

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(92) 569 final

Brussels, 23 December 1992

## GREEK ISLANDS IN THE AEGEAN SEA FINAL COMMISSION REPORT

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Proposal for a

COUNCIL REGULATION (EEC)

**introducing specific measures  
for the smaller Aegean islands  
concerning certain agricultural products**

(presented by the Commission)

**COMMISSION OF THE EUROPEAN COMMUNITIES**

**GREEK ISLANDS IN THE AEGEAN SEA**

**FINAL COMMISSION REPORT**

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## GREEK ISLANDS IN THE AEGEAN SEA

### INTRODUCTION

1. There are 400 inhabited islands in the Community with development problems which are quite different from those of the mainland regions.<sup>1</sup> The Community contributes to the special development needs of islands through the structural Funds. Most islands are covered by Objectives 1 and 5a, while others are covered by the integrated Mediterranean programmes which run out at the end of 1992.

2. The Greek islands in the Aegean Sea differ from other island regions on the periphery of the European mainland because of their number, size and dispersion.

3. This is why the Commission, in line with the conclusions of the Rhodes European Council in December 1988 and the undertakings given since, has conducted an overall review of the socio-economic situation of Greek islands in the Aegean Sea.

4. On 23 October 1991, as part of this review, the Greek authorities transmitted a substantial contribution in the form of "a programme of specific measures for the Aegean islands 1992-96". This was supplemented

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<sup>1</sup> See in particular: Section D (Coastal areas and islands) of Europe 2000: Outlook for the Development of the Community's Territory (COM(91)452 final).

by a number of technical documents in January 1992. Meantime, the Commission had drawn up an interim progress report (SEC(92)36 final, 10 January 1992).

5. The present report is a continuation of the review. It looks at the special circumstances of the smaller Aegean islands (islands with a permanent population of less than 100 000, which excludes Crete and Euboea); it reviews Community operations completed or under way (Chapter 2); and, on the basis of an examination of the Greek requests (Chapter 3), presents a programme of operations geared to the special needs of these islands (Chapter 4).

## 1. GREEK ISLANDS IN THE AEGEAN SEA

### Remoteness of the islands and its socio-economic impact

6. Greece has more islands than any other Member State. They account for 19% of the land area of Greece and for the most part lie on the fringes of Greek territory, itself remote from the Community with which it has no land frontier. The Aegean islands are the largest (about 1 000 in all, of which 130 are inhabited) and most scattered (800 km from north to south and 600 km from east to west) group in Greece and the Community.

7. There are five principal archipelagos (Lesbos, Samos, Chios, Cyclades and Dodecanese) and 36 other islands, administratively attached to mainland regions (see Annex). In 1991 the population was 488 840,

almost 5% of the Greek total. The total land area is some 10 425 sq km, 8% of the Greek total.

8. The entire social and economic life of the Aegean islands is heavily influenced by remoteness and fragmentation. This is particularly true of the smaller, less populated islands, which account for 70% of the total land area. The following problems are common to all the inhabited islands:

- **the dispersion of the islands and their grouping in archipelagos** constitute obstacles to supplies and trade and substantially increase transport costs. Existing transport networks, most of which are inadequate and structurally deficient, are based on the main islands, Rhodes, Kos, Thira, Mykonos, Paros, Lesbos, Chios, Samos and Skiathos. There are few regular inter-island links;
- **the size of the islands** (96 have an area of less than 50 sq km) is an obstacle to integrated development and the achievement of economies of scale both in terms of economic activity and public services (training and education, health, energy supplies, etc);
- **the low population density and tendency to out-migration**, particularly from the smallest islands to those offering a minimum of social and transport services. One consequence of emigration is that the proportion of the population aged 60 and over is higher than on the mainland;
- **the lack of usable raw materials**, exacerbated by the distance separating centres of production from mainland Greece and the Community;

- **difficult natural conditions:** arid and mountainous terrain, small and fragmented agricultural holdings, dry climate and lack of water, regular strong winds which hinder communications, etc.

The islands in the north-east and the Dodecanese suffer from an additional geographical handicap, being located on Greece's eastern border, which is itself the Community's external frontier in the Eastern Mediterranean.

9. All of these problems affect supply and demand on the labour market. The unemployment rate (6% in 1989), which is lower than the national (7.5%) and Community (8.3%) averages, is partly accounted for by the proportion of older people and out-migration. It takes no account of significant underemployment in agriculture and tourism. The Dodecanese has the highest unemployment rate (18.4% in 1989) of all the islands.

10. From a geophysical and climatic point of view, the islands constitute a unique, extremely fragile natural environment which is coming under enormous pressure, principally from unplanned tourist development, the abandonment of traditional agriculture and port facilities.

11. The socio-economic constraints arising from these handicaps make the Aegean islands one of the poorest areas of Greece and the Community. In 1989 per capita GDP in the northern Aegean in PPS was 35% of the Community average, the corresponding figure for the southern Aegean being 46.5%.

#### Analysis of the islands' economies

12. The islands' economies are characterized by a dependence on agriculture (a larger primary sector than the national average), by a small secondary sector and by an over-enlarged tertiary sector.

- Primary sector

13. Although the primary sector is shrinking, its importance stems from the large number of smallholdings and the islands' dependence on fisheries.

14. Agriculture is an essential component of the islands' economic activity although there are considerable differences between the islands in the north, where 40% are engaged in agriculture, and those in the south, where conditions are more favourable for tourism. Three crops (olives, citrus fruit and grapes) account for 70% of the cultivated area. Production has developed mainly to supply local needs. The only products shipped to the mainland are olive oil, certain local wines and traditional sheep and goat cheeses. The arid soil, lack of water, small and extremely fragmented holdings and a low level of qualifications among farmers account for low productivity in agriculture. Production is far from meeting demand from the local population and tourists. The islands are also dependent on imports for agricultural inputs.

15. Fishing plays an important role in the Aegean islands. It is a small-scale coastal activity which is often hampered by adverse weather conditions. In general landing facilities, the first stage in marketing, are at a preliminary stage of development. In contrast to the rest of the Community, 75% of the catch is delivered directly to industrial firms or to the retail trade rather than being sold at auction. Most processing firms are very small. Low production costs and a favourable environment have encouraged the development of aquaculture in recent times.



