society and bodies responsible for promoting equality between men and women were consulted and their participation sought throughout the several consultation events held. These included the National Commission for the Promotion of Equality (NCPE), the National Council of Women, and the Foundation for Women Entrepreneurs. A more exhaustive list of partners that were involved and that participated in the consultation process is given in Annex 5.

A short overview of some of the partners follows:

Plant Health (MRAE) - In line with the *Acquis Communautaire* of the European Union the Plant Health Department's role is to establish the necessary mechanisms and conditions to control and maintain the territory of Malta free from all major pests and diseases harmful to plant production, ensure food safety through absence of pesticide residues in food and encourage the production of quality and healthy plants.

Food and Veterinary Regulatory Division (MRAE) - The purpose of the FVRD is to safeguard animal public health and to contribute to the economically viable development of the livestock industry through the improvement of the legislative environment and through the employment of veterinary knowledge, skills and resources in a cost-effective and socially conscious manner. Its objectives consist of the drafting and implementing legislation in the area of veterinary public health, animal health and welfare, veterinary medicinal and animal feeding stuff, as well as for the prevention and control of animal diseases through implementation of the livestock identification programme, vaccinations, inspections and performing of diagnostic tests on animals and animal products. The Division is also involved in Research and Development of modern technologies and provision of advice to promote the efficiency and the quality of livestock production.

Malta Environment and Planning Authority (MEPA) - The Malta Environment & Planning Authority is committed to ensure that land use and the protection of the environment meet the needs of today's society and future communities. MEPA focuses to ensure a quality of life that will be in harmony with the natural, cultural and built environment and seek to implement sustainable development that safeguard the environment. The objective of the Malta Environment And Planning Authority is to pass a better country to future generations. It is for this very reason the environment is given the ultimate importance, where MEPA aims to protect, care for and improve it. The office of Environment Protection is responsible for the establishment of long and short-term objectives and strategies in the environment field, for the setting of environmental standards, guidelines and regulations and for the control and management of activities having an impact on the environment through a licensing and permit system. This Office is responsible for the promotion and control of proper land development, both public and private, in accordance with approved policies and plans. It seeks to achieve sustainable development throughout the Maltese Islands through the preparation and implementation of development plans, that is the Structure Plan, local plans, subject plans and action plans, through scheduling and the enforcement of development regulations.

Malta Resources Authority (MRA) - The Malta Resources Authority is a public corporate body with regulatory responsibilities relating to water, energy and mineral resources in the Maltese Islands. It was set up by the Maltese Parliament through the Malta Resources Authority Act of 2000. The MRA has wide ranging responsibilities essentially involving regulation of water and

energy utilities, industrial enterprises exploiting resources such as oil exploration, quarry operators and private abstractors of groundwater, retailers, operators and tradesmen in the regulated sectors.

Heritage Malta - Heritage Malta is the national agency of the Government of Malta set up in 2002 under the provisions of the Cultural Heritage Act and entrusted with the management of national museums and heritage sites and their collections in Malta and Gozo, including seven UNESCO world heritage sites. Following the recognition of four key aspects of the national cultural heritage, namely management, conservation, interpretation and marketing, Heritage Malta bases all its activities bearing in mind that all our national museums and sites have an important role to play in education, learning, access and the generation of revenue to be reinvested in the heritage sector. Heritage Malta therefore seeks to act as a champion for education and outreach programmes not only by supporting school-based learning, but also by encouraging people of all ages and backgrounds to broaden their horizons through the museums' collections. This is done, among others, by developing a programme of events to develop museums as active and inclusive cultural centres. Most importantly, Heritage Malta is committed to provide physical and intellectual access to a wider audience in all its sites and museums by enhancing access to disadvantaged groups, especially persons with disability, and by facilitating the interpretation of its sites and collections. Heritage Malta is also aware that heritage can act as a catalyst for Malta's tourism potential and consequently contribute significantly to the economy. It therefore seeks to improve the service and experience to all visitors in order to foster a more favourable image on a national as well as on an international level

Department for Local Councils - The Local Councils Department is responsible for Local Councils. It ensures Local Councils have the legislative authority to respond to local needs and offers management and administrative support along with statutory funding to 68 Local Councils. It also acts as a stimulant to the devolution and decentralisation processes. The Department was established on 1st June 1993, at the time when the Local Councils Act (CAP. 363), the statutory document which sets up Local Councils and also regulates their operation, was approved by Parliament. The Local Councils Department acts as a focal point for both the Local Councils as well as the Ministry responsible for Local Government, where it is expected to exercise a supportive, coordinative and supervisory role. In practice, whilst the predominant role of the Department is to facilitate the effective and efficient functioning of the 68 Local Councils (54 in Malta and 14 in Gozo), it simultaneously ensures that the Councils act strictly within the parameters of the law.

Ministry for Gozo (MGOZ) – Is the ministry involved in Gozitan affairs namely for the administration and implementation of projects and Developments as well as EU Affairs, Policy Development and Programme Implementation.

Nature Trust - Is a non-governmental organization that was founded following the merger between the Society for the Study and Conservation of Nature (SSCN) founded 1962, Arbor founded 1983 and Verde founded 1997 and

later in 2001 -Marine Life Care Group (MLCG). Its fundamental objective is to be "Committed to the conservation of Maltese nature by promoting environmental awareness, managing areas of natural and scientific interest, and lobbying for effective environmental legislation." Some of its activities include guided walks and talks, Green Awards of the Year, school visits and natural history courses.

Gozo Cottage Ltd. - Gozo Cottage specialises in the production and marketing of high quality, traditional agricultural goods, targeting both the local and tourist market. It specialises in the growth and cultivation of different agricultural produce namely for the production of extra virgin olive oil, gourmet food and 'limunċell' of Gozo. These products are produced within the organisations own groves and orchards, and the company aims at establishing a stronghold within the niche market for agro-products and agro-tourism.

Koperattiva Produtturi tal-Halib Ltd. (KPH) - Back in 1958, the milk producers of both Malta and Gozo formed a co-operative. KPH offers its members benefits and services including, veterinarian, artificial insemination, personal insurance which also covers their livestock and farms, together with installation, repairs and sales of milking machinery. KPH has a feedmill which specialises in the preparation of fodder for cows, pigs, rabbits and hens.

Farmers Central Cooperative Society Ltd. (FCCS) - The Farmers' Central Cooperative Society Limited (F.C.C.S. Ltd.) is a secondary cooperative which was established in 1947. It is made up of 7 primary cooperatives which produce fruit and vegetables and are spread across the island of Malta. The F.C.C.S. markets its members' produce through the wholesale system at the Pitkali central wholesale market at Ta' Qali. It also coordinates events and meetings with various stakeholders (i.e. Gov, farmers, organisations etc) to keep adjourned on most issues. Since we are now operating in a more competitive environment due to importation of fruit and vegetables (most of which are well presented), F.C.C.S. will now focus on improving its members' produce, thus farmers' standard of living.

14.2. Results of consultation

The participation of stakeholders in all the activities of rural policy development, particularly, in the programming stage and design of measures, is of crucial importance to ensure the active sustainable development of Maltese rural areas and the agricultural sector. Consultation with partners and stakeholders was an ongoing process and for the purpose of preparing the Rural Development programme 2007-2013, spanned over a period of more than two years, starting in 2005. Consultation was in fact conducted in several ways, including formal consultation and information seminars, more informal workshops that facilitated the participation of stakeholders, bilateral meetings, especially with representatives of regulatory authorities and potential beneficiaries, and regular correspondence.

