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COMMISSION REGULATION (EC) No 1914/2006

of 20 December 2006

laying down detailed rules for applying Council Regulation (EC) No 1405/2006 laying down specific measures for agriculture in favour of the smaller Aegean islands

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COMMISSION REGULATION (EC) No 1914/2006

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laying down detailed rules for applying Council Regulation (EC) No 1405/2006 laying down specific measures for agriculture in favour of the smaller Aegean islands

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1405/2006 of 18 September 2006 laying down specific measures for agriculture in favour of the smaller Aegean islands and amending Regulation (EC) No 1782/2003 ([1]), and in particular Article 14 thereof,

Whereas:

(1) In view of the changes introduced by Regulation (EC) No 1405/2006 and the experience gained, and in the interests of legislative simplification, Commission Regulations (EEC) No 2837/93 of 18 October 1993 laying down detailed rules for the application of Council Regulation (EEC) No 2019/93 with regard to the maintenance of olive groves in traditional olive-growing areas ([2]), (EEC) No 2958/93 of 27 October 1993 laying down detailed rules for the application of Council Regulation (EEC) No 2019/93 as regards the specific arrangements for the supply of certain agricultural products ([3]), (EC) No 3063/93 of 5 November 1993 laying down detailed rules for the application of Council Regulation (EEC) No 2019/93 with regard to the aid scheme for the production of honey of specific quality ([4]), (EC) No 3175/94 of 21 December 1994 laying down detailed rules of application for the specific arrangements for the supply of cereal products to the smaller Aegean islands and establishing the forecast supply balance ([5]), (EC) No 1517/2002 of 23 August 2002 laying down detailed rules for the application of Council Regulation (EEC) No 2019/93 introducing specific measures for the smaller Aegean islands, as regards the cultivation of certain agricultural products, potatoes for human consumption and seed potatoes ([6]), (EC) No 1999/2002 of 8 November 2002 laying down detailed rules for the application of Council Regulation (EEC) No 2019/93 as regards the specific aid arrangements for the smaller Aegean Islands in respect of vineyards ([7]), and (EC) No 2084/2004 of 6 December 2004 derogating from Regulation (EEC) No 2837/93 as regards the period for paying the aid to maintain olive groves in traditional olive-growing areas in the smaller Aegean islands ([8]), should be repealed and replaced by a single Regulation laying down rules for applying Regulation (EC) No 1405/2006.

([1]) OJ L 265, 26.9.2006, p. 1.
([2]) OJ L 260, 19.10.1993, p. 5. Regulation as last amended by Regulation (EC) No 2384/2002 (OJ L 358, 31.12.2002, p. 124).
([3]) OJ L 267, 28.10.1993, p. 4. Regulation as last amended by Regulation (EC) No 1820/2002 (OJ L 276, 12.10.2002, p. 22).
([4]) OJ L 274, 6.11.1993, p. 5. Regulation as last amended by Regulation (EC) No 780/2002 (OJ L 123, 9.5.2002, p. 32).
([5]) OJ L 335, 23.12.1994, p. 54. Regulation as last amended by Regulation (EC) No 2119/2005 (OJ L 340, 23.12.2005, p. 20).
([6]) OJ L 228, 24.8.2002, p. 12.
([7]) OJ L 308, 9.11.2002, p. 11.
([8]) OJ L 360, 7.12.2004, p. 19.

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(2) Detailed implementing rules should be laid down for the specific supply arrangements and the measures to assist local agricultural products, both provided for in Regulation (EC) No 1405/2006.

(3) Detailed rules should be laid down for fixing the amount of the aid for the supply of products under the specific supply arrangements. Such rules should take account of the additional costs of supply to the smaller Aegean islands due to their remote and insular nature, which constitute a burden that severely handicaps them.

(4) The aid scheme for the supply of products under the specific supply arrangements should be managed by means of a certificate, called an 'aid certificate', using the import licence form.

(5) Management of the specific supply arrangements requires the introduction of detailed rules on the issue of the aid certificate which derogate from the normal rules applicable to import licences under Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products ([1]).

(6) Management of the specific supply arrangements must allow two objectives to be pursued. First, it should promote the rapid issue of certificates, particularly by no longer requiring a security to be lodged beforehand in all cases, and the rapid payment of aid for supplies of products. Second, it should guarantee the control and monitoring of operations and provide the administrative authorities with the instruments they need to ascertain that the objectives of the scheme are being attained, those being to secure a regular supply of certain agricultural products and to offset the effects of the geographical situation of the smaller Aegean islands by ensuring that the advantages of the scheme are actually passed on to the stage at which the products destined for the end-users are placed on the market.