- **Secondary sector**

16. The secondary sector is not the main activity, either in terms of jobs or in terms of GDP. In the northern Aegean, employment has changed little in recent years (about 17.4%). The secondary sector contributes some 20% to the GDP of the region. Apart from an expanding construction industry, the most important sectors are textiles, clothing, leather, crafts for tourists, agri-foodstuffs and, in some instances, mineral extraction. The main problems facing industry are:

- lack or shortage of local raw materials;
- energy cost and supply problems resulting from a small energy market combined, in the case of electricity, with the absence of links between the islands or with mainland Greece. The main energy source is oil, made more expensive by high transport costs and market fragmentation. However, the islands have enormous potential in terms of alternative energy (wind, sun and geothermal) which could reduce oil dependence;
- problems of access to public contracts or big private contracts and subcontracting for large production units;
- shortage of skilled workers;
- high price of land due to the lack of a zoning plan;
- inadequate communications infrastructure.

- Tertiary sector

17. The tertiary sector is growing steadily. The sources of growth vary. They include the hotel and catering industry and commerce in the islands where tourism is the main activity, specially in the southern Aegean. In the other islands, the main impetus comes from the activity of the public or semi-public sector. Development of tourism is undoubtedly contributing to a general improvement in the standard of living and helping to stem emigration. Nevertheless, there are a number of problems relating to:

- the absence of central planning, coordination and organization;
- the vital need to protect the natural and traditional environment;
- the need to improve infrastructures (technical and social) and to raise the level of all public and private services.

Rural tourism could be developed to give smallholders an opportunity to supplement their income and stabilize their economic situation. Rural tourism in general creates local employment and this in turn helps to protect the environment and the countryside and to conserve traditional buildings.

18. Administrative departments have to provide services to meet public needs irrespective of the size of the population which often entails the assignment of additional staff to some island regions.

2. COMMUNITY SOLIDARITY SINCE ACCESSION

19. Since the Act of Accession provided for no exceptions or derogations, the Aegean islands are subject to Community policies and instruments in the same way as the rest of Greece. Protocol No 7 to the Act of Accession invites the institutions to implement all the means and procedures laid down in the EEC Treaty to take account of the special situation of Greece.

20. In line with the Commission's replies to the Greek memorandum of March 1982,<sup>2</sup> which raised the specific development problems of the Greek islands for the first time, Community solidarity has been expressed principally, and to a substantial degree, through Community structural assistance.

21. Between 1981 and 1988, this assistance concentrated primarily on financing projects concerned with transport, communications, tourism, energy, water supply infrastructure and productive investment. From 1981 to 1984 the regions also benefited from non-quota programmes for energy (under which 80% of the Community contribution went to the development and promotion of geothermal and wind energy) and enlargement (mainly concerned with small businesses, tourism and transport). The EAGGF Guidance Section, while respecting the importance of agricultural activities, part-financed investments in the modernization of holdings and the processing and marketing industries. Since the Aegean islands as a whole were classified as a less-favoured area, the grant of compensatory allowances made an

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<sup>2</sup> COM(82)348 final, 14 June 1982; COM(83)134 final, 29 March 1983.

important contribution to stabilizing agricultural activity and conserving the environment. Afforestation schemes, measures to combat erosion and aid for small infrastructures, such as roads and water supplies, in the rural environment, have proved to be of vital importance to the small islands.

22. The Aegean islands, like the rest of Greece, came in for particular attention in the context of the integrated Mediterranean programmes (IMPs) and the Community support frameworks (CSFs) under the priority given to Objective 1 regions, which were established in partnership with the Greek authorities on the basis of regional development plans.

23. Under the IMPs (1986 to 1992), the Community contributed an estimated ECU 230 million, or 55.5% of the total cost, to the development of the Aegean islands. The main objectives were to improve access, to control the development of tourism in general and to support the primary sector (agriculture, rural amenities, fisheries and rural tourism).

24. As far as the CSFs (1989 to 1993) are concerned, the two multifund operational programmes (MOPs) for the northern Aegean and the southern Aegean are of particular significance. The Community's contribution to these was ECU 56 million and ECU 55 million respectively. The programmes, which are being dovetailed with measures under the Aegean IMP, relate in the main to transport, social and educational infrastructures, improvements to water supplies, drainage and the biological treatment of waste, services for local business and vocational training.

25. In addition to this, several Aegean islands receive Community financing under the STAR and VALOREN programmes. The ERDF contributes up to 54.7% of the total cost of wind energy projects in certain islands in the northern and southern Aegean. Under the STAR programme the Community is part-financing the optical fibre cable link between certain islands in the northern Aegean and the mainland. Further operations are being financed under Community initiatives, notably Interreg, Envireg and Leader.

26. Although the impact of measures financed by the structural Funds cannot be precisely assessed, part-financing has helped to launch and sustain a series of basic infrastructural projects including airports, ports, roads, biological sewage plants, the construction of small reservoirs, forestry infrastructure, and investment to increase the efficiency of farming, processing and marketing.

27. The operation of the Aegean IMP is especially satisfactory. The programme comprises 305 projects in all, with 90% of the total budget absorbed by June 1992. If account is taken of payments scheduled up to the end of the year, all the appropriations will have been taken up. Certain measures could have absorbed additional funds because of their very high rate of implementation, particularly in the fields of renewable energies, rural electrification and drainage and sewerage.

28. In spite of problems with the adjustment of local administrative structures to new programming techniques and the implementation of structural assistance under the reform of the Funds, the northern and southern Aegean MOPs have satisfactory take-up rates as well, which gives reason to believe that by the end of 1993 all the appropriations, which have already been allocated to programmes, will have been utilized.

29. The extent and specific nature of the problems facing the islands in the Aegean Sea mean that this substantial Community effort should continue and expand. However, the structural Funds alone cannot resolve all the problems.

3. GREEK REQUESTS

30. In October 1991 the Greek authorities sent the Commission a programme which was supplemented in January 1992. It centres on the following objectives:

- to reduce geographical isolation at interregional, national and Community level;
- to improve the general level of development of the islands;
- to respond to the needs created by the increased remoteness of the islands following the advent of the Single Market in 1993;
- to act in conjunction with existing development programmes to complement Community or national efforts.

31. To achieve these goals, the Greek document suggested a series of measures designed to respond to the specific problems and needs of the Aegean islands. These fall into two categories:

- structural measures relating in the main to infrastructure, modernization of agriculture and the agri-food industry, transport, telecommunications and energy, support for social measures and public services (training and education, health), and increased Community solidarity to overcome persistent natural disadvantages;
- "institutional" measures involving specific adjustments to the common policies, mainly as regards indirect taxation (reduced rates of VAT and excise duty), transport, market aids and specific supply arrangements under the common agricultural policy, and the supply of petroleum products.

Some of these measures should be continued beyond the period of the programme.

