



COMMISSION OF THE EUROPEAN COMMUNITIES

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2006/0093 (CNS)

Proposal for a

**COUNCIL REGULATION**

**laying down specific measures for agriculture in favour of the smaller Aegean islands  
and amending Regulation (EC) No 1782/2003**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

On 19 July 1993, the Council adopted Regulation (EEC) No 2019/93 introducing specific measures for the smaller Aegean islands concerning certain agricultural products. These measures have proven to be effective in promoting agriculture and securing supplies to these islands.

On the other hand, the administration of these arrangements leaves something to be desired; the management of the two strands of the scheme, i.e. the specific supply arrangements and support for local lines of production in the smaller Aegean islands, has proven somewhat inflexible. Adapting the supply balances to take account of even small fluctuations in demand requires the Commission to adopt legislation.

The arrangements for supporting local lines of production are, moreover, fragmented into several (micro-) measures established by the said Council regulation. It is not possible to adjust these measures without an inter-institutional legislative procedure, which slows down Community action and hampers attempts to react as quickly as possible to specific situations in the smaller Aegean islands, even though often only modest sums are involved.

In this respect, it is, therefore, proposed to change the philosophy behind the way assistance is provided for these smaller islands; by encouraging participation in decision making and speeding up the response to their specific needs.

This Regulation provides for the submission by Greece of one programme concerning the smaller Aegean islands. This programme will include a section on the specific supply arrangements for those agricultural products which are essential in the smaller Aegean islands for human consumption, as agricultural inputs or for processing, and another section on support for local production.

The Regulation does not affect the sources of financing or the intensity of Community support.

The Community will finance the programme under the EAGGF Guarantee Section at 100% up to an annual ceiling established in the Council Regulation. Part of this aid will have to be reserved for local agricultural production. The amounts have been calculated on the basis of the average expenditure on financing the specific supply arrangements during the reference period of 2003 and on the basis of expenditure ceilings applicable to support for local production.

Proposal for a

## **COUNCIL REGULATION**

### **laying down specific measures for agriculture in favour of the smaller Aegean islands and amending Regulation (EC) No 1782/2003**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and 37 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament<sup>1</sup>,

Whereas:

- (1) The particular geographical situation of some of the Aegean islands imposes additional transport costs in supplying products which are essential for human consumption, for processing or as agricultural inputs. In addition, objective factors arising as a result of insularity and remoteness impose further constraints on economic operators and producers in those Aegean islands that severely handicap their activities. In certain cases, operators and producers suffer from double insularity. Those handicaps can be alleviated by lowering the price of those products. It is therefore appropriate to introduce specific supply arrangements to guarantee supply to the Aegean islands and compensate for the additional costs arising from their remoteness, insularity and distant location.
- (2) The problems experienced by the Aegean islands are accentuated by the lack of size of the islands; in order to guarantee the effectiveness of the measures envisaged, such measures should only apply to islands known as the 'smaller islands'.
- (3) Community policy to assist local production in the smaller Aegean islands as established by Council Regulation (EEC) No 2019/93 of 19 July 1993 introducing specific measures for the smaller Aegean islands concerning certain agricultural products<sup>2</sup> has involved a multitude of products and measures for their production, marketing or processing. Those measures have proved effective and have ensured that agricultural activities have been maintained and developed. The Community should continue to support the lines of production, which are a key factor in the environmental, social and economic equilibrium of the smaller Aegean islands. Experience has shown that, as in the case of rural development policy, a closer partnership with the local authorities can help to address the particular issues affecting the islands concerned in a

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<sup>1</sup> OJ C ..., ..., p. ....

<sup>2</sup> OJ L 184, 27.7.1993, p. 1. Regulation as last amended by Regulation (EC) no 1782/2003 (OJ L 270, 21.10.2003, p.1).

more targeted way. Support for local production should thus continue through general programme at the most appropriate geographical level, to be submitted by the Greece to the Commission.

