1. BASIC INFORMATION
   1.1 CRIS Number: 4573/04
   1.2 Title: Pilot Rural Development Support Schemes
   1.3 Sectors: Rural Development
   1.4 Location: Ministry of Agriculture and Fisheries, Malta

2. OBJECTIVES
   2.1 Wider Objectives
   • To initiate the process of restructuring of the Maltese agriculture and to start and develop a project pipeline that will ensure rapid and efficient take up of EU finance available under the RDP in 2004
   • To gain knowledge in the development of proposals by farmers, enterprises and other members in the rural community who will be expected to present future project proposals.
   • To gain valuable experience in applying mechanisms for the management of rural development programs
   • To test capacity of system and the implication of rules of Guarantee-funded aid and community policies

   2.2 Project purpose
   The immediate objectives of this project are to raise the incomes and competitiveness of the agricultural sector and to protect and improve the rural environment through the following schemes.
   • The Rural Stewardship Scheme: to promote the protection, maintenance and enhancement of the traditional rural environment of the Maltese Islands by farmers.
   • The Rural Business Scheme (excluding Producer Groups): to enhance the situation of the agricultural sector by improving the economic performance of the marketing and processing chain, through gains in both productivity and competitiveness.
   • The Rural Business Scheme for Producer Groups: to improve the market efficiency of the agricultural sector by increasing the number and effectiveness of producer groups.
   • The Farm Holdings Scheme: to promote improvements in economic performance at the farm level, through gains in productivity and competitiveness.

2.3 Accession Partnership and NPAA Priority

   Accession Partnership
   Ability to assume the obligations of membership – Agriculture. This project will contribute to the action (marked “In need of particularly urgent action”) to set up the administrative structures needed for the design, implementation, management, monitoring, control and evaluation of EC-funded rural development programmes.
NPAA

This project will contribute to the requirements of Section 3.4.2 Agriculture: The Administrative structure of the Ministry of Agriculture and Fisheries needs to be strengthened in order to be able to fulfil the requirements of the Acquis.

3. DESCRIPTION

3.1 Background and Justification

Agriculture in Malta has declined over many decades to the point where it contributes only 2.3% of gross value added, provides 1.9% of employment and provides 20% of the nation’s food. It has been protected by import levies which are due to be removed on Malta’s accession to the European Union (planned for 2004). Production is constrained by the shortage of agricultural land and water, soil erosion, highly fragmented holdings, very small average holdings, land abandonment, poor marketing channels and low levels of technology.

The Government is the main land-owner and only 16% of farmers operate freehold land. Government leases agricultural land on an annual basis for a very low rental. Most holdings are very small; 71% of holdings are less than 1ha and the average holding is 0.7ha. The 2001 Agricultural Census recorded 21,773 parcels of agricultural land with an average size of just under 0.5 ha each. Parcel size and multiple parcel holdings by farmers are not uniformly distributed over the Islands.

There is virtually no agricultural land sale market (in terms of ownership transfer) operating in Malta. The value of privately owned land is in the main extremely high (Euro 50,000 per ha), being determined not by its agricultural value but by its potential value, for non-agricultural use, in the long term and the fact that hardly any land is offered for sale (as a result of both its potential value and socio-cultural traditions).

The total area of agricultural land is approximately 10,700ha and has declined by almost 400ha between the 1991 and 2001 censuses. Most is dry land (8,240ha) but this area has declined whilst the irrigated area has increased. An area of 1,355ha is unused. The recorded agricultural land is managed by 11,400 land tenants of whom 974 are full-time farmers and 10,426 are part-time; numbers are declining. Nearly 90% of the tenants are more than forty years old and over 40% are over 60. There is also virtually no legal agricultural land-leasing market operating. The 1967 Agricultural Leases Act was designed to protect tenants and their descendants from eviction, and it is extremely effective in this regard. Maltese tenancy laws also make it extremely difficult to increase rents and inheritance law also give rights to descendants to each claim a proportion of the holding. Time series data indicate that farm size is decreasing over time. This fossilised land market is also one of the factors which has led to a rapidly ageing farming population.

Nonetheless agriculture is important. It is deeply ingrained in the national culture, there is a strong appreciation of locally produced food and the unique landscape resulting from centuries of terracing is a tourist attraction.

The Government is working towards the achievement of the implementation of the Acquis in the sector of Rural Development. In order to gain experience on the management of the future rural development programmes, the project is designed following SAPARD methodology and approach.

Accordingly, a major task in preparation for accession has been the production of a Rural Development Plan (RDP) which is due for completion by the Ministry of Agriculture and Fisheries (MAF) by late 2002 i. The Rural Development Plan contains detailed information on the background and plans for agriculture and rural development. In developing the rural economy to become more competitive and demand-driven, the Government will take into account the environmental, social and cultural dimensions. The rural economy will change from its simple emphasis on food production to become multifunctional: a) offering more differentiated, higher quality products and services; b) integrating with tourism and agro-
processing; c) providing better protection and development of the environment and
d) preserving and developing traditional rural resources, know-how, heritage and quality of
life.

This project is an important adjunct to another proposed project for 2003 pre-accession
funding: MAF Institutional Capacity Building. Taken together, these two projects constitute
an important step in bringing MAF and the agricultural sector closer to the acquis in the area
of Rural Development. The pilot projects will not only provide financial support for the
farmers, but as mentioned before will also contribute to the bridging process for the post
accession rural development programmes, providing essential experience both to the Ministry
as it builds its strength in numbers and capabilities and the farmers. The measures within the
project address three of the main issues facing agriculture: the rural environment, farm
holdings and processing and marketing. The MAF will pay particular attention to avoid pilot
projects overlapping with the rural development programme.