4. PROGRAMME FOR THE GREEK ISLANDS IN THE AEGEAN SEA

32. In view of the above, the Commission recognizes that the severe constraints affecting the islands in the Aegean Sea justify a special effort and increased Community assistance. Accordingly, the Commission has established a work programme setting out the operations needed to achieve the following objectives:

- to integrate the islands more closely with trading patterns in the internal market, especially by making the best use of and strengthening existing Community policies and instruments;
- to allow for the unusual constraints affecting them by making provision for special measures under certain common policies;
- through various legislative and financial means, to provide additional backing for their economic and social development.

The Commission will present regular progress reports on the operations carried out under the programme to the Council, Parliament and the Economic and Social Committee. In the light of the assessment made in these reports, the Commission will adjust or add to its programme to attain the objectives set.

Optimum exploitation of existing instruments

33. The common policies already include instruments and programmes capable of dealing with some of the problems and constraints facing the Aegean islands. This is particularly true of education and vocational training (Petra, Force, Eurotecnec, Comett, Lingua and Erasmus), energy (Thermie and SAVE), and research and technological development (Joule and Esprit). The Commission plans to take the necessary action, in partnership with the Greek authorities, to ensure

optimum exploitation of existing programmes and instruments, in particular by facilitating their extension to remote islands and devising appropriate technical assistance.

#### Reinforcement of structural measures

34. The Commission considers that by stepping up structural assistance it would be possible to implement the main proposals for structural measures included in the programme presented by the Greek authorities in 1991. Assistance would be stepped up in two stages, in accordance with the structural Funds planning periods.

#### Up to the end of 1993

35. During the life of the present Community Support Framework the Commission, within the limits imposed by the implementing provisions and the financial resources available, will agree to any proposal from the Greek authorities to reallocate unused appropriations for operational programmes for the Aegean islands (multifund operational programmes, integrated Mediterranean programmes and Community initiatives). Such reallocation could benefit the following priority areas:

- rational management of water resources;
- improvement of transport, telecommunications and energy infrastructures;
- human resources;
- measures to protect the environment;
- measures to promote rural tourism.

To cover the most urgent and sufficiently advanced projects in 1993, the Commission is determined to do all it can to find additional sources of



financing. If necessary, the Commission will make appropriate proposals to the budgetary authority in the first half of 1993.

36. It should be stressed that the Commission, in the context of the day-to-day management of operational programmes for the Aegean islands, has already taken account of some of the requests made by the Greek authorities, notably in relation to transport, health and fisheries (sheltered anchorages) infrastructures.

#### **From 1994 onwards**

37. From 1994 onwards, the Commission is prepared to envisage a substantial reinforcement of structural assistance for the Aegean islands in line with the Delors II package. With a view to increasing the effective use of the resources, the Commission would like to make clear the special effort made to assist the Aegean islands in the future planning framework of the structural Funds in Greece.

38. In this context it is prepared to examine with the Greek authorities how best to define precise objectives and a development strategy. To this end the Commission proposes, under the heading of technical assistance, to provide immediate financing for the studies and assessments needed to draw up development plans.

39. The development plans should give details of priority infrastructure requirements in the light of the proposed organization of transport, telecommunications, health, energy, human resources, water supplies and the treatment of environmental problems. Organization plans and priority

infrastructure requirements should be based on an assessment of current shortages, an analysis of development potential and prospects, and the consequences in terms of the concentration of population on the islands offering the best employment prospects and a level of services at a cost acceptable to the Greek economy.

40. An estimate of priority requirements in terms of infrastructure and services for the population of each archipelago, and within each archipelago, for the various inhabited islands, should be based on a definition of (a) precise objectives for the improvement of services and (b) the organization of services, with a view to achieving a realistic compromise between the need to locate them in the most populated islands and the need to ensure that they are accessible to the inhabitants of less populated islands.

41. Besides the priority areas listed in section 35, special attention should be given to:

- the tapping of renewable energy sources available locally; there should be a priority project to prepare measures in this field for the period after 1993, financed from 1993 as indicated in section 38;
- studies on aquaculture;
- the recycling of waste water.

The Aegean islands could become a testing-ground and a showcase for new applications in these fields in the eastern Mediterranean.

42. If the development plan for the Aegean islands - with increased financial resources - is to be a success, support and follow-up structures

representing a substantial improvement on the present situation will have to be provided, in particular through more effective use of technical assistance.

*Special treatment in the field of indirect taxation*

43. The Commission feels that the particular constraints on the Greek islands in the Aegean Sea justify special treatment in the field of indirect taxation to help offset the extra costs attributable to their remoteness and isolation. As part of an overall agreement on the removal of tax frontiers, the Commission is therefore in favour of allowing special VAT and excise duty arrangements in the prefectures of Lesbos, Samos, Chios, Dodecanese and Cyclades and in the islands of the northern Sporades, Samothrace, Skyros and Thassos:

- **VAT:** application of rates up to 30% lower than those applied in mainland Greece;
- **Excise duty on diesel oil for use as fuel and petrol:** application of rates which are ECU 22 lower than the minimum rates set by Community legislation;
- **Excise duty on ethyl alcohol:** application of a reduced rate up to 50% lower than the standard national rate, possibly lower than the minimum rate set by Community legislation.

*Special measures for agriculture*

44. The Commission feels that special measures should be taken under the common agricultural policy to enable it to respond more effectively to the specific needs of the Aegean islands and contribute to their socio-economic development. The EAGGF could play a key role by allowing farmers to meet local demand more effectively and improve the quality of foodstuffs.

45. At the same time as this report, the Commission is laying proposals before the Council covering three main areas:

- (i) **improving the supply of basic agricultural products to the islands through flat-rate aid based on supply forecasts.** The EAGGF Guarantee Section would finance 90% of public expenditure on this aid, which would be targeted on certain milk and cereal products, sugar and, temporarily and on a diminishing scale, certain fresh fruits and vegetables;
- (ii) **supporting and developing local production.** The Commission is proposing a variety of measures, to be financed by the EAGGF, aimed at:
  - **developing stock-farming to satisfy local demand** (increase in premiums for fattening male cattle and for suckler cows; private storage aid for the traditional cheese-making industry);
  - **encouraging fruit and vegetable production for consumption on the local market** (flat-rate aid under Initiative programmes) and the cultivation of potatoes for human consumption (flat-rate aid per hectare);

- maintaining traditional crops through flat-rate aid to combat soil erosion (wine and olive-growing), ensure the survival of flora peculiar to the islands and supplement farm incomes (bee-keeping).

(iii) facilitating intervention by the EAGGF Guidance Section by adapting existing legislation to make more allowance for the special situation of agriculture in the islands. To this end, the Commission is proposing derogations from the rules limiting or prohibiting the payment of certain types of structural aid, notably the provisions of Regulation (EEC) 2328/91 (improving the efficiency of agricultural structures).

