

**VALUE FOR MONEY OF FISHERY HARBOUR DEVELOPMENT
EXPENDITURE PROGRAMME**

FINAL REPORT

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¹ During the course of the evaluation, the status of the Company was changed from Richard Banks Ltd to the Poseidon partnership. All the principal involved work under the Poseidon umbrella.

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1 Executive Summary

Study Background

- i. This report has been completed by Poseidon Aquatic Resource Management Ltd on behalf of the Department of Marine and Natural Resources (DMNR), as part of a value for money evaluation of expenditure on the Fishery Harbour Development Programme. The authors understand that this report will also inform future strategy and policy insofar as the Fishery Harbours Measures under the National Development Plan, 2000-2006 are concerned.
- ii. The two main objectives of the expenditure review, as identified in the terms of reference were to:
 - Provide a systematic analysis of what is actually being achieved by expenditure, and
 - Provide a basis on which more informed decisions can be made about priorities for investment
- iii. The four main tasks outlined in the tender brief, each to be considered for the period 1998-2000, were to:
 - Examine the objectives of the programme
 - Evaluate the effectiveness (value for money) of the programme
 - Evaluate the performance indicators
 - Comment on organisational and management issues relating to the programme
- iv. In addition, we have also undertaken to review:
 - grant rates
 - the process and procedures relating to grant applications
 - over- or under-provision of services, and
 - management of harbour operations
- v. The methodology used in the review involved a desk study assessment of literature, secondary data sources and DMNR files of correspondence, field visits and interviews with stakeholders at 17 harbours and landings sites, and an on-going process of consultation with DMNR staff during the course of the study. This Executive Summary presents the main conclusions and recommendations of the review, with appropriate cross-referencing to the paragraph number in the main body of the report.

Policy Objectives

- vi. The objectives of the Fishery Harbour Development Programme covering the period under review (1998-2000) are those contained in both the Operational Programme 1994-1999 for Fisheries, and those in Ireland's National Development Plan 2000-2006. For the purpose of this evaluation, comment is provided on both sets of objectives.
- vii. Government involvement in the state provision of funds for harbour/pier infrastructure is generally valid and appropriate (23, 24, 28, 33, 36, 41, 49, 50, 54). By and large, the

industry cannot afford to pay for necessary improvements and new facilities, and without state support, many harbours would not be suitable for use by the fishing industry and other sectors where fishing is not a priority, causing considerable regional and national impacts in terms of employment and economic growth.

- viii. The objectives in both the 1994-1999 Operational Programme and the 2000-2006 National Development Plan are not always SMART (specific, measurable, achievable, resourced and time-limited). In particular they are frequently not specific (29, 39, 41, 51, 52, 58). Two general comments can also be made in relation to how resourced and time-limited they are. By definition, as they are for the Operational Programme period 1994-1999 and the National Development Plan 2000-2006, they can be considered to be time-limited. However, it is clear from the consultant's evaluation that while objectives have been fulfilled in part (37), they are not all resourced to the extent of being able to be completely fulfilled (31, 32, 34). This is principally the result of the need to share available and limited monies between the large number of competing landing sites with justifiable grounds for investment. However, if more limited and specific objectives were defined, it might be possible to meet them more fully (38).
- ix. The 1994-1999 objectives could have been streamlined, as a number of them overlap in intent (38, 42).
- x. Both sets of objectives refer to key strategic fishery harbours. **It is recommended that the priority status of Fishery Harbour Centres and other harbours should be reassessed** e.g. Greencastle, Union Hall, Kilmore Quay (30, 55, 58).
- xi. The 1994-1999 objectives have evolved into the 2000-2006 objectives, to the extent that more emphasis is placed on non-fishing activity, sustainability, and the quality of product: all three things can viewed positively (50, 55).
- xii. There are no references in the objectives to encouraging the fishing industry and other beneficiaries to provide more of the facilities themselves to generate private sector leverage. **It is recommended that private sector leverage is encouraged given the potential reductions in structural funds and state monies which will be available in the future.** It is acknowledged that it is unlikely to be possible to get users to fully pay for the provision and maintenance of facilities, but some contribution is nevertheless important so as to reduce problems of additionality (23, 24).

Value for Money

- xiii. The lack of any requirement for cost/benefit analysis to be undertaken to justify value for money is a serious shortcoming of current DMNR policy (70, 71, 73). **It is recommended that any project requiring investment of more than €1 million should be required to complete such an analysis based on clearly defined steps and methodological guidelines** (90, Annex 2). **All cost/benefit analyses should be accompanied by sensitivity analyses to test the robustness of projects to changes in their underlying assumptions. Detailed instructions for such analyses should be contained in guidelines on the grant application process to be prepared by the DMNR** (90). The normal steps associated with cost/benefit analysis are presented (Annex 2).

- xiv. Despite the lack of cost/benefit analysis against which the consultant could assess value for money, it appears from a qualitative review of benefits (75, 76, 77), that grant funding is providing value for money.
- xv. Grant funding is in most/all cases fully additional i.e. investment would not have taken place in the absence of state support (79). However, this is in part due to low overall awareness of the need for private sector contribution and leverage.
- xvi. **Private sector leverage is minimal, and in most cases, non-existent (81, 82). It is recommended that this situation should be urgently rectified, particularly in light of potentially reduced ERDF expected to be available to Irish landing sites on coming years.**
- xvii. The low level of user fees currently being charged, and pegged under old legislation, is not justifiable on economic grounds. **It is recommended that the level of harbour dues and other user charges should be urgently reviewed, to ensure that harbour income is sufficient to guarantee appropriate operations and maintenance of harbour facilities (84).**

Grant Rates

- xviii. **It is recommended that funding should be divided to differentiate significant fishery dependent harbours and others, with some form of ring fencing for harbours of high dependency (103).**
- xix. **It is recommended that as a long-term goal, the private sector should increasingly be expected to contribute to investment costs under the public private partnership (PPP) framework (100).**
- xx. **It is recommended that grant rates should be equal for different types of investment (as is the current situation) irrespective of the type of benefits likely to result (101).**
- xxi. **As is currently the case, it is recommended that there should be no grant ceiling (102). Individual grant requests should be required to justify particular levels of investment using cost/benefit analysis and associated NPVs and IRRs.**

xxii. Performance Indicators and Monitoring

- xxiii. It is noted that progress reports during construction are common practice, final site visits are made by DMNR engineers to sign off projects, and overall performance of the programme is supposed to be measured based on the output and results as defined in the Programme Complements. These indicators are fine in themselves in terms of measuring the physical results of the programme (104). **However, no indicators are used, or follow-up monitoring currently conducted, to assess the actual benefits and impacts of any capital investment made in harbours. This is partly explained by the fact that the Programme Complements are very unspecific in relation to ex-Ante evaluation of the fulfilment of objectives. This is a serious deficiency and it is recommended that it should be corrected immediately (105, 106).** The problem stems largely from the lack of any defined application process (Section 8) for grant funding under which anticipated benefits could be specified, and against which actual impacts could then be measured. Annex 3 therefore provides an indicative list of quantitative and qualitative

indicators (mainly fisheries) that could be used to monitor and evaluate the programme in the future. These indicators would need to be expanded to allow for the measurement of other impacts on the environment, equality, rural development and poverty.

Process and Procedures for Grant Applications

- xxiv. Arrangements and procedures are specified in the Operational Programme regarding the investment of ERDF (107-112). However, these procedures have been followed and implemented in only the loosest of interpretations. No clear prioritisation of investment has taken place with associated justification, feasibility studies have been inadequate, and the Fishing Harbour Development Committee (FHDC) has not met since 1997 (113-116).
- xxv. **It is recommended that the DMNR operates a more transparent and accountable decision-making process, based on specified and followed guidelines. This requires a complete review of the project selection guidelines** (117). We are also concerned about the lack of adequate formal assistance for grant applications. This severely hampers the ability of the DMNR to prioritise between competing applications for funding based on standardized information, and means that those applying for grant funding have no clear idea about what information should be contained in their submissions. We have therefore made some suggestions (Annex 4) on information that should accompany all applications for funding.

Over- or Under-Provision of Facilities, Timing, and Cost Over-Runs

- xxvi. With the possible exception of Quilty, none of the investments at landing sites reviewed indicated any deadweight i.e. over-provision of facilities. In fact the reverse is true. Generally infrastructure developments in the Irish ports, and particularly the larger ports have been under-funded. This has inhibited the developments of significant benefits to the region but more importantly led to the evolution of unsafe practices in almost all the harbours that we have reviewed (120).
- xxvii. During site visits, only a small number of those interviewed at landing sites/harbours (e.g. Killybegs) referred to problems relating to the timing of investment and civil works, although some problems were reported relating to staffing shortages at DMNR and increases in tender costs due to inflation in civil engineering costs during the construction boom in Ireland (121). Some local authorities also reported certain difficulties with the timing of expenditure, particularly with regard to foreshore leases from the DMNR (123), and the inability to roll-over funding (123, 124). **It is recommended that timing problems could be alleviated by recruitment of additional staff engineers at DMNR, better communication between departments to speed up the process of foreshore licences, a more rigorous evaluation of project costs at the time of grant applications, and a review of the current restriction on roll-over of funding between years** (125).
- xxviii. The consultant has not found cost over-runs to be a widespread problem. Where cost over-runs do occur they are usually the result of increased construction costs associated with inflation in civil engineering works, rather than a mis-calculation of costs by engineers at the feasibility stage of the project cycle. Such problems are likely to diminish with the recent slow-down of the economy. **Nevertheless, it is recommended that the DMNR make improved provisions for unexpected increases in costs** (126). There are however currently no formal guidelines/policies on how and whether cost

increases can be approved. **This is a matter of some concern and it is recommended that it should be rectified by the DMNR through the development of a standardized system for such eventualities (127). For large projects (over €1 million), for which it is recommended that cost/benefit analyses be an integral part of the application process, where costs are known to have increased prior to the award of the contract since the analysis were completed, revised NPV/IRR calculations should also be required to ensure that the project is still estimated to provide value for money (128).**

Management and organisation of expenditure

- xxix. As already highlighted, there are currently no (or inadequate) stated/published formal management practices relating to (130):
- Assessment of the potential/perceived value for money using detailed cost/benefit analysis
 - Approval of any cost increases
 - Monitoring and assessment post-investment using performance indicators
 - Prioritisation of grant applications
 - Guidelines for applicants on information to be contained in applications
- xxx. In addition, there are also a number of areas in which the DMNR need to make improvements in filing and maintenance of records (133), and in adherence and compliance to those stated practices and procedures that are already in place. These have been routinely highlighted in yearly audits/reports on the Operational Programme completed by Deloitte & Touche (e.g. for the years ending 1998 and 1999), as well as being referred to in an EC spot control mission on the Operational Programme conducted in June 1999 (131).
- xxxi. There currently exists a very good relationship between the Fishery Harbour and Coastal Protection Section of the Sea Fisheries Administration Division and the DMNR engineers. This offers considerable benefits to the efficient management of public expenditure, but can result in an informal attitude to procedures as described above (134). **It is however recognized that existing staff are over stretched and it is recommended that additional recruitment is conducted (135, 139).** Concern is raised in particular over the number of unfilled engineering posts. Continuity of staff in particular posts is also clearly important, but not a practice that appears to be widely supported by the DMNR. This creates considerable problems for local authorities and harbour users in knowing whom to contact about particular issues. It is also suspected that it creates inefficiencies because of staff having to frequently get up to speed with new portfolios and activities (135). **It is recommended that those managing the projects should be encouraged to visit sites on appointment more often and glean background information from the engineers (136),** although this would be difficult with the current level of staff resources.
- xxxii. One area of great concern in the assessment of staffing capabilities is the complete absence of any economists in the Fishery Harbour and Coastal Protection Section. Given that prioritisation of grant funding and investment opportunities should attempt to maximize value for money and benefits to the national economy, this is a serious deficiency, as it leaves the Department void of any expertise with which to make such

assessments (138). **It is therefore recommended that economics expertise be recruited or sub-contracted where appropriate.**

Management of harbour operations

xxxiii. In addition to issues of management and organisation of the public expenditure programme itself, the consultant also believes that there are certain key development and management issues relating to both FHCs and non-FHCs, which have a bearing on how public funds are spent, and what the relative resulting benefits are/could be. Some of these issues are being considered by the Harbour Review Group currently assessing the management structures and future potential of Dingle and the five FHCs. However, the focus of the Harbour Review Group is narrow. We therefore make some suggestions about harbour management structures (142-145), and the following recommendations about future investigations and study that would help to ensure improved harbour management (147-156).

1. Examination of the remit for the definition of FHCs and exploration to the extent to which the FHC status might be extended to include other ports. Such an examination should be based on practical and economic grounds, namely on the recognition of existing usage and infrastructure and the ability of these ports to exhibit a degree of self-reliance, thus avoiding political interference.

2. Examination of the operating costs for the FHC harbours, including exposure to various health and safety and insurance risks. Identification of the inadequacies, and the costs required to ensure compliance.

3. Examination of other ongoing costs that should be specifically covered by harbour users, for example running repairs. This is against the background of potential reductions in overall EU funding as discussed earlier.

4. Examination of the services that should be provided to the harbour users and if marketed correctly, could attract new users (e.g. synchro lifts, fish markets, packing stations, other support infrastructure) and gain support from existing users for a levy.

5. Examination of cost advantages to stranger (other EU) vessels when utilising different Irish ports

6. Examination of the potential for commercial benefits through other income generating activities (oil, commercial traffic, ferry charges, yachts, liners, agency fees etc)

7. Identification of manpower required to service the harbours, including an extended resource base to cover collection of dues, engineering capabilities and management (including the extent to which some of these tasks could be contracted out).