3.2 Linked Activities
Contracting of RD Expertise as from early 2003 to assist MAF in initial RDP preparation,
including the recruitment of a Pre-Accession Advisor to assist MAF to assist in the required
institutional building
The development of the Rural Development Plan (RDP) by late 2002 in accordance with the
requirements for rural development support from the EU.
A scoping study on the Institute of Agribusiness, proposed for pre-accession funding in 2002.
EU support to Credit Guarantee Fund
Recruitment and training of animators to support the Public Awareness Campaign in the first
quarter of 2003 via liaison with local Farmers Associations
MAF institutional capacity building, with sub-sector and feasibility studies, proposed for pre-
accession funding in 2003.

3.3 Results
• The pilot activities incorporated in the four schemes will result in the development of a
project pipeline to ensure absorption of EU funds under the RDP and contribute in
increasing knowledge in the development of proposals by the rural community, gaining
experience in the application of mechanisms for the management of rural development
programs and testing of the system and the implication of Guarantee-funded aid and
community policies rules both for the Institutions and for the farmers.

In particular the four schemes will contribute to achieve the following results:

Rural Stewardship Scheme
Adoption of usual good farming practices
Improved and more detailed record keeping
Increased awareness of environmental features and resources on farming land
Reduced soil erosion through environmental awareness and support
Improved landscape with enhanced biodiversity through afforestation
Promotion of organic farming

Rural Business Scheme (excluding Producer Groups)
Enhanced income for producers through increased value added at farm level
Increase in operators to implement improvements and innovation in supply chain
Improved economic performance of the marketing and processing chain
Improved quality through better health and hygiene measures
Reduced waste and improved environmental protection

**Rural Business Scheme for Producer Groups**
Increased market share for producers
Improved access to market information
Assistance to producers to undertake new marketing activities
Advance producers’ ability to meet legislative and other constraints

**Farm Holdings Scheme**
Reduced production costs
Improved productivity, diversification, efficiency and competitiveness of farms holdings
Improved quality of Maltese farms produce
Increased collaboration amongst farmers
Better standards of animal hygiene, welfare and environmental protection

**3.4 Activities**
The project consist of four pilot projects and the associated provision of Pilot Activities to be implemented through grants schemes:
- Rural Stewardship Scheme.
- Rural Business Scheme (excluding Producer Groups)
- Rural Business Scheme for Producer Groups
- Farm Holdings Scheme

These are described separately below, but they all contribute to the strengthening of MAF and to the aims of the RDP, provided in the framework of the MAF Institutional capacity building project proposed in 2003 programme together with this project.

The activities will be staggered in order to allow for a build-up in the capacity of the Rural Development Unit and to fit with the farming calendar (Annex 2).

**3.4.1. Rural Stewardship Scheme**
This pilot project will work out and test a detailed design for a measure that is proposed in the RDP.

Malta faces a number of very significant agri-environmental problems – notably nitrate pollution and salinisation of groundwater; the loss and degradation of the landscape features and associated habitats; and an increasing incidence of soil erosion. There are already a number of policy responses to these problems – including the restrictions imposed (but weakly enforced) upon farmers by existing national legislation. It will be obligatory upon accession for the Government of Malta to introduce an EU co-financed agri-environment scheme that offers payments to farmers for undertaking activities “…which are compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity”. Because of the small holding size, intensive production systems and predominance of part-time farmers with incomes from other
employment in Malta, the maximum amounts allowed in the EC regulations do not translate into an attractive incentive for farmers in the Maltese Islands. In the context of the Maltese Islands, an additional incentive is therefore required to encourage the protection and improvement of the environment by farmers.

It is therefore proposed to closely integrate the agri-environment measure with complementary funding available under Article 33 of Council Regulation 1750 for measures “…which do not fall within the scope of any measure” and which can concern “…protection of the environment in connection with agriculture, forestry and landscape conservation”. Participation in the agri-environment measure along with its various specific obligations (e.g. compliance with Good Farming Practice) will therefore provide the ‘gateway’ to Article 33 funding.

These measures could then be offered to farmers as part of an integrated Rural Stewardship Scheme that also includes related environmental elements from other measures (e.g. Vocational Training). This is vital to achieve the overall environmental objectives of the RDP.

The measure will consist of a number of voluntary undertakings that participating farmers will agree to follow in return for annual payments. The resulting “management agreement” will take the form of a contractual obligation signed between the farmer and the designated contracting authority for pre-accession programmes in Malta. Each management agreement will be specific to the participating farmer and all farmers participating in the agri-environment measure will be required to:

1. Prepare a “Whole Farm Conservation Plan” for all of the agricultural land managed by a farmer or group of farmers.
2. Keep appropriate farm records to a minimum standard and a specified format.
3. Comply with verifiable standards of Good Farming Practice.
4. Undertake to maintain a basic level of “Environmental Stewardship” (e.g. rubble wall maintenance, avoidance of rubbish etc.) during the duration of their management agreement that goes beyond Good Farming Practice.
5. Undertake at least one of the following supplementary sub-measures:
   • Approved Tree Planting or Afforestation.
   • Restoration of Rubble Walls, Terraces and Other Traditional Features.
   • Encouraging the use of simple environmental practices via the promotion of organic farming.

Annual payments will be made subject to the participant submitting a claim for the payment and providing written declaration of compliance with the requirements of their management agreement. During the preparation of the RDP it proved impossible to obtain any farm accountancy data upon which to base calculations of income foregone. The project will therefore test an alternative basis for payment using the increased net costs of farm planning, additional record keeping and the basic level of ‘environmental stewardship’. These are estimated to be equivalent to €596 per hectare per year. The pilot project will also collect farm accountancy information for use in future calculations.