46. Finally, certain aid schemes could be introduced as specific structural measures for the Aegean islands, such as the supply of fertilizers and support for the mastic industry on Chios.

## ANNEX

LIST OF INHABITED ISLANDS IN THE AEGEAN

## PREFECTURE

Inhabited islands

## ATTICA

Antikythira  
Kythira

## EUBEOA

Ag. Trias  
Kavalliani  
Ktyponisio  
Mandilou  
Megalonisos, Patalioi  
Manolia  
Pasas  
Pontikonisi  
Prasouda  
Sarakinon  
Skyropoula  
Skyros  
Strongyli  
Tragonisi  
Kersonisos

## LAKONIA

Elafonisos

## MAGNESIA

Adelfoi  
Alataz  
Alonnisos  
Agyroniso  
Gioura  
Kyra Panagia  
Pelaio Trikairio  
Peristera  
Piperio  
Replon  
Skantzoura  
Skiathos  
Skopelos  
Tsioukria  
Psathoura

## PREFECTURE

Inhabited islands

## KAVALA

Thassos  
Koinyra

## EVROS

Samothrace

## DODECANESE

Agathonisi  
Alimia  
Arkoi  
Armathia  
Astypalaia  
Gyali  
Kalymnos  
Kandelioussa  
Karpathos  
Kasos  
Kinamos  
Kounoupoi  
Kos  
Levitha  
Leipsoi  
Leros  
Marathos  
Megisti  
Nimos  
Nisyros  
Ofidoussa  
Patmos  
Prasonision  
Rhodes  
Ro  
Saria  
Seklion  
Strongyli  
Symi  
Syrna  
Telendos  
Tilos

LIST OF INHABITED ISLANDS IN THE AEGEAN (contd)

PREFECTURE

Inhabited islands

CYCLADES

Agia Kali  
Ag. Georgios  
Ag. Efstathios  
Ag. Spyridon  
Akriaton  
Amorgos  
Anafi  
Andros  
Antiparos  
Gramboussa  
Gyaros  
Dilos  
Didymi  
Donousa  
Dysvaton  
Irakleia  
Thira  
Thirasia  
Ios  
Kato Antikeri  
Kato Koufonisi  
Kea  
Keros  
Kimolos  
Kitriani  
Koufonisi  
Kythnos  
Makronisos  
Milos  
Baos  
Mykonos  
Naxos  
Paros  
Polyaigos  
Revmatonisi  
Rineia  
Serifos  
Serifopoula  
Schoinousa

PREFECTURE

Inhabited islands

CYCLADES (contd)

Sikynos  
Siphnos  
Syros  
Tinos  
Folegandros  
Farmakoniston  
Chalki  
Pserimos

LESBOS

Ag. Efstathios  
Komplon  
Lesbos  
Limnos  
Megalonisi

SAMOS

Ag. Minas  
Thymaina  
Ikaría  
Samiopoula  
Samos  
Fournoi

CHIOS

Antipsara  
Olinousses  
Pasas  
Chios  
Psara

AEGEAN ISLANDS

(Expenditure financed by the EAGGF Guarantee Section)

## I. SUPPLIES

## A. PERMANENT SUPPLIES

Group a (Thasos, Samothrace, Cyclades, Sporades, Kithira)

. Milk and milk products	: 6 000 t
. Sugar	: 3 000 t
. Flour	: 10 000 t
. Feedingstuffs	: 16 000 t

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 35 000 t x ECU 15/t = ECU 0.525 million  
 (A)

Group b (Dodecanese, Chios, Mytilene, Samos)

. Milk and milk products	: 15 000 t
. Sugar	: 9 000 t
. Flour	: 30 000 t
. Feedingstuffs	: 54 000 t

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 108 000 t x ECU 30/t = ECU 3.240 million  
 (A)

Total permanent supplies

ECU 3.765 million

EAGGF expenditure

3.765 x 90%

ECU 3.39 million

## B. TEMPORARY SUPPLIES (FRUIT AND VEGETABLES)

1993 calendar year

Group a : 32 000 t x ECU 15/t = ECU 0.48 million

Group b : 93 000 t x ECU 30/t = ECU 2.79 million

TOTAL = ECU 3.27 million

EAGGF expenditure

ECU 3.27 x 90% = 2.94 million

1994 calendar year

Group a : 32 000 t x ECU 7.5/t = ECU 0.24 million

Group b : 93 000 t x ECU 15/t = ECU 1.40 million

TOTAL = ECU 1.64 million

EAGGF expenditure

ECU 1.64 x 90% = 1.48 million

It is assumed that 2/3 of the expenditure for one calendar year is attributed to that financial year and the other 1/3 to the following financial year.

	ECU million			
	1993	1994	1995	Total
1993 calendar year	1.96	0.98	0	2.94
1994 calendar year	0	0.98	0.50	1.48
TOTAL	1.96	1.96	0.50	4.42



## II. AID SPECIFIC TO LOCAL PRODUCTS

### ANNUAL EXPENDITURE

#### 1. Stockfarming sector

##### (a) Bovine animals

- increase in fattening premium 6 500 head x ECU 40/head	ECU 0.26 million
- increase in suckler cow premium 8 000 head x ECU 40/head	ECU 0.32 million

##### (b) Milk products

- cheese storage aid 5 000 t x ECU 2.28/t/day x 150 days	ECU 1.71 million
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#### 2. Fruit and vegetables sector (inc. potatoes)

- Lump-sum production aid 2 800 ha x ECU 500/ha	ECU 1.4 million
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#### 3. Wine sector

9 000 ha x ECU 400/ha	ECU 3.6 million
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#### 4. Olive oil sector

- Lump-sum per hectare aid 50 000 ha x ECU 80/ha	ECU 4.0 million
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#### 5. Honey

100 000 hives x ECU 7/hive (or 50 000 hives at ECU 10/hive)	ECU 0.7 million
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ECU 11.99 million

## III. ALLOCATION OF EXPENDITURE BY FINANCIAL YEAR

It is assumed that 2/3 of the expenditure for one calendar year is attributed to that financial year and the other 1/3 to the following financial year.

	1993	1994	1995	1996 et seq.	ECU million
Permanent supplies	2.26	3.39	3.39	3.39	
Temporary supplies	1.96	1.96	0.50	0	
Specific aids	7.99	11.99	11.99	11.99	
TOTAL (A)	12.21	17.34	15.88	15.38	
Double rate	1.130	1.145	1.145	1.145	
TOTAL (B)	13.80	19.85	18.18	17.61	

Proposal for a  
COUNCIL REGULATION (EEC)

introducing specific measures  
for the smaller Aegean islands  
concerning certain agricultural products

(presented by the Commission)

## EXPLANATORY MEMORANDUM

The Rhodes European Council held on 2 and 3 December 1988 acknowledged the specific socio-economic problems of certain island regions in the Community.