(7) One of those instruments consists in registering operators pursuing an economic activity under the specific supply arrangements. Registered operators are entitled to benefit from the arrangements, provided they meet the obligations laid down in the Community and national rules. Applicants should be entitled to registration provided that they meet a certain number of objective requirements designed to facilitate administration of the scheme.

(8) The detailed rules for the administration of the specific supply arrangements must ensure that, within the framework of the quantities laid down in the forecast supply balances, registered operators obtain a certificate for the products and quantities involved in the commercial transactions which they carry out on their own account, on presentation of documents certifying that the operation is genuine and that the application for a certificate is in order.

(9) Monitoring of operations qualifying under the specific supply arrangements requires, *inter alia*, proof to be furnished that the supply operation covered by the certificate has been carried out in a short time-span, and the transfer of the rights and obligations conferred on the holder of the certificate in question to be prohibited.

(10) The benefits granted in the form of Community aid must be passed on so that they are reflected in production costs and in the prices paid by the end-users. Checks are therefore needed to ensure that the benefits are actually passed on.

([1]) OJ L 152, 24.6.2000, p. 1. Regulation as last amended by Regulation (EC) No 410/2006 (OJ L 71, 10.3.2006, p. 7).

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(11) Regulation (EC) No 1405/2006 lays down that products covered by the specific supply arrangements may be exported to third countries or dispatched to the rest of the Community only under certain conditions to be set up. Detailed rules should be laid down accordingly. In particular, it is expedient to lay down the maximum quantities of processed products which may be the subject of traditional exports or consignments.

(12) In order to protect consumers and the commercial interests of operators, products which are not of sound and fair marketable quality, within the meaning of Commission Regulation (EC) No 800/1999 of 15 April 1999 laying down common detailed rules for the application of the system of export refunds on agricultural products ([1]), should be excluded from the specific supply arrangements no later than the time when they are first placed on the market and appropriate steps should be taken where this requirement is not met.

(13) The competent authorities should lay down the detailed administrative rules needed to ensure the management and monitoring of the specific supply arrangements. Moreover, to ensure that the arrangements are properly monitored, rules are needed to specify the checks to be carried out. Administrative penalties to ensure the smooth functioning of the mechanisms implemented should therefore be specified.

(14) In order to be able to assess how the arrangements are being implemented, the competent authorities should be required to report to the Commission at regular intervals.

(15) The coverage of aid applications and the documents to be attached with a view to assessing their justification should be specified for each aid scheme directed at local production.

(16) It should be possible to amend at any time aid applications containing manifest errors.

(17) The deadlines for submitting and amending aid applications must be complied with to enable the national authorities to programme and subsequently carry out effective checks on the correctness of applications for aid for local production. Time limits should therefore be fixed beyond which submissions can no longer be accepted. Moreover, a reduction should be applied to encourage beneficiaries to respect the time limits.

(18) Beneficiaries should be allowed to withdraw their applications for aid for local production or parts thereof at any time provided that the competent authority has not yet informed the beneficiary grower of any errors contained in the aid application or announced an on-the-spot check which reveals errors in the part concerned by the withdrawal.

(19) Compliance with the rules on aid schemes managed under the integrated administration and control system should be effectively monitored. To this end, the criteria and technical procedures for carrying out administrative and on-the-spot checks should be set out in detail. Where appropriate, Greece should strive to combine the various checks under this Regulation with those provided for under other Community provisions.

(20) The minimum number of beneficiaries to undergo on-the-spot checks under the various aid schemes should be determined.

(21) The sample for the minimum rate of on-the-spot checks should be selected partly on the basis of a risk analysis and partly at random. The main factors to be taken into consideration for the risk analysis should be specified.

([1]) OJ L 102, 17.4.1999, p. 11. Regulation as last amended by Regulation (EC) No 671/2004 (OJ L 105, 14.4.2004, p. 5).

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(22) Where significant irregularities are found, the rate of on-the-spot checks should be increased during the current and following years in order to attain an acceptable level of assurance that the aid applications concerned are correct.

(23) For on-the-spot checks to be effective it is important for the inspectors to be informed of the reasons why the beneficiaries concerned have been selected for an on-the-spot check. Greece should keep records of such information.

(24) In order to enable the national authorities and any competent Community authority to follow up on-the-spot checks carried out, the details of checks should be recorded in an inspection report. Beneficiaries or their representatives should be given the opportunity to sign the report. However, in the case of remote-sensing checks, Greece should be allowed to provide for this right only in cases where the check reveals irregularities. Moreover, irrespective of the kind of on-the-spot check carried out, the beneficiary should receive a copy of the report if irregularities are found.

