



Beyond EMFF Funding Scotland's Fisheries Sector

Policy Paper 2

Summary

- **The UK's withdrawal from the European Union will mean its exclusion from the European Maritime and Fisheries Fund (EMFF), which is due to expire at the end of 2020. The UK will not be part of the proposed new EMFF set to operate between 2021 and 2027.**
- **The Scottish fishing industry, like the rest of the UK fishing industry, will require government funding mechanisms when we leave the EU. This requirement is particularly acute for the future success of the under-10 metre fishing fleet.**
- **An examination of the different uses to which funding should be put suggests that replacing the EMFF with two funds rather than one may be appropriate.**

Existing funding: how the EMFF works

One of the five European structural and investment funds, the EMFF is intended to underpin the EU's maritime and fisheries policies during the period 2014-2020. A new EMFF is currently being planned for the seven years starting on 1 January 2021.

The current EMFF was allocated €6.4 billion from the EU budget, of which €243 million was earmarked for the UK. Within that pot, Scotland has been allocated €107.7 million.

According to the EU, the EMFF:

- **helps fishermen in the transition to sustainable fishing**
- **supports coastal communities in diversifying their economies**
- **finances projects that create new jobs and improve quality of life along European coasts**
- **supports sustainable aquaculture developments**
- **makes it easier for applicants to access financing.**



Q | When does the EMFF run out?

A | The EMFF covers the seven years ending on 31 December 2020. The UK government has said it will honour any funding commitments made under the programme to that date and will set up a replacement fund for the period after the programme ends.

Q | Should funding for fisheries be a devolved responsibility?

A | Like other aspects of fisheries management, the allocation of funds under a new scheme should be a matter for the devolved administrations whereby resources are applied proportionately to the concentration of existing fishing activities and areas where new opportunities are sustainable.

Within the UK, the Department for Environment, Food and Rural Affairs is responsible for preparing an Operational Programme (OP) that specifies how EMFF funds should be spent. The OP is agreed in consultation with the devolved administrations, which base their own choices on a SWOT analysis, a needs assessment and a prioritisation exercise. Once the European Commission approves the OP it is for each devolved administration to invite, approve and monitor projects from applicants who meet the criteria that have been set.

It is our understanding that all structural and investment fund projects that are approved within the UK before the end of December 2020 will be fully funded, even in a no-deal scenario, and that includes EMFF projects. Beyond that point, the UK government's Shared Prosperity Fund would be available to replicate or replace at least some of those EU funding streams.

What we need funding for

Although parts of the UK fishing industry are more profitable than they once were, with some fleet segments benefiting strongly from healthier fish stocks and buoyant sale prices, there will be a continuing requirement for a fisheries funding programme:

- **Successful fish catching requires significant and expensive physical infrastructure;**
- **Fisheries are essential to the continued existence of many coastal and rural island communities;**
- **The banking sector is still too risk-averse to contemplate long-term lending to primary industry without public sector participation;**
- **Most local authorities and port administrators have very limited capacity to fund large capital programmes.**

In our view, simply replicating the EMFF in the UK post-Brexit would amount to a lost opportunity. This is particularly true of the Scottish under-10 metre fleet, which in many places will not be in a position to reap the benefits of any additional fishing opportunities made available as a result of Brexit. Fishing quotas are not sufficient for the success of fishing vessels, irrespective of size; they require infrastructure to land to, onshore services and distribution networks.



Q | Why do profitable industries need funding?

A | The Scottish fishing industry is generally profitable but highly fragmented, with several hundred independent businesses that compete with each other. This increases the likelihood of market failure, where it is in the collective interest but no individual business's interest to fund what amount to public or common goods.

Q | Isn't this a waste of taxpayers' money?

A | No. Long-term, strategic funding that meets a properly costed business case should generate an overall return for the taxpayer.

The EMFF has certainly provided welcome finance for numerous excellent projects, but it has serious drawbacks. Its shortcomings can be grouped under two broad headings:

- Limitations on the types of projects eligible for funding; and
- How funding is approved and delivered.

Not one, but two funds

When we consider what a future fisheries fund should be for, it becomes swiftly apparent that no single set of criteria can usefully distinguish between competing uses of funding.

