

# EXECUTIVE SUMMARY

## INTRODUCTION

*This report highlights the main findings from the evaluation of the measures and actions implementing Regulation (EEC) No2019/93 on improving the socioeconomic situation of the small islands in the Aegean Sea.*

*More specifically, the Regulation (EEC) No 2019/93 includes a number of intervention measures (Titles I and II) designed for the stabilization of the agricultural markets, and a number of derogations applicable to structural field (Title III). A number of Commission Regulations and Decision have been adopted laying down detailed rules of application.*

*The Regulation is being implemented by the following set of measures :*

- **TITLE I: Specific supply arrangements (SSA)** were designed to cover the extra costs derived from transportation, due to the geographical remoteness of the islands, for certain products considered essential for human consumption (flour, sugar, fruits, vegetables and yoghurt) and animal feeding stuffs. The expenditure of SSA was covered by EAGGF Guarantee Section.
- **TITLE II: Support to local production (SLP)** included a number of measures designed to support traditional agricultural activities (olive growing, vine growing, cheese productions, beekeeping, stockfarming, etc), to improve quality and minimize product in costs. The expenditure of SLP was also covered by EAGGF Guarantee Section.
- **TITLE III: A set of derogations** applicable in the structured field (improvement plans, processing marketing) were covered by EAGGF Guidance under the CSF

## 1. THE CONTEXT OF THE SMALL ISLANDS OF THE AEGEAN SEA

*The small islands of the Aegean Sea lag behind the changes and trends observed in agrifood system in mainland Greece and the rest of Europe.*

*The main characteristics of the above islands are as follows :*

- *The small size of the market system and the long distance from the central port of Greece (Piraeus) :4.5 and up to 17.0 hr by sea transport, mean distance over 10.0 hr.*
- *A high level of imports of main agricultural products (flour, sugar, fruits, vegetables, etc.).*
- *Huge divergences within the level of development of the islands. The tourist resorts (Rhodes, Kos, Mykonos, Paros,Santorini) appear deep discrepancies in the main socioeconomic indices when compared to the smaller islands of the Cyclades and the Dodecanesse, or the other island complexes of the of the N. Aegean (Lesvos, Chios, Samos). Farming and agriculture constitute an important economic activity in N. Aegean Region, whereas tourism is the major economic activity in S. Aegean Region.*

## 2. EVALUATION OF THE OBJECTIVES AND MEASURES

*In general terms it can be said that the measures implementing the Regulation have had a positive impact on supply in foods, certain agricultural activities and traditional food production in the islands. Albeit this, after completing the evaluation, the following weaknesses have been observed.*

2.1 There is a flat aid to all islands, either A or B group, both in SSA and the SLP, which does not correspond to either of the **actual transportation costs**, the **socioeconomic situation** of the islands, the **subsidized product cost**, or the **double insularity**. To be more specific :

- **The cost of transporting the products** is rarely proportional to the distance involved.
- The **per capita regional income** in Dodecanesse is 137% of the national average which is anticipated to be mainly due to two islands (Rhodes and Kos). These islands receive the same aid as the less developed N. Aegean islands the very small islands of S. Aegean which in addition suffer from **double insularity costs**.
- **Fixed aid in certain products** is particularly low, in relation to product price and this is the main reason for the very poor implementation (eg. yoghurt).

2.2 Concerning **quality criteria**, it was difficult to identify any in the procedures employed for the acceptance of applications for feedings stuff, flour or sugar, and in the case of fruits and vegetables, low absorbance was due to a great extent quality inspection requirements and the relevant shortage of personnel in the Agricultural Directorates.

2.3 Certain constrains set out by the Regulation (minimum area for fruit / vegetable cultivation, or for breeding suckler cows) were too strict with regard to the situation prevailing in the islands.