(25) To protect the Community's financial interests effectively, adequate measures should be adopted to combat irregularities and fraud.

(26) Reductions and exclusions should be determined having regard to the principle of proportionality and the special problems arising in cases of *force majeure*, exceptional circumstances and natural disasters. Such reductions and exclusions should be graded according to the gravity of the irregularity committed and should go as far as the total exclusion from one or more aid schemes for local production for a specified period.

(27) As a general rule, reductions and exclusions should not be applied where beneficiaries have submitted factually correct information or can otherwise show that they are not at fault.

(28) Beneficiaries who notify the competent national authorities at any time of incorrect aid applications should not be the subject of reductions or exclusions, irrespective of the reason for the incorrectness, provided the beneficiary grower concerned has not been informed of the competent authority's intention to carry out an on-the-spot check and provided the authority has not already informed the beneficiary of any irregularity in the application.

(29) Reductions and exclusions provided for under this Regulation should be applied without prejudice to additional penalties under any other provisions of national law.

(30) Beneficiaries who are unable to fulfil the obligations provided for under the detailed rules for implementing the programmes as a consequence of *force majeure* or exceptional circumstances should not lose their entitlement to the aid.

(31) In order to ensure uniform application of the principle of good faith throughout the Community, where unduly paid amounts are recovered, the conditions under which that principle may be invoked should be laid down without prejudice to the treatment of the expenditure concerned in the context of the clearance of accounts.

(32) As a general rule, Greece should take any further measures necessary to ensure that this Regulation is properly implemented.

(33) Where appropriate, the Commission should be informed of any measures taken by Greece to implement the aid schemes provided for in this Regulation. In order to enable the Commission to monitor effectively, Greece should regularly send it certain statistics on the aid schemes.

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(34) The measures provided for in this Regulation are in accordance with the opinion of the Management Committee for Direct Payments,

HAS ADOPTED THIS REGULATION:

TITLE I

SCOPE AND DEFINITIONS

Article 1

Scope

This Regulation lays down detailed rules for implementing Regulation (EC) No 1405/2006, particularly as regards the programme relating to specific supply arrangements for the smaller Aegean islands as provided for in Chapter II of that Regulation and measures to support local production in those islands as provided for in Chapter III of that Regulation.

Article 2

Definitions

For the purposes of this Regulation:

(a) 'smaller islands' means any islands in the Aegean Sea except the islands of Crete and Evia;

(b) 'competent authorities' means the authorities appointed by Greece to implement this Regulation;

(c) 'programme' means the support programme referred to in Article 13 of Regulation (EC) No 1405/2006.

TITLE II

SPECIFIC SUPPLY ARRANGEMENTS

CHAPTER I

Forecast supply balance

Article 3

Fixing and granting of aid

1. For the purposes of applying Article 3(2) of Regulation (EC) No 1405/2006, Greece shall determine within the context of the programme the amount of the aid to be granted in order to compensate for remoteness, insularity and distant location, taking into account:

(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;

(e) as regards specific additional transport costs, the intermediate reloading costs involved in supplying goods to the smaller islands;

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(f) as regards the specific additional costs involved in local processing, the small size of the market and the need to guarantee security of supply for goods in the smaller islands concerned.

2. No aid shall be granted for the supply of products in a smaller island which has already benefited from the specific supply arrangements in another smaller island.

CHAPTER II

Aid certificate, payment, register, end user, quality and securities

Article 4

Aid certificate and payment

1. The aid provided for in Article 4(1) of Regulation (EC) No 1405/2006 shall be paid on presentation of a certificate, hereinafter referred to as an 'aid certificate', which has been fully utilised and is accompanied by the purchase invoice and the original or a certified copy of the bill of lading or airway bill.

Presenting an aid certificate to the competent authorities shall be tantamount to applying for the aid. Except in cases of *force majeure* or climatic aberrations, certificates must be presented within 30 days of the date on which they are charged. Where that time limit is overrun, the aid shall be reduced by 5 % per day of delay.

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The aid shall be paid by the competent authorities not later than 60 days after the date on which the utilised aid certificate is lodged, except in one of the following cases:

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(a) *force majeure* or climatic aberration;

(b) where an administrative enquiry has been opened concerning entitlement to the aid; in such cases, payment shall take place only after entitlement has been recognised.

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Payments shall be made throughout the year.