**Specific conditions for sub-measures Approved Tree Planting or Afforestation**

As part of the approved tree planting measure consideration of applications by farmers to plant trees up to 20% of the surface areas per tumulo of registered agricultural land shall be considered. Other than approved tree species the planting of fruit trees will also be considered. The planting of non-invasive species will be approved in cases of; creating short
windbreaks, extension or supplement to existent semi-natural habitat, and the creation of a soft landscaping. Provision shall be taken that this planting will conform the existing guidelines of tree planting and furthermore this will not adversely affect established habitats, landscape features or historical artefacts. A maintenance plan for the planting scheme will also be necessary.

Support shall be granted for the afforestation of agricultural land provided that such planting is adapted to local conditions and is compatible with the environment. Support for forestry shall be granted only for forests and areas owned by private owners or by their associations or by municipalities or by their associations except in cases of restoring forestry production potential damaged by natural disasters and fire and introducing appropriate prevention instruments.

Such support may include, in addition to planting costs:

- an annual premium per hectare afforested to cover maintenance costs for a period of up to five years,
- an annual premium per hector to cover loss of income resulting from loss of afforestation for a maximum period of 20 years for farmers or associations thereof who worked the land before its afforestation or for any other private law person.

Support for the afforestation of agricultural land undertaken by public authorities shall cover only the costs of establishment.

Support for afforestation shall not be granted:

- for farmers benefiting from early retirement support,
- in respect of the planting of Christmas trees.

3.4.2. Rural Business Scheme (excluding Producer Groups)

The measure will provide assistance for the marketing of Maltese foodstuffs and non-edible agricultural and horticultural produce to help farmers and growers to compete on equal terms with other EU producers in their domestic market and it is proposed in assimilation to Articles 25 - 28 of Regulation 1257/1999.

The current import regime has protected the Maltese agricultural sector from the need to develop a sophisticated approach to the marketing of its produce. Very little produce has been exported and in some sectors the quality of produce coming onto the domestic market has not been of a high standard. Furthermore, the hygiene standards achieved in some sectors do not meet EU Regulations. In many cases, farmers market their produce individually rather than collectively, and thereby lose some of their ability to receive a higher return from the market. There is little attempt 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 produce. There is a heavy dependence on traditional wholesale markets and little attempt to identify and market produce through new marketing channels. In many sectors Maltese production, as it stands, appears unlikely to be able to compete effectively with imports from other EU countries after accession.

Through this measure, MAF will encourage:

- The development of new outlets for agricultural produce.
- The improvement or rationalisation of marketing channels or processing procedures. This may involve: capital expenditure on processing plant; collaborative marketing ventures; improvements to management structures and systems; and the development of direct sales to the tourist sector and the development of farm shops.
- Improvement in the preparation, packaging and presentation of products.
- The application of new technologies and innovation.
• Product standards which are in line with the standards required in EU legislation.
• Improvements in the quality of water affected or used by the processing industry, and in the efficient use of water in processing.
• The adoption of high environmental standards, including the better use or elimination of by-products or waste.

Eligibility for support will not be limited to any particular agricultural sector. The measure may improve the return to the wholesaler or the processor so long as the farmer benefits as well. The measure will be applied through a “bottom up” approach as far as is permitted by EU legislation, with the initiative for projects coming from the industry itself. Eligible groups will primarily be farmers, or farming businesses owned by them, or groups of farmers and food processing enterprises.

Non eligible projects are:
• investments at the retail level (other than farm shops),
• investments in the processing or marketing of products from third countries.

Proposals will need to provide adequate documentation in the form of a standard application form which will include the project detail;
• the project method and outcomes;
• the outputs from the project;
• the schedule for the project;
• its sources of funding;
• itemised lists of all eligible expenditure;
• financial forecasts including cash-flow forecasts and expected rate of return;
• quotations in support of project costings;
• plans and architect’s drawings, where appropriate;
• an environmental impact assessment; and
• details of how regulatory requirements have been or will be met.

These requirements will be beyond the limited experience of many applicants so MAF will engage staff to promote measures and to advise on the applications process.

The measure will be operated on a competitive basis, so applications which meet the eligibility criteria will not automatically be approved for funding, but will be rigorously evaluated against a scoring system, thus providing a comparison between all eligible projects. The proposals which ensure best value for money for the tax-payer and which best meet the objectives of the measure can thus be identified, and these will be the ones to attract funding. It is a requirement of the measure that environmental and water problems should not be made worse by investments aided under the marketing and processing measure, and wherever possible such investments should contribute to their improvement.

The scoring system will take account of the following priorities:
a) Value For Money.
b) Additionality.
c) Agriculture and rurality.
d) Market Orientation.
e) Innovation.
f) Environmental Impact.
g) Hygiene Impact.
h) Leverage of Private Sector Investment.
i) Integration.
j) Monitoring.
k) Animal Welfare.
l) Young entrepreneurs.
m) Equal opportunity.
Additional benefits; the extent to which the project develops new methods of marketing, increases the market for Maltese produce and improves the quality of Maltese produce offered on the market.

MAF will rank projects into three categories based on the scoring system:

- **High** – projects very suitable for funding ranked according to their score against the criteria;
- **Medium** – projects on which further work is necessary before approval can be granted;
- **Low** – projects not to be funded.

To facilitate the identification and funding of projects that may have very different components, or be developed on vastly different scales, the measure is divided into two sub-measures. Individual projects may attract funding under both sub-measures where appropriate. There will be a minimum project cost threshold to ensure that the administrative effort involved in processing applications and administering funding leads to a worthwhile level of benefit to the key beneficiaries and value for money for the taxpayer. There will also be an upper ceiling to ensure that a small number of extremely large projects do not absorb an unreasonable proportion of the budget.

