

## Outline of the national context of case study: Malta

Mizzi R.

*in*

Chassany J.P. (ed.), Pellissier J.-P. (ed.).  
Politiques de développement rural durable en Méditerranée dans le cadre de la politique de voisinage de l'Union Européenne

Montpellier : CIHEAM

Options Méditerranéennes : Série A. Séminaires Méditerranéens; n. 71

2006

pages 139-152

Article available on line / Article disponible en ligne à l'adresse :

<http://om.ciheam.org/article.php?IDPDF=6400066>

To cite this article / Pour citer cet article

Mizzi R. **Outline of the national context of case study: Malta.** In : Chassany J.P. (ed.), Pellissier J.-P. (ed.). *Politiques de développement rural durable en Méditerranée dans le cadre de la politique de voisinage de l'Union Européenne*. Montpellier : CIHEAM, 2006. p. 139-152 (Options Méditerranéennes : Série A. Séminaires Méditerranéens; n. 71)



<http://www.ciheam.org/>  
<http://om.ciheam.org/>

# Outline of the national context of a case study : Malta

Ronald MIZZI

Rural Development Department  
Ministry for Rural Affairs and the Environment

---

**Résumé.** Le territoire de Malte est entièrement inclus dans les régions d'Objectif 1 de sorte qu'il bénéficie des mesures d'ajustement structurel et de développement. Le Plan de développement Rural constitue le document de référence pour toutes les îles maltaises. L'agriculture occupe 14000 personnes environ dont 12600 à temps partiel, représentant 2644 équivalents temps plein. Il s'agit majoritairement de petites exploitations qui tentent de se moderniser depuis 7 ans (mécanisation, pompes d'irrigation, matériel de culture). L'élevage concerne environ 450 personnes. La population active agricole est âgée et diminue sans que son renouvellement par des jeunes ne soit assuré. Quatre pour cent seulement des actifs agricoles ont reçu une formation spécifique. La terre est très morcelée, les exploitations de moins d'un hectare occupant 54% des superficies, cependant que 4,7% des exploitations ont plus de 5 ha. La part de l'agriculture dans le PNB a baissé de 2,91% à 2,76% entre 1996 et 2002. Le prix de la terre reste très élevé en raison de la demande très forte pour des terrains à bâtir. Dans ces conditions l'avenir de l'agriculture sans autre action spécifique demeure incertain. Une consultation organisée par le Ministère de l'Agriculture et des Pêches a permis de définir des objectifs à court et moyen termes à partir des fonctions dévolues à cette agriculture. Ces fonctions consistent à maintenir le paysage sachant que la demande touristique et des habitants eux-mêmes est très explicite, et à maintenir les traditions culturelles. La question est donc de savoir si les agriculteurs doivent être rémunérés pour la fourniture de biens publics ou bien s'il faut soutenir la production pour que ces mêmes agriculteurs soient compétitifs tout en préservant l'environnement et les paysages. Pour rendre le métier d'agriculteur attractif, des priorités ont été définies dans le Plan de Développement Rural. Le but est de rendre les exploitations compétitives en les incitant et en les aidant à produire des biens de qualité pour les consommateurs locaux et les touristes, de promouvoir des pratiques techniques préservant l'environnement en continuité avec l'héritage rural, de soutenir la multifonctionnalité des entreprises rurales et d'implémenter le Plan de Développement Rural avec l'aide de la Commission européenne et de spécialistes. Les objectifs opérationnels ont été identifiés selon les 4 thèmes précédents. Des actions complémentaires sont prévues pour améliorer les routes d'accès aux terres cultivées, l'achat d'équipements pour les exploitations et la mise à disposition de crédits à taux d'intérêt réduits. Enfin Malte a demandé un délai de grâce de trois ans pour permettre aux éleveurs de faire les investissements nécessaires pour atteindre les standards de la Communauté (hygiène, bien-être animal...).

**Abstract.** All Maltese territories are part of the Objective 1 regions and therefore benefit from structural adjustment and development measures. The Rural Development Programme is the reference document for all the Maltese islands. The agricultural workforce totals some 14,000 persons of whom 12,600 work on a part-time basis, representing the equivalent of 2,644 full-time jobs. Most farms are small and efforts have been made to modernise them for the past 7 years (mechanisation, irrigation pumps, cultivation machinery). About 450 persons work in livestock farming. The agricultural working population is old and shrinking and the replacement by young people is not assured. Only 4% of agricultural workers have received vocational training. Land is very divided, with holdings of less than 1 hectare covering 54% of the area, with 4.7% of holdings being larger than 5 ha. The share of farming in GDP fell from 2.91% to 2.76% between 1996 and 2002. The price of land remains very high because of the extremely strong demand for building plots. Under these conditions, the future of agriculture without any other specific actions seems uncertain. Consultation organised by the Ministry of Agriculture and Fisheries made it possible to define short and medium-term objectives on the basis of the functions assigned to agriculture. These functions consist of landscape conservation, as demand by tourists and the Maltese themselves is very explicit in this respect, and the maintaining of cultural traditions. The question is therefore that of knowing whether farmers should be remunerated for the supply of public goods or whether support should be provided for production so that these farmers are competitive while conserving the environment and landscapes. Priorities for making the job of farmer attractive were defined in the Rural Development Programme. The aim is to make farms competitive by encouraging them and helping them to produce high-quality goods for local consumers and tourists, to promote technical practices that conserve the environment with continuity with the rural heritage, to support the multifunctional operation of rural enterprises and to implement the Rural Development Programme with the aid of the European Commission and specialists. Operational objectives have been defined according to the four themes above. Complementary actions are planned to improve access roads to cultivated land, the purchase of farm equipment and making soft loans available. Finally, Malta has requested three years' grace to allow livestock farmers to make the investments required to attain EU standards (hygiene, animal welfare, etc.)