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2. ►M1 Aid certificates shall be drawn up on the basis of the specimen of import licence set out in Annex I to Regulation (EC) No 1291/2000. Articles 8(5), 13, 15, 17, 18, 19, 21, 23, 26, 27, 29 to 33 and 36 to 41 of Regulation (EC) No 1291/2000 shall apply *mutatis mutandis* without prejudice to this Regulation. ◄

3. The entry 'aid certificate' shall be printed or stamped in box 20 (special particulars) of the certificate.

4. Boxes 7 and 8 of the certificate shall be struck out.

5. Box 12 of aid certificates shall show the last day of validity.

6. The amount of the aid applicable shall be that in force on the day on which the application for the aid certificate was lodged.

7. The competent authority shall issue aid certificates at the request of the parties concerned, subject to the limits of the forecast supply balances.

Article 5

Passing on the advantage to the end-user

1. For the purposes of applying this Title:

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(a) the ‘advantage’ referred to in Article 4(3) of Regulation (EC) No 1405/2006 means the grant of Community aid provided for in that Regulation;

(b) ‘end-user’ means

(i) in the case of products for direct consumption: the consumer,

(ii) in the case of products for the processing or packaging industry which are intended for human consumption: the final processor or packager,

(iii) in the case of products for the processing or packaging industry for use as animal feed and products for use as agricultural inputs: the farmer.

2. The competent authorities shall take all appropriate steps to check that the advantage is actually passed on to the end-user. In doing so they may assess the trading margins and prices applied by the various operators concerned.

The measures referred to in the first subparagraph, and in particular the control points used to determine whether the aid has been passed on, and any amendments made, shall be notified to the Commission in the context of the report provided for in Article 33.

Article 6

Register of operators

1. Aid certificates shall be issued only to operators entered in a register kept by the competent authorities (hereinafter referred to as ‘the register’).

2. Any operator established in the Community may apply to be entered in the register.

Entry in the register shall be subject to the following conditions:

(a) operators shall possess the means, structures and legal authorisations required to carry on their activities and shall, in particular, have duly complied with their obligations regarding business accounting as appropriate and taxation;

(b) operators shall be able to guarantee that their activities are carried on in the smaller islands;

(c) in the context of the specific supply arrangements for the smaller islands, and in compliance with the objectives of those arrangements, operators shall undertake to:

(i) communicate to the competent authorities, at their request, all relevant information about their commercial activities, particularly regarding the prices and profit margins they practise,

(ii) operate exclusively in their own name and on their own account,

(iii) submit certificate applications commensurate with their real capacity to dispose of the products concerned, such capacity being proven by reference to objective factors,

(iv) refrain from acting in any way likely to create artificial shortages of products and from marketing the available products at artificially low prices,

(v) ensure to the satisfaction of the competent authorities that, when the agricultural products are disposed of in the smaller islands, the advantage is passed on to the end-user.

3. Operators intending to dispatch to the rest of the Community or export to third countries processed or unprocessed products under the

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conditions referred to in Article 13 shall, at the time of applying for entry in the register or later, declare their intention to engage in this activity and indicate the location of the packaging plant where applicable.

4. Processors intending to export to third countries or dispatch to the Community processed products under the conditions referred to in Article 13 or 14 shall, at the time of applying for entry in the register or later, declare their intention to engage in this activity, indicate the location of the processing plant and, where applicable, provide analytical lists of the processed products.

Article 7

Documents to be presented by operators and validity of aid certificates

1. The competent authorities shall accept the aid-certificate application presented by operators for each consignment, provided that they are accompanied by the original or a certified copy of the purchase invoice.

The purchase invoice, bill of lading or airway bill must be drawn up in the name of the applicant.

2. The period of validity of certificates shall be 45 days. The validity period may be extended by the competent authority in special cases where serious and unforeseeable difficulties affect the transportation time, but may not exceed two months from the date on which the certificate was issued.

Article 8

Presentation of certificates and goods; non-transferability of certificates

1. For products covered by the specific supply arrangements aid certificates shall be presented to the designated authorities within no more than 15 working days from the date of unloading the goods. The competent authorities may reduce this maximum time.

2. The goods shall be presented in bulk or in separate lots corresponding to the certificate presented.

3. Aid certificates shall not be transferable.

Article 9

Quality of products

Only products of sound and fair marketable quality, within the meaning of Article 21(1) of Regulation (EC) No 800/1999, may qualify for the specific supply arrangements.

Conformity of the products with the requirements laid down in the first paragraph shall be examined no later than the stage of first marketing, in accordance with the standards or practices in force in the Community.

Where a product is considered not to meet the requirements laid down in the first paragraph, the entitlement under the specific supply arrangements shall be withdrawn and the corresponding quantity shall be reattributed to the forecast supply balance. Where aid has been granted in accordance with Article 4, the aid shall be reimbursed.

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Article 10

Lodging of security

No security shall be required when applying for aid certificates.