In the spirit of the decisions taken at that Council and in conformity with its own undertakings the Commission undertook an overall study of the specific problems of the Aegean islands in partnership with the Greek authorities and this led to the drafting of an information note on the state of progress of the considerations summarized in its interim report<sup>1</sup>. This study phase enabled the Commission to present a final report along with appropriate proposals defining the overall strategy and operational methods to deal with the Aegean islands' problems.

The final report defined the broad lines of the Community response and enabled the Commission to present, for the agricultural sector, the proposals for legislation aimed at setting the framework for the agricultural measures to be financed by the EAGGF.

The aim of the proposed measures is to promote economic and social development on the smaller islands (each with fewer than 100 000 inhabitants) which are characterized by a difficult geographical situation and a less-developed structure by comparison with the other regions of the Community.

The difficulties these islands are experiencing in their attempts to increase their social and economic development are: isolation, small land surface and unfavourable topography and climate.

Taking into account these specific problems, this proposal provides for a series of multi-annual and multi-sectoral measures aimed at facilitating supplies, providing financial support for production and marketing and improving agricultural structures and the standard of living of the inhabitants.

This draft Regulation provides for a series of measures governing special conditions at which certain supplies could be made and the development of agricultural production in the region.

The measures relate to the supply of certain products for human and animal consumption, development of the stockfarming sector, promotion of fruit and vegetable production, maintenance of certain crops such as olives and vines so as to prevent soil erosion and maintenance of bee-keeping so as to guarantee the survival of the specific flora on the islands and to supplement the agricultural income of the inhabitants.

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1 SEC(92)36 final of 10 January 1992.

PROPOSAL

**for a Council Regulation (EEC) introducing specific measures  
for the smaller Aegean Islands  
concerning certain agricultural products**

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the Rhodes European Council of 2 and 3 December 1988 acknowledges the specific socio-economic problems experienced by certain island regions in the Community; whereas measures should be implemented in order to respond to these specific problems;

Whereas the exceptional geographical situation of the Aegean Islands in relation to the sources of supply of certain food sectors and the agricultural sector essential for everyday consumption or agricultural production on the Aegean islands imposes costs which constitute a severe handicap to the sectors concerned; whereas this natural handicap can be remedied by the introduction of specific supply arrangements for certain basic products;

Whereas the quantities of products benefiting from the specific supply arrangements must be determined within the framework of periodic forecast supply balances which may be adjusted during the year on the basis of the essential requirements of the local market and taking account of local production; whereas, in view of the measures adopted to encourage the development of local production, these arrangements should be applied in the fruit and vegetable sector over a period of two years and on a reducing basis;

Whereas the arrangements in question are intended to reduce production costs and consumer prices; whereas their actual impact should therefore be monitored;

Whereas, to avoid any deflection of trade, products covered by the specific supply arrangements may not be redispached to other parts of the Community or re-exported to third countries;

Whereas a suitable and effective management and control system should be established for the implementation of the arrangements;

Whereas the specific conditions of agriculture on the Aegean islands require special attention; whereas measures are necessary both for stockfarming and animal products and for crop products;

Whereas, to promote the development of traditional stockfarming on the islands, supplementary premiums should be granted for the fattening of male bovine animals and for the maintenance of suckler cows and private storage aid should be granted for cheeses traditionally manufactured on the islands;

Whereas measures should also be taken to support the production of ware potatoes;

Whereas measures should be taken in the fruit and vegetables sector to support and increase production and improve farm productivity and product quality;

Whereas, in order to help support traditional viticulture on the islands, aid should be granted for vines producing quality wines psr and regional wines which meet the requirements laid down in Community rules and form part of a quality improvement programme;

Whereas, in order to help support traditional olive growing on the islands, to maintain production potential and to preserve the countryside and natural environment, a per hectare aid should be granted so that olive groves are kept in a way that guarantees regular production;

Whereas bee-keeping is a sector linked to maintaining the important and fragile flora of the Aegean islands while at the same time providing the inhabitants with extra income; whereas, therefore, that traditional activity should be supported through the grant of an aid helping to reduce the high production costs; whereas that aid should be granted as part of the initiatives to improve the marketing conditions for honey to be carried out by associations of producers; whereas, in anticipation of such associations being set up, a limited amount of aid should be allocated to all honey producers for a restricted period;

Whereas farms on the Aegean islands present major structural weaknesses from which specific difficulties derive; whereas a number of derogations is therefore necessary from the rules which restrict or prohibit the grant of certain forms of structural aid;

Whereas certain structural measures essential for the development of agriculture on the Aegean islands are financed under Community support frameworks to promote the development and structural adjustment of regions whose development is lagging behind (Objective 1) pursuant to Articles 130a and 130c of the Treaty;

Whereas the problems experienced by the Aegean islands are accentuated by the lack of size of the islands; whereas, in order to direct the priorities and guarantee the effectiveness of the measures foreseen these should only be applied to islands with populations not exceeding 100 000 inhabitants, known as the smaller islands,

HAS ADOPTED THIS REGULATION:

#### Article 1

This Regulation lays down specific measures to remedy, in respect of certain agricultural products and means of agricultural production, the difficulties caused by the remote and insular nature of the smaller Aegean islands.

For the purposes of this Regulation "smaller islands" are any islands in the Aegean Sea whose permanent population does not exceed 100 000 inhabitants.

#### TITLE I

##### Specific supply arrangements

#### Article 2

For each calendar year forecast supply balances shall be established for the agricultural products necessary for human consumption and for the basic means required for agricultural production listed in the Annex hereto. These balances may be revised during the year on the basis of trends in the islands' requirements.

#### Article 3

1. Under the arrangements referred to in this Title, aids shall be granted for the supply to the islands of the products listed in the Annex hereto, taking particular account of the specific needs of the islands and, where the products are food, the precise quality requirements. The supply arrangements shall be implemented in such a way as not to obstruct the potential development of local products.
2. The aid shall be fixed as a lump-sum for each group of islands on the basis of marketing costs calculated from the ports of mainland Greece from which normal supplies are despatched.

Aid for fruit and vegetables shall only be paid for the years 1993 and 1994. The aid for 1994 shall be fixed at 50% of the amount applicable to 1993.

90% of the amount of the aid shall be financed by the Community and 10% by the Member State in question.