## Introduction

Malta's Rural Development Plan (RDP) is intended to coordinate in an integrated manner the natural, human and financial resources of the agricultural and rural communities of Malta with a view to ensuring the sustainable growth of the rural economy and the improvement of the rural way of life in a fair and balanced manner.

Malta has been designated in its entirety as an Objective 1 region. Rural development measures are expected in an Objective 1 region to be integrated into the measures promoting the development and structural adjustment of regions whose development is lagging behind. As such the RDP is primarily a domestic tool aimed at maximising the national development effort. Upon accession Malta gained access to the Structural Funds and the Common Agricultural Policy (CAP), but will then need to follow EU regulations relating to those Funds.

In the context of the European Agricultural Guidance & Guarantee Fund (EAGGF) support, the RDP is the key fundamental document on which policy, planning and programmes are based within the qualifying Member States.

The Maltese Islands are a group of small, low islands aligned in a NW-SE direction and located in the central Mediterranean near Sicily. They are located on a shallow shelf, the Malta-Ragusa Rise, part of the submarine ridge that extends from the Ragusa peninsula of Sicily southwards to the African coasts of Tripoli and Libya. The Maltese Islands are the southernmost point of the Apennines that starts in the Pyrenees.

Geophysically, the Maltese Islands and the Ragusa peninsula of Sicily are generally regarded as forming part of the African continental plate.

The Maltese Archipelago consists of three inhabited islands: Malta (245.7 km<sup>2</sup>), Gozo (67.1 km<sup>2</sup>), and Comino (2.8km<sup>2</sup>) and a number of small uninhabited islets.

The land area of the various islands is:

## I - Agricultural statistics

The total number of persons engaged in agricultural activities according to the Agricultural Census 2001, is of 14,113; of these 1,524 are fulltime, and 12,589 are part-time workers. These include 68 persons actively engaged in Government employment. The female input in agriculture activities stands at 13.8% of the total workforce amounting to 1,951 workers, of which only 119 are in fulltime employment representing 7.8% of the total full-time employment in this sector.

Although the part timers outnumber the full timers by eight to one, the contribution to the sector can be gauged by the number of hours worked. In all, the part timers worked 4.76 million hours which is equivalent to 2,644 AWU (Annual Work Unit – 1800 hours), or full-time yearly equivalent, during the census period. Most of the full timers are family workers and do not receive a wage for their work.

Full-time farmers engaged in crop production amount to 1,005 persons, 195 persons being engaged in the cattle/sheep and goats sector, 241 working in the pig/poultry industry while the remaining 83 persons have mixed livestock and cropping. The full-time gainfully occupied persons in agriculture represent 1.1% of the total gainfully occupied population, which stood at 138,396 during the census period (2001).

Most fulltime farmers and breeders are concentrated in the Northern and Western Districts being also the districts with the highest number of farmers, whilst the districts of Comino and Gozo and the South East have the highest percentage of part-time farmers.

Around 27.7% of farmers are over 60 years old, and another 52.6% are aged between 40 and 60. Compared to the situation in 1982/83, when 40.6% of the tenants were below the age of 40. The present statistics show that only 19.7% of tenants are below the age of 40. According to these statistics, the total number of tenants has decreased by only 7.4% during the period 1982/83 to 2000/01, i.e. from a total of 15,236 to 14,113. The most significant decrease was registered in the number of fulltime tenants, which appeared to decrease from 4,383 in 1982/83 to 1,524 in 2000/01, i.e. a decrease of 65%. On the other hand there was an increase of 16% in part-time farmers during the period 1982/82 – 2000/01.

It is extremely clear from this that the farming population is ageing rapidly and there is a decreasing replacement coming from young farmers – with the situation being worse for part-time farmers than full-time farmers. The collapse in the number of part-time farmers below 40 years old has been significant during this period – falling from 42.5% to 18.5% of farmers, followed by a concomitant increase in the over-40 age brackets.

It is clear from this that without substantial changes in farming to make it a more attractive profession for younger people then it will employ fewer and fewer people.

As regards the educational background in agriculture of farmers, it seems that the majority of farmers— 11,135 farmers out of the total 14,113 or 78.9%—have only practical experience gathered in the field during their work. Only 535 or 3.8% of the total workforce declared to have undergone ‘basic’ training or ‘full agricultural’ training, whilst 2,443 or 17.3% did not declare their educational background as can be seen in Figure 5. Amongst the full time farmers there is a larger majority (90% versus 78% of part-time farmers) who claim practical experience as their only training but also a higher percent of farmers with basic or full agricultural training – 8% as against 3% of the part-time farmers.