The measure will cover research, feasibility studies (training and technical assistance) and marketing communication, smaller capital projects as well as large capital investment. Activities funded under this measure include those which are focused on human capital as well as those pertaining to economic capital. Funding will be available for feasibility studies, professional fees, salary costs of specialist staff and, for small-scale capital investment projects.

will be set during the design phase of the pilot project.

Larger, capital investment components of processing and marketing projects that are likely to be proposed by major co-operative or commercial food processing organisations will also be considered. Eligible costs will include erecting or refurbishing buildings, the purchase of equipment and costs of implementing new processes for improving health, hygiene or environmental conditions;

The grant ceiling per project (maximum aid payable) will need to be set during the design phase of the pilot project.

The maximum level of aid payable per project under both sub-measures is 50% of eligible project costs. The proportion of project cost supported from public funds is discretionary, up to this maximum, and may be lower in respect of projects which offer their beneficiaries a high rate of direct commercial return on the investment.

### 3.4.3. **Rural Business Scheme for Producer Groups**

Producer Groups measure will play an important role in underpinning the core objectives of the Rural Development Plan – in particular assisting in three main areas:

- **Restructuring.** The fragmentation of Maltese farms into small holdings comprising exceptionally small fields, militates against the efficient production of agricultural produce. The formation of producer groups can help farmers redress some of this inherent structural disadvantage by putting some of their production, processing and marketing decisions on a scale more consistent with that of larger businesses.

- **Marketing and value-adding.** Producers acting independently on a small scale cannot influence market conditions to any discernible degree. However, by co-operating in the grading, processing and marketing of produce they can counteract this disadvantage to an extent by cost sharing, improving quality and accessing technical support.
• **Operational environment.** To operate successfully in commercial agro-food markets, producers need to meet a range of requirements imposed on suppliers to those markets. Producer groups may enable producers to meet these conditions more effectively, including the implementation of EU quality standards relating to the marketing of agricultural produce.

The measure is designed to

1. Protect or increase the market share of producers. By co-ordinating the activities of a larger number of individual producers a representative group can attack markets with economies of scale that may allow it to supply the necessary volume and quality of produce which key customers or outlets require.

2. Increase the capacity of producers to access market information and to undertake new marketing activities. In many cases, access to markets requires an approach which is beyond the capacity of individual producers. This approach incorporates:
   • Marketing skills – negotiating; selling; research and analysis; communicating;
   • Marketing activities – promotion; packaging; distribution; marketing research;
   • Co-ordination – management of the group’s activities to ensure effectiveness of operations.

3. Improve producers’ ability to meet legislative and other constraints through:
   • The introduction of new systems – to provide audit trails for traceability, for example – where the development and implementation of such systems needs to be uniform across a range of producers. It is also likely to be beyond the capacity of individuals to develop appropriate systems, in any event.
   • Provision of information and training – to help producers understand and adapt to the requirements of legislation, such as the implementation of standards.

The measure will not provide investment for capital projects which relate to marketing or production activities. Instead it will support eligible groups by providing operational finance for a period of years, during which time they can build their administrative and other capacity.

Financing for the groups will follow a formula to be finalised during the detailed planning of the pilot project.

Primary beneficiaries include producer groups recognised by MAF after 1 January 2003. However, where producer organisations (or their members in an individual capacity) wish to apply for support for projects that fall outside the scope of programming under the common organisation of the market, they should be allowed to do so. The measure is limited to producer groups drawing their membership from farmers in Malta, and the activities of the group are to focus on supporting the production, processing and marketing of their members’ produce. Thus groups formed for other purposes are excluded from support.

Eligible groups will also be required to establish common rules such as those relating to:
• production, particularly where standards of product quality apply;
• membership;
• marketing;
• dissemination of information; and
• sales of produce required to take place through the producer group.

An eligible group may represent a number of producer groups, rather than a group of individuals (in this case each participating sub-group must meet the membership criterion above, that it should have at least 5 qualified members).

Groups must provide documentation to demonstrate compliance with these eligibility criteria, as well as a 5 year business plan containing: a) a description of the current situation of the group and its members, b) its objectives for production and marketing for the plan period,
c) the mechanisms by which it proposes to achieve its objectives and d) financial projections for the plan period, demonstrating economic and financial viability. Many of these requirements will be beyond the limited experience of applicants, so MAF will engage staff to promote measures and to advise on the applications process.

Projects will be assessed against the priority criteria:

a) Value For Money,
b) Additionality,
c) Agriculture,
d) Market Orientation,
e) Innovation,
f) Environmental Impact,
g) Health Impact,
h) Leverage of Private Sector Investment,
i) Integration,
j) Monitoring,
k) Animal Welfare,
l) Member participation,
m) Productivity,
n) Membership.

The scoring system will be developed in detail as part of the overall scheme design for implementing the measure. The weighting of the scoring system between the different criteria will reflect the priorities of the Maltese Government and MAF, but each criterion can be broken down to give a simple scoring system that is reasonably transparent.

MAF will rank applications into 3 categories based on the scoring system:

- **High** – projects very suitable for funding ranked according to their score against the criteria;
- **Medium** – projects on which further work is necessary before approval can be granted;
- **Low** – projects not to be funded.