8. Identification of a charge structure, with a degree of consistency throughout each port, but taking account of required burden of harbour operations and a degree of self reliance

9. Identification of other means of raising investment capital (selling shares to harbour users)

10. Identification of the most appropriate management structure (autonomous or combined)

2 Introduction

1. This report has been completed by Poseidon (hereafter referred to as the consultant), on behalf of the Department of Marine and Natural Resources (hereafter referred to as DMNR), as part of a value for money evaluation of expenditure on the Fishery Harbour Development Programme.
2. The report presents the methodology used in the evaluation, and the principal findings and conclusions. Recommendations are also made about existing and future fishery harbour development.
3. The two main objectives of the expenditure review, as identified in the terms of reference were to:
 - Provide a systematic analysis of what is actually being achieved by expenditure, and
 - Provide a basis on which more informed decisions can be made about priorities for investment
4. The authors also understand that this report will inform future strategy and policy insofar as the Fishery Harbours Measures under the National Development Plan, 2000-2006 are concerned. To fulfil these objectives, the terms of reference required the consultant to conduct a number of tasks or activities. These are listed below.
5. Tasks 1 – examine objectives, consider the extent to which these objectives remain valid and warrant resource allocation on the current and planned scale. Consider how the programme should evolve. Evaluate the extent to which the current and future aims and objectives of the fishery harbour development programme are being realised taking into account the mission and the current strategy of the Department.
6. Tasks 2 – evaluate the effectiveness (value for money) of the fishery harbour development programme over the period 1998-2000.
7. Task 3 – evaluate existing performance indicators and their adequacy for monitoring and assessing the impact of each programme, and specify the performance indicators which can be used to monitor and evaluate the programme in the future, and on other measures which might be used to assess level of activity.
8. Task 4 – comment generally on:
 - the organisational and management structures, workloads and work methods of the programme
 - the scope for alternative management and organisational approaches to achieve current and future objectives, strategies and functions on a more efficient and effective basis
 - make any recommendations for change which this review may indicate for adapting policy in order to improve efficiency and effectiveness
9. These tasks are dealt with individually in discrete sections of this report. The consultant has however tried to go further than the specified terms of reference to consider and comment on a number of other items of importance in evaluating public expenditure.

3 Study methodology

10. Throughout the course of the study, the consultant team liaised continually with the DMNR Expenditure Review Steering Group. The Review Steering Group approved the methodology used to assess value for money expenditure.

11. The consultant team began the evaluation with a meeting with DMNR staff from the Fisheries Harbours and Coast Protection Section of the Sea Fisheries Administration Division on 4th September 2001². It was agreed to establish a sample of ports to be surveyed linked to a combination of the following factors:

- The amount of grant expenditure provided over the period 1998-2000
- The importance of the harbour in terms of fish landings
- The port classification and socio-economic importance of the harbour
- Regional distribution

12. The following table indicates the harbours that were agreed for inclusion in the review by the consultant, and their status in terms of the four criteria specified above.

Table 1 – Harbours reviewed during the evaluation

	Landing volume 1999 (tonnes liveweight)	Landing value 1999 (€)	Number of payments 1998-2000	Grants provided 1998-2000 (€'000)	Port classification	County
Clogherhead	1,304	2,327,956	1	112	Main	Louth
Howth	5,548	10,702,257	3	1,145	FHC	Dublin
Courtown	568	319,335	1	107	Small	Wexford
Kilmore Quay	1,651	3,435,954	3	568	Main	Wexford
Dunmore East	12,666	7,093,962	2	869	FHC	Waterford
Cape Clear			2	141	Small	Cork
Castletownbere	9,829	17,330,440	3	2255	FHC	Cork
Cromane	1,223	472,125	3	235	Main	Kerry
Dingle	6,674	13,654,031	3	4,272	Main	Kerry
Quilty	127				Small	Claire
Rossaveel	6,411	317,498	3	476	FHC	Galway
Cleggan	397	9,194,110	3	814	Small	Galway
Darby's Point		711,568	2	550	Small	Mayo
Killybegs	100,151	28,229,057	3	5,025	FHC	Donegal
Burtonport	1,290	2,196,691	2	225	Main	Donegal
Carrickaroary / Movile	6,305	4,266,320	3	401	Small	Donegal
Greencastle	3,837	5,643,271	3	504	Main	Donegal

Notes:

1. FHC = Fishery Harbour Centres which are state-owned and managed by DMNR
2. A full list of grant funding provided during 1998-2000 is provided in Annex 1, and specifies facilities constructed, and those projects which were the recipient of EU funding

13. The use of these four selection criteria and the inclusion of the landing sites listed in the table above, has ensured that the consultant has considered a range of harbours and landings sites

² In attendance from the DMNR were Peadar Ward, Seamus Nevin, and Grainne Egan

in the evaluation: large and small; DMNR managed and non-DMNR managed; the recipients of large and small amounts of grant aid; and which are widely dispersed geographically throughout the country.

14. Following the introductory meeting, the consultant spent some time in the DMNR offices reviewing available literature (e.g. correspondence files, feasibility studies, design drawings etc) and holding meetings with senior staff in DMNR's Engineering and Sea Fisheries Control Divisions in Leeson Lane. Following this preparatory work, the consultant commenced with field visits and travelled around the coast, pre-arranging meetings wherever possible.
15. For each harbour/landing site attempts were made to hold face-to-face discussions with:
 - The harbour master
 - Individual fishermen
 - Fishing co-operatives and organisations
 - Sea Fishery Officers
 - DMNR regional engineers
 - The appropriate county council officers
16. Semi-structured interviews were used for all interviews conducted, with telephone interviews used to follow-up site visits where key harbour users and stakeholders were not available for interview at the time of the consultant's visit. On completion of the field visits, the consultant completed the analysis and report writing for this study in a consultative manner with DMNR staff in the Fishery Harbours and Coastal Protection Division. The report was presented to the Review Steering Group on 26 November 2001.
17. The consultant is grateful for the information and insights provided by DMNR staff that have greatly facilitated the completion of this report.

4 Policy Objectives

4.1 *Period and objectives under review*

18. Recent Department strategy pertaining to port infrastructure and facilities is set out in the Operational Programme 1994-1999 for Fisheries, and in Ireland's National Development Plan 2000-2006.
19. The National Development Plan 2000-2006 includes two Regional Operational Programmes; one entitled "Border, Midlands and Western Regional Operational Programme", and the other "Southern & Eastern Regional Operational Programme". Each Regional Programme contains a "Local Enterprise Development Priority" which covers, among other Measures, fishery harbours.
20. The objectives of the Fishery Harbour Development Programme covering the period under review (1998-2000) are therefore those contained in both the Operational Programme 1994-1999 for Fisheries, and those in Ireland's National Development Plan 2000-2006. For the purpose of this evaluation, it is therefore felt appropriate to comment on both sets of objectives as specified in the relevant documents. This has the added advantage of being able to see how the objectives have developed and evolved over time.
21. Comment on the objectives can be made in relation to:
 - a) whether the objectives are appropriate for Government policy (as opposed to the free market),
 - b) how "SMART" they are: that is specific, measurable, achievable, resourced and time-limited,
 - c) whether they remain valid and how they should evolve, and
 - d) whether the objectives have been achieved.

4.2 *General comment on the objectives*

22. The question should be asked of all the objectives whether it is right for Government to be involved in the provision of facilities and harbour infrastructure, rather than allowing the free market to respond to the demand of users. Two key points are worth making in this regard.
23. Firstly, it is widely acknowledged that infrastructure development, as well as some aspects of service provision, may not be provided at all if left totally to the free market, but that such infrastructure, if funded, may be of net benefit to society as a whole. The principal reason for this is the positive externalities that can accrue to those not financing a development which arise from the investments being made³. As a result, it is often sensible for Government to support such developments, as without support, they may not take place at all. However, an important corollary is that government support should only contribute to financing an investment to the extent that the private sector would not support it in the absence of any state intervention. This concept is referred to as additionality and will be discussed in greater detail later in this report with regards to value for money. However, it should also be noted that where possible, even if additionality is perceived to be high, the Government should also seek to maximise leverage or private sector funding so as reduce the level of dependence on state

³ Other reasons include problems with access to capital, agreement between interested parties, etc.

funding. Given the proviso about maximizing private sector contributions to financing wherever possible, all of the six objectives can be considered to be appropriate for Government policy.

24. Secondly, Government support for fishery harbour and landing sites development must be seen in the context of ERDF funding. The Border, Midland and Western (BMW) Region is an Objective 1 region, with the Southern & Eastern (S&E) Region being Objective 1 transitional. Post 2006, the removal of Objective 1 status is likely to result in a decline in EU funding and conceivably an increase in the percentage contribution from the Irish Exchequer. Moreover, the level of EU funding allocated to the future Operational Programmes for Ireland is likely to fall given the demands of an expanding EU. The consequences of this are that on the one hand, DMNR must prepare the industry in Ireland to be more self-sufficient in its ability to fund infrastructure development as it may not continue to expect high levels of ERDF support, and on the other, that it makes sense for DMNR to maximize ERDF support up to 2006 so as to ensure that as many harbours and landing sites as possible are in a good state of repair and catering for the needs of the industry. In this sense too, DMNR objectives of Government support for infrastructure development is therefore justified. The potential of greater leverage/stake-holder involvement will necessitate a complete change in the ethos of the running of the some of harbours and, in particular, those harbours where fish landings and other uses are substantial.

4.3 Objectives of the 1994-1999 Operational Programme

25. The Operational Programme 1994-1999 for Fisheries considers

- Overall economic situation – analysis of the situation of the sector
- Objectives of the plan and development strategy
- Means anticipated to meet objectives
- Financial plan
- Case for development/benefits anticipated
- Implementation and monitoring

26. The main aims and objectives of the 1994-1999 programme are specified as:

- To develop infrastructure and facilities at priority fishing harbours to cater for larger vessels, development in landings and changed work practices, in particular in the context of EU requirements (Objective 1)
- To upgrade local harbour infrastructures to the level required to cope with rapid expansion of the aquaculture sector (Objective 2)
- To protect and preserve existing infrastructure at selected local harbours where fishing activity has an important socio-economic role, especially in remote coastal areas (Objective 3)
- To provide harbours with equipment and other facilities basic to the development of the fisheries, aquaculture, processing and distribution sectors (Objective 4)
- To establish an adequate and reliable ice supply network around the coast to meet ice requirements of the sea fisheries, aquaculture, processing and distribution sectors (Objective 5), and
- To develop local mainland and island harbours with a key role to play in creating and maintaining jobs in fishing, aquaculture and ancillary activities. (Objective 6)

4.3.1 Objective 1

“To develop infrastructure and facilities at priority fishing harbours to cater for larger vessels, development in landings and changed work practices, in particular in the context of EU requirements”

27. The main development policy of the programme is strongly wedded to the concept of maintaining a network of major FHCs strategically located around the coast, where activities throughout the supply chain are present (e.g. vessel repair, catching, auctioning, processing, marketing etc). The concept was first proposed in a strategic review carried out by Bjuke (1968) and subsequently led to the current Fishery Harbours Act. There are currently five FHCs: Killybegs, Castletownbere, Rossaveel, Dunmore East, and Howth, with Dingle proposed as a FHC and with legislation to enable it to become so.
28. The objective is justified in the need to invest in infrastructure to provide appropriate facilities for increasingly large vessels and more stringent requirements from the EU, particularly with regard to health and hygiene, but also relating to environmental and safety issues.
29. The objective of developing infrastructure at these priority harbours is measurable, and theoretically achievable although subject to certain constraints due to the available resources. However, “development in landings” is not specific. Does it refer to increased volumes, greater efficiency/profit from landings, or better quality? Given the inclusion of reference to EU requirements, and current EU quota cuts, it can be assumed that it refers to improved quality of catches, but this should be clearer in the objective. The objective is also not specific in the sense of specifying which harbours are to be designated priority harbours: itself an issue worthy of some consideration. This relates to the question of how valid the objective is and how should it evolve?
30. It is the consultant’s view that a network of priority harbours is valid in principle but the basis for such prioritisation needs to be reviewed. It is also necessary to review how non-priority harbours are to be dealt with in terms of their ability to access DMNR funding i.e. are they to be necessarily disadvantaged? The designation of five FHCs plus Dingle, is the result of an historical decision taken many years ago, and needs to be re-visited. There are a number of other major harbours in Ireland which serve the needs of large catching vessels, processors, ancillary services etc, and which should not be prejudiced in funding decisions due to their status as non-FHCs. In particular, Greencastle, Union Hall and Kilmore Quay stand out as major harbours that could be given FHC status.
31. Finally in relation to Objective 1, it is necessary to consider whether it has been fulfilled? With the exception of Howth, where major harbour investment took place in the mid 1980s which adequately dealt with the need to cater for larger vessels, all the other four FHCs face considerable congestion and over-crowding, particularly at certain times of the year when visiting vessels are targeting nearby fisheries. No steps were taken in the last Operational Programme to fulfil the stated objective of catering for larger vessels. Congestion causes considerable problems of unloading and handling of fish, which reduces quality and raises hygiene concerns. Safety standards are also inadequate at all FHCs due to over-crowding, and the objective of catering for new working practices and EU requirements has therefore not been fulfilled.

32. With regards to onshore facilities, investment was provided in 1997 for a new market at Rossaveel, thus helping in part to fulfil the objective, and the market is well-specified and adequate. Other markets at Howth, and Killybegs were built prior to the Operational Programme. Dingle and Greencastle do not have market facilities, and steps were not taken during the 1994-1999 to address this deficiency.

4.3.2 Objective 2

“To upgrade local harbour infrastructures to the level required to cope with rapid expansion of the aquaculture sector”

33. The aquaculture sector has been growing rapidly in Ireland in recent years. The areas of growth suitable for production of particular species e.g. mussels, do not always coincide with previously constructed harbour infrastructure. It is therefore both valid and appropriate for the Government to become involved in ensuring that aquaculture producers can land product close to production sites before onward transport to markets. It is likely that in most cases the private sector would not invest in facilities themselves, and the government therefore has an important role in ensuring that the level of infrastructure does not hinder the growth of the aquaculture sector. Indeed, the provision of infrastructure may actually help to stimulate the growth of aquaculture. The objective is also considered to be SMART.
34. Has this objective been achieved? Due to limited DMNR funding for improvements in harbour and related infrastructure, investment in aquaculture support infrastructure has been limited to minor maintenance work. However, proposed investments (e.g. Cromane, Carrickoroary) indicate that this Objective is featuring as a significant investment priority.