## II - Number and size of holdings

A significant feature of Maltese agriculture is the fragmentation of the land. Agricultural land of less than 1 ha in size accounts for 58.4% of the total agricultural land as per the following Table 9. Land between 1 and 5 ha represent 36.9%, with the remaining size classes over 5 ha only accounting for 4.7% of agricultural land. The situation is even more pronounced in Gozo where 67.9% of all agricultural land is less than 1 ha in size. The average size of the holdings is of only 0.876 ha that considerably limits the range of farming methodologies, which can be adopted, and investments made in the sector. Many farms are losing their economic viability contributing to a general shift towards part-time work.

**Table 1. Utilised Agricultural Area (UAA) by District and Type**

DISTRICT	TOTAL UTILISED Agricultural Area (UAA)	OF WHICH IN HA			
		Arable land	Land under vineyards	Land under orchards	Fallow land
Maltese Islands	9,656.545	7,470.994	490.101	427.081	1,268.369
Malta	7,944.421	5,969.506	450.499	359.137	1,165.280

**Table 2. No. of Holdings or Farms of the different types of animals bred by district and region**

DISTRICT	TOTAL NO. OF HOLDINGS / FARMS				
	Cattle	Pigs	Poultry	Rabbits	Equines
Maltese Islands	281	157	996	1,042	507

With the land fragmentation being the characteristic of the agricultural land, the majority of agricultural holdings are served by small units such as rotary cultivators, which amounted to 7,824 units in 2001 as per Agricultural Census. Tractors, which are normally used for the more intensive farming, are not usually of high engine power; in fact 45.3 per cent of all tractors were below 10 hp.

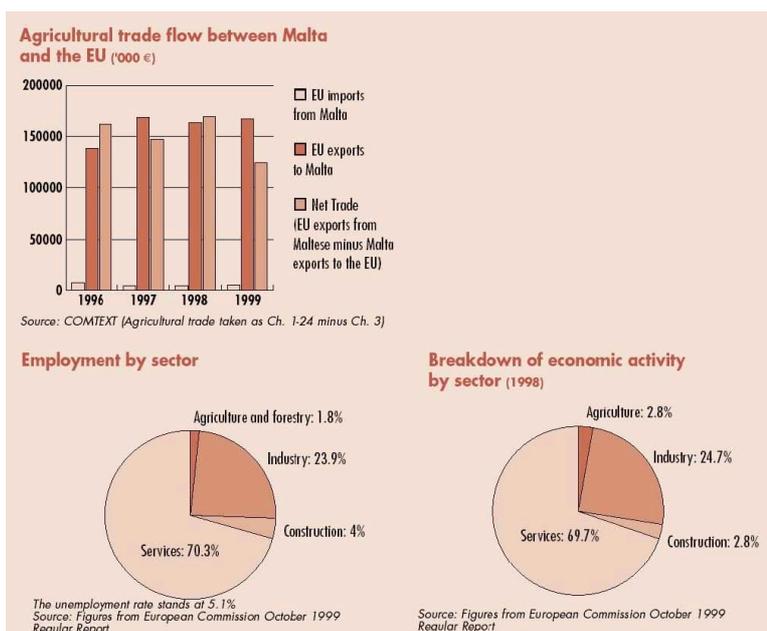
There seems to have been an accelerated investment and modernisation move in the agriculture sector during the last seven years. Out of a total of 7,824 rotary cultivators captured by the data, 2,076 or 26.5% were bought in the last 7 years. Further 38.1% or 761 tractors were also put in service during the same period. From 1994 – 1999, there was a 40.4% increase in the number of total attachments such as potato lifters, sprayers, forage harvesters and rotary cultivators amongst others. A significant increase of irrigation pumps was also evident in the post 1994 years, with 2,790 being purchased since then, representing 48.0 per cent of all pumps installed to irrigate the land. The most popular type of pump used is the smaller 1 – 5 hp category. As expected, these pumps were concentrated mainly in the western and northern districts where irrigated agricultural land is more predominant than in other districts. While rotary cultivators, tractors and attachments found in Gozo represent around 24 per cent of the total, irrigation pumps in Gozo represent 16.9 per cent of the total found in the Maltese Islands.

Greenhouses have also increased significantly in recent years and during the last census a total of 1,027 greenhouses, covering 511,677 square metres were registered, the majority or 81% of which were made up of metal/polythene structures. During the previous census of 1983, the number of greenhouses was of 275 and covered only an area of 20,520 square metres.

The prevailing high land prices (under pressure from house building for locals and tourist accommodation) and the lack of interest on the part of the younger generation farming community to continue working the land, have induced several farmers in the northern part of the island (where most fertile agricultural land is located) to either sell the land, leave it idle or simply grow wheat (to be later transformed into hay). There are also few or no farmers planting natural windbreaks or maintaining in a relatively good state the rubble walls to limit further soil erosion.

The percentage share of agriculture in GDP is decreasing from 2.91% in 1996 to 2.76% in 2002: this means that the relative place of agriculture is declining in the economy. About agricultural trade, figure below summarises the agricultural trade balance between Malta and the EU, which shows Malta as a net importer.

