

Financing instrument for development cooperation: banana accompanying measures

2010/0059(COD) - 17/03/2010 - Legislative proposal

PURPOSE: to support the adjustment of areas dependent upon banana exports following a reduction in tariff preferences for ACP banana-supplying countries and amending Regulation (EC) No 1905/2006.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: the Common Market Organisation (CMO) for bananas in the EU (EU) has traditionally provided a preferential trade regime in favour of African, Caribbean and Pacific (ACP) banana-exporting countries. For several ACP states, banana production for export to the EU forms an important economic activity with multiplier effects for the rest of the economy.

The EU's banana CMO has been challenged since 1995 through the World Trade

Organisation's (WTO) Dispute Settlement Mechanism, whose Appellate Body decisions have repeatedly ruled against it. Consequently, the EU has negotiated a trade agreement on bananas within the framework of the WTO. This supports the completion of the Doha Development Agenda's (DDA) agricultural modalities and the full Doha Round. Implementation of this agreement will lead to the reduction of the ACPs' preference margin.

In order to promote the gradual integration of banana-exporting ACP countries into the global economy, the EU has provided assistance to the banana sectors of a number of countries through the Special System of Assistance (SSA, 1994-1999) and the Special Framework of Assistance (SFA, 1999-2008). The SFA operated in 12 banana-exporting ACP countries and expired in December 2008.

The SFA operated in twelve banana-exporting ACP countries and expired in December 2008. The external evaluation of the SFA highlights positive results, as stated in the [draft Communication on the Biennial Report](#) on the Special Framework of Assistance for traditional ACP suppliers of bananas.

Certain countries managed to enhance competitiveness, as reflected in ACP bananas' stable export volumes and EU market share (see COM(2010)0103). However, production costs in ACP countries generally remain higher than in Most Favoured Nation (MFN) countries. The results of measures to support diversification are less visible and will require more efforts. A reduction in tariff preferences for ACP banana-supplying countries will lead to additional adjustment requirements, building on the adaptation and restructuring processes underway. In

view of these challenges, the Commission proposes to create an ACP Banana

Accompanying Measures programme for the main ACP banana-supplying countries.

IMPACT ASSESSMENT: no impact assessment was carried out.

LEGAL BASIS: Article 209(1) of the Treaty on the Functioning of the EU. **CONTENT:** the Commission proposes to amend Regulation (EC) No 1905/2006 ("DCI instrument.") The Banana Accompanying Measures to be adopted aim at:

- enhancing the competitiveness of the banana export sector, where this is sustainable, taking into account the situation of different stakeholders in the chain;
- promoting the economic diversification of banana-dependent areas;
- addressing broader impacts generated by the adaptation process, possibly related but not restricted to employment and social services, land use and environmental restoration, and macroeconomic stability.

They will take into account the results of and experiences gained through the SSA and the SFA. The Banana Accompanying Measures are proposed as a temporary programme with a maximum duration of four years (2010-2013).

The main ACP banana supplying countries are: Belize, Cameroon, Côte d'Ivoire, Dominica, Dominican Republic, Ghana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines and Suriname.

The budget for the measures is **EUR 190 million**. Within this amount, the Commission will fix the maximum amount available to each eligible ACP banana-supplying country for financing the actions above on the basis of a set of objective indicators. The indicators shall include trade in bananas with the EU; the importance of banana exports to the economy in the ACP country concerned; and country's level of development. The measurement of the allocation criteria shall be based on data from years preceding 2009.

The Commission will adopt multi-annual support strategies and ensure that such strategies complement the geographic strategy papers of the countries concerned, and the temporary nature of these banana accompanying measures. The support strategies may be reviewed ad hoc, if necessary, but shall not be submitted to a mid-term review.

BUDGETARY IMPLICATION: the budget is EUR 190 million. The programme will be financed through appropriations under the expenditure of Heading 4 ("The EU as a Global Player"). It is proposed to use part of the available margin under this heading for EUR 75.9 million. Commission services have assessed the availability of funds over the period 2010-2013 in order to ascertain redeployment possibilities because of potential underutilisation, absorption constraints and/or political circumstances. The analysis leads to a proposed redeployment of EUR 95.8 million under Heading 4. For the remainder (EUR 18.3 million) the Commission proposes the mobilisation of the Flexibility Instrument.

Lastly, it should be noted that the total financial reference amount for the implementation of the DCI Regulation over the period 2007-2013 is now EUR 17 087 million.