- (4) In order to achieve the goal of lowering prices in the smaller Aegean islands and mitigating the additional costs of their remoteness, insularity and distant location while maintaining the competitiveness of Community products, aid should be granted for the supply of community products to the smaller Aegean islands. Such aid should take account of the additional cost of transport to the smaller Aegean islands and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity and distant location.
- (5) Since the quantities covered by the specific supply arrangements are limited to the supply requirements of the smaller Aegean islands, those arrangements do not impair the proper functioning of the internal market. Nor should the economic advantages of the specific supply arrangements provoke diversions of trade in the products concerned. Dispatching or exportation of those products from the smaller Aegean islands should therefore be prohibited. However, dispatch or exportation of those products should be authorised where the advantage resulting from the specific supply arrangements is reimbursed or, in the case of processed products, to permit regional trade. Account should also be taken of exports to third countries and processed products corresponding to traditional exports should accordingly be authorised. Nor should the restriction apply to the traditional dispatching of processed products. For the sake of clarity, the reference period for defining those traditionally exported or dispatched quantities should be specified.
- (6) In order to achieve the objectives of the specific supply arrangements, the economic advantages of the arrangements must be in terms of production costs and must cut prices up to the end-user stage. They should therefore be granted only on condition that they are actually passed on, to the end user and appropriate checks must be carried out.
- (7) To help achieve the goals of developing local agricultural production and the supply of agricultural products, the level of programming of supplies to the islands concerned should be harmonised and the approach of partnership between the Commission and Greece should be systematic. The supply programme should therefore be established by the authorities designated by Greece and submitted to the Commission for approval.
- (8) Farmers in the smaller Aegean islands should be encouraged to supply quality products and the marketing of these should be assisted.
- (9) A derogation may be granted from the Commission's consistent policy of not authorising State operating aid for the production, processing and marketing of agricultural products covered by Annex I to the Treaty in order to mitigate the specific constraints on farming in the smaller Aegean islands as a result of their remoteness, insularity and distant location, small area, mountainous terrain and climate and their economic dependency on a small number of products.
- (10) Implementation of this Regulation should not jeopardise the level of special support from which the smaller Aegean islands have benefited up to now. For that reason, so that they can carry out the appropriate measures, Greece should have at its disposal sums equivalent to the community support already granted under Regulation (EEC) No 2019/93. The new system of support for agricultural production in the smaller Aegean islands established by this Regulation should be coordinated with the support

for the same lines of production in force in the rest of the Community. For the sake of clarity Regulation (EEC) No 2019/93 should therefore be repealed.

- (11) In accordance with the principle of subsidiarity and the spirit of Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers<sup>3</sup> it is appropriate to devolve the management of the specific measures for the smaller Aegean islands to Greece; therefore these measures may be operated through a programme approved by the Commission.
- (12) Greece has decided to apply the Single Payment Scheme to the entirety of the country as from 1 January 2006. To ensure coordination of the respective arrangements concerning the smaller Aegean islands Regulation (EC) No 1782/2003 should therefore be amended.
- (13) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission<sup>4</sup>.
- (14) The programme provided for in this Regulation should start to apply on 1 January 2007. However, to enable the programme to start on that date, Greece and the Commission should be permitted to take all the preparatory measures between the date of entry into force of this Regulation and that of the application of the programme,

HAS ADOPTED THIS REGULATION:

## **CHAPTER I**

### **INTRODUCTORY PROVISIONS**

#### *Article 1*

##### *Scope and definition*

1. This Regulation lays down specific measures, in respect of the agricultural products listed in Annex I to the Treaty (“the agricultural products”) and the means of agricultural production, to remedy the difficulties caused by the remote and insular nature of the smaller Aegean islands, hereafter referred to as the ‘smaller islands’.
2. For the purposes of this Regulation ‘smaller islands’ means any islands in the Aegean Sea except the islands of Crete and Evia.

#### *Article 2*

##### *Community support programme*

A Community support programme for the smaller islands (“the support programme”) shall be established including:

- (a) specific supply arrangements as provided for in Chapter II, and

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<sup>3</sup> OJ L 270, 21.10.2003, p. 1. Regulation as last amended by Regulation (EC) No 319/2006 (OJ L 58, 28.2.2006, p. 32).

<sup>4</sup> OJ L 184, 17.7.1999, p. 23.

- (b) specific measures to assist local lines of agricultural production as provided for in Chapter III.