### 3.4.4. Farm Holdings Scheme

- This pilot project will establish a scheme to support a wide farm investments that support the objectives of the RDP. There is no definitive or approved list of these, because it is expected that farmers themselves are best placed to identify the kind of investment that offers the best chance of improving the economic performance of their businesses. However, as from the analysis of Maltese agriculture carried out in the RDP, an indicative list of supported activities could be:
  - improvements in animal welfare and improved efficiency in production through provision of better housing;
  - investment in waste storage facilities and handling equipment to reduce risk of pollution and to increase the utility of farm manure and animal wastes;
  - improvements in hygiene conditions to meet or exceed the requirement of EU regulations;
  - restructuring of holdings through collaboration amongst farmers in their production activities, and reorganisation of field management to reduce costs;
  - technological and other improvements to farming systems, notably to improve quality of product. For example, investment in refrigerated milk collection to reduce bacterial contamination;
  - erecting greenhouses and frames for temporary sheeting, or introducing new varieties to extend the production season;
  - investment in water storage and trickle irrigation to reduce dependency on groundwater supplies and to increase the efficiency of water use;
• improving access to land to gain production efficiency or to secure agro-tourism activities;
• investments on members’ farms to strengthen the infrastructure of a farming cooperative or Producer Organisation in order to supply the market more efficiently and effectively; and
• investment in new farm buildings and technology in order to increase efficiency and meet or exceed EU regulatory requirements;

Investments eligible for pilot project funds include:
• Feasibility studies or professional fees in relation to investments funded by the measure (up to a limit of 12% project costs), but not including costs of preparing applications;
• A contribution towards salary costs of specialist staff (up to 15% of total project costs, for a maximum of 3 years);
• Some types of building or building refurbishment,
• Equipment,
• The costs of conversion to innovative products (such as new crop or livestock products).

Non eligible projects are:
• support to the retail sector (except for farm shops)
• support to the processing and marketing of produce sourced from outside Malta.

This measure is limited to investments related to the farm business itself. Activities such as large processing initiatives, or activities not related to the farm holding, will not be eligible. The criteria will exclude some types of activities. For example, increasing the area of vineyards, which is not currently permitted under the CAP.

Aid will cover site investigation, site clearance and preparation, construction works, non-mobile plant and machinery and fees and salaries for design and supervision as listed above. Some mobile machinery can be considered eligible depending on its contribution to the capital project, but each case will require a separate judgement. Revenue costs covering the administrative costs of a project may also be covered in some circumstances. A full schedule of costs will need to be considered, and any capital expenditure will be based on a competitive tender.

The rate of aid on eligible investment is limited to 40% by Article 7 of the Rural Development Regulation. This rate rises to 45% for young farmers, who are defined as primary beneficiaries whose application for support meets all the eligibility criteria, and who are aged less than 40 years at the date the application is submitted.

Article 51 (2) of Regulation 1257/1999 allows additional state aid in respect of investments related to the protection and improvement of the environment, or improvement of the hygiene conditions of livestock enterprises and the welfare of animals. The Government will give consideration to offering, from national resources, a higher total level of grant aid for projects reflecting these objectives, in respect of such investments.

A minimum and a maximum project cost threshold (eligible project size) will be decided during the design phase to ensure that the administrative effort involved in processing applications and administering funding leads to a worthwhile level of benefit to the key beneficiaries and value for money for the taxpayer and to avoid that a small number of extremely large projects do not absorb an unreasonable proportion of the budget. The measure is intended to have an impact across the farm sector, where holding size is very small. There will probably be a large number of relatively modest sized projects. Larger projects may well be eligible for funding under the Processing and Marketing measure.

Proposals will be required to meet three core criteria:
• value for money,
• additionality, and
• a positive benefit must accrue to farmers in Malta.

Those meeting the core criteria will be scored according to priority criteria:

a) Value For Money.
b) Additionality.
c) Agriculture.
d) Market Orientation.
e) Innovation.
f) Environmental Impact.
g) Hygiene Impact.
h) Leverage of Private Sector Investment.
i) Integration.
j) Monitoring.
k) Animal Welfare.
l) Conformity.
m) Group marketing.
n) Quality products.
o) Product diversification.
p) Young farmers.
q) Equal opportunity.

MAF will rank projects into 3 categories based on the scoring system:

• High – projects very suitable for funding ranked according to their score against the criteria;
• Medium – projects on which further work is necessary before approval can be granted;
• Low – projects not to be funded.

4. INSTITUTIONAL FRAMEWORK

Rural Development Schemes

These projects will be operated by the Rural Development Department of MAF.
5. **Detailed Budget**

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Investment Support/Grants</th>
<th>National Co-financing</th>
<th>Total</th>
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<td>Scheme 2</td>
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<td>Scheme 4</td>
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<td><strong>230,000</strong></td>
<td><strong>1,680,000</strong></td>
</tr>
</tbody>
</table>

(*) The budget allocated to each scheme is indicative

6. **IMPLEMENTATION ARRANGEMENTS**

6.1 **Implementing Authority**

The Ministry of Agriculture and Fisheries will be the implementing authority and will be responsible for all technical aspects for each of the four schemes (such as drafting of call for proposals, guidelines for applicants and application forms, appropriate measure of publicity and availability of information for the target groups, monitoring). The Permanent Secretary of the Ministry will have the overall responsibility.

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Fax: (00356) 493176
6.2 Twinning
None

6.3 Non-standard Aspects

6.3.1
Given that there has been no previous RDP experience or no correlate exercises with the rural community in Malta, on the bases of the outcome of the evaluation of the call for proposals that will provide the list of eligible and relevant projects set in the objectives of this fiche, transfer of funds from one scheme to the other will be allowed, according to response.

6.3.2
Given the limited funds for the pilot schemes there is the over riding caveat that only a fixed number of approved applications will be supported by these funds and in this respect MAF will reserve the right of refusal for unsuccessful applications.