**Figure 1. Agricultural Trade between Malta and the EU**



### III - Long term national rural development strategy

“The present situation of Maltese agriculture is considered as largely unsustainable, regardless of EU accession” according to a study conducted by CIHEAM IAM, Bari in 2000 entitled “Malta’s accession to the EU: Challenges and opportunities for a small-scale, multifunctional agricultural sector”, and “the most relevant threat to the survival of Maltese agriculture in the coming years appears to be its present condition” in which “Maltese agriculture supplies consumers with high priced and low quality produce”.

However, the abandonment of agriculture will accelerate the rate of soil erosion and consequently lead to land degradation and a change in the landscape. The main issue with respect to agriculture is the protection of this type of use through measures that facilitate farmers to continue to cultivate such land.

There is a need for a new vision of Maltese Agriculture. The vision is of the sustainable development of rural Malta in a manner which leads to its increased economic competitiveness in a demand-driven, international market system, but in a context which takes into account its environmental, social and cultural dimensions and their importance to the Maltese way of life. The vision was confirmed through a consultative exercise with key stakeholders initiated by the Minister of Agriculture & Fisheries on 4 February 2002 and in a consultative workshop held on 25 February 2002. However, this vision must be tempered by an understanding of the major issues facing Maltese agriculture, namely: first we have to consider the fact that we are facing an ageing population – with Malta’s young people having available a very wide range of well paying, services and manufacturing industry employment opportunities that offer attractive alternatives to the rigours and uncertainty of farming life. Secondly we have to take into account an Increasing fragmentation of farm holdings. And third there are other financial opportunities available to farmers

The Rural Development Program has the following different objectives. For the short-term the aim is to limit soil erosion, environmental degradation, negative impacts of accession on the agricultural sector. It is also to increase level of environmental awareness and responsibility amongst farmers and to reduce rate of decline in the number of fulltime farmers. For the medium-term it consists in reducing loss of agricultural land use, developing multifunctional agricultural activities and in increasing competitiveness through niche agricultural strategy for quality products. Another objective is to maintain cultural landscape to generate positive externalities and limit negative impacts on local quality of life and tourism.

The significance of agriculture for Malta is neither its economic or employment contribution, but rather its significance in maintaining the landscape (which has a secondary economic impact through tourism) and maintaining a cultural tradition.

There are two routes to the maintenance of the landscape: (a) the market route – which will encourage farmers to achieve personal financial viability (through improved competitiveness) in a manner consistent with the protection of the environment and the landscape, (b) the non-market route – which will pay farmers (and NGOs) to act as suppliers of environmental “public goods” (biodiversity, landscape, heritage, tourism and amenity). While both routes are viable propositions, the former is more cost-attractive. However, unless farming can be made a more attractive career choice than it clearly is now to the young people of Malta then the first option will gradual lessen as a possibility and emphasis will have to switch to the second option. The second route is always a necessity – although the extent to which it is required is open to debate – because the private market will fail to match supply and demand for public goods through the price mechanism.

The challenge therefore for Malta is to make farming an attractive career choice.

## IV - The priorities

The Government seeks to deliver its national rural and countryside policy through the combined use of a range of EU measures and national instruments. The specific Priorities identified for this Plan, and the measures under Regulation 1257/1999 used to deliver them, will contribute to the attainment of the government's overall key national priorities for rural development but will not alone be sufficient to achieve them. In establishing the Priorities for the RDP, the following factors - the scope of the regulation - the analysis of the current situation, SWOT and evaluation of the impact of previous programmes and - the results of public consultations were taken into account.

The Government also established guiding principles for drawing up and implementing the RDP: compliance with all international, Community and national obligations, notably Community directives and full respect for the principle of sustainable development.

Against this background, an assessment of the key issues has been decided: a) modernise holdings with respect to quality and competitiveness in order to offer more differentiated, higher quality products and services to domestic consumers and foreign tourists, thus making farming a viable and more attractive career choice for younger people, b) promote environmentally friendly production methods in line with rural heritage, c) diversify and develop the multifunctional role of rural enterprises, d) successfully implement the RDP.

Taking into account these priorities and the guiding principles, Government has, first, identified those measures in the Regulation which are best able to address those priorities and, second, taking account of the overall level of funding and, where relevant, the existence of other instruments to meet national objectives, sought to prioritise which measures should be used and the balance of expenditure between them. In practice, most measures contribute either directly or indirectly to more than one Priority. In the section below measures have been assigned to the Priority to which they will make the greatest contribution but it is emphasised that some will help attain the other Priority. For example, agri-environment payments encourage environmental management practices which can generate new employment opportunities, sustain the retention of countryside skills e.g. rubble-walling and maintain an attractive countryside which provides the basis for other economic activities such as tourism.

The operational objectives and specific measures to be implemented under each of the RDP priorities are as follows:

### 1. Priority Axis 1

*Modernise holdings 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 for younger people*

Maltese agriculture cannot be sustained without a dramatic improvement in both competitiveness and quality. 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 and flexible and better able to respond to changing market opportunities, ii) responsive to consumer wishes, for example concerning the quality, source and value of produce, iii) environmentally responsible, given its major influence over the countryside, seeking to achieve sustainable land management and contribute to biodiversity, cultural and landscape targets; managed as an integral part of the rural economy; iv) linked to the changing nature of the Maltese tourism product

The government's key national priority of developing competitive and modern agriculture will be attained if, first, farmers can gain a greater share of the price paid for their products by consumers (including tourists) and, second, where appropriate they are able to extend the business beyond primary production, acquiring as necessary new skills to do this e.g. in business planning and analysis, marketing etc. Some

farmers will also need to adapt more generally to the declining importance of the primary industries and selective support can encourage new enterprise directly, or through indirect assistance e.g. the provision of infrastructure.