Consultation on the Rural Development programme 2007-2013 was initiated as part of the last phase of the Dutch Twinning Programme on Institutional Capacity Building for the Rural Development Department. As at the first quarter of 2005, Dutch experts effected a number of talks on the new EAFRD, relevant regulations and funding possibilities.

The first of the series of seminars and workshops was held between the 28th February and 4th March 2005 at the Government National Agricultural Research and Development Centre. Attending participants included public officials in the Agricultural Services and Rural Development Division involved in the implementation process as well as from various Ministries and public authorities and representatives from environmental and cultural NGO's and Farmers Cooperatives. On the following days separate meetings were held with representatives of the various public and private sectors. During these meetings the issues relating to the particular sectors and rural development with how these could be addressed through the new Rural Development Programme were discussed. In the last session of these initial talks a closing workshop was organised for all participants to discuss the results of the one to one meetings and identify holistically relevant future measures for addressing the apparent identified needs. However further discussions proved necessary so as to continue to determine the necessary follow-up actions and set-up for the framework for the new RD strategy and programme.

The next public seminar took place on the 30th May 2005. This seminar was part of the closing workshop of the Dutch Twinning and intended as a forum for officers from MRAE involved in the management and implementation process of the various CAP funding. A number of presentations were given by a number of Dutch experts on organizational and procedural matters as well as on the required expertise, skills and tools for the implementation process, in particular for the new programming period and programme. These were followed by a workshop where the attendees discussed the main issues relating to the implementation process, and how this could be strengthened and improved for the development of the new Rural Development Plan.

A third follow-up seminar was held on the 1st of June 2005, where a total of 64 persons attended from a wide range of public as well as private entities. The seminars' aim was to bring to a close the Twinning Project between Malta and The Netherlands through an open forum to discuss the way forward for applying the new EAFRD regulation for the next programming period 2007-2013. The Dutch delegation gave three introductory presentations to the stakeholders that were followed by a workshop. The workshop had several purposes: firstly to consolidate awareness amongst stakeholders of the new rural development policy, secondly to aid the continuation of the consultation process, and lastly to determine what measures could best be implemented in the new Rural Development Plan together with how stakeholders could cooperate effectively in preparing the new RDP.

A further fourth public seminar was held on the 27th July 2005 whereby stakeholders from various Public and Private Entities were invited to provide feedback so as to contribute to the way forward to finalize planning and

preparation of the next RDP 2007-2013 in accordance with the obligatory regulations and purposes of the National Strategy Plan for rural areas.

Furthermore, during 2005 and 2006, a number of one-to-one consultation meetings were organized by the Rural Development Department with all interested public and private stakeholders. These meetings complemented previous seminars and provided a focused forum for more sector specific discussions concerning the entities' concerns. The purpose of the meetings were to further familiarize the interested persons/entities with the new Rural Development Regulation and funding opportunities for the sectors concerned and attain feedback on the needs of the particular sectors. With the various public stakeholders discussions were more focused to determine the main issues facing the agricultural sectors, the environment and rural areas as well as to ensure consistency and complementarity between the NSP and future RDP with the various national and EU policies, as well as funding instruments.

During 2006, following consultation with the different sectors, a partnership was set up as per Article 6 of EC Regulation 1698/2005. This partnership consists of representatives from various public and private entities, which constitute the most representative local partners in the economic, social and environmental spheres. This partnership has so far been actively involved, together with the Rural Development Department in the preparation of the National Rural Development Strategy Plan and the latest draft of the 2007-2013 Rural Development Plan. As from 2006-2007, the Rural Development Department also held a number of bilateral meetings with DG Agriculture of the Commission in order to clarify and address various correlated issues.

As a final step a last public seminar was held on July 13th 2007. All representatives of public and private stakeholders were invited and close to 85 persons attended. Developments regarding work on the finalization of Malta's Rural Development Programme as well as details regarding the implementation of each of the selected measures were discussed. Ensuing points during final discussions were primarily positive and, to further complement this exercise and ensure transparency, an evaluation exercise by the Ex Ante team was also affected during this last workshop.

Essentially, the Rural Development Department undertook several rounds of consultation with key stakeholders for the drafting of the programme. These continuous consultations and one-to-one stakeholder meetings effectively provided the basis for drafting the Rural Development Programme. The meetings with concerned stakeholder groups from public departments and authorities, members of the business community for the private sector, as well as non-governmental organizations and entities from the non-profit sector, created opportunities for the stakeholders to be in a position to unequivocally express their views. Such meetings also gave room for more detailed discussion on priorities, applicable measures and potential development to reach these aims. Effectively the final public meeting held in July 2007 constituted a formal approval and positive conclusion of previous fruitful discussions regarding the most applicable choices to address priorities under prevailing circumstances through the 2007-2013 Rural Development Programme.

Effectively after the first meetings held in early 2005, the feedback provided was that the very important measures were those concerning Producer Groups, Meeting Standards, Investment in Agricultural Holdings, Food Processing, Setting up Extension Services, Marketing of Products, Water resources, Diversification, Support of Non-productive Investments and Vocational Training. Natura 2000 was included in this category solely because as an EC obligation. Agri-environment measures and Less Favoured Area measures followed next with the ranking of important, while all remaining measures were either categorized as of less important, not feasible or terminable with current RDP. Accordingly, at this stage, some 10 measures from Axis 1, 4 measures from Axis 2, 3 measures from Axis 3 and 2 measures from Axis 4 were deemed applicable. Through a number of progressive revisions, this eventually resulted in 46% of the budget being allocated to Axis 1, about 26% being allocated to Axis 2, another 21% to Axis 3, some 3% for Axis 4 and 4% for Technical Assistance.

On the baseline of selected priorities each measure was fine-tuned not only from the viewpoint of applicability but also in respect of follow-up Control and Implementing Regulations No 1974 and 1975 of 2006, associated obligations and applicability. Experience in administrating former rural development measures both from a national perspective as well as from that of Member States also played an important role. In this respect, the non-existent requests for POs and extremely limited applications for Meeting Standards measures were determining factors. Agricultural investments both on farm holdings and associated marketing firms thus remained of considerable consequence, while on the other hand both the direction of the latter as well as that of food processing necessarily had to focus on a qualitative approach. The setting up of Extension Services evolved to support both for the setting up of Farm Advisory Services as well as assisting farmers to utilize this. Water resources developed primarily to an issue of applicability and assistance to attain WFD objectives. For the Diversification as well as the Support of Non-productive Investments approaches, a reversal became necessary due to various issues based on measure requirements, available logistics, past and actual demand, as well as the requirements for a more holistic and sustainable approach – with a resultant shift to conservation and upgrading of the rural heritage. This also resulted due to actual project demands from various stakeholders, though depending on the nature of the projects a balance and shift with agro-touristic projects eventually also became necessary. Agri-environmental measures registered a degree of interest more from environmental organizations, primarily MEPA, rather than prospective applicants. However the fact that these constitute area based payments in a country where the average holding size is less than 0.5 hectares mitigated against expectations.

Obviously throughout the whole discussion process, as well as after feedback from DG Agriculture, revisions became a constant process till the final fine tuning. As result of such ongoing input axis measure changes resulted in the choice of 10 measures from Axis 1, 3 measures from Axis 2, 3 measures from Axis 3 and 3 measures from Axis 4 were deemed applicable with a revised budget allocation of about 34% for Axis 1, 25% for Axis 2, about 33% to Axis 3, some 4% for Axis 4 and another 4% for Technical Assistance.