However, in special cases and to the extent necessary to ensure the proper application of this Regulation, the competent authorities may require a security to be lodged equal to the amount of the advantage accorded. In such cases, Article 35(1) and (4) of Regulation (EC) No 1291/2000 shall apply.

Article 11

Significant increases in applications for aid certificates

1. If the state of execution of a forecast supply balance indicates a significant increase in applications for aid certificates for a given product which might jeopardise achievement of one or more of the objectives of the specific supply arrangements, Greece shall take all necessary steps to ensure that the smaller islands are supplied with essential products, taking account of available supply and the requirements of the priority sectors.

2. In the event of restrictions on the issue of certificates, the competent authorities shall apply to all pending applications a uniform reduction percentage.

Article 12

Fixing a maximum quantity per certificate application

Insofar as is strictly necessary to avoid disturbances on the market in the smaller islands, or the pursuit of speculative actions likely to be prejudicial to the smooth functioning of the specific supply arrangements, the competent authorities shall fix a maximum quantity per certificate application.

The competent authorities shall notify the Commission immediately of the instances in which this Article is applied.

CHAPTER III

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

Article 13

Conditions of export or dispatch

1. The export and dispatch of unprocessed products which have benefited from the specific supply arrangements, or packaged or processed products containing products which have benefited from the specific supply arrangements, shall be subject to the requirements laid down in paragraphs 2 to 3.

2. Quantities of products which have benefited from aid and are exported or dispatched shall be reattributed to the forecast supply balance and the aid granted shall be reimbursed by the exporter or consignor by the time of export or dispatch at the latest.

Those products may not be dispatched or exported until the reimbursement referred to in the first subparagraph has been made.

Where it is impossible to establish the amount of aid granted, the products shall be considered to have received the highest rate of aid

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fixed by the Community for such products during the six-month period preceding the submission of the application for export or dispatch.

Such products may benefit from an export refund, provided that the criteria for granting such a refund are met.

3. The competent authorities shall authorise the export or dispatch of quantities of processed products other than those referred to in paragraph 2 and in Article 14 only where the processor or exporter certifies that the products concerned do not contain raw materials introduced under the specific supply arrangements.

The competent authorities shall authorise the re-export or re-dispatch of unprocessed products or packaged products other than those referred to in paragraph 2 only where the consignor certifies that those products have not benefited from specific supply arrangements.

The competent authorities shall carry out the necessary checks to ensure the accuracy of the certificates referred to in the first and second subparagraphs and shall, if necessary, recover the advantage.

Article 14

Traditional exports and traditional dispatches of processed products

1. Processors who have declared, in accordance with Article 6(4), that they intend to export in the context of traditional trade flows or to dispatch in the context of traditional trade flows, as referred to in Article 5(2) of Regulation (EC) No 1405/2006, processed products containing raw materials which have benefited from specific supply arrangements may do so within the limits of the annual quantities indicated in the approved programme and presented in accordance with the specimen set out in the Annex to this Regulation. The competent authorities shall deliver the requisite authorisations in such a way as to ensure that transactions do not exceed those annual quantities.

2. The export of products referred to in this Article shall not be subject to the presentation of an export licence.

CHAPTER IV

Checks and penalties

Article 15

Checks

1. The administrative checks carried out on the, entry, export and dispatch of agricultural products shall be exhaustive and shall involve cross-checks with the documents referred to in Article 7(1).

2. The physical checks carried out in the smaller islands on the, entry, export and dispatch of agricultural products shall involve a representative sample amounting to at least 5 % of the certificates presented in accordance with Article 8.

Physical checks shall be carried out, *mutatis mutandis*, in accordance with the procedures laid down in Council Regulation (EEC) No 386/90 ([1]).

In special cases the Commission may request that physical checks cover different percentages.

([1]) OJ L 42, 16.2.1990, p. 6.

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Article 16

Penalties

1. Except in cases of *force majeure* or climatic aberrations, if an operator fails to comply with the requirements of Article 6, and without prejudice to any penalties applicable under national law, the competent authorities shall:

(a) recover the advantage granted from the holder of the aid certificate;

(b) temporarily suspend or revoke the operator's registration, depending on the seriousness of the infringement.

The advantage referred to in point (a) shall be equal to the amount of the aid determined in accordance with Article 13(2).

2. Except in cases of *force majeure* or climatic aberrations, where holders of a certificate do not carry out the planned entry, their entitlement to apply for certificates shall be suspended for a period of 60 days following expiry of that certificate. After the suspension period, the issue of subsequent certificates shall be subject to the lodging of a security equal to the amount of the advantage to be granted during a period to be determined by the competent authorities.