The operational objective at priority level is to assist projects which will contribute to the creation of more diverse and competitive agricultural sector, encourage greater linkage with the tourism sector, encourage the development of new products and market outlets and greater collaboration and provide targeted training to support these new activities. This priority objective will be met principally through the following two measures, namely Investments in Agricultural Holdings and Improvements in Processing and Marketing of agricultural products. Both measures will be funded from EAGGF Guidance funds under the Single Programming Document. We can give some details:

- An ad hoc Measure is engaged to provide targeted assistance to support fulltime farmers address the gaps in farm income and cash flow during the period following accession when they need to restructure their business in terms of technology, management and husbandry systems during the critical transitional period after accession. This will also help the development of more sustainable and competitive farming businesses with transitional assistance for diversified farm activities. The challenge for Maltese fulltime farmers is to ease transitional problems in the rural sector as a result on post-accession market pressures through the provided compensation for adjustment, as provided on a tapered basis for a limited time period based on area and livestock unit payments.
- Meeting Standards is another measure. The objective is to provide support to help farmers to adapt to demanding standards based on Community legislation in the fields of the environment, public, animal welfare and occupational safety. Specifically this measure shall contribute to a) more rapid implementation of demanding Community standards by Member States, b) the respect of those standards by farmers. This measure shall provide partial funding assistance to livestock breeders so that they conform to the obligations of the Nitrates Directive.
- Training will broaden the skills base of the agricultural workforce to enable it to meet the challenges of the reorientation of agriculture and so contribute to the new demands of the rural economy.
- State Aid Complement: the SMPPMA is targeted at Maltese agricultural products that will be negatively affected by the adoption of the EU Common Agricultural Policy (CAP), especially the dismantling of import levies. The necessity for the programme arose because most typical products of Maltese agriculture are not supported by the CAP. These products form an essential part of a strategy aimed at the survival and healthy development of agricultural production in Malta. The Programme comprises 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.
- Producers Groups measure will have to remedy the structural deficiencies affecting the supply and marketing of agricultural products resulting from insufficient producer organisation in Malta.

## **2. Priority Axis 2**

### *Promote environmentally friendly production methods in line with rural heritage*

Rural Malta provides the raw material for the conservation and management of the rural environment: species, habitats, landscapes and the features that go to make up that landscape. They are a product of economic activity and at the same time vulnerable to the effects of that activity. They also provide a source of economic opportunity e.g. through tourism. In addition, an attractive countryside – which supports sustainable economic activity – will contribute to maintaining viable rural communities by providing some economic underpinning for rural services. The Government attaches high importance to increasing the environmental and ecological sustainability of farming through management that protects and improves habitats, wildlife, landscape and historic features. It also recognises that people in farming and forestry should be paid for undertaking the stewardship of the countryside and for providing these ‘public goods’. Implementation of this Priority will also contribute to economic priorities e.g. through the

creation of new jobs in environmental management and establishing the quality of the environment as an economic opportunity, and to improving quality of life by providing opportunities for tourism and recreation.

This priority aims to increase the level of environmental awareness and responsibility amongst farmers, reduce loss and degradation of the Rural Landscape and Associated Habitats, reduce Soil Erosion.

This priority will be achieved through the following objective measure :

- Agri-environment measures are engaged in order to conserve and improve the landscape, wildlife and historic heritage of rural Malta, thereby also contributing directly and indirectly to economic activity and social objectives in rural areas. The economic rationale for payments for agri-environment schemes is strong. They sustain and enhance the conservation and provision of valued landscapes, biodiversity, historic interest and amenity; however if left to market forces, these public goods would not be provided on the scale required to meet the public need. Evaluation studies have attempted to compare the costs of these schemes with the wider public benefits that result. Results from a range of studies, for environmentally sensitive areas, indicate that these schemes provide environmental benefits that are significantly greater than the associated costs. Expenditure on these environmental schemes will provide good value for money bringing benefits to biodiversity, landscape, heritage, tourism and amenity. The economic rationale for expenditure on the aid for conversion to organic farming as one component of such agri-environment schemes is largely dependent on ensuring that the markets for organic foods develop and thereby provide environmental benefits (as well as those of perceived purity).
  
- Less Favoured Area have to be strongly considered. Application of this area payment to compensate for naturally less favoured area, given that all the 11,000 ha. of agricultural land have qualified for this status, to ensure continued agricultural land use, maintain the countryside and promote sustainable farming systems through the obligations of Good Farming Practices. The economic rationale of an application rate of 250 Euros/ha might have particular constraints in a local context, given that the average size of a holding is 0.876 ha, and that 58.4% of total holdings are smaller than one hectare. Consequently, the net financial benefit as compared to the obligations and furthermore as compared to average sizes of other European farms indicate that for the same requirements the Maltese farmer shall be paid considerably less.