4.3.3 Objective 3

“To protect and preserve existing infrastructure at selected local harbours where fishing activity has an important socio-economic role, especially in remote coastal areas”

35. The objective is measurable and realistic, and also specific to the extent that local harbours are to be supported where alternative employment opportunities are limited (e.g. Quilty, Cleggan, Derby’s Point).
36. Many remote rural communities around the coast of Ireland depend heavily on fisheries and related activities, due the lack of alternative employment opportunities and economic activity. It is therefore an appropriate objective of Government to ensure that the facilities, on which these communities are dependent, are protected and preserved, as without support infrastructure would deteriorate resulting in severe economic and social hardship. This is particularly true where fishermen have skills that are not transferable to other sectors, and/or where they may be reluctant to move to other areas in search of work. However, it is also essential that investment decisions are supported by some form of evaluation in order to ensure that the communities are indeed particularly dependent on fishing activities, that there are no alternative forms of employment and that assistance in maintaining infrastructure is justified, irrespective of the fact that the port itself may generate a comparatively low degree of income. This feature is particularly important in the Gaeltacht regions and the islands where stated Government priority is to redress the exodus of the population.
37. The objective can be considered to have been achieved, by investment provided for numerous small remedial works around the coast.

4.3.4 Objective 4

“To provide harbours with equipment and other facilities basic to the development of the fisheries, aquaculture, processing and distribution sectors”

38. Objectives 1, 2 and 3 allow for the Government to support infrastructure provision at large priority harbours, small harbours of socio-economic importance, and in areas with aquaculture activity. “Infrastructure” can be taken to include “equipment and other facilities”, and it is not therefore clear what the purpose of objective 4 is, over and above the objectives already stated in objectives 1-3, except to the extent that the objective refers to processing and distribution sectors. If this were the main purpose of the objective, it would have been simpler to include these sectors in objectives 1, 2 and 3.

39. In addition, “development” is not specific. Does it mean increased efficiency, improved quality, or increased landings and volumes of throughput? Given current pressure on quota stocks, it would not be a valid objective of the government to attempt to improve landings and volume of throughput, although increased efficiency and quality of product would certainly be desirable objectives.

4.3.5 Objective 5

“To establish an adequate and reliable ice supply network around the coast to meet ice requirements of the sea fisheries, aquaculture, processing and distribution sectors”

40. This objective is not evaluated in detail in this report, as it is known that a separate study is conducting a full evaluation of the BIM ice plant programme, and will thus comment on the degree to which the objective has been fulfilled.

41. Nevertheless, it is appropriate to note in this report that the objective of ice supply around the coast is certainly a valid objective because of the need for the fishing and related sectors to provide ice to maintain the quality of catches. However, in relation to how SMART the objective is, the objective could be more specific in its use of the word “adequate”. Does this refer to the ice demanded by all fishermen/distributors etc, by those at major/specific landing sites, or to the amount of ice that should be used to ensure fish landings and handling of an improved quality?

4.3.6 Objective 6

“To develop local mainland and island harbours with a key role to play in creating and maintaining jobs in fishing, aquaculture and ancillary activities”

42. It is not clear how this objective differs in any material way from objective 3. As such it appears redundant.

4.4 Objectives of the Ireland National Development Plan 2000-2006

4.4.1 Objectives

43. The objectives of the Local Enterprise Development Priority (Sub-Programme) for the BMW region are to:

- Enhance the quality and availability of employment within the region
- Provide opportunities for alternative sources of income for the unemployed and under-employed, in particular, farmers and rural dwellers

- Upgrade and improve the capabilities and capacity of indigenous firms and their personnel
- Attract new inward investment and develop the base of non-indigenous industry in the region
- Build up the marketing capabilities within firms to enable them to avail of opportunities in the global marketplace

44. The objectives of the Local Enterprise Development Priority (Sub-Programme) for the S&E region are to:

- Complement and give a more regional focus to the investment planned under the Productive Sector Operational Programme
- Facilitate more balanced economic growth throughout the region
- Support the further progress of fisheries and aquaculture development
- Provide support for an extended range of tourism products including regional attractions and “clusters” of attractions and facilities
- Create viable off-farm opportunities
- Develop internal capacity building and new business and technology skills throughout the region

45. Support for these objectives is provided by specific measures under each Priority. The Fishery harbours, Gaeltacht harbours and aquaculture measure under each Priority is designed:

“to support the development of the industry so as to increase the viability of these communities, to provide alternative sources of income for them, and to contribute to national and regional economic growth through sustainable exploitation of fish resources”.

46. The Fishery Harbours Measures of the two Regional Operational Programmes provides for two Sub-measures:

- Sub-measure 1 – Port Infrastructure Improvement Programme
- Sub-measure 2 – Gaeltacht/Island harbours

This evaluation is concerned with Sub-measure 1 only.

47. “Objectives” for the Port Infrastructure Improvement Programme in both the BMW Sub-Programme and the S&E Sub-Programme are defined as:

“to support the provision, development and improvement of port infrastructure and port service facilities (including ice plants, auction halls, handling and storage facilities) at key strategic fishery harbours, and the construction and improvement of berthage and related facilities at smaller harbours and landing places, throughout the region. These facilities will be available to all users on equal terms”.

4.4.2 Comment on the Objectives

48. The objective of the two Fishery harbours measures can be thought of an overall objective, with the objectives of the sub-measure 1 - port and infrastructure improvement programme - as an immediate objective. These two objectives are considered in turn. Comment is not

provided on whether they have been achieved, as to do so would be premature given that we are only one year into a six year programme.

Overall objective

“to support the development of the industry so as to increase the viability of these communities, to provide alternative sources of income for them, and to contribute to national and regional economic growth through sustainable exploitation of fish resources”.

49. In its overall intent, the objective is an appropriate and valid one for government policy. The objective is concerned with ensuring that communities remain viable and fish stocks are not over-exploited as a result of government intervention. Over exploitation would result in declining profitability and cause considerable economic hardship in local communities. In the long run, sustainable exploitation of fish resources is the best way to maximise economic growth and contributions to the national and regional economies.
50. But sustainability may imply reduced catch levels and therefore alternative sources of employment for some of those currently engaged in fishing, and this is acknowledged by the reference to alternative sources of income. This is a welcome evolution from objective 6 of the 1994-1999 Operational Programme that sought to maintain fisheries related employment. There is considerable opportunity for harbours to be expanded to provide for non-fishing activities such as tourism, leisure, yachting etc, and this opportunity is appropriately provided for in the objective.
51. However, returning to the idea that objectives should be SMART, “support” is a non-specific objective which could refer to a number of policy instruments such as financial support or training. In addition, it is not specific in terms of the best form of support (e.g. grants, tax rebates, etc in the case of financial support), or how much support would be appropriate.
52. “Development” is also a non-specific objective. As with objective 4 of the 1994-1999 programme it is not clear whether it means increased efficiency, or increased landings and volumes of throughput? Given current pressure on quota stocks and emphasis on viability and sustainability, it can be assumed that it is not an attempt to improve landings and volume of throughput, although increased efficiency would certainly be desirable.
53. The objective is measurable to the extent that sustainability of fishing, economic growth, and alternative sources of income are all measurable. It is also realistic and agreed, in that few would argue against the sense in managing resources in this manner.

Immediate objective

“to support the provision, development and improvement of port infrastructure and port service facilities (including ice plants, auction halls, handling and storage facilities) at key strategic fishery harbours, and the construction and improvement of berthage and related facilities at smaller harbours and landing places, throughout the region. These facilities will be available to all users on equal terms”.

54. The immediate objective is appropriate and valid in that it concentrates on infrastructure provision, which in turn will help to fulfil the overall objective of assisting the industry. It is also valid in that specifies an effort to improve the quality of fish landed and sold (and thus increase value-added) through the improvement of port service facilities.

55. The objective also makes a sensible attempt to divide landing sites into a) major harbours where support will be provided for port infrastructure and services, and b) smaller landing sites, where berthage, piers etc (as opposed to ports) are thought to be more appropriate and imply a smaller scale of infrastructure support. Reference to selected small landing sites of socio-economic importance, has disappeared from the 1994-1999 objectives, and the immediate objective in the 2000-2006 National Development Plan is thus considerably more general in this regard than the objectives in the 1994-1999 Operational Programme.
56. Reference to facilities being available to all users on equal terms, is a recognition of the fact that fishing is largely a male-dominated activity, although considerable opportunities are present for women in upstream and downstream activities. Projects that are funded are therefore intended to target areas where employment opportunities for women are currently limited.
57. Comment on objective 1 of the 1994-1999 Operational Programme provided above, is also of relevance to the emphasis on “key strategic fishery harbours” as stated in the immediate objective of the 2000-2006 Plan.
58. As with the overall objective, “support” and “development” are non-specific objectives for the reasons given above.

4.5 Conclusions and Recommendations

59. A number of concluding comments and recommendations can be made from the review of objectives of the fishery harbour development programme.
60. 1) Government involvement in the state provision of funds for harbour/pier infrastructure is valid and appropriate. By and large, the industry cannot afford to pay for necessary improvements and new facilities, and without state support, many harbours would not be suitable for use by the fishing industry and other sectors where fishing is not a priority⁴, causing considerable regional and national impacts in terms of employment and economic growth. Furthermore, government support for infrastructure investment can assist with the necessary process of making harbours more available for use by non-fishing users e.g. leisure craft, anglers, yachtsmen etc. These activities are vital in assisting fishing dependent communities to find alternative sources of income so that fish stocks can be exploited sustainably.
61. 2) The objectives in both the 1994-1999 Operational Programme and the 2000-2006 National Development Plan are not always SMART. In particular they are frequently not specific. Two general comments can also be made in relation to how resourced and time-limited they are. By definition, as they are for the Operational Programme period 1994-1999 and the National Development Plan 2000-2006, they can be considered to be time-limited. However, it is clear from the consultant’s evaluation that they are not all resourced to the extent of being able to be fulfilled. This is principally the result of the need to share available and limited monies between the large number of competing landing sites with justifiable grounds for investment. However, if more limited and specific objectives were defined, it might be possible to meet them more fully.
62. 3) The 1994-1999 objectives could have been streamlined, as a number of them overlap in intent.

⁴ DMNR Harbours covered under the 1902 Act. An example includes Cape Clear

63. 4) Both sets of objectives refer to key strategic fishery harbours. **It is recommended that there is a need to re-assess the priority harbours/FHCs and consider the revised status of other harbours** e.g. Greencastle, Union Hall, Kilmore Quay.
64. 5) The 1994-1999 objectives have evolved into the 2000-2006 objectives, to the extent that more emphasis is placed on non-fishing activity, sustainability, and the quality of product: all three things can viewed positively.
65. 6) There are still no references in the objectives to encouraging the fishing industry and other beneficiaries to provide more of the facilities themselves to generate private sector leverage. **It is recommended that this is encouraged given the potential reductions in structural funds and state monies which will be available in the future.** It is acknowledged that it is unlikely to be possible to get users to fully pay for the provision and maintenance of facilities, but some contribution is nevertheless important so as to reduce problems of additionality.

5 Value for money

5.1 Quantification of benefits

66. Table 1 provides information on the total grant funding made during the review period of 1998-2000 to the ports and landing sites under consideration as part of this evaluation. The total financial commitments to Port Facilities and Infrastructure under the 1994-1999 Operational Programme were budgeted at ECU 23.436 million but subsequently topped up in annual budgets.

67. Funds available in the 2000-2006 National Development Plan for Fishery Harbours, are as follows (in Euros millions):

REGION	Total Investment (€000s)	ERDF Contribution (€000s)	Exchequer Contribution (€000s)	Local Authority Contribution (€000s)
S&E	42,770	14,360	22,500	5,910
BMW	41,580	14,640	24,810	2,530
TOTAL	84,350	29,000	47,310	8,440

68. In order to assess whether grant-aided projects have provided value for money, it is necessary to consider whether the benefits of each investment have exceeded the project costs. Both costs and benefits should be considered over a number of years (normally 25 in the case of fishing harbour development), with net benefits discounted over the life-span of the investment (it is understood that in the case of projects funded by the Exchequer the discount rate usually used is that at which the Exchequer borrows). In all societies, greater value is placed on investment and consumption now compared with that in the future. This is because resources available today can be invested to produce goods and services that will be available in the future. So if the same resources were made available two years later, the economy would have lost the benefit of two years of investment which would have been realised. The discount rate therefore reflects the “time value of money” for both costs and benefits realized over the life span of the investment. The difference between discounted costs and benefits is known as the Net Present Value (NPV), and should be greater than zero if investment is to be approved on national economic grounds⁵.

69. An internal rate of return (IRR) should also be calculated. In the IRR, the NPV is fixed at zero, and the discount rate is determined that makes the present value of flows of costs and benefits equal over the life-span of the project. The IRR provides a simple measure of the profitability of a project, and is particularly useful in comparing IRRs for different options being considered for investment at a particular site. The higher the IRR, the greater the return on the project. Finally, a benefit-cost ratio for different options under consideration is normally presented. This ratio is commonly used to rank projects and determine their comparative economic viability. The benefit cost ratio is calculated by dividing the sum of the present value of all benefits, by the discounted sum of all costs.

⁵ It may sometimes be appropriate to approve projects with a NPV of less than zero if there are good socio-economic grounds for doing so i.e. high dependency on fishing in particular areas.