## **CHAPTER II**

### **SPECIFIC SUPPLY ARRANGEMENTS**

#### *Article 3*

#### *Forecast supply balance*

1. Specific supply arrangements are hereby introduced for the agricultural products, which are essential in the smaller islands for human consumption, for the manufacture of other products or as agricultural inputs.
2. A forecast supply balance shall be drawn up stating the quantity of the agricultural products referred to in paragraph 1 needed to meet supply requirements each year. The forecast supply balance shall be established by the authorities designated by Greece and submitted to the Commission for approval.

A separate forecast balance may be drawn up for the requirements of undertakings packaging and processing products intended for the local market, for traditional consignment to the rest of the Community or for export as part of traditional trade flows.

#### *Article 4*

#### *Operation of the arrangements*

1. An aid shall be granted for the supply to the smaller islands of the products referred to in Article 3(1).

The amount of the aid shall be fixed taking into consideration the additional costs of marketing products in the smaller islands, calculated from the usual ports of shipment in mainland Greece, and from the ports of islands of transit or of loading for the islands of final destination.
2. In implementing the specific supply arrangements, account shall be taken, in particular, of the following:
  - (a) the specific needs of the smaller islands and the precise quality requirements;
  - (b) traditional trade flows with ports in mainland Greece and between the islands in the Aegean Sea;
  - (c) the economic aspect of the proposed aid;
  - (d) where applicable, the need not to obstruct the potential development of local products.
3. Entitlement under the specific supply arrangements shall be subject to the condition that the economic advantages are actually passed on to the end user.

#### *Article 5*

##### *Export to third countries and dispatch to the rest of the Community*

1. Products covered by the specific supply arrangements may be exported to third countries or dispatched to the rest of the Community only on conditions laid down in accordance with the procedure referred to in Article 15(2).

Those conditions shall include in particular reimbursement of the aid received under the specific supply arrangements.

2. Export to third countries or dispatching to the rest of the Community is possible for products processed in the smaller islands from products having benefited from the specific supply arrangements within the limits of traditional exports and traditional dispatches. The quantities to be exported or dispatched shall be specified in accordance with the procedure referred to in Article 15(2).

No export refund shall be granted for the products thus exported.

#### *Article 6*

##### *Detailed rules for the application of the arrangements*

Detailed rules for the application of this Chapter shall be adopted in accordance with the procedure referred to in Article 15(2). Such rules shall in particular define the conditions under which Greece may amend the quantities and the resources allocated each year to the various products eligible under the specific supply arrangements and, where necessary, establish a system of delivery certificates.

### **CHAPTER III**

#### **MEASURES TO ASSIST LOCAL AGRICULTURAL PRODUCTS**

#### *Article 7*

##### *Support measures*

1. The support programme shall contain the measures needed to ensure continuity and development of local lines of agricultural production in the smaller islands
2. The support programme shall be established at the geographical level which Greece deems most appropriate. It shall be prepared by the competent authority designated by Greece, which shall submit it to the Commission for approval after the competent authorities and organisations have been consulted at the appropriate local level.

#### *Article 8*

##### *Compatibility and consistency*

1. Measures taken under the support programme must comply with Community law and be consistent with other Community policies and with the measures taken to implement those policies.
2. Consistency of the measures taken under the support programme with measures implemented under other instruments of the common agricultural policy, and in

particular the common organisations of markets, rural development, product quality, animal welfare and protection of the environment, must be ensured.

In particular, no measure under this Chapter may be financed as:

- (a) additional support for premium or aid schemes under a common organisation of the market save in exceptional cases justified by objective criteria;
- (b) support for research projects, measures to support research projects or measures eligible for Community financing under Council Decision 90/424/EEC<sup>5</sup> ;
- (c) support for measures within the scope of Council Regulation (EC) No 1698/2005<sup>6</sup>.