### **3. EVALUATION OF SPECIFIC SUPPLY ARRANGEMENTS (TITLE I)**

- The balances (annual maximum quantities) were calculated just below to the total needs. In this way waste of resources was avoided and at the same time an important part of local needs was covered.
- The balances targeted for the period 1994-1996 were covered satisfactorily in feeding stuffs and flour. Irregular or low absorption was observed in sugar, fruits and vegetables while for yoghurt the balance was not covered at all.

The application of Specific Supply Arrangements had a positive impact on the price of certain products financed under the Regulation.

The main points of the evaluation are summarized below.

- Aid to raw materials intended for processing (flour in bakeries) or other productive activities (feeding stuffs in stock breeding) had important impact on prices and helped to maintain competitive prices.
- Consumer products of high added value such as yoghurt or fruits & vegetables, where the contribution of the aid, especially in Group A islands is very small, low implementation was observed.

### **4. EVALUATION OF MEASURES TO SUPPORT LOCAL PRODUCTS (TITLE II)**

In general terms, the aid given by the measure during the year 1993-96 have covered a significant part of local production and have contributed decisively to sustaining agricultural activity in most islands. In addition **positive environment impacts** are expected by the maintenance of traditional agricultural activities: maintenance of olive groves and cultivation of vines in traditional wine-growing zones protect the soil from erosion, bee-keeping has as an effect the biodiversity and the sustaining the ecosystem of the islands.

The key points of the evaluation are the following :

- *There was widespread implementation of the measures regarding traditional agricultural activities: livestock breeding, olive cultivation, the VQPRD vineyards, and bee-keeping.*
- *The aid given by the measures of the Regulation (EEC) No 2019/93 to support local production although not too high, does cover a critical percentage of the production cost.*
- *There was limited implementation of the measures in the area of product storage (private storage of cheeses and ageing of wines), and in fruit / vegetable due to market conditions (quick circulation of the products / marginal coverage of storage cost by the aid) and restrictions imposed by the Regulation (minimum area, producer groups) respectively.*

## **5. EVALUATION OF DEROGATIONS APPLICABLE TO STRUCTURAL MEASURES (TITLE II)**

*It appears that the implementation has had a far more dynamic effect than was anticipated on the level of agricultural holdings through the mass implementation of improvement plans. More specifically : Response to the derogations applicable to Regulation (EEC) No.2328/91 was particularly positive in the Aegean islands.*

## **6. RELEVANCE OF MEANS AND COMPATIBILITY BETWEEN THE SPECIFIC SUPPLY ARRANGEMENTS AND MEASURES TO SUPPORT LOCAL PRODUCTS**

*In general the objectives that were set out by the Regulation appeared to be compatible with each other and with good synergy, despite the fact that the objective to stabilize the market balance of a number of products (fruits / vegetables, yoghurt) could put in risk the effectiveness of local production support.*

*It should be noted though, the means and measures designed by the Regulation in many cases were not concrete enough (the grouping of islands A and B, the determination of a fixed aid for all products) or do not correspond to real figures that prevail in the islands (minimum area of land required for support to local production of fruits and vegetables).*

## **7. EVALUATION OF PUBLIC ADMINISTRATION AND MONITORING**

*Concerning public administration and monitoring of the Reg. (EEC) No. 2019/93, the major weakness identified was the lack of an effective mechanism for monitoring implementation, with specified file and data keeping procedures and requirements.*

## **8. COMMENTS AND RECOMMENDATIONS**

*A set of recommendations for improving the implementation and the effectiveness of the Regulation are presented below, which mainly focus on policy measures rather than a product-by-product suggestions.*

### **8.1 REDEFINITION OF THE PRODUCTS TO BE SUBSIDIZED UNDER SPECIFIC SUPPLY ARRANGEMENTS BY THE REGULATION (EEC) No. 2019/93**

*We consider that the “basket” of the products subsidized under the Regulation, requires a total (global) reexamination.*

*What is needed is to redefine which products are “essential” for human consumption, in relation to production and / or consumption standards prevailing in the islands.*