70. Each application for funding (or at least for those requesting more than a specified amount of grant aid) should be required to demonstrate, using the different measures described above, that the proposed project is expected to provide value for money. However, the consultant has not been able to identify any formal or detailed cost/benefit analysis of investments, or rigorous quantification of benefits. The lack of any adequate cost/benefit analysis makes it difficult, if not impossible for the consultant to quantitatively evaluate value for money by reviewing benefits that were claimed prior to funding, and comparing these with actual benefits.
71. In many cases no pre-feasibility study was undertaken at all, while for the overwhelming majority of cases⁶ where pre feasibility studies have been prepared, economic benefits have not been identified or where they have, these have not been quantified. The economic feasibility studies undertaken on behalf of the DMNR for larger investments are therefore inadequate. Had such benefits been assessed, it is quite possible that the more expansive options could well have been endorsed (e.g. chilling at Castletownbere market, extension of the marshalling area in Killybegs etc). Of the feasibility studies undertaken and reviewed as part of this evaluation, the most deficient is perhaps that for development at Rossaveal. It is void of content and has no relevant economic analysis. In fact its main focus is on employment generation when such a development is most unlikely to occur. However, there are other benefits that have not been identified, which could make this project viable. The best of the feasibility studies are probably those done for Killybegs and Greencastle. However, once again, the benefits are not quantified and some benefits have been ignored. In as far as all the FHCs and Dingle/Greencastle are concerned, the consultant's experience with cost/benefit analysis suggests that an analysis of costs against benefits could justify the expenditure on all counts.
72. Cost/benefit analysis is a standard economic tool used to assess the economic soundness and viability of projects, and is considered normal practice when contemplating investment decisions. Public sector investment in economic infrastructure such as fishing harbours, can have significant bearing on the overall performance of the national economy, and it is thus imperative to ensure that public sector funds are being well-spent resulting in net benefits to the economy. The overall aim of any investment appraisal is therefore to determine whether the works can be justified on national economic grounds, and therefore whether the works should be grant-aided with public money. Cost/benefit analysis can also help to prioritise between different investment options, both at a particular location, but also between locations. Such practice is commonplace in other countries in assessing harbour infrastructure development, and is also used in Ireland in other sectors e.g. roads. This begs the question as to why it is not a requirement for grant funding in Ireland for fishing harbour development?
73. The lack of any formal requirement for cost/benefit analysis to accompany applications for grant funding is a serious short-coming as it prevents appropriate decisions being made on economic grounds to maximize national benefits, and hinders subsequent evaluation of the value for money. This deficiency should be urgently reviewed. To assist this process, Annex 2 provides a few pointers on methodological issues for conducting cost/benefit analyses, and the normal steps associated with cost/benefit appraisal. These suggestions should be taken and expanded into a full set of conditions and guidance notes for grant funding.

⁶ Pre feasibility studies were prepared for Rossaveal, Dunmore East, Killybegs, Greencastle and Castletownbere

74. As a result of the lack of any adequate pre-feasibility studies, it has been necessary to examine value for money more qualitatively. Individual ports were visited to identify benefits that have resulted from investment, or could result from proposed investments.
75. Visits to ports and landing sites have suggested that while benefits have not been quantified in virtually any instance, at least in qualitative terms considerable benefits have resulted from previous investments or could be expected from proposed investments. It is likely that these benefits have not, or would not, always out-weigh the investment costs (e.g. Cleggan), but where this has been the case significant non-quantifiable and socio-economic benefits have resulted, or would result, from state funding. The consultant has not found any instances of profligate investment in facilities that have resulted in few benefits and could be considered to be poor value for money. Regarding small-scale ports/piers, it appears that there is very little else that can be done other than what the DMNR has been doing to date i.e. remedial repair works. There may be some instances where reparation to one pier when alternatives may be nearby, might cause some value for money challenges, but such concerns are considered negligible.
76. Benefits from previous or proposed investments, have been, or would be, related to:
- improved/maintained access conditions (e.g. Cleggan, Quilty, Courtown)
 - reduced fishing vessel maintenance costs (e.g. Darby’s Point, Dingle, Greencastle, Killybegs, Cape Clear)
 - leisure time-savings (e.g. Dunmore East, Cromane, Darby’s Point, Dingle, Greencastle)
 - fish quality improvements (e.g. Greencastle, Castletownbere)
 - improved safety conditions under which fishermen work in the harbours and their environs (virtually all landing sites)
 - improvements to fish quality (e.g. Castletownbere)
 - fuel cost savings for stranger/foreign vessels (Castletownbere, Dunmore East, Rossaveel, Dingle, Greencastle)
 - non-fishing benefits (e.g. Killybegs, Kilmore Quay, Howth, Burtonport, Rossaveel)
77. In addition, site visits suggest that in the absence of funding, many facilities would have quickly deteriorated to a level where many harbours would have become unusable by fishermen and other harbour users, causing displacement to other ports and extensive socio-economic damage. The results of many of the investments have clearly thus generated considerable benefits compared to what would have happened under a “do nothing” option. Given the general paucity of funding for fishery harbour works, and the large number of landings sites that need to be maintained and upgraded, it appears that almost all projects that are approved, are by that stage, necessary for the continued operation of ports/piers, and thus provide good value-for-money. However, funding decisions would nevertheless be greatly facilitated by the use of cost benefit analysis that would help the decision-making process in allocating scarce resources to competing needs. At present, there is not formal requirement for applications for funding to be accompanied by cost benefit analysis.

5.2 *Private sector contributions*

78. Assessment of the value for money must consider the appropriateness of using tax-payers money to fund investment. Such an assessment relates to two concepts: additionality and leverage.

5.2.1 Additionality

79. Additionality is the extent to which public funds are being used to support development that would, at least to some degree or at some time, have taken place in the absence of any state support. With regard to additionality, the consultant does not believe that many of the investments reviewed as part of this evaluation would have taken place in the absence of public sector support, and most investments can thus be considered to have high additionality. Investments have high additionality simply because the levels of capital required are high given the lack of funding of urgent investment requirements in large, medium and small ports over recent years.

5.2.2 Leverage

80. Leverage is the degree to which public funds can be, or have been used to attract private sector investment, either in the harbour development itself, or in related activities following harbour improvements (for example, harbour improvements might result in private sector traders establishing new vivier storage facilities for shellfish).

81. Potential, or actual, leverage of private sector funds following construction or harbour improvements have often constrained by low incomes. This is true of many of the landing sites considered as part of this evaluation. The obvious exception is Killybegs, and perhaps one or two of the other major landing sites, where fishermen are cash-rich compared to other areas of the country. Killybegs in particular is a thriving and profitable harbour, and much of the related investment by the private sector in on-shore activities related to the industry are directly the result of state contributions to the harbour. Potential for private sector leverage also exists from the yachting and leisure sector. This has been evidenced by the success of marinas at Dingle, Howth and Kilmore Quay. The leisure industry is a rapidly growing one, both in Ireland, and the EU more generally. Yachting is an important part of the leisure market, and has seen rapid growth in recent years. Future developments must therefore make greater efforts to harness the potential for private sector leverage from this sector. Ferries and angling/charters are also suggested as an alternative method of generating private sector leverage (Rossaveel). Improvements in harbours, and expected increases in tourism and the leisure sector, offer the potential for the private sector to be attracted to invest and earn profits. Harbour developments must therefore make appropriate provisions to include the needs of these potential investors.

82. However, contributions by the private sector to capital investments themselves that have been supported by state funds, or to on-going maintenance costs, have been virtually zero. As mentioned above, given reductions in likely state/EU support in the future, all private sector harbour users must be encouraged to make contributions to harbour maintenance, and ultimately to investments in upgrades and new facilities. Users at some small ports may not be able to contribute to investment costs in new facilities due to low levels of value-added being generated from fishing and other activities, but users at larger ports (e.g. all the FHCs, Dingle, Greencastle), intermediate landing stations (e.g. Derby's Point, Burtonport) and the aquaculture infrastructures (Cromane, Carrickaroary) should be expected to contribute to investment and maintenance costs of capital works in the future.

83. Some encouraging signs are evident that a shift in attitude by harbour users is already taking place at least at some ports e.g. fishermen at Dunmore East, Kilmore Quay, Cromane, Killybegs, Greencastle and a number of other ports have openly stated their acceptance of the need to make higher payments in exchange for harbour usage.

5.2.3 User fees

84. Harbour dues are currently pegged by legislation that is now more than 10 year old. This places considerable constraints on the ability of harbours to recoup their running costs, and to accrue funds for future investments and maintenance. This situation is not acceptable and steps should be taken to review harbour charges immediately. It makes little sense for harbour dues to be legislated for across-the board at national level in any case. Individual harbours should be able to set harbour dues which are appropriate to their particular operational and investment needs, perhaps with some maximum limit, but certainly at significantly higher rates than at present. The free market should be allowed to function at least to some degree, with harbours being able to compete for vessels based on harbour charges and associated facilities which they are able to offer.
85. The Government now has a stated policy on private finance initiatives and public private partnerships, and private sector leverage and contributions to investment and maintenance costs must be a high priority of future harbour investment programmes. Such a development would follow the pattern of private sector contributions to capital and maintenance works at harbours in other countries. In the UK for example, it is DEFRA policy for port facility grants made under FIFG, not to put funding in when a public authority is involved and harbour authorities (quasi-private sector) would usually be expected to make contributions to add to FIFG funds. In Northern Ireland, the harbour facilities are owned by the government and managed by the Northern Ireland Harbour Authority, but the Department of Agriculture for Rural Development (DARD) has adopted a dual policy of encouraging contributions from the NIFHA, sourced from revenue made from levies and total grant funding split into government contributions are 25% with FIFG grants of 75%. The latter policy has evolved because of urgent needs for reparations⁷ in the three NIFHA ports to provide sufficient leverage, but at the same time, NIFHA has raised its harbour dues in recognition of the future demands for shared funding.
86. Similarly, in the UK, if the facilities are privately owned, then the private sector is expected to contribute.

5.3 Repairs/maintenance vs. new construction

87. Some discussion is also appropriate about the purposes for which ERDF are being used. Annex 1 shows the individual projects that have been supported using ERDF. A number of these are indicated to be “repairs”. The European Commission has previously raised questions about the DMNR using ERDF for repairs and maintenance. While it is acknowledged that the EC does not itself have hard and fast rules relating to funds being used for such purposes, the EC clearly feels that it is not appropriate to spend structural funds on repairs and maintenance. The reasons for this are primarily due to the need to maximize additionality and leverage, as per the discussion above.
88. However, it is noted that The DMNR’s policy in the current NDP is to direct EU investment towards large development projects such as Killybegs and Castletownbere, and that the cost of collecting user charges to cover repairs and maintenance costs would in many cases far exceed the resulting income or benefits.

⁷ In recent years, the NIFHA has received 100% funding from FIFG on the basis that they were in an overdraft position and could not fund their proportion of the cost. Given the backlog of works (€7.5 million), the authority could not fund the normal 25% share and remain solvent.

5.4 *Conclusions and recommendations*

89. A number of conclusions and recommendations can be drawn from the proceeding discussion:
90. 1) The lack of any requirement for cost/benefit analysis to be undertaken to justify value for money is a serious shortcoming of current DMNR policy. **It is recommended that any project requiring investment of more than €1 million should be required to complete such an analysis based on the steps and methodological guidelines provided in Annex 2. All cost/benefit analyses should be accompanied by sensitivity analyses to test the robustness of projects to changes in their underlying assumptions. Detailed instructions for such analyses should be contained in guidelines on the grant application process to be prepared by the DMNR.**
91. 2) Despite the lack of cost/benefit analysis against which the consultant could assess value for money, it appears from a qualitative review of benefits, that value for money is being provided by grant funding. This is in part due to the overall low levels of funding available, which mean that virtually all projects that are supported are in need of state funds.
92. 3) Grant funding is in most/all cases fully additional i.e. investment would not have taken place in the absence of state support. However, this is in part due to low overall awareness of the need for private sector contribution and leverage.
93. 4) **Private sector leverage is minimal, and in most cases, non-existent. It is recommended that this situation must be urgently rectified, particularly in light of potentially reduced ERDF expected to be available to Irish landing sites on coming years.**
94. 5) While the EC have no clear rules on the use of ERDF for repairs and maintenance, they do not favour the use of funds for such purposes, and DMNR funds should not therefore be used for repairs and maintenance.
95. 6) The low level of user fees currently being charged, and pegged under old legislation, is not justifiable on economic grounds. **It is recommended that the level of harbour dues and other user charges should be urgently reviewed, to ensure that harbour income is sufficient to guarantee appropriate operations and maintenance of harbour facilities.**

6 Grant rates

96. Grant rates applicable for harbour works currently differ for landing sites in different areas. These differences apply to both ERDF and DMNR funds. Under the National Development Plan 2000-2006, investments in the S&E Region, being an Objective 1 transition area, are eligible for 50% ERDF. Investments in the BMW region (Objective 1) are eligible for 75% ERDF.
97. DMNR regulations specify 100% support for harbour investment requirements for the five FHC and Dingle, where such investments are approved. This applies to certain landings sites under the responsibility of the DMNR as specified in 1902 legislation, such as Cape Clear and Cleggan. This is an historical anomaly that the DMNR is trying to rectify by handing over facilities to local authorities. However local authorities are reluctant to take responsibility unless the facilities are in good condition and are not going to require additional funding/maintenance in the near future. Grant rates for all other landing sites are 75% with local authorities expected to make up the balance of 25%. In cases where fisheries may not be the predominant activity, the Government contribution may be divided between DMNR and the Department of Arts and Heritage (e.g. Cape Clear).
98. The relative level of support by ERDF and the DMNR means that, for example, investments in a FHC in the BMW Region could be expected to receive 75% from ERDF and the remaining 25% from the DMNR, while a non-DMNR owned facility in the BMW Region would receive 75% from ERDF with the local authority expected to contribute the balance of 25%. A FHC investment in the S&E Region would receive 50% from ERDF and 50% from the DMNR, but a non-FHC would receive 50% from ERDF, 25% from DMNR with 25% provided by the local authority.
99. It is pertinent to ask three questions in relation to grant rates:
- should private sector contributions be required?
 - should grant rates differ depending on the type of likely benefits from different investments?
 - should there be a maximum grant rate
100. Given the discussion above about the need for greater levels of private sector contribution, it is suggested that it would be appropriate in the future, and indeed necessary as preparation for conditions of reduced grant funding, for all grant applications to be accompanied by an undertaking of some private sector contribution in addition to funds allocated by local authorities. Some exceptions might need to be made initially in areas of low income, but exemption could be tolerated if accompanied by special justification by local authorities. Certainly the principal of private sector contribution should be encouraged by the DMNR, and should be reviewed favourably by the Department in grant applications where such contributions are forthcoming. As a long term goal, private sector investment should be encouraged under the public private partnership (PPP) framework.
101. Should grant rates differ depending on the type of benefits expected by different investments? For example, one might suggest that investments resulting in improvements in safety, health and hygiene, and environmental measures should receive higher grant rates than investment in, for example, improved access resulting from dredging works. However,

arguments for different grant rates are not strong. All ports are required under EU legislation to maintain certain EC standards in relation to both health and hygiene, and safety and environmental measures, and it does not seem appropriate to provide enhanced rates for things that are in any case essential. In addition, in practice it would be extremely difficult to separate out works that directly resulted in particular benefits in those areas deemed to be most desirable.