6.3.3

1. Rural Stewardship Scheme
The producers are required to sign a three-year contract with MAF. The formula for calculating the financial support is different from that specified in Article 24(2) of Regulation 1257/1999, as explained in Section 3.4 above.

2. Rural Business Scheme (excluding Producer Groups)
None.

3. Rural Business Scheme for Producer Groups
Support will be provided to producer groups over a three-year period.
The formula for calculating the financial support to be given to groups is a modified form of that specified in Article 6 of Regulation 2759/1999, as explained in Annex 6.

4. Farm Holdings Scheme
Article 51 (2) of Regulation 1257/1999 allows additional state aid in respect of investments related to the protection and improvement of the environment, or improvement of the hygiene conditions of livestock enterprises and the welfare of animals. The Government will give consideration to offering, from national resources, a higher total level of grant aid for projects reflecting these objectives, in respect of such investments.

6.4 Contracts

Grant Scheme – Projects 1.680MEUR
The project will be implemented through local calls for proposals including the four schemes.

All contracts will be let in accordance with the procedure set in the Practical Guide to EC External Aid.
7. IMPLEMENTATION SCHEDULE

Start of Tendering
Publication of call for proposal of the schemes: September 2003

Start of Project Activity
Conclusion of grant contracts: April 2004

Project Completion:
Deadline for disbursement: November 2006

8. EQUAL OPPORTUNITY
All aspects of the project will be equally available to women and men.

9. ENVIRONMENT
The measures under the project are explicitly designed to enhance the rural environment. They have been designed to lead into the implementation of the RDP which includes a major environmental element.

10. RATES OF RETURN
The individual business plans submitted by the applicants shall determine the rate of return of individual investments, which will be a selection criterion during the evaluation in case of infrastructure projects.

11. INVESTMENT CRITERIA

11.1 Catalytic Effects
The elements of the project are designed to enhance the awareness, knowledge, skills and income of the farming population. It is anticipated that they will become more aware of other issues and more open to change.

11.2 Co-finance
No other external sources of funds are involved. Government contributions are anticipated as follows:

Government Contributions to Pilot Projects (Euro)

<table>
<thead>
<tr>
<th>Pilot project</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Rural Stewardship Scheme.</td>
<td>60,000</td>
</tr>
<tr>
<td>2. Rural Business Scheme (excluding Producer Groups)</td>
<td>90,000</td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>4. Farm Holdings Scheme</td>
<td>80,000</td>
</tr>
<tr>
<td>Totals</td>
<td>230,000</td>
</tr>
</tbody>
</table>

11.3 Additionality
All of the measures under the project are additional to existing activities. The project will contribute additional funds in the form of extra, non-refundable sources and will not displace funding from other sources.

11.4 Project Readiness and Size
The Rural Development Unit is carrying out a recruitment campaign during 2002 to bring their staffing levels up to those required for the activities envisaged in the RDP.
projects will make an essential contribution both to individual training and to the enhancement of the capability of the Unit and of the rural community. The sizes of the schemes are designed to provide the experience on an appropriate scale.

11.5 Sustainability

1. Rural Stewardship Scheme.

This pilot project is designed to lead into the Ministry’s longer term plans for environmental improvement.

2. Rural Business Scheme (excluding Producer Groups)

In is anticipated that this scheme will further marketing of agricultural/horticultural products and assists farmers to became more competitive.

3. Rural Business Scheme for Producer Groups

This pilot project is designed to lead into the Ministry’s longer term plans for support to producer groups.

4. Farm Holdings Scheme

This pilot project is designed to lead into the Ministry’s longer term plans for support to producers.

12. CONDITIONALITY AND SEQUENCING

The appropriate personnel will have to be in post in the Rural Development Department. Technical assistance for the preparation of the schemes provided through MAF capacity building project will have been started by the time of the publication of the call for proposal of the schemes.

The pilots themselves are sequenced as shown in the Implementation Schedule (Annex 2).

ANNEXES

1. Logical framework matrix in standard format
2. Detailed implementation time chart in standard format
3. Contracting and disbursement schedule by quarter for full duration of programme
4. Reference to Feasibility and Pre-Feasibility Studies
5. Relevant Laws and Regulations
6. Financial Provision for Rural Business Scheme for Producers
### Annex 1 Logical Framework Matrix

