



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30.10.1995
COM(95) 515 final

95/0142 (CNS)

Amended proposal for a

COUNCIL DECISION

on a Community financial contribution towards certain expenditures incurred by the Member States in implementing the monitoring and control system applicable to the common fisheries policy

(presented by the Commission pursuant to Article 189 a (2)
of the EC-Treaty)

EXPLANATORY MEMORANDUM

In June 1995, the Commission sent the Council a proposal for a Council Decision on a Community financial contribution towards certain expenditures incurred by the Member States in implementing the monitoring and control system applicable to the common fisheries policy¹.

On 13 October 1995, Parliament adopted a resolution delivering a favourable opinion on the proposal, with 11 amendments.

To improve the effectiveness of the Community's financial contribution, the Commission agreed to include the following amendments in its current proposal, which stipulate that:

- the control programme must be based on a risk analysis (amendment 3)
- the Community contribution must be significant (amendment 4)
- a financial commitment statement must be sent to the Commission by the Member States subsequent to an application for funding (amendment 8);
- the Commission is to set a time limit on the inquiries carried out by the Member States if it feels that the facilities are not being used for the purposes intended (amendment 11).

These amendments clarify the initial proposal.

The Commission did not agree to the other amendments because they could formally harm the content of the proposal.

Adoption of Parliament's amendments by the Council will show that the political authorities unanimously agree on the need for a Community financial contribution to implement the monitoring and control system applicable to the common fisheries policy.

¹ COM(95) 243 final.

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AMENDED PROPOSAL FOR A COUNCIL DECISION
on a Community financial contribution towards certain expenditures incurred by
the Member States in implementing the monitoring and control system applicable
to the common fisheries policy

The proposal is amended as follows:

Recital 4a (new)

Whereas the control programme must be based on a risk analysis of the areas most likely to be the subject of fraudulent or irregular activity;

Recital 6

Whereas, in order to ensure supervision of all the catches and landings required if the common fisheries policy is to be really implemented, Member States must, in all maritime waters, monitor the activities of Community and third-country vessels, whereas a significant Community contribution towards certain inspection and monitoring expenditures incurred by the Member States is therefore required.

Article 5, paragraph 1

1. Member States wishing to benefit from a Community financial contribution towards the expenditure referred to in Article 2 shall forward to the Commission, on the first occasion before 15 November 1995 and subsequently before 31 May of each year, an application for funding for the following year containing the information specified in points 1, 2 and 3 of the Annex hereto. In order to take account of the constraints of the Member States' budgetary procedures, an annex updating the original application including a financial commitment statement, should be forwarded to the Commission before 30 September of each year.

Article 10, third paragraph

If the Commission considers that the facilities are not being used for the intended purpose or in accordance with the conditions set out in this Decision, it shall inform the Member State accordingly. The Member State shall then conduct an inquiry in which Commission officials shall participate whenever possible. ~~Within a time limit decided by the Commission,~~ the Member State shall inform it of the progress and results of the inquiry and provide the Commission without delay with a copy of the report of the inquiry and the principal data used in preparing it.

FINANCIAL STATEMENT

Heading B2-901: financial participation in inspection and monitoring operations

1. Title of operation

Financial participation in inspection and monitoring operations.

2. Budget heading involved

B2-901.

3. Legal basis

Article 43 of the Treaty and Council Decision 89/631/EEC.

4. Description of operation

4.1 General objective of operation

The question of financial assistance for inspection operations carried out by the Member States was raised when the CFP was introduced. After a preliminary stage, assistance of an initial amount of ECU 22 million per annum was granted for the period from 1991 to 1995 on the basis of Decision 89/631/EEC, allowing the Commission to contribute up to 50% of expenditure on equipment incurred by the Member States. The Council undertook to decide on future provisions before 30 June 1995 on the basis of a report drawn up by the Commission. In the mean time, the Council has taken other decisions which have a bearing on this question.

When the new control Regulation was adopted, the Council said that the current system of inspections would now extend to new areas and required the implementation of additional measures not covered by the previous Decision (89/631/EEC)¹. The range of operations for which a financial contribution could be made to the expenditure of the Member States would therefore have to be widened:

¹ OJ No L 364, 14.12.1989, p.64.