3. The competent authorities shall adopt the measures required to reutilise any quantities of products made available as a result of non-execution, partial execution or cancellation of the certificates issued or recovery of the advantage.

CHAPTER V

National provisions

Article 17

National management and monitoring rules

The competent authorities shall adopt the additional rules needed to manage and monitor the specific supply arrangements in real time.

They shall notify the Commission of any measures they intend to implement pursuant to the first paragraph, prior to the entry into force of those measures.

TITLE III

MEASURES TO ASSIST LOCAL PRODUCTS

CHAPTER I

Aid to assist local products

Article 18

Amount of aid

1. The amount of aid granted under the measures to assist local agricultural production as provided for in Chapter III of Regulation (EC) No 1405/2006 shall be within the ceilings fixed in Article 12 of that Regulation.

2. The conditions for granting aid, the lines of agricultural production and the amounts concerned shall be specified in the programme approved in accordance with Article 13(2) of Regulation (EC) No 1405/2006.

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CHAPTER II

Aid applications and aid payment

Article 19

Submission of applications

Aid applications for a calendar year shall be submitted to the office designated by the competent authorities of Greece in accordance with the specimens drawn up by the latter and within the periods they have laid down. Those periods shall be fixed so as to allow time for the necessary on-the-spot checks and shall not run beyond 28 February of the following calendar year.

Article 20

Correction of manifest errors

An aid application may be rectified at any time after its submission where a manifest error is recognised by the competent authority.

Article 21

Late submission of applications

Except in cases of *force majeure* and exceptional circumstances, submission of an aid application after the time limit laid down in accordance with Article 19 shall lead to a 1 % reduction per working day in the amounts to which the beneficiary would have been entitled if the aid application had been lodged within the time limit. If the delay amounts to more than 25 calendar days, the application shall be considered inadmissible.

Article 22

Withdrawal of aid applications

1. An aid application may be totally or partially withdrawn at any time.

However, where the competent authority has already informed the beneficiary of irregularities in the aid application or has given notice to the beneficiary of its intention to carry out an on-the-spot check and this check reveals irregularities, withdrawal shall not be authorised in respect of the parts of the aid application affected by those irregularities.

2. Withdrawal under paragraph 1 shall return the claimant to the situation prior to submitting the aid application or part of the aid application in question.

3. No later than 31 March of each year an analysis of aid applications withdrawn for the previous calendar year should be carried out to identify the main causes and potential trends at local level.

Article 23

Aid payments

After verifying the aid applications and relevant supporting documents, and calculating the amounts to be granted under the support measures provided for in Article 7 of Regulation (EC) No 1405/2006, the competent authorities shall pay the aid for a calendar year during the period:

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— in the case of direct payments, in accordance with Article 28 of Council Regulation (EC) No 1782/2003 ([1]), and

— in the case of other payments, during the period beginning on 16 October of the current year and ending on 30 June of the following year.

CHAPTER III

Checks

Article 24

General principles

Verification shall be by administrative and on-the-spot checks.

Administrative checks shall be exhaustive and shall include cross-checks with, *inter alia*, data from the integrated administration and control system provided for in Chapter 4 of Title II of Regulation (EC) No 1782/2003.

On the basis of a risk analysis in accordance with Article 26(1), the competent authorities shall perform on-the-spot checks by sampling at least 5 % of aid applications. The sample must also represent at least 5 % of the amounts covered by the aid.

In all appropriate cases, Greece shall make use of the integrated administration and control system.

Article 25

On-the-spot checks

1. On-the-spot checks shall be unannounced. However, provided that the purpose of the check is not compromised, advance notice limited to the strict minimum necessary may be given. Such notice shall not exceed 48 hours, except in duly justified cases.

2. Where applicable, the on-the-spot checks provided for in this Chapter shall be carried out in conjunction with any other checks provided for by Community legislation.

3. The aid application or applications concerned shall be rejected if beneficiaries or their representatives prevent an on-the-spot check from being carried out.

Article 26

Selection of beneficiaries to be subjected to on-the-spot checks

1. Beneficiaries shall be selected to undergo on-the-spot checks by the competent authority on the basis of a risk analysis and the representativeness of the aid applications submitted. The risk analysis shall, as appropriate, take account of:

(a) the amount of aid;

(b) the number of agricultural parcels and the surface area covered by the aid application, or the quantity produced, transported, processed or marketed;

(c) changes on the previous year;

(d) the findings of checks performed in the preceding years;

([1]) OJ L 270, 21.10.2003, p. 1.

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(e) other parameters to be defined by Greece.

To provide the element of representativeness, Greece shall randomly select between 20 % and 25 % of the minimum number of beneficiaries to be subjected to on-the-spot checks.