#### *Article 9* *Content of Support programme*

A support programme may contain:

- (a) a quantified description of the current agricultural production situation taking into account the results of available evaluations, showing disparities, gaps and potential for development;
- (b) a description of the strategy proposed, the priorities selected, its quantified objectives, and an appraisal showing the expected economic, environmental and social impact, including employment effects;
- (c) a schedule for the implementation of the measures and a general indicative financing table showing the resources that may be deployed;
- (d) proof of the compatibility and consistency between the various measures under the support programme and the criteria to be used for monitoring and evaluation;
- (e) the steps taken to ensure the support programme is implemented effectively and appropriately, including the arrangements for publicity, monitoring and evaluation, and the provisions for checks and penalties;
- (f) the designation of the competent authority responsible for implementing the support programme and the designation at the appropriate levels of authorities or associated bodies.

#### *Article 10* *Monitoring*

The procedures and physical and financial indicators for ensuring effective monitoring of the implementation of the support programme shall be adopted in accordance with the procedure referred to in Article 15(2).

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<sup>5</sup> OJ L 224, 18.8.1990, p. 19.

<sup>6</sup> OJ L 227, 21.10.2005, p. 1.

## **CHAPTER IV ACCOMPANYING MEASURES**

### *Article 11 State Aid*

1. For the agricultural products, to which Articles 87, 88 and 89 of the Treaty thereof apply, the Commission may authorise operating aid in the sectors producing, processing and marketing those products, with a view to mitigating the specific constraints on farming in the smaller islands as a result of their remoteness, insularity and distant location.
2. Greece may grant additional financing for the implementation of the support programme. In such cases Greece shall notify the Commission of the state aid and the Commission may approve it in accordance with this Regulation as part of the support programme. Aid thus notified shall be regarded as being notified within the meaning of the first sentence of Article 88(3) of the Treaty.

## **CHAPTER V FINANCIAL PROVISIONS**

### *Article 12 Financial resources*

1. The measures provided for in this Regulation shall constitute intervention intended to stabilise the agricultural markets within the meaning of Article 3(1)(b) of Council Regulation (EC) No 1290/2005<sup>7</sup>.
2. The Community shall finance the measures provided for in Chapters II and III up to an annual maximum of EUR 23.93 million.
3. The amount allocated annually to the support programme may not exceed EUR 5.47 million.

## **CHAPTER VI GENERAL, TRANSITIONAL AND FINAL PROVISIONS**

### *Article 13 Draft support programme*

1. Greece shall submit a draft support programme to the Commission in the framework of the financial allocation referred to in Article 12(2) and (3) by 31 October 2006 at the latest.

The draft support programme shall comprise a draft forecast supply balance indicating the products, the quantities thereof and the amount of aid for supply from the Community together with a draft programme of support for local production.

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<sup>7</sup> OJ L 209, 11.8.2005, p. 1.

2. The Commission shall evaluate the support programme proposed and decide on its approval in accordance with the procedure referred to in Article 15(2).
3. The support programme shall apply from 1 January 2007.

*Article 14*  
*Implementing rules*

The measures necessary for the implementation of this Regulation shall be adopted in accordance with the procedure referred to in Article 15(2). They shall include in particular:

- (a) the conditions under which Greece may amend the quantities and levels of aid for supply and the support measures or the allocation of resources allotted to support local production.
- (b) the provisions relating to the minimum specifications of the checks and penalties which Greece must apply.

*Article 15*  
*Management Committee*

1. The Commission shall be assisted by the Management Committee for Direct Payments established by Article 144 of Regulation (EC) No 1782/2003.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period provided for in Article 4(3) of Decision 1999/468/EC shall be set at one month.

*Article 16*  
*National measures*

Greece shall take the measures necessary to ensure compliance with this Regulation, in particular as regards checks and administrative penalties, and shall inform the Commission thereof.

*Article 17*  
*Communications and reports*

1. Greece shall communicate to the Commission not later than 15 February each year the appropriations made available to them which they intend to spend in the following year on implementation of the support programme.
2. Greece shall submit to the Commission, not later than 30 June each year, a report on the implementation of the measures provided for in this Regulation over the previous year.
3. Not later than 31 December 2011, and thereafter every five years, the Commission shall submit a general report to the European Parliament and the Council showing the

impact of the action taken under this Regulation, accompanied if applicable by appropriate proposals.

#### *Article 18*

##### *Repeal*

Regulation (EEC) No 2019/93 is hereby repealed as from 1 January 2007.

References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table in the Annex to this Regulation.