3. A condition for benefiting from the arrangements shall be that the advantages are actually passed on to the end user.
4. The products covered by the specific supply arrangements provided for in this Title may not be re-exported to third countries or redispached to the rest of the Community.
5. Products covered by the specific supply arrangements and products processed therefrom shall not be eligible for refunds on exportation from the islands referred to in Article 1.

#### Article 4

Detailed rules for the application of this Title shall be adopted according to the procedure laid down in Article 26 of Council Regulation (EEC) No 2727/75 of 29 October 1975 on the common organization of the market in cereals,<sup>1</sup> as last amended by Regulation (EEC) No 674/92<sup>2</sup>, or the corresponding Articles of the Regulations on the common organization of the markets in the sectors concerned.

They shall cover in particular:

- determination of the quantities of products covered by the specific supply arrangements;
- the amounts of the aid;
- the provisions to ensure effective monitoring and that the advantages are actually passed on to the end user.

### TITLE II

#### Measures to support local products

#### Article 5

The aids provided for under this Title shall be granted for the support of traditional activities, improvement of the quality of and development of local products in accordance with the requirements of the markets on the islands in question and for the revitalization of certain agricultural activities which are a traditional and natural vocation on the islands in question.

#### Article 6

1. The following aids shall be granted in the stockfarming sector:

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1 OJ No L 281, 1.11.1975, p. 1.  
2 OJ No L 73, 19.3.1992, p. 7.

- Fattening aid for male bovine animals which shall represent a supplement of ECU 40 per head to the special premium provided for in Article 4a of Council Regulation (EEC) No 805/68 of 27 June 1968 on the common organization of the market in beef and veal,<sup>1</sup> as last amended by Regulation (EEC) No 1628/91<sup>2</sup>. The supplement may be granted in respect of an animal of a minimum weight to be determined in accordance with the procedure provided for in paragraph 3;
  - A supplement to the premium for maintaining suckler cows provided for in Council Regulation (EEC) No 1357/80,<sup>3</sup> as last amended by Regulation (EEC) No 3577/90,<sup>4</sup> which shall be paid to beef and veal producers. The amount of this supplement shall be ECU 40 per suckler cow held by the producer on the day on which the application is submitted up to a maximum of 40 head per holding.
2. Aid shall be granted for the private storage of traditionally manufactured cheeses:
- Feta, at least 2 months old;
  - Graviera, at least 3 months old;
  - Ladotyri, at least 3 months old;
  - Kefalograviera, at least 3 months old.
- The amount of the aid shall be fixed in accordance with the procedure referred to in paragraph 3.
3. The Commission shall adopt detailed rules for the application of this Article, including control provisions, in accordance with the procedure laid down in Article 30 of Council Regulation (EEC) No 804/68 of 27 June 1968 on the common organization of the market in milk and milk products<sup>5</sup>, as last amended by Regulation (EEC) No 816/92,<sup>6</sup> or that laid down in Article 27 of Regulation (EEC) No 805/68, as the case may be.

#### Article 7

1. Aid per hectare shall be granted to producers and producer groups and organizations recognized pursuant to Article 13 of Regulation (EEC) No 1035/72 and Regulation (EEC) No 1360/78 respectively which undertake a programme of initiatives, approved by the competent authorities, with a view to the development and diversification of production and/or the improvement of the quality of the fruit and vegetables listed in

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1 OJ No L 148, 28.6.1968, p. 24.

2 OJ No L 150, 15.6.1991, p. 16.

3 OJ No L 140, 5.6.1980, p. 1.

4 OJ No L 353, 17.12.1990, p. 23.

5 OJ No L 148, 28.6.1968, p. 13.

6 OJ No L 86, 1.4.1992, p. 83.



Chapters 7 and 8 of the combined nomenclature. The eligible initiatives shall seek in particular to develop production and product quality, particularly through varietal conversion and crop improvements. These initiatives shall form an integral part of programmes conducted over at least three years.

The aid shall be granted for programmes covering a minimum area of 0.3 hectares.

2. The amount of Community aid shall be a maximum ECU 500/ha if the Member State provides official financing of at least ECU 300/ha and the contribution of the individual producer or group amounts to at least ECU 200/ha. If the contributions of the Member State and the producers are less than the amounts specified, the Community aid shall be reduced proportionately.

The aid shall be paid each year of execution of the programme, for a period not exceeding three years.

3. The aid shall be increased by ECU 100/ha where the programme of initiatives is submitted and carried out by a producer group or organization and where, for its implementation, recourse to technical assistance is envisaged. The additional aid shall be granted in respect of programmes involving a minimum area of 2 ha.
4. This measure shall not apply to the production of ware potatoes falling within CN codes 0701 90 51, 0701 90 59 and 0701 90 90 nor to the production of seed potatoes falling within CN code ex 0701 10 00 or the production of tomatoes falling within CN code 0702.
5. Detailed rules for the application of this Article, including control provisions, shall be adopted in accordance with the procedure laid down in Article 33 of Council Regulation (EEC) No 1035/72 of 31 May 1972 on the common organization of the market in fruit and vegetables,<sup>1</sup> as last amended by Regulation (EEC) No 1156/92<sup>2</sup>.

#### Article 8

1. Aid per hectare shall be granted annually for the cultivation of ware potatoes falling within CN codes 0701 90 51, 0701 90 59 and 0701 90 90.

The aid shall be paid in respect of areas cultivated and harvested up to a maximum of 1 300 ha per year.

2. The amount of the annual aid shall be ECU 500/ha.

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1 OJ No L 118, 20.5.1972, p. 1.

2 OJ No L 122, 7.5.1992, p. 3.

3. Detailed rules for the application of this Article, including control provisions, shall be adopted in accordance with the procedure laid down in Article 11 of Council Regulation (EEC) No 2358/71 of 26 October 1971 on the common organization of the market in seeds<sup>1</sup>, as last amended by Regulation (EEC) No 1740/91<sup>2</sup>.

#### Article 9

1. A flat-rate aid per hectare shall be granted for the continued cultivation of vines for the production of quality wines psr and regional wines as designated in accordance with Article 2(3)(i) of Regulation (EEC) No 2392/89,<sup>3</sup> and published by virtue of Article 11(1) of Regulation (EEC) No 3201/90<sup>4</sup>.