- *In addition, it is recommended to differentiate the aid according to product. For example the dairy sector (a sector with strong competition and eveling trends of price differences even in the islands) versus the fruit vegetable sector (a sector with weak competition and expensive products in the islands).*
- *The measure should concentrate selectively towards subsidizing products that have permanent and serious price deviations in relation to mainland prices (e.g. fruits & vegetables) and inputs to local micro enterprises (e.g. flour) or rural activities (e.g. feeding stuffs).*
- *In order to promote the distribution of fruits & vegetables in the islands, it is suggested to initiate specific incentives for producer groups in the mainland that will undertake the distribution of their produce to the islands.*

## **8.2 CHANGE THE GROUPING OF THE AEGEAN ISLANDS (A / B GROUPS)**

- *We suggest that this system should be replaced by a system based on the actual transport cost according to island destination.*
- *Special attention should be given to the very small islands, with the characteristics of double insularity, where the subsidy never reached.*

## **8.3 ADJUSTMENT OF THE AID TO LOCAL PRODUCE “ESSENTIAL FOR THE LOCAL NEEDS”**

- *Successful measures to support local products (olive groves, vineyards, livestock, beekeeping) should continue.*
- *It is suggested to use more flexible criteria for subsidizing fruit / vegetable producers. Certain restrictions such as minimum area, establishment of producer groups should be reexamined. Technical support for the latter is considered a prerequisite. In addition, a study should be required in order to initiate 2-3 pilot producer groups with specific sectoral orientation in neighbouring islands.*

## **8.4 SPECIFICATION OF DEROGATIONS APPLICABLE TO THE STRUCTURAL FUNDS**

- *The successful implementation of the derogations applicaple to the structural funds (improvement plans, compensatory allowance, young farmers) clearly indicates the need for continuing this measure.*
- *In addition, it is suggested that the above interventions should be supplemented by the elaboration of a specific programme to support the processing units in the islands with sectoral and geographical priorities, taylored interventions according to priorities and simplification of the procedures. The introduction of quality labels for certain agricultural products of the islands should also be considered.*
- *The experience from the implementation of relevant integrated interventions (LEADER II Initiative) could be taken as a guidance (integrated support for investments, organization of distribution and marketing activities, renovation of the processing units, etc.)*

## **8.5 DEVELOPMENT OF A MANAGEMENT AND MONITORING SYSTEM-SIMPLIFICATION OF PROCEDURES**

- *For the smooth and effective implementation of the measures and actions of the Regulation it is strongly recommended to establish a management monitoring mechanism (Monitoring Secretariat) that will undertake the task of monitoring the implementation of the Regulation by specified procedures and computerized data and file keeping.*

- *The coordination of actions and the communication with the Commission Services on a well organized and regular basis, should be undertaken by the Monitoring Secretariat, which could be established and operate within the framework of the Agriculture Ministry 's Services.*

## **8.6 COORDINATION OF STRUCTURAL MEASURES IN THE AEGEAN SEA ISLANDS**

- *In the region of the Aegean islands, a number of interventions are being and are going to be implemented having as an overall goal the improvement of the socio-economic situation of the islands (POP, LEADER initiative, INTERREG, etc.), which should be compatible to the interventions foreseen by the Regulation, so as to form an effective set of measures.*
- *It is suggested to initiate an **expert assessment** for the integrated application with additionality and synergy of actions so as to create the relevant infrastructure, to support small enterprises. This could include **Centre to support the small agribusiness enterprises** in the islands, **development of new financing tools** (leasing, venture capital) etc.*

## **8.7 ESTABLISH AN OBSERVATORY FOR THE PRICES OF PRODUCTS ESSENTIAL FOR HUMAN CONSUMPTION IN THE ISLANDS OF THE AEGEAN SEA**

- *To ensure an effective control of price and production cost evolution in the islands the establishment of an Observatory is proposed.*