102. There is currently no grant ceiling applied to applications for funding, and it could be argued that a grant ceiling would be useful given the large number of competing claims for funds from landing sites around the coast. However, placing a ceiling on grant funds would be likely to result in under-provision of facilities in some cases (under-provision is already thought to a problem as described in Section 9). For example, if a ceiling of €5 million were applied, necessary investment at a particular location would have to kept within this limit, whereas spending an extra €2 million might resulted in more than €2 million in additional benefits over the lifespan of the investment. It is therefore considered that it would be better practice for each application to be judged on its own economic merits (in terms of the NPV and IRR), so as to maximize the benefits of grant funding to the Irish economy as a whole.

6.1 Conclusions and Recommendations on Grant Rates

103. Conclusions and recommendations following a consideration of grant rates are:

- 1) Funding should be divided to differentiate significant fishery dependent harbours and others, with some form of ring fencing for harbours of high dependency**
- 2) As a long-term goal, the private sector should increasingly be expected to contribute to investment costs under the public private partnership (PPP) framework**
- 3) Grant rates should be equal for different types of investment (as is the current situation) irrespective of the type of benefits likely to result**
- 4) As is currently the case, there should be no grant ceiling. Individual grant requests should be required to justify particular levels of investment using cost/benefit analysis and associated NPVs and IRRs**

7 Performance indicators and monitoring

104. As per the terms of reference, the consultant has been asked to evaluate existing performance indicators and their adequacy for monitoring and assessing the impact of the programme. It is noted that progress reports during construction are common practice, final site visits are made by DMNR engineers to sign off projects, and overall performance of the programme is supposed to be measured based on the output (e.g. number of new/extended facilities) and results (e.g. length of new pier or improved berthage) as defined in the Programme Complements to the S&E and BMW Operational Programmes. The performance indicators therefore require the measurement of the physical facilities resulting from the Programme at baseline, mid-term and final stage, and are satisfactory in themselves, but do not measure the actual impacts.
105. The Complements deal with the measurement of impacts through the specification of ex-Ante evaluation objectives of supporting regional development, development of economic infrastructure, local enterprise, and rural development. The Complements refer to objectives relating to fisheries, the environment, equality, rural development, and poverty, but no indication is provided as to how any of these objectives are to be measured in either a quantitative or qualitative sense, and ex-Ante evaluation criteria are far from being specific and measurable. As a result, they are not especially useful, and this perhaps explains why it does not appear that any performance indicators of this kind are actually being regularly maintained. **It is of great concern, that no indicators are used or follow-up monitoring currently conducted to assess the actual benefits of any capital investment made in harbours and landing sites. This is a serious deficiency and it is recommended that it should be corrected immediately.**
106. The problem stems in part from the lack of any defined application process (see Section 8) for grant funding under which anticipated benefits and impacts could be specified, and against which actual impacts could then be measured. Annex 3 therefore provides an indicative list of quantitative and qualitative indicators (mainly fisheries) that could be used to monitor and evaluate the programme in the future. These indicators would need to be expanded to allow for the measurement of impacts on the environment, equality, rural development and poverty.

8 Process and procedures for applications for grants

107. The Operational Programme for Fisheries 1994-1999 Measure 4 (Port Infrastructure and facilities – Fisheries Harbour Development Procedures), in accordance with Council Regulation (EEC) No. 3699/93, specified certain arrangements and procedures regarding the investing of Community Structural Funds (ERDF) in port and infrastructure facilities, as follows:

108. Within the Port Infrastructure and facilities measure there were 2 sub-measures:

109. The Port infrastructure sub-measure (pier construction. Improvements in quality and hygiene, reduction in pollution and improved environmental protection, and improvement in jetties). Project proposals were considered eligible if they resulted in:

- increased earnings of fishermen and aquaculturists,
- increased in volume and value of turnover,
- increased in berthage capacity,
- improvements in landings facilities,
- improvements in berthage and working times and reductions in tidal influences,
- improvements in safety and hygiene,
- improvements in economic status of isolated coastal and island communities,
- development of fishing communities to progress to larger, safer vessels without depopulating existing communities

110. The Port facilities sub-measure (provision/improvement of facilities including ice plants, auction halls, handling and storage facilities, improvement in the quality and hygiene of operations, support for fishing vessel activities, reduction in pollution and improved environmental protection): Project proposals were considered eligible if they resulted in:

- Increased volume of ice supplies
- Increased volume of throughput at auction halls
- Improved working conditions
- Improved safety and hygiene

111. Responsibility for fish landing sites in Ireland falls into two categories as already mentioned:

- Department of Marine which is responsible for 5 FHCs, Dingle and a number of 1902 Act piers
- Various local authorities (local government) responsible for the remaining fishing ports

112. The Operational Programme for 1994-1999 specified that either of these two groups could present a formal application for grant funding, and local sea fisheries officers also helped to identify investment needs. All proposals were to be examined by an expert fishing harbour development committee (FHDC) made up of appropriate divisions of the DMNR: fisheries harbours and coastal protection division, property and foreshore division, sea fisheries control division, engineering division, aquaculture division, finance division. FHDC was to consider proposals against a wide range of criteria (such as strategic considerations,

dependence on fishing, project costs and benefits, improved safety etc), with grant applications prioritized as specified in DMNR guidelines.

113. That was the theoretical and published process. The reality was somewhat different. The consultant has found that these procedures have been followed and implemented in only the loosest of interpretations. In fact no clear prioritisation has taken place with associated justification, based on any form of decision-making matrix or guidelines, or based on detailed cost benefit analysis. As already discussed, the feasibility studies that have been completed have been inadequate and have not contained information which has enabled the DMNR to make comparisons between projects so as to maximize the benefits of grant funding to the country as a whole. Given limited DMNR funding for harbour works and the obvious needs in so many places (e.g. clear indications of over-crowding, piers in poor state of repairs etc), assumptions about benefits to be generated and value for money in the absence of any formal quantification is not thought to be a problem, as almost all projects can be expected to be of value. But the lack of formal identification of benefits hinders the inability to decide which projects would generate more benefits than others i.e. the prioritisation process.
114. An example is provided by proposed investments at Clogherhead. In the absence of any cost/benefit analysis, and the designation of Howth nearby as a FHC, the DMNR has declined to support harbour developments at Clogherhead, although local fishermen have been making a case for grant support for a number of years. This decision is based on the assumption that developments at Clogherhead would result in displacement from Howth. This may indeed be the case, but until a full analysis has been conducted, and one that assesses the intrinsic benefits of transfer (fuel and leisure time), damage savings and the potential of Clogherhead to attract vessels from Northern Ireland, it will be perceived that the decision-making process is based not on objective economic data, but on the DMNR's desire to protect the interests of "their own" FHC.
115. However, given the history of inadequate investment, a note of caution must be raised about using cost/benefit analysis to prioritise all investments at this stage. Such an approach, with priority based on the most significant benefits, could discriminate against other urgent needs (particularly at smaller landing sites) on the grounds of lower benefits that would be achieved.
116. In reality, the Fishery Harbours and Coastal Protection Section of the Sea Fisheries Administration Division pass grant applications to the Engineering Division for their perusal, with the former making a recommendation in due course to the Minister. The FHDC has not formally met since 1997 (despite recommendations in yearly audits of the Operational Programme 1994-1999 conducted by Deloitte and Touche), and is not therefore involved in this prioritisation process. It is unclear therefore as to exactly how the Fishery Harbours and Coastal Protection Section does in fact prioritise between competing demands for grant funding. It is suspected that the method is an informal one based on information provided, the local knowledge of sea fisheries officers and DMNR engineers, who has/has not received funds in recent years etc.
117. **It is recommended that the DMNR operates a more transparent and accountable decision-making process, based on specified and followed guidelines, to deal with the problem of allocating scarce resources to many different competing needs.** This decision-making process should of course be partly based on socio-economic and strategic issues, but must be primarily determined by an economic assessment of how best to use state funding to maximize benefits to the country. The DMNR does have guidelines on project selection and

approval as stated in the Procedures Manual (currently being revised). However, the guidelines are inadequate. **It is therefore recommended that the DMNR undertake a complete review of the project selection guidelines, with their development into a form that is more useful for those involved with the prioritisation process.**

118. We are also concerned about the lack of adequate formal assistance, guidelines and/or requirements for grant applications. This severely hampers the ability of the DMNR to prioritise between competing applications for funding based on standardized information, and means that those applying for grant funding have no clear idea about what information should be contained in their submissions. **We have therefore made some tentative suggestions and recommendations in Annex 4 on information that should accompany all applications for funding.**

9 Over- or under-provision of facilities at harbours, timing problems, and cost over-runs

9.1 Over- or under-provision of facilities

119. Assessment has been made of investment at all ports visited as to whether the investment provided resulted in any over-or under provision of facilities. This relates to assessing whether the sizing of investments has been appropriate for the fishing industry's needs, and allows for future developments and proposed trends, not just at the port where investment was approved, but at nearby ports which may affect the industry at ports receiving grants.

120. With the possible exception of Quilty, none of the investments at landing sites reviewed indicated any deadweight i.e. over-provision of facilities. In fact the reverse is true. Generally infrastructure developments in the Irish ports, and particularly the larger ports have been under-funded. This has inhibited the developments of significant benefits to the region but more importantly led to the evolution of unsafe practices in almost all the harbours that we have reviewed. A number of investments could well have generated benefits with a greater Net Present Value if more funding had been available at the outset, and improvements sized to be that bit larger than was actually the case e.g. Kilmore Quay, Dingle, Greencastle, Castletownbere, Killybegs, Rossaveal. For smaller landing sites, the DMNR appears to be doing all that it can in regularly upgrading and maintaining piers around the coast.

9.2 Timing

121. A number of general problems were raised in discussions with DMNR staff, about the timing of project implementation and potential delays, which can result from:

- The need for certain statutory permissions (e.g. foreshore licences) which slow down the project cycle
- Requirements to comply with EU environmental legislation
- Tender costs that have frequently been found to be higher than the budget allocated due to inflation in civil engineering costs associated with the construction boom. This necessitates an additional process of trying to identify additional funds that are required – something that often proves difficult for local authorities
- Some deficiencies in staff numbers at both local authority and DMNR level. This means that there are simply not enough engineers available to deal with all the on-going projects. This problem has also been compounded by the construction boom in Ireland in recent years which has attracted many state-employed engineers to leave and work for the private sector. The DMNR currently only has about 50% of the budgeted engineering staff.

122. However, during site visits, only a small number of those interviewed at landing sites/harbours (e.g. Killybegs) reported problems regarding the timing of investment and civil works. However, some local authorities did report certain difficulties with the timing of expenditure.

123. The biggest problem faced by local authorities is perhaps the requirement to get foreshore leases from the DMNR, and various ecological studies completed. County Councils frequently find themselves in the position of having signed contracts with contracting

companies to then find that it is difficult, it not impossible to utilise the allocated funds within the given year. This means that local authorities often do not want to inform the DMNR that they will not be able to get a project finished within the year, as if they do so, they are liable to lose the money that has been allocated to them for a specific project for that year, and have to then re-apply for it the following year with no guarantee that they will receive funding. It is usual for the DMNR to re-allocate the funding for the following year, but county councils are having to pay contractors on trust and the assumption that they will receive the money the next year.

124. This inability to roll-over grant funding causes considerable practical difficulties. The current budgetary arrangements laid down by the Government, and administered by the Department of Finance, do not provide for an effective system of multi-annual budgeting. While the Department submits expenditure demands annually to the Department of Finance for a three-year period no guarantees in relation to funding are provided until the annual Finance Act is enacted which in itself only makes provision for the current year.
125. As a result of these timing problems, the DMNR often faces a problem of under-spend of the total grant budget available each year, with monies allocated to a particular year not having been spent in that year. **It is recommended that these problems are alleviated by recruitment of additional staff engineers, and a more rigorous evaluation of project costs at the time of grant applications.**

9.3 Cost over- or under-runs

126. DMNR submit monthly reports on monies spent and committed on DMNR projects. Local authorities are also required to submit progress reports. This appears to maintain a good control on project spending. The consultant has not found cost over-runs to be a widespread problem. Where cost over-runs do occur (e.g. Courtown, Kilmore Quay), they are usually the result of increased construction costs associated with inflation in civil engineering works, rather than a mis-calculation of costs by engineers at the feasibility stage of the project cycle. Such problems are likely to diminish with the recent slow-down of the economy. **Nevertheless, it is recommended that the DMNR make improved provisions for unexpected increases in costs.**
127. **There are however currently no formal guidelines/policies on how and whether cost increases can be approved. This is a matter of some concern and it is recommended that is should be rectified by the DMNR through the development of a standardized system for such eventualities.**
128. For large projects (over € 1 million), for which it is recommended that cost/benefit analyses be an integral part of the application process, where costs are known to have increased prior to the award of the contract since the analysis were completed, revised NPV/IRR calculations should also be required to ensure that the project is still estimated to provide value for money.