- Support for investment expenditure must continue to be a priority for financial assistance. The acquisition of heavy equipment is particularly difficult to finance from national budgets. Moreover, the investments made during the period 1989 to 1995 have not fully covered needs as shown by the assessments made by the Member States for the period 1996 to 2000. The working life of the equipment concerned ranges from several decades (seagoing equipment) to several years (motor vehicles, computer equipment, technical inspection equipment), airborne inspection equipment coming somewhere in between. The equipment with a short working life will have to be replaced within the next five years. Even amongst the seagoing equipment there will have to be additions, replacements and renewals. A greater priority will furthermore have to be given to investments in modern technology. Investment will have to cover not only the acquisition of equipment but also other types of expenditure, in particular on software.
- If rapid progress is to be made, integrated projects may need to be set up, the financing of which, like that of the satellite pilot projects, may require expenditure over and above the cost of investments. The setting-up of information networks depends on such integrated projects. The agreement reached in the Council in December 1994 on fisheries inspection west of longitude 4°W requires very rapid implementation and specific financial arrangements.
- The serious problem of training needs to be stressed. Support must be permitted for the Member States' initiatives in this area. Priority must also be given to assistance for exchanges between Member States and between Member States and the Commission, both for the initial training of officials responsible for control and subsequently to promote temporary detachments and exchanges.

4.2 Duration of operation and provisions for renewal

The operation forms part of a measure planned to cover the period 1996 to 2000. Any subsequent action will have to be decided upon before the end of the period.

5. Classification of expenditure or revenue

- 5.1 Non-compulsory expenditure.
- 5.2 Differentiated appropriations.
- 5.3 No revenue.

6. Type of expenditure or revenue

Subsidy for joint financing with other sources in the public and/or private sector

Subsidy in the form of a reimbursement. Possibility of paying advances.

7. Financial impact

7.1 Method of calculating the total cost of the scheme

The financial contribution to investment expenditure is, inter alia, for the acquisition or modernization of:

- vessels, aircraft, and land vehicles employed in the monitoring and supervision of fishing activities;
- systems for the detection and recording of fishing activities (including equipment installed on fishing vessels);
- systems for recording, managing and transmitting inspection data, including computer applications and software.

The contribution should be limited to 35%, as against 50% under the previous Decision.

The financial contribution to expenditure intended to improve the application of the common fisheries policy as part of specific measures and projects not exceeding two years is limited to 50%.

The same limit applies for expenditure on the training of national officials involved in inspection work, in particular in a Member State other than that in which they are employed.

The Commission may, however, decide on higher rates, in particular:

- to permit the implementation of a coordinated measure by Member States and the Commission to overcome difficulties with inspection in an area of Community interest;
- to permit experimentation with and the introduction of new technology to improve the control of fishing and related activities;
- to permit an additional Community financial contribution not necessarily limited to expenditure on investments in favour of Ireland for the improvement of inspection work.

7.2 Breakdown by type of measure

Commitment appropriations in ECU million
(at 1996 prices)

Type of measure	Total budget over five years
1. Investment in equipment	140
2. Operating expenditure (Ireland)	10
3. Information networks	50
4. Training and exchanges	5
Total	205

A more detailed breakdown of expenditure is not possible since it is up to the Member States to submit applications. Priority should nevertheless be given to new technology and to seagoing inspection equipment for those Member States which are still underequipped.

7.3 Operating expenditure on studies, meetings of experts, etc. included in Part B

The nature of this heading excludes operating expenditure of this type.

7.4 Schedule to be completed for multiannual operations whose basic instrument contains "an amount deemed necessary"

- period: 1996 to 2000

Commitment appropriations / payment appropriations in ECU million
(at 1996 prices)

	Indicative plan						
	1996	1997	1998	1999	2000	2001	Total
CA	30	45	45	45	40	-	205
PA	10	40	40	40	40	35	205

8. Fraud-prevention measures; results of measures taken

Under the scheme, the Commission must take a decision every year on the Community contribution to expenditure incurred by the Member States. A prior appraisal is made of the proposals submitted by the Member States and the Commission decides on the eligibility of applications on the basis of the documentation submitted. Each year, after an interdepartmental consultation, the selected proposals are examined by the Management Committee for Fisheries and Aquaculture. The Commission then decides on the eligibility of the applications and the size of the Community contribution.

