

Bananas: special framework of technical and financial assistance for traditional ACP suppliers

1998/0014(SYN) - 17/03/2010 - Follow-up document

The Commission presents a biennial report on the Special Framework of assistance (SFA) for traditional ACP suppliers of bananas. This report covers 2007 and 2008 and is accompanied by a Staff Working Document. To recall, the SFA for traditional ACP suppliers of bananas was created in 1999 in order to help those suppliers to adjust to changing international competition and expired in December 2008. It targeted 12 traditional banana-supplying countries: Belize, Cameroon, Cape Verde, Côte d'Ivoire, Dominica, Grenada, Jamaica, Madagascar, St Lucia, Saint Vincent and the Grenadines, Somalia and Suriname. In total, some EUR 376 million was granted under the SFA scheme. The objectives were either improving the competitiveness of traditional ACP banana producers, or, if this were no longer feasible, supporting diversification.

Market information: The European Union (EU) is the largest consumer and importer of bananas in the world. Compared to 2007, in 2008, 5 416 449 t. (referred to below as t.) of bananas were consumed in the EU (+3.5%), of which 4 848 889 t. (+3.7%) were imported from third countries and 567 560 t. (+2.3%) were of domestic origin. Since 1 January 2006, the EU applies an MFN tariff of €176/t. to banana imports, in line with the EU's commitments to move from its previous quota system to a tariff-only regime. Statistics monitoring the impact of the new regime on imports show that it maintains market access conditions, with increased imports.

Budget line 2007: 12 Financing Agreements were signed in early 2008 for EUR 28.67 million. Some 42% of the funds are dedicated to improving the competitiveness of the banana export sector in 4 beneficiary States and 58% of the funds to diversification in 8 beneficiary States.

Budget line 2008: 12 Financing Agreements were signed in early 2009 for EUR 29.23 million. Some 37% of the funds finance activities improving the competitiveness of the banana export sector in three beneficiary ACP States. Some 63% of the funds are dedicated to diversification in the remaining beneficiary States.

Evaluation: the Commission states that it made efforts to complete the adaptations required in ongoing SFA projects and reviewed/programmed those approved in 2006, 2007 and 2008. Actual disbursements from all SFA programmes increased from EUR 21 million in 2006 to EUR 46 million in 2008. Disbursement of all programmes will be completed in 2012 (apart from ex post evaluations and audits).

Some progress towards improved competitiveness and increased diversification: the programmes made substantial contributions to achieving the objectives:

- improved competitiveness in Belize, Cameroon, Côte d'Ivoire and Suriname, although support could not compensate for the hurricane damage in Jamaica in 2005, 2007, and 2008;
- improved capacity for successful economic diversification in Eastern Caribbean and for agricultural diversification (where monitored) in Somalia, Cape Verde and Madagascar, although the full impact cannot yet be quantified.

In the competitiveness-oriented countries, the banana sector is now more closely aligned to market requirements and EU environmental policies and standards, establishing the basis for sustainable business development. The implementation of recommendations made in the previous report has resulted in notable improvements in the timeliness and quality of implementation in Belize, Jamaica and the Windward

Islands. This aspect was less relevant for both Cameroon and Côte d'Ivoire, which benefit from more diversified sources of finance and thus were less dependent on support.

In countries where diversification is a priority, efficiency suffered from a lack of focus, many very small investments, averaging around EUR 1 to EUR 1.5 million, with limited potential for real impact. Furthermore, linkages between the various initiatives are still limited and fragile.

The external evaluation recommended that ACP countries committed to diversification should review the contributions of their SFA portfolios to their economic diversification agenda at a macro level. This should include an assessment of the cohesiveness of such programmes and facilitate upgrading of each country's diversification strategy, with clear priorities including the quantity and sources of financial resources needed to support and institutionalise key activities.

In order to improve both monitoring and evaluation of the impact of diversification programmes, it also recommended improving the logical frameworks and their use as programme management tools to ensure that implementing agencies are continually working towards expected results and actively measuring agreed indicators.

Sustainability of ACP banana exports still fragile: the prospects for sustained competitiveness are largely dependent on:

- the outcome of ongoing international trade negotiations, and
- the capacity of countries to achieve further productivity gains and cost savings.

The strategies pursued by some countries have lacked a realistic assessment of challenges created by the international market situation and future potential implications of the conclusion of WTO and ongoing bilateral trade negotiations.

Results can be delivered where countries:

- demonstrate strong commitment to adjust to international developments;
- have favourable agronomic characteristics; and
- already have highly commercially structured sectors.

The Commission concludes that challenges remain for banana-exporting countries. They need to address them together and with international support. The international community, including the EU, has attached greater importance to assisting developing countries in increasing their competitiveness of the whole economy and making better use of international trade opportunities. EU Aid for Trade does not focus on just individual sectors. One prerequisite for success is to draw and update multi-stakeholder strategies for developing trade and integrating into the international trading system. The SFA's implementation over ten years allowed recipient countries to plan strategically and will remain a useful reference point for future action.