#### *Article 19*

##### *Transitional measures*

In accordance with the procedure provided for in Article 15(2), the Commission may adopt the necessary transitional measures to ensure a smooth transition from the measures under Regulation (EEC) No 2019/93 to the measures introduced by this Regulation.

#### *Article 20*

##### *Amendment of Regulation (EC) No 1782/2003*

Regulation (EC) No 1782/2003 is amended as follows:

- (1) Article 70 shall be amended as follows:
  - (a) in paragraph 1, point (b) is replaced by the following:

"(b) all other direct payments listed in Annex VI granted to farmers in the reference period in the French overseas departments, the Azores and Madeira, the Canary Islands and the Aegean Islands. ";
  - (b) in paragraph 2, the first subparagraph is replaced by the following:

"Member States shall grant the direct payments referred to in paragraph 1, within the limit of the ceilings fixed in accordance with Article 64(2), under the conditions established in Title IV, Chapters 3, 6 and 7 to 13.";
- (2) In Article 71(2), the first subparagraph shall be replaced by the following:

"Without prejudice to Article 70(2), in the transitional period the Member State concerned shall effect each of the direct payments referred to in Annex VI under the conditions established in Title IV, Chapters 3, 6 and 7 to 13 within the limit of budgetary ceilings corresponding to the component of these direct payments in the national ceiling referred to in Article 41 of this Regulation, fixed in accordance with the procedure referred to in Article 144(2).";
- (3) In Annexes I and VI the row concerning the "Aegean Islands" is deleted.

*Article 21*  
*Entry into force*

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2007. However, Articles 11, 13 and 14 shall apply from the date of its entry into force.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*  
*The President*

**ANNEX**

**CORRELATION TABLE**

Regulation (EEC) No 2019/93	This Regulation
Article 1	Article 1
Article 2	Article 3
Article 3(1)	Article 4(1)
Article 3(2)	Article 4(2)
Article 3(3)	Article 4(3)
Article 3(4)	Article 5(1)
Article 3(5)	Article 5(2)
Article 3a(1)(a)	–
Article 3a(1)(b)	Article 12(3)
Article 3a(1)(c)	Articles 4(3) and 14(b)
Article 3a(1)(d)	Article 6
Article 3(2)	Article 6
Article 5	Article 7(1)
Article 6	–
Article 8	–
Article 9	–
Article 11	–
Article 12	–
Article 13	–
Article 13a	Article 15
Article 14	Article 12(1)
Article 14a	Article 16
Article 15(1)	Article 17(2)
Article 15(2)	Article 17(3)
Article 16	Article 21

# FINANCIAL STATEMENT

1. BUDGET HEADING: 05 02 11 04 and 05 03 02 35		APPROPRIATIONS: €119 Mio & €53 Mio		
2. TITLE: Council Regulation laying down specific measures in favour of the smaller Aegean Islands				
3. LEGAL BASIS: Articles 36 and 37 of the Treaty				
4. AIMS: Rationalise, with a view to improve their effectiveness, the measures applicable to the Aegean Islands, in particular through the establishment of programmes providing for the application of the specific supply arrangements and of measures in favour of local agricultural production in a form which is to most appropriate to the needs of the region concerned.				
5. FINANCIAL IMPLICATIONS	12-MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2006 (EUR million)	FOLLOWING FINANCIAL YEAR 2007 (EUR million)	
5.0 EXPENDITURE – CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) – NATIONAL AUTHORITIES – OTHER	(1)	–	–	
5.1 REVENUE – OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) – NATIONAL	–	–	–	
	2008	2009	2010	2011 and following
5.0.1 ESTIMATED EXPENDITURE	(1)	(1)	(1)	(1)
5.1.1 ESTIMATED REVENUE				
5.2 METHOD OF CALCULATION: –				
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?				<del>YES</del> NO
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?				<del>YES</del> NO
6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY?				<del>YES</del> NO
6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?				<del>YES</del> NO
OBSERVATIONS:				
(1) The measure lays down annual ceiling amounts for the financing of the specific supply arrangements and of measures in favour of local production. Since these ceilings are based on average expenditure in a recent reference period and on the ceilings already applicable for certain aids for the support of local production, the measure is neutral for the budget.				