Nevertheless, as can be evaluated from conclusions of the Ex Ante analysis, from the points of view of reducing weaknesses/threats, exploiting strengths/opportunities and resulting overall relevance for Malta, selected measures conform to identified priorities and provided relevant opportunities to a wide range of potential beneficiaries. Consequently, it is expected that selected measures shall consolidate foundations of the previous Rural Development Plan and establish positive long term sustainable developments in the rural sector.

15. Equality between men and women and non-discrimination

In line with Article 8 of Council Regulation (EC) No 1698/2005, the programme will promote equality between men and women and shall ensure that any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation is prevented during the various stages of programme implementation (design, implementation, monitoring and evaluation). This is also consistent with the Maltese Equality for Men and Women Act of 2003.

15.1 Promoting equality between men and women

The large majority of agricultural holdings in Malta are family run. Typically the man of the household is registered as the 'main' farmer, while the wife / female, who normally also carries out significant duties on the farm, is invisible in agricultural statistics. Indeed, according to the Farm Structure Survey (NSO, 2005), out of a total of 1,546 persons working on a full-time basis in agriculture, 92.2% are males and only 7.8% are females. The number of females working in part-time employment in agriculture is relatively higher, with about 20.6% participation rate, this being explained by the trend that females tend to take up part-time jobs at a higher rate than males. Formal statistical data does not however reflect the important role played by women in the running of the holdings and their significant contribution to the overall income generation of the holding.

Notwithstanding the small percentage of women registered as farmers, the Rural Development Plan aims to encompass all different stakeholders and minorities. With regards to the Axes, it is recognised that increased participation of women in agricultural / rural activities would be a valuable driving force for change at all levels. Engendering rural development through equality in access to resources is of utmost importance. To sensitize the issue and embrace a wider perspective into the Rural Development Programme, women groups participation was sought throughout the several consultation events held.

In line with the EU Common Monitoring and Evaluation Framework feedback and data derived related measures implementation will be, where possible, gender-disaggregated in order to assess the number of participating males and females in and benefiting from the measures. This data will be used to better assess the ongoing progress of gender equality promotion. Equality of participation will be encouraged where possible in monitoring committees, selection panels and projects.

With regards to the implementation phase, gender equality is promoted through the design of measures aimed at attracting both men and women. Axis 3 in particular provides the ample venue for women entrepreneurs to tap the opportunity of initiating activities linked to the diversification of rural areas. Axis 4 vividly promotes female participation in LAGs by necessitating strategies to reflect the broad participation of different groups in society. The Managing Authority shall, for certain measures, alleviate choice for female applicants during the selection process. This shall particularly apply to project proposals that could be managed by women.

15.2 Prevention of discrimination

In line with the Constitution of Malta whereby discrimination based on sex, racial or ethnic origin, religion or beliefs, disability, age or sexual orientation is prohibited; the RDP has been drafted to comply with local and EU legislation and designed to ensure equality of opportunity. Special attention has been made during the different stages of programming to ensure that these provisions are met. Non-discrimination will be promoted at all levels.

16. Technical assistance operations

16.1 Description of technical assistance operations

The legal basis for technical assistance is Article 66 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development. In principle, technical assistance shall be used to fund activities needed to ensure that the managing authority and delegated bodies have the necessary capacity to deliver successfully the implementation of the Rural Development Programme. Technical support shall therefore be utilised to finance activities related to the preparation, management, appraisal and selection, monitoring, evaluation, information and control functions of the programme.

During the programming period 2007-2013, the managing authority shall be responsible for ensuring that the funds used for supporting technical assistance operations are in accordance to eligibility rules and best practices in implementation since no EU rules apply any longer. In particular, when implementing technical assistance, public tendering standard procedures shall be used for outsourced activities going beyond certain thresholds.

The type of eligible operations that may be supported under technical assistance may include:

- Integration of knowledge and expert advice for the preparation of new programmes for the next programming period or programme amendments within the current programming period
- Institutional capacity building, including training of public officials within the managing authority and the delegated bodies for the successful administration and management of the programme
- Assistance in the animation of the territory in respect of certain measures, particularly agri-environmental measures, including training of the animators
- Expert assistance and acquisition of special skills for the appraisal and selection of beneficiaries in respect of certain measures for which the managing authority does not have the necessary competence and expertise in-house, including environmental investment schemes, research development and innovation, tourism activities, and conservation actions
- Assistance and capacity building for the receipt, handling, and administrative first controls of aid applications
- Expert assistance for monitoring and evaluation framework, including the analysis, review and quantification of baseline data and monitoring indicators, the acquisition and preparation of supporting information for the annual and final reports, the development, enhancement and maintenance of software/computerized databases and systems, and the improvement of evaluation methods and exchange of information on good practices
- Analysis of current information needs and subsequent dissemination of information, including direct publicity actions

- Organisation of consultation and information sessions and activities, including seminars, workshops, and other events aimed at the exchange of information and the dissemination and publicity of the programme
- Sub-contracting specific studies aimed at ensuring the successful implementation of the programme and the quality of individual operations within the programme, including pilot studies in respect of certain measures, e.g. agri-environmental and N2000 measures, model studies, e.g. for research and development/conservation of genetic resources projects, and feasibility studies e.g. for quality schemes
- Establishment and operation of the national rural network including the implementation of the action plan as well as the structure needed to run the network.

Only costs incurred under the programming period shall be eligible for technical assistance. The type of costs that shall be considered as eligible expenditure for technical assistance operations may include:

- Procurement of services, including expenditures on salaries and social security contributions. This is eligible for staff carrying out specific and clearly demarcated tasks within the abovementioned areas of responsibility for a specific period of time. Staff may include civil servants or other public officials as well as other staff employed to carry out the tasks mentioned for a duration not exceeding the time of eligibility of expenditure in the programme
- Costs of training, information campaigns, promotional actions and information materials
- Costs of expert consultancy and commissioned studies.

In accordance with Article 41a1(c) of the revised COM REG 1974/2006 which states that for the purposes of article 66 (2) of Regulation (EC) N° 1698/2005, technical assistance may finance as well expenditure relating to other preparatory activities, provided that they are:

- Directly linked to the activities of the current rural development programmes, and
- Necessary to ensure continuity as regards the implementation of rural development policy and the transition between the current programming period and the following programming period.

16.2 National rural network

The purpose of the national network for rural development is to bring together parties that are either involved in or have an interest in the actions and operations financed by the rural development programme. The main role of the national rural network is that of developing and enhancing channels of communication through information activities, exchanges of experiences and methodology, with the aim to stimulate the dialogue and improve the overall performance and success of the Rural Development programme on a local, regional, nation-wide and international basis.

The specific functions of the national rural network will be to:

- ensure a wider participation of all actors and stakeholders in rural areas

- aid in the setting up and developing of the Leader programme in Malta
- warrant cooperation and dialogue necessary for bringing about change
- develop and promote common approaches and best practices
- synergise and maximise limited resources available in a sustainable manner
- maximise involvement and collaboration of all local actors in order to ascertain the successful implementation of the RDP 2007-2013 given its increased number of measures, the wider scope for action and broader spread of eligible beneficiaries
- secure information flow.

In accordance with Article 68 of Council Regulation No1698/2005, an allocation from the technical assistance fund shall be used to cover costs associated with:

- a) The structures needed to run the network
- b) For an action plan containing at least the identification and analysis of good transferable practices and the provision of information about them, network management, the organisation of exchanges of experience and know-how, the preparation of training programmes for local action groups in the process of formation and technical assistance for inter-territorial and transnational co-operation.