### **3. Priority Axis 3**

*Diversify and develop the multifunctional role of rural enterprises*

Malta attracts 1.2 million tourists per annum spending an average of 9.5 nights in the Islands. Foreign exchange earnings from tourism in 1999 were Lm 347 million (Euro 843 million). Despite tourism's vital role in the development of the country's economy little spin-off benefit has come to the nation's rural sector in part due to the comparatively recent realisation of the potential for doing so.

The growth of tourism and changing values within those countries from which visitors are attracted offers Malta both a threat and an opportunity. Few rural communities are offered the opportunity of such a massive influx of tourists who need to be fed, want to buy local crafts and experience Malta's unique culture and landscape. Few rural communities face the prospect of such rapid extinction of their farming way of life. The young rural population has a range of job opportunities in other sectors (within close proximity of their home) that are not on offer to rural populations in almost any other European country.

The Malta Tourism Authority has recognised that "Malta's tourism is at the crossroads. It must seek to depart from the successful strategy built exclusively on price competitiveness to a more holistic strategy built on value and customer satisfaction, focusing mainly on the unique value proposition of the product". A strong part of that unique value proposition will disappear if Malta's farming and the communities, which farm the land, are not supported. Inevitably, this cannot mean the maintenance of the unsustainable status quo ante, but rather a diversification into a more multifunctional product which seeks to serve better the needs of tourism and by doing this provide an economic justification (alongside the existing social, environmental and cultural justification) for the sustainable development of Malta's rural areas.

The operational objective at Priority level is to assist projects which will contribute to greater linkages between the rural economy and the national tourism development strategy, encourage the development of new products and market outlets, and provide targeted training to support these new activities.

The objective is to ensure that Malta's rural community contributes to and benefits from the holistic approach to tourism development now adopted by the Malta Tourism Authority.

This priority will be achieved through the investment in agricultural holdings, Improving processing and marketing of agricultural products which are guidance enacted via the Single Programming Document as well as guarantee Agri-environment measures in the RDP.

#### **4. Priority Axis 4**

##### *Successful implementation of the RDP*

The EU has determined that it is appropriate to retain under the 'Guarantee' differentiated appropriations financial instrument two of the four SAPARD specific measures, which they consider to be particularly adapted to the needs of the new Member States and which are not eligible at present for any structural fund. Technical assistance for implementation of the 'Guarantee' co-financed Rural Development plans will be the significant additional measure from the perspective of this priority. Technical assistance is included in SAPARD funding to ensure each programme is supported by prior research and technical / administrative expertise. Money is available for specific measures within a programme, for preparing and monitoring the programme and for providing information and publicity.

The priority will be achieved through a single measure called "technical assistance" whose objective is to ensure that Malta's Rural Development Plan is successfully implemented and defined targets achieved. There is a Single Programming Document and investments in Agricultural Holdings Measure are concerned

##### *Overall Objective of the Focal Modernisation of Holdings Project*

The main objective of this measure is to strengthen the competitive basis of professional and other farmers, as well as service providers by reducing production costs, modernising production methods, improving output quality, and diversification. The focus is on all farmers/herdsmen, and services that support them. Such investment shall pursue different aims: efficiency and competitiveness by reducing costs production for the farms, eventually taking into account animal welfare standards, quality production and friendly environmental practices, diversification and multifunctionality of the enterprises and maintaining the economic viability of the farms.. The specific objectives of this measure, are in line with EC Regulation 1257/99, Chapter I, Articles 4 to 7, plus subsequent amendments to Articles 5 and 7 as per EC Regulation 1783/2003, as well as EC Regulation 445/2002, Articles 1 to 3, Annex II, point 9, EC Regulation 1260/1999 Article 29(4bi) and EC Regulation 1685/2000, Annex, Rule No.4.

The activities will be implemented through grant schemes that will support investments related to the farm business itself including investments in new and improved housing and technology, investments in animal waste collection, hygiene and welfare systems, investments in farm machinery or equipment including second hand equipment, investments in farm access road network intended to improve or allow mechanised access to farms, investments in water collection and distribution systems which include the construction of cisterns, water reservoirs and runoff collection system as well as distribution systems from said water storage facilities, consisting of pumps, main pipes and irrigation systems, the building of dams and similar structures. This measure excludes projects supporting the retail sector (including farm shops). The grant schemes will be implemented in line with state aid regulations.

The Maltese Agriculture and Fisheries sector accounts for less than 2.5% of GDP, 6% when the whole agri-food chain is considered. It also plays a relatively insignificant role from an employment creation aspect. Nevertheless, agriculture fulfils an important social and environmental role. The objective of the

SPD interventions is to support the sustainable development of rural areas in a context which takes into account the Maltese way of life, particularly living and working conditions of farmers. By improving the capacity of farmers to sustain their businesses economically, the landscape character that has been shaped by those farm businesses for hundreds of years may also be sustained.