Aid shall be paid in respect of areas:

- (a) planted to varieties included in the list of vine varieties suitable for the production of each of the quality wines psr or regional wines produced and belonging to the recommended or authorized categories referred to in Article 13 of Regulation (EEC) No 822/87;
  - (b) and on which the yield per hectare is below a maximum limit fixed by the Member State, expressed in quantities of grapes, grape must or wine, subject to the conditions of Article 11 of Council Regulation (EEC) No 823/87 of 16 March 1987 laying down special provisions relating to quality wines produced in specific regions,<sup>5</sup> as last amended by Regulation (EEC) No 3896/91<sup>6</sup>, and of Article 4(3) of Regulation (EEC) No 2392/89.
2. The aid shall amount to ECU 400/ha. From a date to be determined, the aid shall be granted exclusively to producer groups or organizations initiating a measure to improve the quality of the wines produced in accordance with a programme approved by the competent authorities; the programme shall include in particular the means for improving vinification, storage and distribution conditions.
  3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 83 of Regulation (EEC) No 822/87. They shall concern in particular the conditions for applying the programme referred to in paragraph 2 and the control provisions.

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1 OJ No L 246, 5.11.1971, p. 1.

2 OJ No L 163, 26.6.1991, p. 39.

3 OJ No L 232, 9.8.1989, p. 13.

4 OJ No L 309, 8.11.1990, p. 1.

5 OJ No L 84, 27.3.1987, p. 59.

6 OJ No L 368, 31.12.1991, p. 3.

Article 10

1. A flat-rate aid per hectare shall be granted for the maintenance of olive groves in traditional olive-growing zones, provided that the olive groves are kept and maintained in good production conditions.

The amount of the aid shall be ECU 80/ha.

2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 11 of Council Regulation (EEC) No 136/66,<sup>1</sup> as last amended by Regulation (EEC) No 3087/88<sup>2</sup>. In particular they shall fix the minimum area and planting density of the olive grove subject to the aid, the conditions for proper maintenance of production and the control provisions.

Article 11

1. Aid shall be granted for the production of quality honey specific to the Aegean islands, containing a large proportion of thyme honey.

The aid shall be paid to groups of honey producers recognized in accordance with Council Regulation (EEC) No 1360/78 of 19 June 1978<sup>3</sup>, as last amended by Regulation (EEC) No 3087/88<sup>4</sup>, according to the number of registered production hives, which undertake to implement annual programmes of initiatives designed to improve the conditions under which quality honey is marketed and promoted.

The amount of the aid shall be fixed at ECU 10 per registered production hive per year.

2. For a transitional period of a maximum two years with a view to the establishment and recognition of the groups referred to in paragraph 1, the aid shall be paid to any bee-keeper keeping at least ten hives in production. For this particular case, the amount of the aid shall be fixed at ECU 7 per registered production hive.
3. The aids referred to in paragraphs 1 and 2 shall be granted for a maximum 50 000 and 100 000 hives per year respectively.
4. Prior to the sixth month of the fifth year of application the Commission shall present to the Council a report on the application of this Article accompanied, where necessary, by appropriate proposals.

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1 OJ No L 166, 23.6.1978, p. 1.

2 OJ No L 275, 7.10.1988, p. 16.

3 OJ No L 166, 23.6.1978, p. 1.

4 OJ No L 275, 7.10.1988, p. 16.

5. Detailed rules for the application of this Article, including control provisions where necessary, shall be adopted in accordance with the procedure laid down in Article 17 of Council Regulation (EEC) No 2771/75 of 29 October 1975 on the common organization of the market in eggs<sup>1</sup>, as last amended by Regulation (EEC) No 1235/89<sup>2</sup>.

### TITLE III

#### Derogations applicable to structural measures

##### Article 12

1. Notwithstanding Articles 5, 6, 7, 10 and 19 of Council Regulation (EEC) No 2328/91 of 15 July 1991 on improving the efficiency of agricultural structures<sup>3</sup>, investment aid for agricultural holdings on the Aegean islands in question shall be granted on the following conditions:
  - (a) notwithstanding Article 5(1)(a), the investment aid scheme provided for in Articles 5 to 9 of the abovementioned Regulation may be applied on the Aegean islands in question to farmers who, while they do not practise farming as their main occupation, derive at least 25% of their total income from farming carried out on the holding and whose holding does not require the equivalent of more than one MWU, provided that the envisaged investments do not exceed ECU 40 000. With the exception of specialities local all the food production must be restricted to local consumption;
  - (b) the authorization concerning the keeping of simplified accounts provided for in Article 5(1)(d) shall apply;
  - (c) pig production on family holdings shall not be subject to the conditions laid down in Article 6(4), except for the condition referred to in the last subparagraph of that paragraph, provided that the production is intended to satisfy consumption requirements on the islands in question;
  - (d) with regard to eggs and poultry production, the prohibition referred to in Article 6(6) shall not apply to family farms;
  - (e) Notwithstanding Article 7(2)(a) and (b), the maximum value of the investment aid shall be 55% whether the investment is in fixed assets or not.

The measures mentioned in (c), (d) and (e) of this Article shall apply only insofar as livestock production is undertaken in a manner compatible with animal welfare and environmental protection requirements and provided that production is for the domestic market on the islands in question.

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1 OJ No L 282, 1.11.1975, p. 49.

2 OJ No L 128, 11.5.1989, p. 29.

3 OJ No L 218, 6.8.1991, p. 1.

2. With regard to the installation of young farmers, the condition provided for in the last indent of Article 10(1) shall not apply.
3. Notwithstanding Article 19(1)(b)(iii), the compensatory allowance referred to in Article 17 of that Regulation may be granted on the islands for all crops provided they are cultivated in a manner compatible with environmental protection requirements and subject to a maximum income per holding to be determined.

In addition, cows whose milk is intended for the domestic market of the region may be taken into consideration for the calculation of the compensatory allowance in all areas of the region specified in Article 3(4) and (5) of Council Directive 75/268/EEC of 28 April 1975 on mountain and hill farming in certain less-favoured areas<sup>1</sup>, as last amended by Regulation (EEC) No 797/85<sup>2</sup>, up to a maximum of 20 livestock units.

4. The Commission, in accordance with the procedure laid down in Article 29 of Council Regulation (EEC) No 4253/88 of 19 December 1988<sup>3</sup>:

- (1) shall adopt the conditions for applying this Article;
- (2) may decide, for the Aegean Islands on a reasoned request by the competent authorities, to derogate from the second indent of Article 17(3) of that Regulation with a view to authorizing an increase in the rate of Community funding above the limit provided for investments in certain sectors of the processing and marketing of agricultural products intended to improve the standard of living of the inhabitants.

#### TITLE IV

#### Final provisions

#### Article 13

The measures provided for in Titles I and II of this Regulation shall constitute intervention measures designed to stabilize the agricultural markets within the meaning of Article 3(1) of Regulation (EEC) No 729/70<sup>4</sup>, as last amended by Regulation (EEC) No 2048/88<sup>5</sup>.