16.2.1 Organisations and administrations forming part of the national rural network

All entities and actors that are already involved in the programming and implementation of the Rural Development programme, including the designated partners and the members of the monitoring committee, shall be included in the national rural network, so that the network will comprise a broad representation of organisations and administrations involved in all four axis of the programme. These may include beneficiaries and representatives of the rural population, representatives of national and local administrations, ministries and parastatal organisations, associations, Local Councils, LAGs and other involved local entities, co-operatives and producer's organisations, non-governmental organisations, professionally constituted bodies, commercial bodies and representatives from institutions involved in research, and education.

16.2.2 Procedure and timetable for establishing the national rural network

The target is to establish the Malta National Rural Network by 31st December 2008.

The managing authority for the Rural Development programme, shall also be responsible for all activities of the network. However, responsibility for the

implementation of specific network tasks rests largely with the member organizations.

The managing authority shall adopt the necessary structure for running the network:

- a permanent secretariat to manage the network (National Network Unit). This shall comprise at least one manager and one assistant within the managing authority;
- a coordinating committee grouping the main categories of rural actors (organizations representing the categories of beneficiaries of the programme or third parties concerned by the objectives of measures) and the administrations including organizations mentioned in section 16.2.1 above;
- thematic networks: these shall be targeted enough to be of direct interest to actors and act as a strong incentive for their participation around common issues.

At the beginning of the programming period, thematic sub-networks shall determine the global process and introduce in a progressive manner a way of working together. The thematic networks would then widen the range of issues being developed in order to avoid division and allow for a general exchange of information and experiences.

The National Rural Network shall be set up within the administration of the managing authority, however, certain functions shall be outsourced partially via one or several contracts.

16.2.3 Activities to be undertaken by the national rural network

The Malta National Rural Network will be expected to:

- identify, share and promote good transferable practices
- provide information (newsletters, website, e-bulletin, database etc)
- organise exchanges of experience and know how (seminars, workshops, conferences)
- prepare training programmes for LAGs in the process of setting up (training programs, workshops)
- enhance and support networking between LAGs
- provide technical assistance for inter-territorial and transnational cooperation activities by Leader groups (field trips, exchanges)
- participate in networking at EU level
- participate in European Rural Observatory
- promote knowledge dissemination through exchanges of R&D based experience between stakeholders, authorities and expert networks
- promote method development and evaluation methods
- gather, analyse and disseminate information regarding the RDP to raise awareness of rural development possibilities offered by the programme.

16.2.4 *Budget*

The total public expenditure dedicated to technical assistance operations shall be of 3.9 M€. Technical assistance funds shall be used to cover the running of the network and the implementation of the actions. The indicative budget allocation for the Malta National Rural Network is estimated to be approximately 1 M€ for the entire programming period. Of this, approximately 0.25 M€ will be reserved for the structure needed to run the network, while 0.75 M€ will be reserved for the implementation of the action plan.

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18 Annexes

18.1 Annex 1: Profile of rural and urban localities

Locality	Surface Area in Km ²	Population	Population Density in persons/km ²	Agriculture Area in ha	%Agriculture Area	%ODZ Area
Maltese Islands	315.16	404,039	1,282	11,620.0	36.8	79.3
Malta	246.49	372,986	1,513	9,393.5	38.1	77.0
Gozo and Comino	68.67	31,053	452	2,226.4	32.4	87.7
URBAN LOCALITIES PER DISTRICT						
Locality	Surface Area in Km ²	Population	Population Density in persons/km ²	Agriculture Area in ha	%Agriculture Area	%ODZ Area
Southern Harbour	26.17	81,107	3,099	532.1	20.3	53.0
Valletta	0.84	6,315	7,510	0.0	0.0	9.7
Birgu	0.52	2,691	5,132	1.9	3.7	1.3
Isla	0.16	3,083	19,293	0.0	0.0	0.0
Bormla	0.91	5,642	6,215	4.6	5.0	9.1
Fgura	1.14	11,276	9,868	6.7	5.9	23.7
Floriana	0.94	2,246	2,381	0.0	0.0	7.6
Marsa	2.76	5,389	1,955	14.1	5.1	29.3
Paola	2.50	8,856	3,546	11.0	4.4	31.0
Tarxien	0.88	7,608	8,675	34.8	39.6	0.0
Nothern Harbour	24.02	118,664	4,940	332.2	13.8	32.1
Birkirkara	2.74	21,775	7,941	48.4	17.7	2.8
Gzira	0.97	7,086	7,286	0.8	0.8	34.0
Hamrun	1.05	9,513	9,028	1.0	0.9	0.0
Msida	1.70	7,623	4,485	10.4	6.1	36.5
Pembroke	2.30	2,916	1,266	5.9	2.6	58.1
Pieta	0.45	3,853	8,532	0.0	0.0	0.0
San Giljan	1.61	7,667	4,765	13.6	8.4	2.4
Santa Venera	0.91	6,087	6,721	11.3	12.4	4.9
Sliema	1.30	12,993	10,026	0.0	0.0	0.0
Swieqi	3.05	8,099	2,653	19.4	6.4	43.1
Ta' Xbiex	0.29	1,846	6,324	3.1	10.8	0.0
Western	72.47	56,662	782	3,683.5	50.8	89.6
Balzan	0.60	3,859	6,465	3.7	6.2	0.0
TOTAL URBAN	27.62	146,423	140,067	190.6	6.9	21.2

Locality	Surface Area in Km ²	Population	Population Density in persons/km ²	Agriculture Area in ha	%Agriculture Area	%ODZ Area
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Bormla	0.91	5,642	6,215	4.6	5.0	9.1
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Paola	2.50	8,856	3,546	11.0	4.4	31.0
Tarxien	0.88	7,608	8,675	34.8	39.6	0.0
Nothern Harbour	24.02	118,664	4,940	332.2	13.8	32.1
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Pieta	0.45	3,853	8,532	0.0	0.0	0.0
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Ta' Xbiex	0.29	1,846	6,324	3.1	10.8	0.0
Western	72.47	56,662	782	3,683.5	50.8	89.6
Balzan	0.60	3,859	6,465	3.7	6.2	0.0
TOTAL URBAN	27.62	146,423	140,067	190.6	6.9	21.2