10 Management and organisation of expenditure

129. Comment on the management and organisation of expenditure falls in to a number of related areas of institutional strengths and weaknesses:

- Existence of necessary formal management practices and guidelines
- Compliance and utilization of stated practices and procedures
- Staffing and workloads

10.1 Current strengths and weaknesses

10.1.1 Management practices and procedures

130. As already highlighted in this report, there are currently no (or inadequate) stated/published formal management practices relating to:

- Assessment of the potential/perceived value for money using detailed cost/benefit analysis
- Approval of any cost increases
- Monitoring and assessment post-investment using performance indicators
- Prioritisation of grant applications
- Guidelines for applicants on information to be contained in applications

This represents a serious management shortcoming of public expenditure on the Port Infrastructure Improvement Programme.

131. In addition, there are also a number of areas in which the DMNR could make improvements in adherence and compliance to those stated practices and procedures that are already in place. These have been routinely highlighted in yearly audits/reports on the Operational Programme completed by Deloitte & Touche (e.g. for the years ending 1998 and 1999), as well as being referred to in an EC spot control mission on the Operational Programme conducted in June 1999. Examples include:

- “when reviewing a project file ... it was not always readily apparent by whom validation work had been carried out, or that the correct procedure had been followed”
- “EU regulations require that projects which receive grant aid must display a plaque noting that the project has been assisted by EU funds. Three of the projects inspected did not have a plaque on display”
- non-adherence to procedures outlined in the National Procedures Manuals “can be summarized as follows:
 - formal applications registers and claims registers are not being maintained
 - grant applications are not prioritised in accordance with guidelines
 - pre-project approval sheets are not being used
 - acknowledgement of receipt of application is verbal rather than in writing
 - copies of documents required by the Procedures Manuals are not being kept on file
 - auditor’s certificates were not obtained for certain grant claims”

- invoices which do not meet requirements of National Procedures Manuals. “Grant aid on these invoices are dated prior to the date of acknowledgement by the relevant agency of receipt of the completed grant application form.”
- “it was noted that communications in relation to many issues do not take place as required by the Procedures Manuals. Such issues include:
 - ascertaining the views of the Department in relation to project being evaluated
 - obtaining approval of the Department for modification to projects and increases in project costs
 - obtaining Department approval for extensions to the time limits for completion of projects”
- “in the majority of project files reviewed the checklist included in the Procedures Manual which should be completed and attached to the payment claim papers is not prepared.”

132. While not all of these comments refer specifically to the ports facilities and infrastructure improvement programme, they are nevertheless an indication of a level of non-compliance by the DMNR with formal procedures.

133. Filing and maintenance of records appears to be a particular weakness. Again, some quotes from the yearly audits and the EC control mission are indicative:

- “in three instances, the documentation on file to support a grant claim was incomplete.”
- with regards to the follow-up system the EC spot control mission of June 1999 reported that “the four services reporting to the DMNR had been declaring expenditure informally and haphazardly and without any formal sign-off procedures; some figures were not backed up with any written evidence suggesting that the information had been supplied by telephone or similarly, some figures were backed by hand written notes without any indication of who or which organisation had provided the information and when”
- “in relation to one project for which work was carried out by a Local Authority, invoices had not been received for four items of expenditure which had been grant aided”
- “the format of records maintained relating to applications and payments varies between agencies. Frequently these records do not include an overall schedule tracing the history of a project from initial receipt of application to payment of final grant”

10.1.2 Staffing

134. There currently exists a very good relationship between the Fishery Harbour and Coastal Protection Section of the Sea Fisheries Administration Division and the DMNR engineers. This offers considerable benefits to the efficient management of public expenditure, but can result in an informal attitude to procedures as described above. It is further noted that the hands-on involvement in many of case studies by Senior DMNR officials is useful and facilitates discussion and efficient processing of the applications.

135. It is however recognized that existing staff are over stretched. This is evident in some cases with the lack of familiarity with projects post-development. Concern is raised over the number of unfilled engineering posts in particular. It is very clear that existing DMNR engineers in particular have been doing an excellent job and are generally highly competent and motivated. However, there need to be more of them. Additional administrative staff in the Fishery Harbours and Coast Protection Section would also be of benefit. Continuity of staff in particular posts is also clearly important, but not a practice that appears to be widely supported by the DMNR. It is reported that staff are frequently being moved to different positions within the Department. This creates considerable problems for local authorities and

harbour users in knowing whom to contact about particular issues. It is also suspected that it creates inefficiencies because of staff having to frequently get up to speed with new portfolios and activities. This results in unfamiliarity with the investments and relies heavily on one or two key (and senior individuals) to maintain continuity. Clearly a balance has to be struck between continuity of staff in particular positions, and enabling staff to rise up the career ladder so as to maintain motivation.

136. It is imperative that those within the Division, particularly at senior level, have experience in the operational logistics of harbour operations. It is also suggested that every effort be made to ensure that knowledge of specific projects is divested more coherently from old to new members of staff and likewise from the regional engineers. Furthermore, those managing the projects should be encouraged to visit sites on appointment and glean background information from the engineers, although this would be difficult with the current level of staff resources. The proposed structure of applications and monitoring of indicators will compliment familiarity issues.

137. Interviews conducted as part of this evaluation do not indicate any general perceived problems by those based at individual landing sites with DMNR staff, although some concerns were raised (e.g. at Howth, Quilty, Dunmore East, and Cromane). However, some local authorities reported insufficient accountability and inadequate communication by the DMNR on projects that are undertaken on a joint venture basis between county councils and the DMNR.

138. One area of great concern in our assessment of staffing capabilities, is the complete absence of any economists in the Fishery Harbour and Coastal Protection Section. Given that prioritisation of grant funding and investment opportunities should attempt to maximize value for money and benefits to the national economy, this is a serious deficiency, as it leaves the Department void of any expertise with which to make such assessments. A number of options are available to the Fishery Harbour and Coastal Protection Section to solve this problem:

- They could recruit their own economist
- They could utilise economics expertise within the DMNR
- They could sub-contract economics work to outside consultants

10.2 Recommendations

139. It is therefore recommended that:

- **Immediate steps be taken to formulate those practices and procedures which have been identified as currently lacking**
- **Greater efforts be made by staff to follow all existing procedures and guidelines**
- **Additional technical staff be recruited to the Engineering Division, and further consideration given to the adequacy of administrative staffing levels in the Fishery Harbour and Coastal Protection Section**
- **Economics expertise (through one method or another) be made available to the Fishery Harbour and Coastal Protection Section**

11 Management of harbour operations

140. In addition to issues of management and organisation of the public expenditure programme itself, the consultant also believes that there are certain key development and management issues relating to both FHCs and non-FHCs, which have a bearing on how public funds are spent, and what the relative resulting benefits are/could be. Some of these issues are being considered by a Harbour Review Group that is currently assessing the management structures and future potential of Dingle and the five FHCs.
141. However, the focus of the Harbour Review Group is narrow. Potentially vital harbours remain outside the remit of the review. As has been mentioned earlier in Section 4 of this report, the consultant’s observations during field visits suggest that there is a strong case to add Dingle, Greencastle, Kilmore Quay and Union Hall to the list of FHCs.
142. There are also good reasons to consider the possibility of operating the FHCs as single entity which remains under state control (or single private ownership) but which is collectively responsible for all the FHCs. This would enable the single authority to have access to central administration and strategic support (e.g. from engineers) as well as the capacity to look at Irish fishery harbour development from a strategic perspective. For this reason, the consultants perceive that management of the FHCs specifically should be divested to a specialist unit where the knowledge and experience can be retained. It is suggested that DMNR review the organisational structure as adopted in Northern Ireland between DARD and the Northern Ireland Fishery Harbour Authority.
143. Consultations, in part from the interviews of the Harbour Masters, generally favour some sort of set-up such as this. In effect this would create an “Irish Fishery Harbour Authority” that is focused on:
- Harbour development
 - Capacity building
 - Attracting additional activity (fishery and commercial) through active marketing
 - Increased self reliance through establishing realistic harbour charges
 - Cost sharing and achieving economies of scale (joint strategic decisions re investments / access to a pool of engineers)
 - Rigid compliance to Health & Safety standards
144. The first of the other alternatives, namely delegating responsibility of the FHCs to BIM, would be short-sighted since it would merely pass responsibility from one non specialised organisation to another, when the principal problem with the DMNR’s role as manager is the fundamental lack of resources, manifested by the current concept of having to act as a charity to harbour users because of inadequate user charges. The other key problem is the need for the DMNR to think more strategically; currently a problem caused by being under-resourced and rapid turnover of staff at senior management level. Whilst staff turnover would not probably be an issue under BIM management, the operation of the FHCs would be subsumed by the other responsibilities required of BIM, possibly thereby creating problems and a lack of necessary management focus.
145. The second alternative option of setting up autonomous harbours has its merits, but strategically has key weaknesses to the extent that with an inevitable increase in the need for

self-funding of development options, there is a danger that the more cash rich harbours would advance whilst others would contract. Given the location of most of the harbours, this is unlikely to create displacement from one harbour to the next, but it could lead to the creation of infrastructures that could lead ultimately to deadweight (over-investment). This is looking well into the future, as all the harbours reviewed to date suffer from the opposite i.e. under-provision (see Section 9) which has denied growth opportunities for the fleet and the surrounding economies.

146. As a consequence, and as a way of contributing to the discussion about the management structure of harbours in Ireland, we would therefore recommend the following:
147. **1. Examination of the remit for the definition of FHCs and exploration to the extent to which the FHC status might be extended to include other ports. Such an examination should be based on practical and economic grounds, namely on the recognition of existing usage and infrastructure and the ability of these ports to exhibit a degree of self-reliance, thus avoiding political interference.**
 148. **2. Examination of the operating costs for the FHC harbours, including exposure to various health and safety and insurance risks. Identification of the inadequacies, and the costs required to ensure compliance.**
 149. **3. Examination of other ongoing costs that should be specifically covered by harbour users, for example running repairs. This is against the background of potential reductions in overall EU funding as discussed earlier.**
 150. **4. Examination of the services that should be provided to the harbour users and if marketed correctly, could attract new users (e.g. synchro lifts, fish markets, packing stations, other support infrastructure) and gain support from existing users for a levy.**
 151. **5. Examination of cost advantages to stranger (other EU) vessels when utilising different Irish ports**
 152. **6. Examination of the potential for commercial benefits through other income generating activities (oil, commercial traffic, ferry charges, yachts, liners, agency fees etc)**
 153. **7. Identification of manpower required to service the harbours, including an extended resource base to cover collection of dues, engineering capabilities and management (including the extent to which some of these tasks could be contracted out).**
 154. **8. Identification of a charge structure, with a degree of consistency throughout each port, but taking account of required burden of harbour operations and a degree of self reliance**
 155. **9. Identification of other means of raising investment capital (selling shares to harbour users)**
 156. **10. Identification of the most appropriate management structure (autonomous or combined)**

157. The Harbour Review Group may well be exploring some of the above, and whilst outside the scope of this evaluation of public expenditure, should all be considered in detail if the most appropriate structure is to be identified.

12 Conclusions and Recommendations

158. The discussion, conclusions and recommendations contained in this report can be summarised using a SWOT Analysis of the fishery harbour expenditure programme reviewed by this evaluation.

12.1 Strengths

- Objectives of the programme are appropriate for Government funding. By and large, the industry could not afford to pay for necessary improvements and without state support, many harbours would have deteriorated to a condition beyond use
- Objectives have evolved to focus more on seeking alternative employment opportunities for fishermen (within harbours) rather than maintaining existing employment in the sector, which could potentially have a cost to fish stocks and long term sustainability. They have also evolved to consider non-fishing harbour users more generally, and to place more emphasis on fish quality
- Grant funding is generally providing value for money (even though value for money is not required to be demonstrated in applications). Principal benefits of investments include: reductions in maintenance costs, continued access to harbours, reductions in dead-time, non-fishing benefits
- Grant funding is supporting investments that are mostly/fully additional
- There is little, if any, over-provision (i.e. deadweight) of facilities
- There are few cost over-runs (and where they do occur), are the result of inflation rather than mis-calculation by engineers at feasibility stage)
- There are high quality engineering staff at DMNR, and involvement of senior staff in the Fishery Harbour and Coastal Protection Division in many investment projects

12.2 Weaknesses

- Objectives of the programme are not generally specific enough
- Objectives have not generally been fulfilled due to insufficient funding available. Over-crowding in harbours remains a serious problem resulting in safety concerns, poor handling practices and fish quality, unnecessary maintenance costs, and considerable time wastage
- Feasibility studies are generally inadequate, and there is a complete lack of any adequate cost/benefit analysis to justify investments or assess value for money
- Private sector leverage associated with grant funding is minimal, and user fees are not currently being charged which are commensurate with the facilities and services being provided by harbours. This has serious long term disadvantages if EU and national funding were to be downgraded
- The DMNR is treading a fine line over the use of ERDF for civil works that could be considered to be repairs and maintenance, rather than new construction, and has already been warned by the EC about these issues
- No performance indicators are available to assess the actual benefits of investments
- No transparent process is being used to prioritise between competing demands for grant funding
- Under-provision of facilities in a number of locations has prevented greater net economic benefits from being realized

- There are some timing problems in the use of funds by local contractors within the specified project year, and practical problems caused by the inability to roll-over grant funds in to the following year. The inability to roll-over funds usually results in DMNR under-spend each year
- There are no formal guidelines on how and whether cost over-runs can be approved
- Management practice is generally weak in terms of both documentation and records keeping, and adherence to stated procedures and guidelines
- Staff are generally over-stretched, and there is a complete lack of any economics expertise within the Fishery Harbour and Coastal Protection Division
- Staff at the DMNR are regularly moved between posts, creating confusion for those outside the department, and the frequent need for staff to spend time learning about new jobs and responsibilities

12.3 Opportunities

- Development of more specific objectives
- Potential to revisit designation of Fishery Harbour Centres to include other major landing sites
- Formulation of a new management structure for FHCs following more detailed studies
- Specification of a requirement for all grant applications of more than €1 million to be accompanied by a cost/benefit and sensitivity analysis. DMNR to develop detailed guidelines on cost/benefit and sensitivity analysis
- Legislation to be revised to enable harbours to impose higher user charges
- Ring fencing of appropriate proportions of grant funding for landing sites of special socio-economic importance
- Greater contribution of private sector contributions to investment in civil works to be encouraged/required by specification of minimum private sector contributions
- Greater use of performance indicators post-investment to assess value for money and project impacts
- Development/improvement of the prioritisation process to include more economic analysis and a weighted formula for assessing the merits of all projects
- Specification/use of a standardized form for grant funding applications
- Consideration by the DMNR of changing policy so that funds allocated can be rolled over into the following year, if valid reasons are provided
- Development/use of formal guidelines on how and whether cost increases can be approved
- Recruitment of more engineers, and ability of the Fishery Harbour and Coastal Protection Division to access economics expertise when appropriate

12.4 Threats

- Reduced availability of ERDF/Government funds in the future means that the private sector must be expected to make greater contributions, if not to new works, then at least to maintenance and repairs to existing ones. In some areas, low incomes mean that obtaining such private sector support is problematic
- Political pressure against revised harbour charges
- Relative wage rates in the private sector will make it difficult to recruit additional engineers

13 Annex 1 – Grant funding allocated 1998-2000

The grants allocated for fishery harbour projects in each of the years 1998, 1999 and 2000 are as follows.