2. The competent authority shall keep records of the reasons why specific beneficiaries were selected for on-the-spot checks. The inspector performing the on-the-spot check shall be informed of those reasons before beginning the check.

Article 27

Inspection report

1. Every on-the-spot check shall be the subject of an inspection report relating the details of the checks carried out. Reports shall indicate in particular:

(a) the aid schemes and applications checked;

(b) the persons present;

(c) the agricultural parcels checked, the agricultural parcels measured, the results of the measurements per parcel measured and the measuring methods used;

(d) the quantities produced, transported, processed or marketed which are covered by the check;

(e) whether advance notice was given to the beneficiary of the visit and, if so, how much;

(f) any further control measures carried out.

2. Beneficiaries or their representatives shall be given the opportunity to sign the report to attest their presence at the check and to add observations. Where irregularities are found the beneficiary shall receive a copy of the inspection report.

Where the on-the-spot check is carried out by remote-sensing, Greece may decide not to give the beneficiaries or their representatives the opportunity to sign the inspection report if no irregularities are revealed during the check by remote-sensing.

CHAPTER IV

Reductions and exclusions, and undue payments

Article 28

Reductions and exclusions

In the event of a discrepancy between the information declared in the context of aid applications and the findings of the inspections referred to in Chapter III, Greece shall apply reductions and exclusions to the aid. Those reductions and exclusions shall be effective and proportionate and shall act as a deterrent.

Article 29

Exceptions to the application of reductions and exclusions

1. The reductions and exclusions provided for in Article 28 shall not apply where the beneficiary submitted factually correct information or can otherwise show that he or she is not at fault.

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2. The reductions and exclusions shall not apply with regard to those parts of the aid application which the beneficiary informs the competent authority in writing are incorrect or have become incorrect since it was lodged, provided that the competent authority has not already informed the beneficiary of its intention to carry out an on-the-spot check or of any irregularity in the application.

On the basis of the information given by the beneficiary as referred to in the first subparagraph, the aid application shall be rectified to reflect the actual situation.

Article 30

Recovery of undue payments and penalties

1. In the event of undue payment, Article 73 of Commission Regulation (EC) No 796/2004 [1] shall apply *mutatis mutandis*.

2. Where the undue payment has been made as a result of a false declaration, false documents or serious negligence on the part of the beneficiary, a penalty shall be imposed equal to the amount unduly paid, with interest calculated in accordance with Article 73(3) of Regulation (EC) No 796/2004.

Article 31

Force majeure and exceptional circumstances

Cases of *force majeure* or exceptional circumstances within the meaning of Article 40(4) of Regulation (EC) No 1782/2003 shall be notified to the competent authority in accordance with Article 72 of Regulation (EC) No 796/2004.

TITLE IV

GENERAL AND FINAL PROVISIONS

Article 32

Communications

1. As regards the specific supply arrangements, the competent authorities shall send to the Commission, no later than the 15th day of the month following the end of each quarter, the following data relating to the previous months of the reference calendar year, by product and CN code and, where applicable, by individual destination:

(a) the quantities broken down according to whether they are dispatched from mainland Greece or other islands;

(b) the amount of aid and the expenditure actually paid by product;

(c) the quantities for which aid certificates have not been utilised;

(d) any quantities exported to third countries or dispatched to the rest of the Community after processing in accordance with Article 13;

(e) transfers within an overall quantity for a category of products and amendments to the forecast supply balances during the period;

(f) the available balance and the utilisation rate.

The data provided for in the first subparagraph shall be supplied on the basis of the certificates utilised.

[1] OJ L 141, 30.4.2004, p. 18.

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2. As regards support for local production, Greece shall notify the Commission:

(a) not later than 31 March of each year, of the aid applications received and the amounts involved for the previous calendar year;

(b) not later than 31 July of each year, of the aid applications definitively eligible and the amounts involved for the previous calendar year.

Article 33

Report

1. The report provided for in Article 17(2) of Regulation (EC) No 1405/2006 shall contain *inter alia*:

(a) any significant changes in the socio-economic and agricultural environment;

(b) a summary of the available physical and financial data on the implementation of each measure, followed by an analysis of the data and, where necessary, a presentation and analysis of the sector to which the measure relates;

(c) the progress of the measures and priorities in relation to the specific and general objectives on the date of presentation of the report, using quantified indicators;

(d) a brief account of any major problems encountered in managing and implementing the measures including the conclusions of the analysis mentioned under Article 22(3);

(e) an examination of the results of all the measures, taking account of their reciprocal links;

(f) for the specific supply arrangements:

— data and an analysis relating to price trends and the manner in which the advantage granted was passed on, as well as the measures taken and the checks performed to ensure that it was passed on;