Payment of the Commission contribution is made on presentation of duly receipted invoices relating to eligible expenditure actually incurred and on presentation of the duly completed "public contract questionnaire".

To enable the best use to be made of assistance granted from the Community budget, the Member States must ensure the effectiveness of all their arrangements for controls and penalties and complete transparency of all procedures.

The importance of inspection missions carried out by officials on behalf of the Commission in the Member States should be stressed. They enable verification of the conformity of equipment with the administrative documents which the authorities of the Member States are obliged to submit to the Commission and the effective use of all the control facilities part-financed by the Community. Joint missions by the Authorizing Office and Financial Control are planned in the beneficiary Member States.

The above provisions will enable the Commission to evaluate the actual application of the Decision which will succeed Decision 89/631/EEC.

9. Elements of cost-effectiveness analysis

Expenditure on fisheries enforcement must be set against the value of fish stocks and the damage caused by non-declaration (estimated at 10% of the value of the catches landed) and poor management (resulting in the loss of an estimated potential annual revenue of ECU 3 000 million).

9.1 Specific and quantifiable objectives; target population

- *Specific objectives: links with general objective*
 - To provide inspection authorities with efficient, modern equipment.
 - To set up the mechanisms and computer networks necessary for the exchange of information relating to enforcement operations.
 - To promote the training of those involved in enforcement operations.

- *Target population: distinguish as applicable for each objective; indicate the end-beneficiaries of the Community's financial contribution and the intermediaries involved.*

The direct targets are the national fisheries inspection authorities, but it is all those involved in fishing and related activities, often in regions where other economic activities are limited, who will benefit from efficient fisheries enforcement. It is not only the fisheries sector which is concerned - the ecological impact of poorly controlled fishing activities affects the whole of the Union as do the diplomatic consequences when there are inadequate controls in international or third country waters.

9.2 Grounds for the operation

- *Need for Community financial assistance*

If the inadequacies in fisheries inspection are to be overcome, the Commission must take political, regulatory and budgetary action. None of these areas can be neglected; they are in any case linked. Progress has been made on regulatory provisions, essentially at the initiative of the Commission. The corresponding political decisions have financial consequences which the Commission cannot ignore.

The existence of the common fisheries policy and the interdependence of the fisheries sectors in the different Member States resulting from the movement of fish stocks makes fisheries control a Community problem. Cost-benefit analyses of fisheries control cannot be carried out at Member-State level. Community financial solidarity is therefore essential and the budget heading permitting assistance towards expenditure incurred by the Member States is the expression and the instrument of that solidarity. Furthermore, the growth of that heading is the result of decisions already taken.

- *Choice of ways and means*

- * *advantages over alternative measures (comparative advantages),*
- * *analysis of any similar measures implemented at Community or national level.*

The budget required for effective control is small when set against the economic importance of fisheries, the losses from fraud and the waste arising from the current ineffectiveness of the CFP. It is also small compared with the amounts spent in this area by other countries.

The Community budget for control will remain small compared with the expenditure of Member States, but that budget is the key to any progress. Reference has been made to the obligations arising from the decisions taken since 1991, particularly those taken by the Council. Assistance with the expenditure incurred by the Member States is essential.

Community financial assistance accounts for 2.7% of the 1995 Community budget for fisheries and is less than 10% of the almost ECU 230 million per year spent by the Member States on inspection and monitoring. Of that amount, ECU 54 million is for investment, the rest to cover operating costs. That expenditure can be compared with the expenditure on controls by certain third countries. The annual estimated cost of enforcement operations carried out by Norway is NOK 500 million (ECU 60 million) and Canada spends CAD 85 million (ECU 58 million). The 1995 budget of the US Coast Guard for policing fishing activities is USD 500 million (ECU 390 million). The Community budget for fisheries control is therefore modest when measured against a range of criteria.

- *Main factors of uncertainty which could affect the specific results of the operation*

The most serious risk is that Member States will be unable to meet their commitments as regards part-financing and their other obligations (organization, personnel, penalties, etc.).