FISHERY HARBOUR WORKS UNDERTAKEN IN 1998

LOCATION	PROJECT	GRANT PAID (€s)	TOTAL COST (€s)
CORK			
Castletownbere	New slipway, for Bere island, powerpoints, upgrade Auction Hall, resurfacing, syncrolift inspection, minor harbour works	727,220	727,220
Ardgroom	Pier development	170,225	226,967
Ballycotton	Dredging	81,898	109,197
Crosshaven	Completion of pier development	97,213	129,618
Kealbeg	Safety works	3,880	5,173
DONEGAL			
Killybegs	Upgrade Auction Hall, Syncrolift inspection, studies/investigations, general maintenance and upgrading works	818,697	818,697
Burtonport	Dredging of approach channel	224,933	299,911
Carrickaroary	Pier reconstruction	144,143	192,190
Greencastle	Quay reconstruction	132,888	177,184
Kerrykeel	Pier development	62,811	83,748
Portaleen	Pier development	52,377	69,836
Port Arthur/ Magheragallen	General repairs	13,515	18,020
KERRY			
Cromane	Site investigation	44,093	58,790
Dingle	Pier extension	206,135	274,847
Portmagee	Completion of works	9,020	12,027
Sneem	Resurfacing of parking area	2,920	3,894
Blackwater	Resurfacing & provision of public lighting	16,634	22,179
Corvagillagh	Repairs to ramp and provide access at all tides	8,571	11,428
Knightstown	remove obstruction at pier head	1,905	2,539
Cooncrona	Improve access, provide concrete decking	7,618	10,158
Coonanna	Repair damage at pier head	7,618	10,158
LOUTH			
Carlingford	Completion of pier reconstruction	51,331	68,441
Wexford			
Kilmore Quay	Dredge rock at Harbour entrance	49,202	65,603
GALWAY			
Rossaveel	Minor harbour works and renewals	77,483	103,310
Cleggan	Pier repairs	941,318	181,187
Rossadilisk	Pier repairs	13,688	18,250
Killeany	General maintenance works	46,292	61,723
DUBLIN			
Howth	Minor works and renewals, security system, syncrolift inspection	92,390	92,390
OTHER			

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Galway Bay to Foyle	Study	2,246	2,246
Piers, Lights & Beacons	Various locations nationally	34,919	34,919

FISHERY HARBOUR WORKS UNDERTAKEN IN 1999

LOCATION	PROJECT	GRANT PAID (€s)	TOTAL COST (€s)
WEXFORD			
Kilmore Quay	Dredge rock at harbour entrance	31,910	42,547
Courtown	Repairs to pier wall	106,658	142,211
Cahore	Repair of slipway	19,998	26,664
CORK			
Castletownbere	Complete new slipway for Bere Island, S.I. for new pier on Dinish Island, Syncrolift carriages, minor harbour works, power points, security cameras, road rehabilitation, etc.	946,887	946,887
Ballycotton	Repairs to breakwater	37,611	50,148
Knockadoon	Extension to slipway	6,062	8,083
Durrus	Extension of working area	114,820	153,092
Lough Beal(Pontoon)	Navigation mark at entrance	10,430	13,906
Ballycrovane	Pier development works	50,247	66,996
Keelbeg(Union Hall)	Landscaping and surfacing entrance	38,688	51,583
Gerahies	Pier extension/development works	67,723	90,296
Cape Clear (North Harbour)	Repairs to outer breakwater	95,731	127,640
Cunnamore	Pier improvements	213,673	427,346
Colla	Pier improvements	4,633	9,267
Goleen	Pier improvements	52,002	69,335
KERRY			
Dingle	Pier development works	425,008	425,008
Cromane	Site investigations	15,845	21,127
Reen (Ballinskelligs)	Widen root of pier/provide slipway	42,843	57,124
Portmagee	Improve access and decking	24,513	32,684
Ballykissane	Rebuild pier head/provide lighting and water	33,402	44,536
Rossdohan	New pier and water supply	29,622	39,495
Knightstown	New berthing wall/repairs	48,289	64,386
Callinafercy	Pointing and repairs	2,882	3,843
Kilmackilogue	Slipway, lifting gear & storage area	27,908	37,211
CLARE			
Doonbeg	Design new pier and site investigation	48,543	64,725
Liscannor	Completion of decking of pier	76,116	101,488
Seafield	Storm wall and widen causeway	93,776	125,034
GALWAY			
Rossaveal	Provision of hardstanding and drying wall, surfacing of compound, general maintenance, car park extension and surfacing	408,640	408,640
Killary Harbour	Design and site investigation	8,354	11,139
Torrea Pier, Kinvara	Repair to pier/provide slipway	8,077	10,769
Spiddal Pier	Repairs	23,808	31,743
Caladh Thaigh	Repairs	35,927	47,903
		28,287	37,716
Tramvarraderry (Rossaveal)	Repairs		

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Ballinakill (Derryinver)	Land facility	4,116	5,489
Cleggan	Pier repairs	4,012	8,023
Killeany Beacon	Beacon repairs and decking	33,628	44,837
Rossadilisk	Pier repairs	22,406	29,874
MAYO			
Darby's Point	Redecking of old pier (Design)	39,050	52,066
Roigh Pier	Parking/service area, Repairs to pier	95,230	126,974
Porturlin	Dredge inner basin/provide mooring piles	57,138	76,184
Kilalla	Dredge channel/silt transportation study	71,105	94,808
Kilcummin	Remove boulders from berthage/ pier head	11,428	15,237
Newport	Repairs to quay wall	95,230	126,974
Campport, Dooega	Repairs to storm wall	47,615	63,487
SLIGO			
Mullaghmore	Repairs	40,479	53,973
Raghly Pier	Improve access	71,105	94,808
DONEGAL			
Killybegs	Pile repairs, ongoing engineering and maintenance, site investigations, pier design, new slipway, syncrolift carriages.	2,032,518	2,032,518
Greencastle	Repairs to pier	477,906	637,208
		EU Funded	
Port na Blagh	Dredging and pier furnishing	143,699	191,598
Woodquarter	Extend and strengthen pier	223,857	298,476
		EU Funded	
Bruckless	Replacement of furnishings/step repairs	16,811	22,415
Ballysaggart	Reconstruct pier/breakwater and repair wall	144,755	193,007
Maugheragallen	Extend pier- facilitate ferry and half deckers	107,888	143,851
Portmore	Provide slipway	99,790	133,053
Portronan	Repairs	47,165	62,886
Bunagee	New winch/associated works including slipway	143,057	190,743
Moville	Pier reconstruction/improvement	28,569	38,092
Buncrana	Dredging works	41,953	55,937
Carrickaroary	Pier repair	161,187	214,916
Kerrykeel	Slipway	111,300	148,399
WATERFORD			
Dunmore East	Rehabilitation of quay structure, including remedial works to South Pier walls and east Pier stability investigation, safety, hygiene and preventative maintenance works, Shandon cliff stabilisation study, resurfacing of harbour entrance, minor works	457,398	457,398
Ardmore	Pier improvements	21,744	28,992
DUBLIN			
Howth	Resurfacing damaged areas, Provision of toilets, retaining wall stabilisation, extra carriages for syncrolift, revetment repair, replace water mains, minor works and renewals	727,081	727,081
OTHER			
Piers, Lights and Beacons	Various locations nationally	13,601	13,601

FISHERY HARBOUR WORKS UNDERTAKEN IN 2000

		GRANT PAID (€s)	TOTALCOST (€s)
CORK			
Castletownbere	Effluent treatment facility upgrade, Dinish Bridge remedial works, Dinish Wharf Ext. and Auction Hall, mainland quay rehabilitation, security cameras, safety & maintenance works, syncrolift carriages, sheet pile assessment	935,838 EU funded Dinish Bridge remedial works, Effluent Treatment upgrade, Dinish Wharf Ext., Security Cameras, Sheet Piling Ass	935,838
Keelbeg	Safety works	55,219 EU funded	73,625
Keelbeg	Survey	2,212 EU Funded	2,950
Ballycotton	Repairs to breakwater	105,623	140,830
Ballycrovane	Pier development	3,722	4,963
Colla	Pier improvements	101,624	203,249
Cunnamore	Pier improvements	66,647	133,294
Durrus	Extension of working area	109,521	146,028
Gerahies	Pier ext./dev. works	49,937	66,582
Goleen	Pier improvements	81,959	109,279
Goleen	Slipway	17,141 EU Funded	22,855
Lough Beal	Navigation mark at entrance	2,558	3,410
Cape Clear	Repairs to outer breakwater	65,453	87,271
WATERFORD			
Dunmore East	Cliff stabilisation works Phase 1 and 2, resurfacing of harbour entrance road, foul berth rehabilitation and East Pier investigation, safety & maintenance works	509,427 EU Funded Shanoon Cliff Study, Cliff stabilisation, Rd Surfacing, Repairs to foul berth.	509,427
Ardmore	Pier improvements	106,860	142,481
Tramore (Lady Elizabeth's Cove)	Repairs to seawall	37,957 EU Funded	50,609
DUBLIN			
Howth	Watermains revetment, refurbishment of old canteen, extra carriages for syncrolift, safety & maintenance works	499,600 EU Funded - replace watermains	499,600
DONEGAL			
Killybegs	Steel pile repairs, new slipway, new pier development, safety and maintenance works, refurbishment of Harbour Master's residence	2,779,894 EU Funded Access Rd New Pier, Pile Repairs, Sl, Slipway	2,779,894
Greencastle	Harbour development/Wave Study	20,068 EU Funded	26,657
Greencastle	Repairs to pier	15,815	21,087

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		EU funded	
Ballysaggart	Repairs	45,893	61,191
Buncrana	Dredging & RNLI Berthing facility	267,631	356,841
Moville	Pier improvements	137,565	183,420
Portmore	Slipway/Site Investigation	112,440	149,921
		EU Funded	
Portnablagh	Dredging	68,474	91,299
Bunagee	New winch/associated works including slipway	50,003	66,670
		EU Funded	
Kerrykeel	Slipway	11,160	14,880
		EU Funded	
Portsalon	Pier maintenance	36,124	48,165
Lenan	Site Investigation	56,323	75,097
		EU Funded	
Mountcharles	Repointing/lighting/ dredging	238,656	318,208
		EU Funded	
Portronan	Repairs	86,047	114,730
Bundoran	Rock removal	192,762	257,017
		EU Funded	
Woodquarter	Extend & strengthen pier	16,948	22,597
		EU Funded	
Bruckless	Replacement of furnishings, step repairs	2,415	3,219
GALWAY			
Rossaveel	Safety & maintenance works, harbour feasibility study	92,624	92,624
Inishboffin	Repairs of fenders and safety works	35,111	46,814
Spiddal	Pier repairs	45,113	60,150
Torrea Pier	Repairs, provide slipway	111,352	148,470
Lynch's Pier	Slipway	2,079	2,079
		EU Funded	
Eanach Mheain	Survey	6,349	6,349
		EU Funded	
Ceibh na hAirde	Survey	2,322	2,322
		EU Funded	
Tra Ban	Pier and slipway	6,338	6,338
Cleggan	Improve slipway/outer breakwater, provide boat repair/hardstanding, access to outer breakwater, dredging	69,304	92,405
LOUTH			
Clogherhead	Maintenance and safety works	111,765	149,020
		EU Funded	
KERRY			
Cromane	Site Investigation	187,073	249,431
		EU Funded	
Dingle	Pier development Works	3,499,570	3,499,570
		EU Funded	
		Slipway Wall	
Dingle	Pesca project	112,207	112,207
Dingle	Resurfacing / pontoons	88,866	88,866
Kilmackillogue	Slipway, lifting gear and onshore storage area	77,185	102,914
WEXFORD			
Kilmore Quay	Dredging	504,110	672,146
		EU Funded	
CLARE			
Seafield	Provide stormwall, widen causeway and construct slipway	195,671	260,895
Doonbeg	Pier design work	143,798	191,730