RURAL LOCALITIES PER DISTRICT

Locality	Surface Area in Km ²	Population	Population Density in persons/km ²	Agriculture Area in ha	%Agriculture Area	%ODZ Area
Southern Harbour	26.17	81,107	3,099	532.1	20.3	53.0
Zabbar	5.35	14,694	2,747	286.6	53.6	72.5
Kalkara	1.76	2,871	1,632	34.1	19.4	65.3
Luqa	6.72	6,028	896	101.8	15.2	83.5
Santa Lucija	0.72	3,174	4,394	20.2	28.0	58.5
Xghajra	0.97	1,234	1,278	16.3	16.8	74.8
Nothern Harbour	24.02	118,664	4,940	332.2	13.8	32.1
Qormi	5.03	16,576	3,296	174.4	34.7	58.0
San Gwann	2.62	12,630	4,825	44.0	16.8	39.0
Southern Eastern	50.16	59,378	1,184	2,123.3	42.3	77.4
Zejtun	5.37	11,425	2,129	334.9	62.4	63.6
Birzebbugia	9.21	8,668	941	328.7	35.7	58.8
Gudja	2.25	2,901	1,289	165.6	73.6	83.6
Ghaxaq	3.85	4,388	1,139	122.2	31.7	86.2
Kirkop	1.14	2,183	1,914	41.0	36.0	76.3
Marsascula	5.38	9,298	1,730	152.4	28.3	75.1
Marsaxlokk	4.71	3,205	680	206.8	43.9	85.3
Mqabba	2.6	3,021	1,161	68.7	26.4	85.5
Qrendi	4.9	2,525	515	226.4	46.2	91.7
Safi	2.28	1,948	853	132.5	58.1	86.3
Zurrieq	8.46	9,816	1,161	344.1	40.7	84.8
Western	72.47	56,662	782	3,683.5	50.8	89.6
Mdina	0.89	258	291	14.2	15.9	61.1
Zebbug (Malta)	8.66	11,290	1,304	410.6	47.4	82.7
Siggiewi	19.88	7,903	398	926.5	46.6	95.3
Attard	6.64	10,186	1,534	140.5	21.2	75.2
Dingli	5.67	3,326	587	366.3	64.6	94.7
Iklin	1.73	3,203	1,855	22.5	13.0	71.5
Lija	1.1	2,779	2,537	40.6	36.9	51.4
Rabat (Malta)	26.6	11,462	431	1,702.1	64.0	95.6
Mtarfa	0.73	2,396	3,299	56.6	77.5	99.3
Nothern	73.66	57,175	776	2,722.4	37.0	87.5
Gharghur	2.02	2,389	1,185	100.5	49.8	86.2
Mellieha	22.64	7,549	333	562.9	24.9	91.2
Mgarr (Malta)	16.12	2,995	186	742.6	46.1	97.2
Mosta	6.78	18,676	2,755	368.9	54.4	70.3
Naxxar	11.57	11,947	1,032	319.1	27.6	82.2
San Pawl il-Bahar	14.53	13,619	937	628.5	43.3	83.5
Gozo and Comino	68.67	31,053	452	2,226.4	32.4	87.7
Rabat (Gozo)	2.9	6,414	2,212	172.2	59.4	52.5
Fontana	0.39	846	2,169	7.7	19.7	78.7
Ghajnsielem&Comino	7.28	2,580	354	129.0	17.7	89.4
Gharb	4.63	1,160	251	127.9	27.6	91.0
Ghasri	4.72	417	88	127.2	27.0	102.4
Kercem	5.51	1,654	300	249.4	45.3	93.2
Munxar	2.87	1,019	355	87.4	30.4	87.5
Nadur	7.06	4,181	592	283.4	40.1	87.5
Qala	5.87	1,609	274	80.3	13.7	90.5
San Lawrenz	3.57	599	168	89.8	25.2	95.1
Sannat	3.85	1,729	449	259.9	67.5	88.8
Xaghra	6.63	3,960	597	246.3	37.1	98.5
Xewkija	4.55	3,115	685	135.6	29.8	73.9
Zebbug (Gozo)	8.88	1,770	199	230.3	25.9	78.8
TOTAL RURAL	287.59	257,616	59,938	11,429	39.7	84.9

18.2 Annex 2: Indicators

Baseline indicators for measurement of Context

BC 1	Designation of rural areas	Number of NUTS 3 regions	NA
BC 2	Importance of rural areas	% territory	91
		% population	64
BC 3	Agricultural land use	Arable land (% of UAA)	79.9
		Permanent crops (% of UAA)	10.6
		Permanent grassland and pastures (% of UAA)	0
BC 4	Farm structure	Number of farms	11072
		Utilised Agricultural Area (Ha)	10254
		Labour force (AWU)	4039
		Average area farm size (Ha)	0.9
		Distribution of area farm size (%)	
		< 5 ha	97.8
		from 5 to 50 Ha	2.1
		> 50 Ha	0
		Average economic farm size (ESU)	6.6
		Distribution of economic farm size (%)	
		< 2 ESU	50.5
		from 2 to 100 ESU	49
		> 100 ESU	0.5
BC 5	Forestry structure	Area of forest available for wood supply (FAWS) (Ha)	0
		Ownership : % FAWS private	
		private sector	0
		other public	0
		institutions	
		state	0
		Average size of private holding of FOWL (Ha)	0
BC 6	Forest productivity (m ³ overbark/ha)		0
BC 7	Land cover	% of area covered by agricultural classes	47.8
		% of area covered by forest classes	0.9
		% of area covered by natural classes	22.7
		% of area covered by artificial classes	28.6
BC 8	Less favoured areas	% UAA in non LFA	0
		% UAA in LFA mountain	0
		% UAA in other LFA	0
		% UAA in LFA with specific handicaps	100
BC 9	Areas of extensive agriculture (% of UAA)	% UAA for extensive arable crops	55.50%
		% UAA for extensive grazing	0.0
BC 10	Natura 2000 area	% of territory under NATURA 2000	12.5
		% UAA under NATURA 2000	31.9
		% forest area under Natura 2000	35
BC 11	Biodiversity: Protected forest		0
BC 12	Average annual increase of forest and other wooded land areas (Ha/year)		0
BC 13	Forest ecosystem health (% of trees in defoliation classes 2-4)	Coniferous (%)	0
		Broadleaved (%)	0
		Mixed (%)	0
BC 14	% territory designated as Nitrate Vulnerable Zone		100
BC 15	% irrigated UAA		34.4
BC 16	Protective forests concerning primarily soil and water (% of forest area)		0

BC 17	Population density (inhabitants / km ²)	average (national) in rural areas	1282
BC 18	Age structure	National	% population (0-14 y.o.) 17.1 % population (15-64 y.o.) 69.2 % population (>=65 y.o.) 13.7
		In rural areas	% population (0-14 y.o.) % population (15-64 y.o.) % population (>=65 y.o.)
BC 19	Structure of the economy	National	% GVA by primary sector 2.4 % GVA by secondary sector 23.4 % GVA by tertiary sector 74.1
		In rural areas	% GVA by primary sector % GVA by secondary sector % GVA by tertiary sector
BC 20	Structure of employment	National	% employment primary sector 2.6 % employment secondary sector 28.3 % employment tertiary sector 68.3
		In rural areas	% employment primary sector % employment secondary sector % employment tertiary sector
BC 21	Long-term unemployment (%)	average (national) females	3.4 1.2
BC 22	% Adults (25-64 years) with medium and high educational attainment	average (national) in rural areas	24.1
BC 23	Internet infrastructure (DSL coverage in % of people)	average (national) in rural areas	98

List of Objective related baseline indicators

B Characteristics of the programme area

MS

Malta

Programmes

National

B 1*	Economic development (GDP per capita (PPS as % of EU25 = 100))		74.7
B 2*	Employment rate (in % total population 15-64 y.o.)	Average employment rate	54.9
		Female employment rate	38.6
		Young people (15-24)	46.6
B 3*	Unemployment rate (in % active population 15-64 y.o.)	Average unemployment rate	7.4
		Female unemployment rate	7.7
		Young people (15-24)	11.4
B 4	% farmers with basic and full education attained	Basic	
		Full	3.8
B 5	Ratio between young farmers (<35 years) and farmers (>55 years)		0.1
B 6*	Labour productivity in agriculture (GVA/AWU)		14443
B 7	Gross fixed capital formation in agriculture		NA
B 8	Employment in primary sector (000s)		3.1
	Gender: Females employed in primary sector		0.3
B 9	GVA in primary sector		84.6
B 10*	GVA/employee in food industry (000s/employed)		27.8