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1 OJ No L 128, 19.5.1975, p. 1.  
2 OJ No L 93, 30.3.1985, p. 1.  
3 OJ No L 374, 31.12.1988, p. 1.  
4 OJ No L 94, 28.4.1970, p. 13.  
5 OJ No L 185, 15.7.1988, p. 1.

Article 14

1. The Commission shall submit to the Council and to Parliament an annual report on the implementation of the measures provided for in this Regulation, accompanied where appropriate by proposals concerning any adjustment measures which may prove necessary in order to achieve the objectives of this Regulation.
2. At the end of the third year of application of the arrangements, the Commission shall submit to the Council and the Parliament a general report on the economic situation of the Aegean islands showing the impact of the measures taken pursuant to this Regulation.

In the light of the report's conclusions, the Commission shall submit, wherever this proves necessary, appropriate adjustments.

Article 15

This Regulation shall enter into force on 1 January 1993.

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

Done at Brussels,

For the Council

The President

## A N N E X

### List of products covered by the specific supply arrangements under Title I for the smaller Aegean islands

Description	CN code
<u>Milk products</u>	
- fresh milk	0401 20
- yoghurt	0403 10
<u>Sugar</u>	
	1701 10
<u>Wheat flour</u>	
	1101 and 1102
<u>Vegetables</u> (for 1993 and 1994)	
	ex (0701 10 10, 0702 to 0709 90 90)
<u>Fruit</u> (for 1993 and 1994)	
- citrus fruit (oranges, mandarins, clementines, lemons)	ex (0805 10 to 0805 90 00)
- grapes	0806 10
- apples	ex (0808 10 91 to 0808 10 99)
- pears	ex (0808 20 31 to 0808 20 39)
- apricots, cherries, peaches, plums	0809
- strawberries	0810 10
- melons, watermelons	ex (0807 10 to 0807 10 90)
- figs	0804 20 10
<u>Feedingstuffs</u>	
Cereals	
- wheat	1001
- rye	1002
- barley	1003
- oats	1004
- maize	1005
Lucerne and forage products	1214
Residues and waste from the food industries	2302 to 2308
Preparations of a kind used in animal feeding	2309 90

## DRAFT FINANCIAL STATEMENT

### Proposal for a Council Regulation adopting specific measures for the smaller Aegean islands (structural component)

#### 1. Budget heading involved

B2-1010: EAGGF Guidance Section, agriculture, Objective 1.

#### 2. Legal basis

Articles 42 and 43 of the Treaty.

#### 3. Description of operation

Exemption from certain provisions of Regulation (EEC) No 2328/91 governing in particular investment aid with a view to taking account of the structural features of the islands and to contributing to their structural development and adjustment by encouraging certain investments.

The target population is the agricultural population of the islands.

#### 4. Classification of expenditure:

Non-compulsory.

#### 5. Type of expenditure

65% part-financing of eligible expenditure on the basis of current Decisions.

#### 6. Financial impact on appropriations for operations

N.B.: The cost of these measures is chargeable within the allocation to the structural Funds for the period 1994-97.

##### 6.1 Total cost calculation

##### a. Extension of the terms of eligibility for farms to the investment aids scheme.

The proposed exemptions will increase the number of eligible farms by 250 per year.

With an average investment volume of ECU 30 000, Community expenditure would be:

$250 \text{ farms} \times \text{ECU } 30\,000 \times 55\% \times 65\% = \underline{\text{ECU } 2.7 \text{ million/annum}}$

##### b. Increase in maximum rate of investment aid to 55%.

On the basis of current provisions the maximum investment aid would be an average 40%.

Increasing it to 55% would mean extra annual expenditure of:

$300 \text{ farms} \times \text{ECU } 30\,000 \times 15\% \times 65\% = \underline{\text{ECU } 0.9 \text{ million/annum}}$



c. Easing of the eligibility terms for young farmers.

Given an estimated 40 more beneficiaries per year, the extra expenditure to be charged to EAGGF Guidance would be:

Installation premium:

40 farms x ECU 8 000 x 65% = ECU 0.2 million/annum

Investment aid (assuming that 10% of the farms start investments):

4 farms x ECU 30 000 x 68% x 65% = ECU 0.05 million/annum

Total cost (a + b + c): ECU 3.9 million/annum.

d. Extending the terms of eligibility for compensatory allowances.

On the basis of information on the economic structure of the islands, the proposed exemptions should give rise to additional expenditure of the order of ECU 0.3 million/annum.

**6.2 Indicative schedule of commitment and payment appropriations**

Since these are reimbursement measures, the first expenditure to the Community budget will not occur before 1994. However, it should be noted that the above estimated cost in respect of the investment aid exemptions is the consistent annual cost and will be achieved only gradually.

Year	CA/PA (in ECU million)
1992	-
1993	-
1994	2.1
1995	3.8
1996	4.2
1997	<u>4.2</u>
Total for 1994-97	14.3

## ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### **Objectives and justification of the measure**

The objective of the "structural" component of the proposal, which is part of a broader set of measures, is to maintain the population on the islands by means of a policy of development and improvement of their standard of living and income.

Since these are Objective 1 regions the measure is part of the general objective of promoting the development of agriculture and rural regions within the framework of strengthening economic and social cohesion.

### **Coherence with financial programming**

The resulting additional expenditure must be taken into consideration in the new framework to be fixed for the period 1994-97.

### **Monitoring and evaluation of the measure**

Since this is a structural measure, it falls under Articles 25 and 26 of Regulation (EEC) No 4253/88.

# Financial Statement

(FF/92/025)

Date : 20/07/1992

BUDGET HEADING : B1-189 and B1-259

APPROPRIATIONS : p.m.

TITLE : Council Regulation (EEC) introducing specific measures for the smaller Aegean islands concerning certain agricultural products

LEGAL BASIS : Articles 42 and 43 of the Treaty

AIMS

To offset the specific difficulties experienced by certain Aegean Islands

FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS		CURRENT FINANCIAL YEAR (1992)	FOLLOWING FINANCIAL YEAR (1993)
	1994	1995	1996	1997
0 EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) - NATIONAL AUTHORITIES - OTHER			0	ECU 13.8 million
1 REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL				
0.1 ESTIMATED EXPENDITURE	ECU 19.9 million	ECU 18.2 million	ECU 17.6 million	ECU 17.6 million
1.1 ESTIMATED REVENUE				

2 METHOD OF CALCULATION

See detailed calculation annexed hereto

0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET (1992) ? YES

1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET ? YES

2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY (1993) ? YES

3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY ? YES

REMARKS :