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Liscannor MAYO	Pierhead widening to include steps	69,192	92,255
Darby's Point	Redecking of old pier	519,259	692,346
		EU Funded	
Killala	Provision of slipway/Silt transportation study	9,557	12,743
		EU Funded	
Newport Quay Wall SLIGO	Safety barriers, power point, fresh water. etc.	3,299	4,398
Mullaghmore	Pier repairs	54,751	73,001
Strandhill	Design work for slipway	23,046	30,728
OTHER			
Piers, Lights & Beacons	Various locations nationally	99,876	99,876

14 Annex 2 –Guidelines for Cost/Benefit Analyses

14.1 Steps in cost/benefit analysis

The usual steps involved in an investment appraisal are as follows:

- **Examination of the strategic context and objectives of the investment.** Background information on harbour users should be presented, along with the existing problem(s) and its implications. The objectives of the investment should be stated, and often include an overall objective and an immediate objective. The objective(s) should address the problem and should be common across all “do something” options
- **Consideration of the investment options.** The available options should be considered and described in detail. A “do nothing” option should always be presented, as this provides an important benchmark against which costs and benefits of other options can be assessed. The “do nothing” option should not include any capital costs (except perhaps those required to demolish an unsafe structure) but might include costs associated with doing nothing, such as decline in the fishing fleet, re-location to other ports etc
- **Identification of the costs.** Identification of costs is usually the job of civil engineers. Costs should include all capital expenditure for different options, and should also include any design and supervision costs of construction, and necessary maintenance cost over the lifespan of the investment. No allowance should be made for inflation, unless prices for specific goods are expected to change at a rate that is significantly different from the general rate of inflation. All costs should be shown individually with justification, explanation and comment on any assumptions made.
- **Identification of the benefits.** See 14.2 below
- **Analysis and calculation of the Net Present Value (NPV), Internal Rate of Return (IRR) and benefit/cost ratios for different options.** Costs and benefits should then be compared using a discounted cash flow analysis to quantify the NPV, the IRR and the benefit/cost ratio. It is usual for year 0 to be the year in which capital expenditure is made, with all costs and benefits then accruing to year 1 onwards.
- **Assessment of the risks and assumptions associated with the analysis and the proposed investment, and completion of a sensitivity analysis.** All cost/benefit analyses require certain assumptions to be made in the modelling (e.g. about the scale of costs and benefits), and have risks and uncertainties associated with the analysis (often to do with the status of stocks). These assumptions and risks are not necessarily a problem as long they are all explained and considered in the accompanying text. Of course, the appraisal should be based on the most likely estimates of costs and benefits, but sensitivity analyses can be conducted to assess which assumptions are most critical to the model’s NPV and IRR. Typically, a sensitivity analysis should assess the relative impacts on the IRR of a percentage change in different assumptions. A sensitivity indicator can then be calculated to show how changes in key variables affect the IRR and should be presented in both tabular and graphical form. The sensitivity indicator is equal to the percentage change in the IRR divided by the percentage change in the variable being altered. The higher the sensitivity indicator the greater the potential risk. Those factors with a high sensitivity indicator can then be re-visited to check on their validity and any associated assumptions.
- **Presentation of the results and conclusions/recommendations.** Finally, the results should be presented with comment on what they mean for the decision-making process. Usually, the option with the highest NPV/IRR will be recommended (if the NPV is greater than zero), but there may be other reasons for choosing an alternative option or for recommending that

investment should proceed even with a negative NPV. Such reasons may include socio-economic benefits and/or large non-quantifiable costs (see below).

14.2 Possible benefits to be considered

A wide range of benefits can be generated from fisheries harbour infrastructure development. These can include both quantifiable benefits and non-quantifiable benefits. Non-quantifiable benefits associated with different investment options are those on which it is not possible, or too difficult within the timeframe/budget of the analysis, to place a monetary value. They can obviously not be modelled, but should be described in support of different options.

Quantifiable benefits

- *Additional fish landings.* Quota fish are usually excluded from an assessment of benefits, because increases in landings of quota species imply a reduction of quota landings from other national vessels based at other ports. Increases in non-quota fish landings that directly result from the investment can be considered, with any additional value-added being included as a national benefit
- *Reductions in maintenance costs.* It is typical for investment in harbour facilities to result in reductions in maintenance costs due to improvements in berthage facilities, reductions in overcrowding etc. These costs can be a considerable part of total vessel operating costs, and reductions can be included as benefits in the appraisal.
- *Improvements in fish quality.* Investments in facilities such as new markets, or landings infrastructure which can be expected to improve the quality of handling, mean that sale prices of fish might be expected to increase as a result. Given that all other costs of fishing remain constant, these increases in value-added can be counted as a benefit. Such improvements should not be overstated, and it is unusual for increases of more than 5% to be justified.
- *Increase in employment.* Investments may generate increases in employment. First phase employment generation will include construction worker wages, secondary employment increases will include additional support harbour staff.
- *Reductions in dead-time.* Investment in facilities can reduce over-crowding, speed up turnaround times, reduce time required to unload fish, reduce crew travel times etc. This freed-time can be used either to increase fishing time for non-quota species, with increases in value-added included as benefit as described above, or to provide crew with increased leisure time. This leisure time is typically valued at 30% of the crew's average take-home pay.
- *Changes in boat mileage.* Investments in infrastructure can prevent harbours closing down, or can improve access to harbours so that vessels can land their fish closer to fishing grounds. Resulting changes in boat mileage have implications in terms of both freed-time and reduced fuel usage. Both can be included in the appraisal as benefits.
- *Increases in foreign landings.* Investments that result in increased foreign landings generate benefits in terms of extra value-added made by local companies associated with these landings/visits. Beneficiaries may include auctions, processors, vessel agents, harbour authorities, but should be restricted to those directly engaged within the harbour i.e. should not include spending in the local community and any resulting profits.
- *Non-fishing benefits.* Investment in harbours is often intended to benefit not just the fishing industry, but also other sectors such as tourism and leisure. This is particularly so given the need to diversify employment opportunities in many coastal communities. Increases in value-added from such activities directly relating to the harbour, can therefore be included as benefits in the appraisal.

Non-quantifiable benefits

- *Safety*. Investments often result in working conditions and facilities that significantly improve safety for harbour users. Fishing is one of the most hazardous occupations, and under legislation, it is often incumbent on those with overall responsibility for harbours to make the necessary improvements to facilities so as to rectify any safety hazards. Likely improvements in working conditions, and issue of particular importance, should be described in an accompanying text.
- *Socio-economic benefits*. Harbour developments may take place in communities with few other income-generating opportunities, and thus have particularly significant socio-economic benefits. These should be described with supporting reasons and background information.
- *Indirect multiplier effects*. Indirect benefits to local communities, and increases in value-added, should not be included in calculations of NPVs and IRRs but can be described to provide additional justification, where they are thought to be significant.

14.3 Methodological issues

Some methodological issues that must be kept in mind when completing cost/benefit analysis are:

- Due to the requirement to quantify benefits on the basis of information that is in some cases incomplete or only partially justified, it is useful to take the approach of defining the extent and scale of the expected benefits prior to any calculation of the net present values. This ensures that the analysis does not seek to justify the investment by scaling benefits accordingly, but rather, remains objective in the estimation of benefits resulting from the proposed investment.
- In all cost/benefit analyses it is important at the outset to define the project area. This is particularly important in determining which items can be considered costs or benefits, and which are just transfer payments. As central government finance is likely to be sought for the majority of proposed investments, it is usually appropriate to take “Ireland Plc” as the area of study, rather than the specific port/locality. The analysis should thus consider the costs and benefits to Ireland as a whole in assessing whether the investment is justifiable.
- Increases in non-quota fish landings are eligible for benefits in cost/benefit analyses, only to the extent that they increase the profit to the fishing industry. The additional profit to the fishing industry resulting from an increase in the amount of quota fish landed in one harbour can not be considered a national benefit as there is likely to be an equivalent decrease in quota fish landed at another harbour (except where quota is not being taken up). Given current pressure on all stocks (quota and non-quota), it is normally considered prudent only to include small amounts of benefits due to increases in non-quota fish landings as a result of investment.
- Investment may benefit not just the fishing industry, but other sectors. Fishing as well as non-fishing benefits can therefore be included in the analysis. However, benefits should be confined to those directly resulting from the harbour, and multiplier effects and additional benefits to the local economy should not be included.
- Freed time, or time savings, are usually considered in cost/benefit analyses as a benefit at a rate of 30% of the crew’s average take home pay.
- Changes in boat mileage normally result from options that might otherwise involve closing or restricting access to a harbour, and changes in boat mileage are calculated by comparing the distances travelled from the fishing grounds to the current facility and the nearest alternatives. Fuel and time savings can therefore be included as a benefit.
- Harbour dues and rental charges are “transfer” payments, do not represent national resource costs, and are not eligible benefits in investment appraisal.

- If investment results in fish previously landed overseas being landed in Ireland, then the extra profits earned by the local economy can be included as a benefit.
- A discount rate of 6-8% is typically used in the analysis, but an appropriate rate can be advised by the Department of Finance.
- The appraisal period and anticipated life of fishing harbour works is normally 25 years. This is considered normal practice in the case of fishing harbour development and exceptions should be specifically justified.

15 Annex 3 – Indicative list of performance indicators

(To be completed by each Regional Fishery Officer for each port). All figures to be supplied separately for quota and non-quota species.

1. Value of sales (€000) from Home based vessels						
	Year preceding investment	Years post investment				
		Year 1	Year 2	Year 3	Year 4	Year 5
Demersal						
Pelagic						
Shellfish						
Total						

2. Tonnage of sales from Home based vessels						
	Year preceding investment	Years post investment				
		Year 1	Year 2	Year 3	Year 4	Year 5
Demersal						
Pelagic						
Shellfish						
Total						

3. Value of sales (€000) from Stranger (other Irish) vessels (excluding non Irish)						
	Year preceding investment	Years post investment				
		Year 1	Year 2	Year 3	Year 4	Year 5
Demersal						
Pelagic						
Shellfish						
Total						

4. Tonnage of sales from Stranger (other Irish) vessels						
	Year preceding investment	Years post investment				
		Year 1	Year 2	Year 3	Year 4	Year 5
Demersal						
Pelagic						
Shellfish						
Total						

5. Value of sales (€000) from Foreign vessels						
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	Year preceding investment	Years post investment				
		Year 1	Year 2	Year 3	Year 4	Year 5
Demersal						
Pelagic						
Shellfish						
Total						

6. Tonnage of sales from Foreign vessels						
	Year preceding investment	Years post investment				
		Year 1	Year 2	Year 3	Year 4	Year 5
Demersal						
Pelagic						
Shellfish						
Total						

7. Sales from Foreign vessels as a percentage of total						
	Year preceding investment	Years post investment				
		Year 1	Year 2	Year 3	Year 4	Year 5
UK						
France						
Esp						
Nethl						
Faro						
Norway						
Russia						
Portugal						
Belgium						
Other						

8. Employment (number)						
	Year preceding investment	Years post investment				
		Year 1	Year 2	Year 3	Year 4	Year 5
Home based fishermen						
Processing						
Other onshore* fisheries related						
Non fisheries related **						
Total						

*including harbour staff, fishery officers and ancillary support workers

** employment directly related to the harbour investment e.g. in marina, associated with leisure activities etc

For questions 9 – 14, please circle Yes/No and provide comments.

9. Has there been a reduction in damage to vessels since the investment	
Yes	No

10. Has there been any improvement in draft, and how long did improvements last	
Yes	No

11. Has congestion reduced	
Yes	No

12. Has there been any recognisable improvement in fish quality	
Yes	No

13. Has vessel turnaround time / waiting time been reduced	
Yes	No

14. Have there been subsequent problems with any of the civil engineering works completed	
Yes	No

16 Annex 4 - Suggested application form for grant funding

1. Location:

2. Type of renovation / construction required:

- Minor works and renewals / general maintenance
- Resurfacing
- Major repairs to harbour wall
- New pier construction / slipway
- Dredging
- Breakwater
- Cliff repairs or surrounding earthworks
- Combination of the above
- Other (specify)

3. Please give more details about the background to the current problem and whether the investment is required for repairs/maintenance of new works.

4. What is the main usage of the facility (tick those relevant):

- Fishing
- Ferry
- Commercial
- Recreational (including yachting / angling and diving)
- Other (specify)

5. For each sector ticked in 4 above, please give details of a) numbers of people directly involved, b) numbers of vessels (by type/category) and c) estimated turnover

4. What is the total other related employment generated by the harbour/pier?

- Processing
- Marketing
- Onshore vessel support
- Other (specify).

5. Has an Engineering report been prepared? (Yes/No). If yes, by who? Please attach.

6. What is the total estimated cost (€) and on what are the costs based? (if more than one option, please provide details of all options)

7. Provide breakdown of costs (if more than one option, please provide details of all options)

- Minor works and renewals / general maintenance
- Resurfacing
- Major repairs to harbour wall

- New pier construction / slipway
- Dredging
- Breakwater
- Cliff and other earthworks
- Combination of the above
- Other (specify)

8. What are the perceived objectives of the project?

9. What will happen in the event that no action is taken?

10. Are there any alternative facilities nearby that could be used in the event that funding is not provided? Please specify.

11. Will investment action in this location result in displacement in activity from elsewhere? (Yes / No). If so give details.

12. What is the perceived distribution of investment capital?

- DMNR/ERDF
- County Council
- Department of Arts & Heritage
- Udras na Gaeltach
- Private sector contributions

13. What are the perceived economic benefits (tick as appropriate and justify each one). (if more than one option, please provide details for all options separately)

- time savings
- additional non-quota landings
- improved fish quality
- reduced maintenance costs
- changes in boat mileage
- increased foreign landings
- non-fishing benefits
- improved access
- better safety
- strong socio-economic dependency on fishing

14. If the total costs exceed € 1 million, have these benefits been quantified? If yes, please provide details and attach any cost/benefit analysis in the format specified by DMNR (if more than one option, please provide details of all options)

15. What are the risks and uncertainties associated with funding the necessary improvements/repairs?

16. Any other relevant issues or motivations for grant funding?