B 11	Gross fixed capital formation in food industry		NA	
B 12	Employment in food industry (000s)		4.8	
	Gender: Females employed in food industry		1	
	GVA in food industry/ Million Euros		106.3	
B 14*	GVA/employee in forestry (000s/employed)		0	
B 15	Gross fixed capital formation in forestry		0	
	Number of farms < 1 ESU		2,996	
B 16	Importance of semi-subsistence farming in New Member States (%)		25.1	
B 17*	Trends of index of population of farmland birds (2000 = 100)		100	
B 18*	High Nature Value farmland and forestry (% of UAA)		557.51h	
			a	
B 19	Area of forest by forest type (% of total FOWL)	Coniferous (%)	0	
		Broadleaved (%)	0	
		Mixed (%)	0	
B 20*	Water quality: Gross nutrient balances (kg/ha)	Gross Nitrogen Balance	117	
		Gross Phosphorus Balance	NA	
B 21	Water quality : pollution by nitrates and pesticides	trends in concentration of nitrates in surface water (NO3 mg/L)	NA	
		trends in concentration of nitrates in ground water (NO3 mg/L)	175	Perched Aquifer
			75	Sea Level
			50	Aquifer - Malta
				Sea Level
				Aquifer - Gozo
		trends in concentration of pesticides in surface water (µg/L)	NA	
		trends in concentration of pesticides in ground water (µg/L)	NA	
B 22	Areas at risk of soil erosion (tons/ha)		NA	
B 23	Organic farming (Ha)		13.6ha	
B 24*	Climate change : Production of renewable energy	from agriculture (Ktoe)	NA	
		from forestry (Ktoe)		
B 25	Climate change : UAA devoted to renewable energy and biomass crops (Ha)		NA	
B 26	Climate change/air quality : gas emissions from agriculture	GHG emissions from agriculture (1000t of CO2 equivalent)	96.4	
B 27*	% sole holders-managers with other gainful activity		49.9	
B 28*	Employment in second and tertiary sector (000s)	national	133.4	
		female employment in secondary and tertiary sector/ 000s employed	40.4	
		in rural areas		
B 29*	GVA in primary and secondary sector (Mio Euro)	national		
		in rural areas		
B 30*	Self-employed persons (000s)	national	19.8	
		females (000s)	1.9	
		in rural areas		
B 31	Tourism infrastructure in rural areas (number of bedplaces)	national	39876	
		in rural areas		
B 32*	Persons having subscribed to DSL internet as a percentage of total population (%)	average (national)	23.9	
		in rural areas	NA	
B 33*	GVA in services as percentage of total GVA (%)	average (national)	74.1	
		in rural areas		

B 34	Annual crude rate of net migration (per 1000 inhabitants)	average (national)	2.4	
		in rural areas		
B 35*	% Adults (25-64 years) participating in life-long education and training	average (national)	4.3	
		in rural areas	NA	
B 36	Share of population covered by Local Action Groups (%)			

18.3 Annex 3: List of registered and authorised plant products relevant to agri-environment measures base line situation

Herbicides (Applicable for RACS sub-measures 1 and 4)

Name	Active Ingredient	Supplier	Reg. Number
Afalon	Linuron 37.6%	Makhteshim Agan Italia, Bergamo, Italy	575/2003/8
Afalon DS	Linuron 37.6%	Magan Italia S.R.L. Bergamo, Italy	352/2004/1
Agirame	Copper oxychloride 33%	Solfochimica S.A.S RealMonte, Agrigento, Italy	216/2006/4
Basta F 1	Glufosinate ammonium 15%	Bayer Crop Science GmbH, Frankfurt Germany	573/2003/12
Erbitox E-30	MCPA 27%	Isagro S.P.A. Milan, Italy	353/2004/2
Feinzin DF	Metribuzin 35%	Feinchemie Schwebda GMBH, Eschwege, Germany.	182/2005/1
Fitonex MC30	MCPA 25%	Terranalisi S.R.L, Ferrara, Italy	296/2005/4
Flufop	Fluazifop-butyl 12.5%	Agri Mix S.R.L.Rome, Italy	261/2006/16
Fosim Combi	Fosetyl-Alluminium 50%, Folpet25%	Agri Mix S.R.L.Rome, Italy	261/2006/5
Fusilade Max 125 EC	Fluazifop-p-butyl 13.37%	Syngenta Crop Science, Switzerland	579/2003/3
Galigan EC	Oxyfluorfen 23.8%	Makhteshim Agan Italia, Bergamo, Italy	575/2003/3
Gallant Winner	Haloxifop-R-methyl ester 10.8%	Dow AgroSciences, Valbonne, France	232/2004/4
Goal 2 XI	Oxyfluorfen 23%	Dow AgroSciences, Valbonne, France	232/2004/2
Goal 480 SC	Oxyfluorfen 48%	Dow AgroSciences, Valbonne, France	232/2004/10
Hopper Blu	Glyphosate 31%	Dow AgroSciences, Valbonne, France	232/2004/11
Kilever	Glyphosate 48%	Hockley International Ltd, Stockport, United Kingdom	184/2005/15
Linur Flo	Linuron 38.8%	Chemia S.P.A.Ferrara, Italy	228/2004/22
Liosol	pure sorbitan mono oleate etossilato	Terranalisi S.R.L, Ferrara, Italy	296/2005/6
Lobby	Fluazifop-p-butyl 36.6%	Chemia S.P.A.Ferrara, Italy	228/2004/19
Lonil	Chlorothalonil 50%	Hockley International Ltd, Stockport, United Kingdom	184/2005/7
Luron 45-SC	Linuron 45%	(Tragusa), Tratamientos Guadalquivir , Sevilla, Spain	214/2005/15
Mesozin 35 WG	Metribuzin	Feinchemie Schwebda GMBH, Eschwege, Germany.	182/2005/2
Metiroc 35 WG	Metribuzin 35%	Rocca Frutta S.R.L, Ferrara, Italy	171/2005/9
Navajo 40 SC	Buprofezin 43%	Rocca Frutta S.R.L, Ferrara, Italy	171/2005/10

Neo-Conservit	Chlorpropham 1%	Chimac Agriphar S.A, Ongree, Belgium	97/2004/1
Phantom	Glufosinate ammonium 11%	Rocca Frutta S.R.L, Ferrara, Italy	171/2005/12
Quadris 50 WG	Azoxystrobin 50%	Syngenta Crop Science, Switzerland	579/2003/12
Ragno stop 10WP	Exitiazox 66.5%	Agri Mix S.R.L.Rome, Italy	261/2006/3
Ramrod Flow	Propachlor 43.2%	Monsanto Hella E.P.E, Greece	233/2004/3
Round Up	Glyphosate 41.7%	Monsanto Hella E.P.E, Greece	233/2004/1
Round Up Max	Glyphosate 78.5%	Monsanto Hella E.P.E, Greece	233/2004/2
Seccherba Respect	Glyphosate 30.4%	Agri Mix S.R.L.Rome, Italy	261/2006/4
Seccherba Top	Glufosinate 12%	Agri Mix S.R.L.Rome, Italy	261/2006/13
Sencor 70 WG	Metribuzin 70%	Bayer Crop Science GmbH, Frankfurt Germany	573/2003/8
Touchdown S4	Glyphosate 36%	Syngenta Crop Science, Switzerland	579/2003/6
Tragli	Glyphosate 36%	(Tragusa), Tratamientos Guadalquivir , Sevilla, Spain	214/2005/1
Vebiglyf	Glyphosate 36%	Vebi Istituto Biochimico S.R.L, Padova, Italy	146/2006/22
Wudang	Bifenthin 2%	Rocca Frutta S.R.L, Ferrara, Italy	171/2005/19
Oxyfluor	Oxyfluorfen 24%	Agri Mix S.R.L.Rome, Italy	261/2006/10