In order for equipment towards which financial assistance has been granted to be used effectively, it must be used in a suitable context. Operating budgets, staffing, administrative organization and penalties are, without exception, the responsibility of the Member States. If the Member States do not adopt the appropriate measures, Community assistance will not produce the desired results. National authorities, although well-equipped, will not be fully effective.

9.3 Monitoring and evaluation of the operation

Evaluation of costs

The major difficulty is that the authorities involved in fisheries enforcement are often also carrying out other duties. Costs have therefore to be allocated. The most obvious example is operations at sea. Where these involve the armed forces, and even where an operation is mainly concerned with fisheries enforcement, they could possibly include other activities (sea rescue, demonstrating a security presence).

Whatever the difficulties, the expenditure required for effective controls is such that appropriate accounting measures must be taken to permit an effective breakdown of costs.

Assessment of the results

The initial indicators are a measure of the means employed: the number of days at sea of inspection vessels or flying hours of airplanes and helicopters, the area covered, the number of inspections carried out on land and at sea. These are indicators of activity and not a measure of effectiveness. They must nevertheless be part of any system for monitoring progress in enforcing the CFP.

The second set of indicators is the number of suspected infringements detected and the penalties imposed. This information, together with the activity indicators referred to above, are vital for any appraisal of the thoroughness of inspections and penalties. They do not, however, give a complete picture, since the number of suspected infringements depends on both the effectiveness of inspections and the actual number of infringements.

As regards resource-conservation policy, the actual effectiveness of the enforcement of the CFP should be assessed in the light of two criteria: limits on the rate of exploitation and protection of the smallest fish (juveniles). This means making a comparison between actual catches and authorized catches for each stock and calculating the proportion of undersized fish taken. Paradoxically, this is technically easier than proving individual infringements on a legally accepted basis. Procedures can be worked out for carrying out checks to verify the catches of a group of vessels. However statistically lax the procedures, it will be possible to assess the reliability of such estimates and to improve that reliability as required by adjusting the size of the samples taken. It will often be more difficult to acquire legally acceptable proof against a probable fraudster. On the one hand, the so-called "law of large numbers" facilitates the estimation of overall quantities, and, on the other, the burden of proof placed on the prosecution makes the penalization of individual infringements difficult. This duality must be an element in any consideration of the effectiveness of controls. It shows that it is easier than it is sometimes thought to measure the actual overall result of infringements. Scientists have regularly done this by comparing the official statistics with estimates based on research work. The unreliability of certain official statistics forces research institutes to devote a considerable part of their limited resources to non-scientific work. However, in terms of enforcement, the possibility of quantifying fraud permits us not only to have immediate composite indicators of efficiency but also to target inspections in the most important areas. It therefore

becomes possible to rationalize inspections so that the means devoted to prevention and dissuasion and to the gathering of evidence necessary for the imposition of penalties are concentrated on the most serious problems. Such rationalization would not only permit a direct improvement in the effectiveness of controls but would also increase the credibility of controls with those working in the sector, who are often well-informed about large and recurrent cases of fraud.

On an operational level, it would be useful if each Member State were able to verify certain catches on the basis of random checks. DG XIV should use the assessments made by international scientific bodies.

(Items for internal information purposes)

9.4 Consistency with financial programming

Is the operation incorporated in the DG's financial programming for the relevant years?

The operation is to be implemented under a Council Decision covering the period 1996 to 2000.

To which broader objective defined in the DG's financial programming does the objective of the proposed operation correspond?

The question of enforcement concerns the whole of the CFP.

10 Administrative expenditure (part A of the budget)

This section of the financial statement must be sent to DGs XIX and IX; DG IX will then forward it to DG XIX with its opinion.

10.1 *Will the proposed operation involve an increase in the number of Commission staff? If so, how many?*

An increase is necessary to intensify anti-fraud controls, monitoring and assessment. The estimated increase is 0.5 A and 1 B grade staff.

10.2 *Indicate the amount of staff and administrative expenditure involved in the proposed operation. Explain the method of calculation.*

Mission expenses: ECU 15 000

Staffing

- 75% of the time of an A grade official
- 150% of the time of a B grade official
- 150% of the time of a C grade official
- translation work (correspondence, proposed programmes, Commission Decision)

In the medium term, after the transitional phase, the additional resources might no longer be required.

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