We believe that there is a fair degree of consensus that funding may be appropriate for the following:

- 1 Onshore infrastructure.** Without ports adapted to what fishing vessels require, and without onshore facilities such as cranes, shore power, water, ice plants and chilled storage facilities, for example, increased fishing opportunity generated post-Brexit would be of no use to a large number of coastal and island communities. There is no value in catches unless they can be handled, stored, sold and transported efficiently upon arrival.
- 2 Fish processing.** Following a long period of minimal improvements to existing processing plants, substantial investment is required to bring capacity up-to-date and capable of efficiently handling larger volumes of raw material. Concerns over access to EU labour are already focusing attention on new processing technology; funding should be available to investigate and promote it.
- 3 Training, and not just for new entrants.** A modern seafood industry requires a skilled workforce in which operating practices continually improve.
- 4 EU regulations currently prohibit funding for projects on vessels younger than five years old.** This restriction should be removed, particularly for projects related to safety, product quality, crew welfare and fish welfare.
- 5 Heightened collaboration between the fishing industry and marine scientists.** While collaboration can take many forms, from onboard observer schemes to self-sampling, data collection and industry involvement in scientific modelling, it is all aimed at better fisheries management.



Q | What scope really is there for a revival of the Scottish fishing industry?

A | Given that UK vessels currently account for less than 40% of the fish caught in what will become UK waters, any move towards the levels typical of neighbouring coastal states (Norwegian vessels account for 85% of catches in Norwegian waters, for example) could increase the value of annual landings into Scotland by several hundred million pounds.

Q | Won't the distribution of funding come down to politics?

A | Infrastructure-type financing should depend heavily on robust business cases made by local and regional authorities; safety, welfare, marketing and training projects should stand or fall by virtue of their own logic.

- 6 Initiatives to grow markets and building on the UK's reputation for the supply of sustainably harvested, high-quality fish. Funding should be available to demonstrate responsible sourcing and the industry's environmental credentials.
- 7 Managing regulatory change. The fishing industry may need financial help in order to remain compliant with evolving health and safety legislation, new MCA requirements related to ILO 188 and any new certification demands that may arise as a result of Brexit, for example.

Decisions over the allocation of EMFF resources have had to measure applications relating to large infrastructure projects against relatively small bids for safety equipment, for example. We suggest that instead of trying to resolve such disparities, a UK replacement for the EMFF should consist of two funds, each with its own allocation criteria:

- **A strategic investment fund, covering onshore infrastructure and fish processing, for example (uses 1 and 2 above). Such projects are typically capital intensive and can be measured against one another in terms of future cash flow and other financial projections.**
- **A safety, welfare, marketing and training fund with different allocation criteria more consistent with public policy and social goals.**

Operating the new funds

Given our experience of how European fisheries funds such as the FIFG, EFF and EMFF have performed, we would suggest the following principles for fisheries-related funding schemes in the UK post-Brexit:

- 1 A balanced mix of national, regional and local delivery. In industries as diverse and as geographically challenging as fishing, top-down efforts to determine priorities and administer funding streams may be appropriate only for the very largest infrastructure projects.

In consultation with the fishing industry, local authorities ought to have a major role to play in defining local needs and in delivering successful outcomes. That would help limit the administrative cost of delivery and would be more likely to target funds where they are most needed.



Q | What about funding for science?

A | Expert scientific, economic and technical advice needs to continue to be funded at government level to ensure advice is in-step with observations made at sea. Provision for such things as stock assessments and onboard observers is essential.

- 2 Funds should be allocated in proportion to where the fishing industry actually is or where there are realistic opportunities for expansion. Obtaining an even geographical spread of funding around the coast might look fairer but would be misguided and wasteful.
- 3 Funding programmes need to be long-term, i.e. for periods beyond the lifetime of a single parliament. This would help protect them from the political cycle and short-term financial constraints. Political interference has afflicted past and existing funding programmes.
- 4 A fully-integrated 'one-stop shop' for funding applications rather than the diverse range of funding options that characterise EU schemes.

The end game

The catching sector will be in a strong position post-Brexit to supply a thriving seafood sector. A new fisheries fund should be seen as a means to ensuring that this actually happens, with all that implies for prosperity, jobs and the future of coastal and island communities.





Shetland Fishermen's Association

Stewart Building, Lerwick, Shetland, United Kingdom, ZE1 0LL

Telephone: +44 (0) 1595 693197 Fax: +44 (0) 1595 694429

Email: info@shetlandfishermen.com

www.shetlandfishermen.com