**Project Nber:** Project 04 of the 2003 National pre-accession program for Malta  
**CRIS REF. 4573/04**

<table>
<thead>
<tr>
<th>Description</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources and Means of Verification</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall Objectives of the Project</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhanced rural development capacity in MAF</td>
<td>Pilot sub-projects running effectively in time for implementation of Rural Development Plan.</td>
<td>Rural Development Unit reports</td>
<td>Staff recruitment as planned</td>
</tr>
<tr>
<td>Improved and sustainable rural incomes and environment</td>
<td>Increased farm incomes</td>
<td>Rural Development Unit studies</td>
<td>Levels of tourism maintained</td>
</tr>
<tr>
<td></td>
<td>Improved rural environment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Contracting Period Expires:** November 2005  
**Disbursement Period Expires:** November 2006  
**Total Budget:** Euro 1,680,000  
**EU Contribution:** Euro 1,450,000
<table>
<thead>
<tr>
<th>Project Purpose</th>
<th>1. Rural Stewardship Scheme.</th>
<th>2. Rural Business Scheme (excluding Producer Groups)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Purpose</td>
<td>Increased level of environmental awareness and responsibility</td>
<td>Improved economic performance of the marketing and processing chain.</td>
</tr>
<tr>
<td></td>
<td>Farmers using simple environmental planning techniques and good farming practice</td>
<td>Increased value added at the farm level</td>
</tr>
<tr>
<td></td>
<td>Greater compliance by farmers with the basic obligations imposed by environmental legislation</td>
<td>More operators implementing improvements and innovation in supply chain efficiency</td>
</tr>
<tr>
<td></td>
<td>Reduced incidence of soil erosion by wind and water</td>
<td>Enhanced income for producers.</td>
</tr>
<tr>
<td></td>
<td>Promotion of organic farming</td>
<td>Rural incomes increase</td>
</tr>
<tr>
<td>Improved farming</td>
<td>Farmers keep farm records</td>
<td>As above</td>
</tr>
<tr>
<td>Improved landscape quality</td>
<td>Farmers restore and maintain the traditional wildlife habitats and physical barriers to wind and water erosion.</td>
<td>As above</td>
</tr>
<tr>
<td></td>
<td>Increased biodiversity</td>
<td>As above</td>
</tr>
<tr>
<td></td>
<td>Project reports</td>
<td>As above</td>
</tr>
<tr>
<td></td>
<td>Rural Development Unit records</td>
<td>As above</td>
</tr>
<tr>
<td></td>
<td>Rural Development Unit studies</td>
<td>As above</td>
</tr>
<tr>
<td></td>
<td>Staff recruited</td>
<td>As above</td>
</tr>
</tbody>
</table>

Project reports
- Staff recruited
- Improved farming
- Farmers keep farm records
- Rural Development Unit records

Improved landscape quality
- Farmers restore and maintain the traditional wildlife habitats and physical barriers to wind and water erosion.
- Increased biodiversity
| Improved environmental protection and reduced waste | Reduced levels of harmful effluents | As above | As above |
| Better quality and value for money for consumers | Improved quality of produce from the farm sector | As above | As above |
| | Processors implement improved health & hygiene measures | As above | As above |
| | Introduction of quality marks. | As above | As above |

3. **Rural Business Scheme for Producer Groups**

| Stable or increased market share for producers | Increased market shares | As above | As above |
| Producers more able to access market information and to undertake new marketing activities. | Suppliers’ prices increase | As above | As above |
| | Suppliers using new marketing methods | As above | As above |
| Producers more able to meet legislative and other constraints | New effective systems in operation to provide consistency across a range of producers. | As above | As above |
4. **Farm Holdings Scheme**

<table>
<thead>
<tr>
<th>Project Outputs/Results</th>
<th>As above</th>
<th>As above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved factor productivity, efficiency and competitiveness of farms in Malta</td>
<td>As above</td>
<td>As above</td>
</tr>
<tr>
<td>Higher standards of animal welfare, hygiene and environmental performance on farms</td>
<td>As above</td>
<td>As above</td>
</tr>
<tr>
<td>Higher levels of collaboration amongst farmers</td>
<td>xx More groups formed</td>
<td>As above</td>
</tr>
<tr>
<td>Improved quality of Maltese farm produce</td>
<td>As above</td>
<td>As above</td>
</tr>
</tbody>
</table>
### 1. Rural Stewardship Scheme

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Status/Description</th>
<th>Reports</th>
<th>Staff Recruited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detailed planning of the scheme</td>
<td>Completed</td>
<td>Rural Development Unit</td>
<td>Staff recruited</td>
</tr>
<tr>
<td>Strong interest in the scheme</td>
<td>Xx satisfactory Whole Farm Conservation plans received</td>
<td>Rural Development Unit</td>
<td>As above</td>
</tr>
<tr>
<td>Farmers contracted</td>
<td>Xx Farmers complete contracts satisfactorily</td>
<td>Rural Development Unit</td>
<td>As above</td>
</tr>
<tr>
<td>Restoration of walls, tree planting</td>
<td>Xx metres of rubble walls repaired</td>
<td>Rural Development Unit</td>
<td>As above</td>
</tr>
<tr>
<td>and organic farms</td>
<td>Xx metres of terraces repaired</td>
<td>Rural Development Unit</td>
<td>As above</td>
</tr>
<tr>
<td></td>
<td>Xx trees planted</td>
<td>Rural Development Unit</td>
<td>As above</td>
</tr>
<tr>
<td></td>
<td>Increase of the number of organic farms</td>
<td></td>
<td>As above</td>
</tr>
<tr>
<td>Farm records</td>
<td>Xx farmers keeping records</td>
<td>Rural Development Unit</td>
<td>As above</td>
</tr>
<tr>
<td></td>
<td>Analysis completed for xx farms and xx years</td>
<td></td>
<td>As above</td>
</tr>
</tbody>
</table>
| **2. Rural Business Scheme**  
<table>
<thead>
<tr>
<th>(excluding Producer Groups)</th>
<th>Detailed planning of the scheme completed.</th>
<th>Implementation begins by mm/yyyy</th>
<th>Rural Development Unit reports</th>
<th>As above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills developed</td>
<td>Xx staff trained</td>
<td>Xx advisors trained</td>
<td>Rural Development Unit reports</td>
<td>As above</td>
</tr>
<tr>
<td>Strong interest in the scheme developed</td>
<td>Xx satisfactory applications received</td>
<td>Rural Development Unit reports</td>
<td>As above</td>
<td></td>
</tr>
<tr>
<td>Measures operating effectively</td>
<td>selected projects completed</td>
<td>Rural Development Unit reports</td>
<td>As above</td>
<td></td>
</tr>
</tbody>
</table>

(Please note: The table above is a placeholder for the actual data that would be filled in based on the project's performance.)
## 3. Rural Business Scheme for Producer Groups