The strong socio-cultural traditions of agriculture in Malta, whereby the distinctiveness of local produce and the cultural importance of producing food from a landscape of unique characteristics so important to the people of a small island nation, thus are protected. Beneficiaries will be IACS registered farmers or farming businesses (the legal entity/ies responsible for carrying any agricultural farming activities) of all agricultural sectors, adequately contracted to complete a collaborative project, who can demonstrate that they have adequate security of tenure on the holding identified for the investment, having their farm or farm business located within Malta, are eligible to apply for funds under this scheme.

## V - Linked activities

Previously, there have been aid schemes provided by the Ministry for Rural and the Environment for this target sector. This consisted of providing financial aid for small projects involving the improving and constructing of new field/farm access roads, the purchase of farm machinery and equipment and that of subsidising interest rates of bank loans made by farmers for farm investments.

The SMPPMA is targeted at Maltese Agricultural products that will be negatively affected by the adoption of the EU Common Agricultural Policy (CAP), and especially the dismantling of import levies. The products targeted fall into seven sectors namely tomatoes for processing, potatoes and wine (all considered to be strategic products) and dairy, pig meat, egg and poultry and fruits and vegetables. The program comprises 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. TAIEX assistance has also been provided and a Twinning Project is expected to commence soon to assist the Rural Development Department in further developing its capacity in implementing these measures.

## VI - Expected results

- ❑ It is estimated that the measure will achieve a number of targets once funds allocated are fully utilised of which it is expected an increase in volume of rainwater storage, an increase in area of protective cropping, an increase in investment in equipment, farm structures and in capacity of animal waste management system.
- ❑ In the Treaty of Accession, Annex II, Chapter IXa, Subchapter III, Article 33l by way of derogation from the first indent of Article 5 of EC Regulation 1257/1999, support for investment shall be granted to agricultural holdings for which economic viability shall be demonstrated by the end of the investment.
- ❑ Malta is requesting a 3 year grace period that will enable all Maltese livestock breeders to make the necessary required investments under this specific measure, this in order to comply with the minimum standards requested by Community law.

## Conclusion

- ❑ Huge Interest in Investment Schemes shown by farmers & processors overshadowing other RD schemes,
- ❑ Significant needs of sector to restructure not met by limited funds,
- ❑ Limited innovation in types of projects applied for and individualism of applicants with a large percentage applying for own tractor & implements,

- ❑ Limited cooperation amongst beneficiaries for partnerships with no farmers cooperatives/associations applying for aid,
- ❑ Major shift in mentality required for increasing cooperation,
- ❑ Need for increased awareness, training and advisory services for farmers,
- ❑ Possible concentration of limited funds for specific projects or sectors could be the best way forward,
- ❑ Steep positive learning curve for administration, administrative logistics & costs of RD schemes.

## Annex: Malta's RD programme

### 1. Activities that can be supported

Potential eligible investments may include:

- ❑ improving production efficiency, animal welfare, and hygiene through investment in new and improved housing and technology such as the construction of shading sheds, automatic ventilation and cooling systems, Automatic feeding systems and the purchase of battery cages or similar equipment to ensure compliance with EU standards;
- ❑ purchasing of new equipment or second-hand equipment carrying at least a 12 month supplier's warranty as per EC Regulation 1145/2003, Annex, Rule No.4 such as tractors, water pumps and generators,
- ❑ overcoming the inefficiencies of multiple ownership of land and small land parcels through common management and use of pooled resources such as by purchasing of loading equipment and water distribution channels or systems,
- ❑ improving product quality and timeliness through technological improvements including farm mechanisation, irrigation, and protective cropping such as greenhouse construction, tunnels, harvesters and installation of drip, sprinkler irrigation,
- ❑ investing in water collection and distribution systems such as water reservoirs and collection channels,
- ❑ improving and constructing new field/farm access private roads,
- ❑ investments made by a group of farmers (only in cases when an association is formed. This could be legally recognised or not but in this way the farmers will be able to share the investment, the funding and the responsibilities). Each member of the association must be assessed on his own merit against all the criteria. These investments will incorporate both investments required by association and investments requested by the association on behalf of the farmers in order to strengthen the associations operational activities, functions and efficiency.

The measure will also support complementary actions in line with EC Regulation 445/2002 Article 22(c). Eligible expenditure may include general costs such as architects', engineers' and consultants' fees for feasibility studies and business plans, and acquisition of patents and licenses. However these costs are eligible if they come in addition to an investment and shall be considered eligible up to a ceiling of 12% of the investment.

### 2. Sustainability of the Project

During evaluation of applications (business plans), evaluators will ensure that the applicant has stable income flow and sufficient sources of finance for farming operations. Applicants in a position to finance the private contribution by self-funding will be awarded more points during the selection process. Preference will also be given where applicants' short and long-term liabilities can be served by his own sources as stated in the Business Plan. These factors will ensure that projects selected will be sustainable in the long-term, i.e. beyond the period of the SPD. Only projects which do not have adverse effects on the environment will be selected.