Post Emergence Herbicide Applicable to Measure 3

Name	Active Ingredient	Supplier	Reg. Number
Afalon	Linuron 37.6%	Makhteshim Agan Italia, Bergamo, Italy	575/2003/8
Afalon DS	Linuron 37.6%	Magan Italia S.R.L. Bergamo, Italy	352/2004/1
Basta F 1	Glufosinate ammonium 15%	Bayer Crop Science GmbH, Frankfurt Germany	573/2003/12
Erbitor E-30	MCPA 27%	Isagro S.P.A. Milan, Italy	353/2004/2
Feinzin DF	Metribuzin 35%	Feinchemie Schwebda GMBH, Eschwege, Germany	182/2005/1
Fitonex MC30	MCPA 25%	Terranalis S.R.L, Ferrara, Italy	296/2005/4
Flufop	Fluazifop-butyl 12.5%	Agri Mix S.R.L.Rome, Italy	261/2006/16
Fusilade Max 125 EC	Fluazifop-p-butyl 13.37%	Syngenta Crop Science, Switzerland	579/2003/3
Galigan EC	Oxyfluorfen 23.8%	Makhteshim Agan Italia, Bergamo, Italy	575/2003/3
Gallant Winner	Haloxifop-R-methyl ester 10.8%	Dow AgroSciences, Valbonne, France	232/2004/4
Hopper Blu	Glyphosate 31%	Dow AgroSciences, Valbonne, France	232/2004/11
Kilever	Glyphosate 48%	Hockley International Ltd, Stockport, United Kingdom	184/2005/15

Lobby	Fluazifop-p-butyl 36.6%	Chemia S.P.A.Ferrara, Italy	228/2004/19
Mesozin 35 WG	Metribuzin	Feinchemie Schwebda GMBH, Eschwege, Germany.	182/2005/2
Metiroc 35 WG	Metribuzin 35%	Rocca Frutta S.R.L, Ferrara, Italy	171/2005/9
Neo-Conservit	Chlorpropham 1%	Chimac Agriphar S.A, Ongree, Belgium	97/2004/1
Phantom	Glufosinate ammonium 11%	Rocca Frutta S.R.L, Ferrara, Italy	171/2005/12
Round Up	Glyphosate 41.7%	Monsanto Hella E.P.E, Greece	233/2004/1
Round Up Max	Glyphosate 78.5%	Monsanto Hella E.P.E, Greece	233/2004/2
Seccherba Respect	Glyphosate 30.4%	Agri Mix S.R.L.Rome, Italy	261/2006/4
Seccherba Top	Glufosinate 12%	Agri Mix S.R.L.Rome, Italy	261/2006/13
Sencor 70 WG	Metribuzin 70%	Bayer Crop Science GmbH, Frankfurt Germany	573/2003/8
Touchdown S4	Glyphosate 36%	Syngenta Crop Science, Switzerland (Tragusa), Tratamientos Guadalquivir, Sevilla, Spain	579/2003/6
Tragli	Glyphosate 36%	Vebi Istituto Biochimico S.R.L, Padova, Italy	214/2005/1
Vebiglyf	Glyphosate 36%		146/2006/22

Insecticides – Targeting Grape moth Applicable for Measure 1

Name	Active Ingredient	Supplier	Reg. Number
Fenitrothin*	Fenitrothion	Diachem S.P.A. Alessandro, Italy	228/2004/17
Etifos M	Chlorpysifos-methyl 23%	Du Pont, DeNemours Italiana S.R.L, Balzono, Italy	574/2003/4
Pomex	Carbaryl 49%	Isagro S.P.A. Milan, Italy	353/2004/3

*25/11/2007 to be withdrawn from the market, 25/11/2008 last date of use.

Aviancides target for Bird Repellant Applicable for Measure 1

Name	Active Ingredient	Supplier	Reg. Number
Hantrex PB	Antraquinone 80%	Ital-Agro SR. L, Italy	229/2004/7

18.4 Annex 4: Natura 2000 candidate and designated areas

Designated areas according to Directives 79/409/EEC and 92/43/EEC:

Sites	% agricultural area in site
Ballut (l/o Marsaxlokk)	86.2
Ballut tal-Wardija (l/o San Pawl il-Bahar)	31.5
Buskett - Girgenti Area	58.4
Ghadira Area	25.6
Ghadira s-Safra	0.0
Ghar Dalam	29.1
Ghar ta' L-Iburdan	58.6
Il-Magħluq tal-Bahar (l/o Marsaskala)	38.8
Maqluba (l/o Qrendi)	34.9
Mgiebah/Tal-Mignuna Area	39.3
Pembroke Area	0.0
Ramla tat-Torri / Rdum tal-Madonna Area	1.6
Rdum Majjiesa u Ras ir-Raheb	0.0
Rdumijiet ta' Malta: Ir-Ramla tac-Cirkewwa sa Il-Ponta ta' Benghisa	38.1
Rdumijiet ta' Malta: Ix-Xaqqa sa Wied Moqbol	2.3
Rdumijiet ta' Malta : Ras il-Pellgrin sa Ix-Xaqqa	30.6
Salini	9.0

Simar (l/o San Pawl il-Bahar)	70.5
Wied il-Mizieb	58.7
Xaghra tal-Kortin	10.6
Cittadella	10.9
Dwejra – Qawra Area, inkluz Hagret il-General	32.0
Ghajn Barrani Area	27.6
Il-Qortin tal-Magun u l-Qortin ik-Kbir	32.3
Ramla Area	28.2
Rdumijiet ta' Ghawdex: Id-Dawra tas-Sanap sa Tal-Hajt	62.0
Rdumijiet ta' Ghawdex: Il-Ponta ta' Harrux sa Il-Bajja tax-Xlendi	50.0
Rdumijiet ta' Ghawdex: Il-Ponta ta' San Dimitri sa Il-Ponta ta' Harrux	16.2
Rdumijiet ta' Ghawdex: Ta' Cenc	0.0
Xlendi-Wied tal-Kantra Area	69.3
Filfla	0.0
Il-Gzejjer ta' San Pawl/Selmunett	0.0
Kemmuna, Kemmunett, Il-Hagriet ta' Bejn il-Kmiemen u l-Iskoll ta' Taht il- Mazz	0.0

18.5 Annex 5: Stakeholders in consultation

Below is a comprehensive list of all the stakeholders invited to attend the workshops and seminars during the consultation process, organised by the Rural Development Department. The entities consulted included competent regional, local authorities and other public authorities; the economic and social partners and any other appropriate body representing civil society; non-governmental organisations, including environmental organisations; and bodies responsible for promoting equality between men and women.

Public Sector

- Ministry for Rural Affairs and the Environment (MRAE):
 - Parks, Afforestazzjoni u Restawr tal-Kampanja - Parks, Afforestation and Countryside Restoration Unit (PARKS)
 - Agricultural Services and Rural Development Division (ASRD) - Animal Husbandry Section; Crop Husbandry Section; Organic Farming unit, Seeds and Propagating Materials Unit, National Soils Unit, Nursery Section, Pesticide Section, Beekeeping Section, IACS Department
- Office of the Prime Minister (OPM): Planning and Priorities Coordination Division (PPCD)
- Malta Environment and Planning Authority (MEPA): Nature Protection Unit, Integrated Heritage Management and Natural Resources Planning within Resource Management Unit of the Environment Protection Directorate, Information Technology Unit of the Corporate Services Directorate and Policy Coordination of the Director General's Office.
- Malta Resource Authority (MRA)
- Malta Standards Authority (MSA)
- National Statistics Office (NSO)
- Ministry for Tourism and Culture (MTAC): Heritage Malta
- Ministry for Resources and Infrastructure (MRES): Restoration Unit
- Ministry for Justice and Home Affairs (MJHA): Department of Local Councils
- Ministry of Gozo (MOG): Local Councils in Gozo