<table>
<thead>
<tr>
<th>Detailed planning of the scheme completed.</th>
<th>Implementation begins by mm/yyyy</th>
<th>Rural Development Unit reports</th>
<th>As above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills developed</td>
<td>Xx staff trained</td>
<td>Xx advisers trained</td>
<td></td>
</tr>
<tr>
<td>Strong interest in the scheme developed</td>
<td>Xx more producers join groups</td>
<td>Xx satisfactory business plans received</td>
<td></td>
</tr>
<tr>
<td>Measures operating effectively</td>
<td>Xx grants made</td>
<td>Xx projects completed satisfactorily</td>
<td></td>
</tr>
</tbody>
</table>

## 4. Farm Holdings Scheme

<table>
<thead>
<tr>
<th>Detailed planning of the scheme completed.</th>
<th>Implementation begins by mm/yyyy</th>
<th>Rural Development Unit reports</th>
<th>As above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong interest in the scheme developed</td>
<td>Xx satisfactory business plans received</td>
<td>Xx satisfactory applications received</td>
<td></td>
</tr>
<tr>
<td>Measures operating effectively</td>
<td>Xx grants made</td>
<td>Xx projects completed satisfactorily</td>
<td></td>
</tr>
</tbody>
</table>

### Inputs/Activities

1. **Rural Stewardship Scheme.**
<table>
<thead>
<tr>
<th>Funding for pilot project</th>
<th>EU -</th>
<th>€450,000</th>
<th>EU and national funds for the project implementation available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government -</td>
<td>€60,000</td>
<td></td>
<td>Staff recruited</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Rural Business Scheme (excluding Producer Groups)</th>
<th>EU -</th>
<th>€420,000</th>
<th>Rural Development Unit reports</th>
<th>As above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government -</td>
<td>€90,000</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Rural Business Scheme for Producer Groups</th>
<th>EU -</th>
<th>€150,000</th>
<th>Rural Development Unit reports</th>
<th>As above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Farm Holdings Scheme</th>
<th>EU -</th>
<th>€430,000</th>
<th>Rural Development Unit reports</th>
<th>As above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government -</td>
<td>€80,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Quantified, time-bound indicators and means of verification to be stipulated as the project is developed, with assistance from the specialists.
<table>
<thead>
<tr>
<th></th>
<th>Y 2003</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Q</td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
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<tr>
<td></td>
<td>D</td>
<td>D</td>
<td>T</td>
<td>T</td>
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<td>I</td>
<td>I</td>
<td>I</td>
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<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Rural Stewardship Scheme</td>
<td></td>
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<tr>
<td>Rural Business scheme</td>
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<td>I</td>
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<td>I</td>
</tr>
<tr>
<td>Rural Business Sch. Producer Group</td>
<td></td>
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<td></td>
<td></td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
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<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Farm Sch. Holdings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
</tbody>
</table>

D = Design  
T = Tendering (call for proposal)  
I = Implementation of activities and disbursement  
C = Closure
### Annex 3: Indicative Cumulative Contracting and Disbursement Schedule (000s EUR) CRIS REF. 4573/04

#### Rural Development Schemes

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>2nd</td>
<td>3rd</td>
<td>4th</td>
<td>1st</td>
</tr>
<tr>
<td>Contracted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>700</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>3rd</td>
</tr>
<tr>
<td>Contracted</td>
<td>1450</td>
</tr>
<tr>
<td>Disbursement</td>
<td>1400</td>
</tr>
</tbody>
</table>
Annex 4  Reference to Feasibility and Pre-Feasibility Studies

Not applicable
Annex 5 Relevant Laws and Regulations

There is no specific need for enabling legislation to allow the implementation of this project, other than the process of alignment between Maltese and European law which will take place as Malta adopts the *acquis communautaire* in preparation for accession to the EU.
Annex 6

Financial Provision for the Rural Business Scheme for Producers

The EC support granted to newly established producer groups is intended to provide support for 5 years towards the costs of setting up and running the producer organisation.

Article 6 of Regulation 2759/1999 provides for each producer organisation to receive support on the basis of its annual marketed production. The scale of Malta’s producers and limited opportunity for economies of scale would make this extremely unfair to Maltese producers groups. Malta has proposed in its prior submissions to the EC that the financial support be based upon the justified costs and a higher proportion of annual marketed production than that set out in regulation 2759/1999, according to the submitted business plan and up to the specified declining maxima according to the regulation. The regulation indicates specifically that aid shall be determined for each producer organisation on the basis of its annual marketed production and shall:

(a) amount for the first, second, third, fourth and fifth years to 5%, 5%, 4%, 3% and 2% respectively of the value of marketed production up to EUR 1,000,000, and

(b) amount for the first, second, third, fourth and fifth years, to 2.5%, 2.5%, 2.0%, 1.5% and 1.5% respectively of the values of marketed production exceeding EUR 1,000,000,

(c) be subject to a ceiling for each producer organisation of:
—EUR 100,000 for the first year,
—EUR 100,000 for the second year,
—EUR 80,000 for the third year,
—EUR 60,000 for the fourth year,
—EUR 50,000 for the fifth year,

Malta’s proposal is to determine support to each group within these absolute limits, but on a higher percentage of turnover basis, and is premised on the likelihood of some producer groups representing such a small turnover that a grant of 5% of that figure would have little practical impact. Malta therefore proposes that support be subject to whichever is the lower amount of either:

(a) The absolute limits at (c) above, or;

(b) A grant for the first, second, third, fourth and fifth years of 20%, 20%, 16%, 12% and 8% respectively of the value of marketed production.

Furthermore, the total public funding allocated will not exceed the total of the eligible costs incurred by the organisation.

---

2 Extract from the Draft Rural Development Plan For The Maltese Islands dated 10th June 2002