### A. Readiness

The Rural Development Department is in a position to deliver and implement in full the scheme. The administrative and institutional capacities to implement this scheme are in place and all documents required to issue the call have been prepared. These include: Application File, Guidelines to Applicants, Supporting Documentation, Business Plan, Evaluation Grid, Manual of Procedures

### B. Budget

Available Budget for 2004/2006: 3.7 M€

PUBLIC EXPENDITURE	EAGGF CONTRIBUTION	% EAGGF CONTRIBUTION	GOVERNMENT OF MALTA CONTRIBUTION	% GOVERNMENT OF MALTA CONTRIBUTION
3,696,429 €	2,587,500.30 €	70%	1,108,928.70 €	30%

### C. IAH First Results

(Call for Proposals August – October 2004)

- ❑ 368 applications received
- ❑ 268 eligible applications requesting grants of 4.41M€
- ❑ 71 applications chosen after ranking
- ❑ Total Investment: 4.95M€
- ❑ Total Grant Requested: 2.32M€ 47% of total investment costs

### D. Analysis of Successful Applicants for IAH Measure

- ❑ 70% Full time farmers
- ❑ 10% Agriculture companies
- ❑ 3% Females
- ❑ 29% Livestock breeders ≡ 53% of grants requested
- ❑ 21% Under 40 years of age

### E. Types of proposed investments by costs (approx)

Figure 1. Types of proposed investments by costs

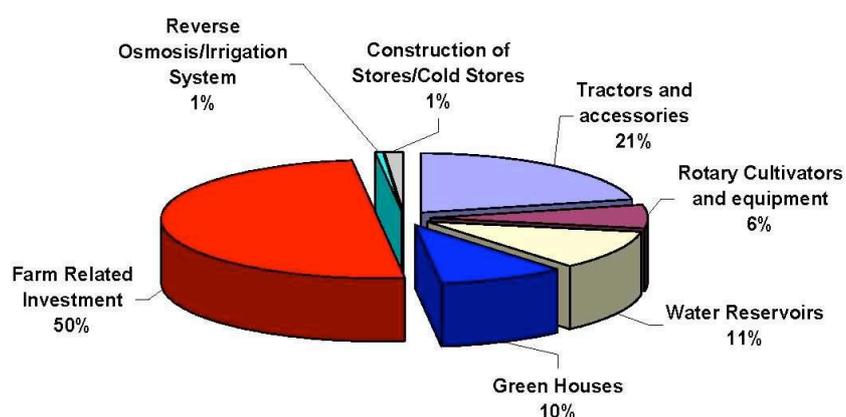
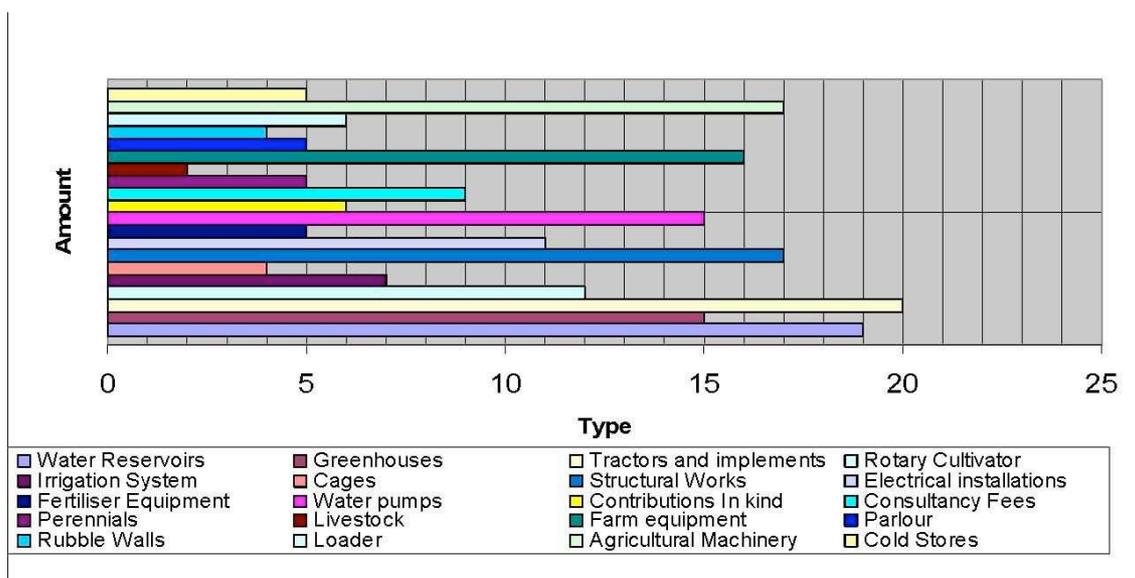


Figure 2. Type and amounts of investments proposed by successful applicants (by category)



### 3. Improving the Marketing and Processing of Agricultural Products Measure (M&P)

The main objective of this Measure is 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. Available Budget for 20042006: 2.3M€

#### A. IMP First Results

(Call for Proposals August – October 2004)

- ❑ 22 Applications from Agroprocessors
- ❑ 17 Eligible Applications requesting grants of 4.41M€
- ❑ 10 Applications chosen after ranking
- ❑ Total Investment: 1.91M€
- ❑ Total Grant Requested: 0.92M€ - 48% of total investment costs

#### B. Analysis of Successful Applications for IMP Measure

70% of applications – New Equipment 30% Construction/ refurbishment

SECTOR	% of Projects	% of Grants
Vegetables	30	27.9
Olive Oil	10	10.6
Wine	10	12.6
Meat	50	49.0