Bodies responsible for promoting equality between men and women

- National Commission for the Promotion of Equality

Representatives

- Local Council Association
- Assocjazzjoni Segretarji Ezekuttivi Kunsilli Lokali (Malta)

Industry

- Malta Business Bureau
- MITTS
- Gozo Business Chamber
- Federation of Industries
- Chamber of Commerce
- Malta Enterprise

Environmental NGO's

- Birdlife
- GAIA
- Flimkien għall-Ambjent Ahjar
- Friends of the Earth
- Nature Trust

- NGO's representatives Gozo

Cultural NGO's

- Heritage Malta
- Fondazzjoni Patrimonju Malti
- Fondazzjoni Wirt Artna
- Wirt Ghawdex
- Din l'Art Helwa

Women's Associations

- National Council of Women
- Foundation for Women Entrepreneurs/Europe Direct Info Relay

Wineries

- Malta Wines & Vines

Livestock Cooperatives

- KIM
- KPH
- Broilers Breeders Coop Ltd
- Koperattiva tat-Tjur t'Ghawdex
- Ghaqda Produtturi tal-Fniek
- Assocjazzjoni Prodotti tal-Bajd

Farmers' Co-ops/POs

- Bee Keepers Association
- FCCS
- National Platform (Forum Agrikolu Nazzjonali)
- Farmers' Association
- Agri Coop Ltd
- Ghaqda Bdiewa Progressivi
- Ta Qali Producer Group
- Assocjazzjoni Produtturi tal-Gbejniet tan-Nghag u Moghoz
- Assocjazzjoni tal-Vitikultura Maltija
- Malta Organic Agric. Movement (MOAM)
- Ghaqda Produtturi Gozitano(incl Koperattiva tas-serer)
- Rabbits PO
- Malta Rabbits Club
- Gomriza

Others

- MCAST
- Consumer Affairs Council
- Consumer Association
- Genista Foundation
- EU Europe Direct
- Forum Malta fl-Ewropa
- European Consulting
- Paragon
- Youthscoop Coop Ltd
- Gozo University
- Institute of Agriculture
- Malta University Services
- NGO Committee Gozo
- APS Bank

18.6 Annex 6: Independent verification of payments for agri-environment measures



Postal address: PO Box 215, Valletta, Malta
Tel: (356) 9926-2141; Fax: (356) 21334705; email: admin@icsmalta.com
VAT: MT 1561-2922

Independent Verification of Payments for Agri-Environment Measures

Islands Consulting Services together with E-Cubed Consultants have been commissioned as an independent body to carry out an assessment of payments calculated by the Rural Development Department for the Agri-Environment measures included in Malta's Rural Development Plan 2007-2013.

Agri-environment measure 1: Support for environmentally friendly production in vineyards

This measure seeks to encourage farmers to install nets on vines to prevent the entry of birds as well as to discourage the use of pesticides.

The evaluators agree with the general assumptions upon which the saved costs are based as well as the assumptions supporting the derivation of the additional costs. The hourly labour rate of €5.80 is justified on the grounds that the average hourly wage rate used in the 2004-2006 RDP has been adjusted to take into account an average annual inflation rate of 3% per annum.

Moreover the assessors also concur with the workings of the transaction costs based on the assumption that holdings will seek the advice of advisory services possibly up to three times over the five year period.

Agri-environment measure 2: Support for the traditional cultivation of sulla

This measure provides support to farmers in the undertaking of the cultivation of sulla on two separate years during the five year period, also discouraging the use of pesticides. The number of hours used as the basis for the removal of weeds is justifiable on the grounds that the task is rather labour intensive and the quality of sulla is positively related to the removal of weeds. Moreover net income foregone, which is calculated as the difference between revenue to be generated from the sale of sulla and income foregone from the sale of wheat, is also justifiable. The use of wheat is also considered acceptable as the crop is considered a substitute to the production of sulla. In this particular case, the assumption that farmers seek guidance from advisory services twice during the five year time frame is also justifiable.

Agri-environment measure 3: Support for low input farming

The objective of this measure is to reduce the use of plant protection products in forage production (wheat, barley, and oat) and to decrease the impact of the repetitive use of plant protection products on the environment. The main forage crop grown in Malta is wheat and therefore the evaluators confer with the use of this crop in estimating support for this measure. The 20% loss in yield which is expected to materialise from the lack of pesticide use has been based on expert opinion. The removal of weeds is also considered labour intensive albeit to a lesser extent than the previous measure as the quality of wheat is not considered to be as

sensitive to the prior removal of wheat compared to sulla. In summary the evaluators consider the amount of support for this measure to be valid.

Agri-environment measure 4: Support to suppress the use of herbicides in vineyards and fruit orchards

This measure seeks to reduce the use of herbicides in vineyards and fruit orchards by supporting the use of an alternative method of pest control. In this case, the evaluators confer with the additional maintenance costs as well as the savings in respect of not using the herbicides.

Agri-environment measure 5: Support for the establishment and maintenance of conservation buffer strips

The objective of this measure to support the establishment and maintenance of conservation buffer strips of 2 metres in width, to protect soil, water and biodiversity from the pressures of agricultural inputs as well as to reduce the risk that these activities and inputs have on the quality of natural resources. In this case, the income foregone is based on the loss of revenue from the production of potatoes which is one of the most common vegetables grown on the Maltese Islands. The 4% loss in revenue is based on the average size of holdings whereby the 2 metre buffer zone represents approximately 4% of the average size of agricultural land per holding. Furthermore, the 4% savings in pesticide and fertiliser use is also based on the same assumption.

Agri-environment measure 6: Support for the conservation of rural structures providing a natural habitat for typical Maltese fauna

The objective of this measure is to support the protection of wildlife through the conservation of valuable structural features. The 4% loss in revenue which has been used to estimate the income foregone is based on expert opinion whereby the area to be used for the conservation of rural structures approximates 4% of the average size of holdings. In summary the evaluators consider the amount of support for this measure to be valid.

Agri-environment measure 7: Support for providing a forage areas bees

This measure aims at encouraging farmers to establish and maintain strips or patches, on part of their holdings, to increase forage potential for bees and therefore contribute towards the support of biodiversity. In this case the loss in revenue is based on the production of melons which also represent a large proportion of the total amount of fruit and vegetables produced on the Maltese Islands. The use of this crop is considered justifiable in this respect as melons are a highly irrigated crop and forage areas are expected to be set within parcels of land where such melons are cultivated. The 2.5% loss in revenue is based on expert opinion and seems to be justified in the derivation of support for this measure.

Combinations of measures

The RDP (2007-2013) states that besides the single measures, applicants also have the opportunity to combine a number of measures through customised packages. The methodology used to estimate the costs and benefits of combined measures is justified on the grounds that additional costs in relation to each measure are to be taken separately provided that the costs do not overlap therefore resulting in double counting. In cases where the additional costs refer to more than one measure, than only one cost, typically the highest one should be taken into consideration. The same logic also applies to the income foregone. In terms of the transaction costs it has been assumed that the number of times that farmers seek the guidance of advisory services depends on the number of measures that they apply for. However due to the nature of

the advice and that there are economies of scale to be reaped from seeking multiple advice, the use of the ratio (2:1.5) is justified for the purpose of estimating this component for a combination of measures.

Consequently as a functionally independent entity ICS together with E-Cubed Consultants have checked and verified the agri-environmental calculations and confirm that these meet Commission requirements as so indicated in article 48 (2) of Reg. 1974/2006.

A handwritten signature in blue ink, appearing to read 'Vella', is enclosed in a light gray rectangular box.

Stephanie Vella

18.7 Annex 7: Ex-ante evaluation of Rural Development Programme 2007-2013 and Environment report