— taking account of the other aid available, an analysis of the proportionality of the aid in relation to the additional cost of transport to the smaller islands and the prices applied and, in the case of products intended for processing and agricultural inputs, the additional costs of insularity and distant location;

(g) an indication, based on objective indicators, of the extent to which the objectives assigned to each of the measures contained in the programme have been achieved;

(h) data on the annual supply balance of the smaller islands in terms of, *inter alia*, consumption, headage developments, production and trade;

(i) data on the amounts actually granted for the implementation of programme measures on the basis of the criteria defined by Greece, such as the number of eligible producers, the eligible surface area or the number of holdings concerned;

(j) information on the financial implementation of each measure under the programme;

(k) statistics on the checks carried out by the competent authorities and any penalties applied;

(l) the comments of Greece on the implementation of the programme.

2. For 2007 the report shall contain an assessment of the impact, on stockfarming and on the agricultural economy in the smaller islands, of

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the aid programme for traditional activities relating to the production of beef and veal, sheepmeat and goatmeat.

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Article 34

Amendments to programmes

1. Amendments to the overall programme approved under Article 13 (2) of Regulation (EC) No 1405/2006 shall be submitted to the Commission and shall be duly substantiated, in particular giving the following information:

(a) the reasons and any implementation problem justifying amendment of the overall programme;

(b) the expected effects of the amendment;

(c) the implications for financing and verification of commitments.

Except in cases of *force majeure* or exceptional circumstances, Greece shall submit requests for programme amendments not more than once per calendar year and per programme and no later than 30 September of each year.

If the Commission raises no objections to the amendments requested, Greece shall apply those amendments from 1 January of the year following that in which they were notified.

Such amendments may apply earlier if the Commission confirms in writing to Greece before the date referred to in the third subparagraph that the notified amendments comply with Community legislation.

If the notified amendment does not comply with Community legislation, the Commission shall inform Greece thereof and the amendment shall not apply until the Commission receives an amendment that can be declared as compliant.

2. By way of derogation from paragraph 1, for the following amendments, the Commission shall evaluate the proposals of Greece and decide on their approval within four months of their submission at the latest in accordance with the procedure referred to in Article 13(2) of Regulation (EC) No 1405/2006:

(a) the introduction of new measures or aid schemes into the overall programme; and

(b) the increase of the unit level of support already approved for each existing measure or aid scheme by more than 50 % of the amount applicable at the time when the request for amendment is presented.

3. Greece shall be authorised to make the following amendments without recourse to the procedure set out in paragraph 1 provided that the amendments are notified to the Commission:

(a) as regards the forecast supply balances, changes in the quantities of the products concerned covered by the supply arrangements and, consequently, the global amount of aid allocated to support each line of products; and

(b) as regards support for local production, adjustments up to 20 % of the financial allocation for each individual measure.

Such amendments shall not apply before the date on which they are received by the Commission. They may be implemented only once a year except in cases of *force majeure* or exceptional circumstances, of modification of the quantities of the products covered by the supply arrangements and of modification of the statistical nomenclature and

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of the Common Customs Tariff codes as provided for in Council Regulation (EEC) No 2658/87 ([1]).

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Article 35

Financing of studies, demonstration projects, training or technical assistance measures

The amount required to finance studies, demonstration projects, training and technical assistance measures provided for in a programme approved under Article 13(2) of Regulation (EC) No 1405/2006 for the purposes of implementing that programme may not exceed 1 % of the total amount of financing for the programme.

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Payments for studies, demonstration projects, training or technical assistance measures shall be made throughout the year.

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Article 36

Additional national measures

Member States shall take all the additional measures required to apply this Regulation.

Article 37

Reduction of advances

Without prejudice to the general rules on budgetary discipline, where the information transmitted by Greece to the Commission under Articles 32 and 33 is incomplete or the time limit for transmitting that information has not been complied with, the Commission may reduce advances on entry in the accounts of agricultural expenditure on a temporary and flat-rate basis.

Article 38

Repeal

Regulations (EEC) No 2837/93, (EEC) No 2958/93, (EC) No 3063/93, (EC) No 3175/94, (EC) No 1517/2002, (EC) No 1999/2002, and (EC) No 2084/2004, are hereby repealed with effect from 1 January 2007.

Article 39

Entry into force

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

It shall apply from 1 January 2007.

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

([1]) OJ L 256, 7.9.1987, p. 1.

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ANNEX

Maximum quantities of processed products which can be exported or dispatched annually from the smaller islands in the context of traditional consignments

(Quantity in kilograms (or litres))

CN code	To the Community	To third countries