

Outermost regions: specific supply arrangements for agricultural products which are essential for human consumption, for the manufacture of other products or as agricultural inputs

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The Commission presents its first report on the impact of the POSEI reform of 2006, in accordance with Regulation (EC) No 247/2006 laying down specific measures for agriculture in the outermost regions of the Union.

It is recalled that the 2006 reform did not modify the main objectives and instruments of the scheme. Its main novelty was the adoption of a programming approach and the transfer of responsibility on designing and modifying programmes adapted to local needs to Member States, who managed and monitored the programmes. The objective of this innovation was to introduce a higher level of flexibility in the management of the Specific Supply Arrangements (SSA) and Support Local Production (SLA) and to simplify the procedures for their modification.

The report states that in the first implementation years, the **POSEI scheme has proven successful in terms of programming approach** (undoubtedly more flexible and closer to the local needs), in guaranteeing the supply of essential products by mitigating the additional costs for their delivery, in supporting the revenue of farmers in the outermost regions and in developing certain agricultural sectors.

The evaluation study shows that the reform has improved the administrative efficiency since the increased budget has induced an effect of economy of scale. However, the programming approach produces a heavy **administrative burden** both for national/regional authorities and for the Commission's services.

Based on its analysis and the current situation, the Commission considers that the **financial envelope** allocated to POSEI has enabled the broad objectives of the scheme to be met.

The role of Member States in the implementation of the POSEI scheme is crucial. Member States should reflect on a more targeted reallocation of available resources to support merging sectors and productions that have shown more difficulties than others.

Both the Commission and Member States must continue their efforts towards the best possible implementation of the scheme and in particular pursue the objectives food self-sufficiency and diversification from the traditional export production sectors, in order to ensure the viability of the agricultural activity also in case of targeted market crises. Employment in agriculture, which should be maintained and increased where possible, quality of the production and preservation of the environment are also essential objectives.

Recommendations to Member States: the report makes the following key recommendations:

- Member States are asked quickly to establish appropriate control systems to **verify the proper transmission of the SSA advantage to end-user**. This has been difficult to check particularly with respect to products that have been introduced in a processing chain;
- Member States should adjust the level of the SSA aid for those products that are also produced locally in such a way as to give **priority to the development of the local production**. The level of

aid determined for the supply of some products in certain regions (e.g. meat and milk products in the Canary Islands and Madeira) creates competition with the local production of the same products. Local production can barely develop;

- Member States should examine the reasons for the limited success of the measures that do not attain their objectives and propose an improved strategy of support in their programmes. The report notes in this context that, whilst more production of meat and milk has been registered in the livestock sector in Reunion and in the Azores, the meat and milk sectors do not have the same positive results in Madeira and the Canaries. Difficulties have been noted also in the fruit and vegetables sector in the French departments, in the Azores and the Canaries.

The flexibility granted to Member States to manage their programme can be very effective in dealing with particular situations. In order to assist sectors in difficulty, Member States may reallocate the POSEI envelope within the programme and even grant additional aid, thanks to more flexible provisions concerning State Aid to the outermost regions. In the context of these strategic choices, Member States should **privilege measures favouring the maintenance and creation of local employment.**

Proposed amendments to EU legislation: it is proposed to recast Council Regulation (EC) No 247/2006 to update and simplify some provisions and to align it to the new requirements of the TFEU:

- amendments will be made to include the possibility of free trade in SSA processed products among the French DOM;
- there will be an increase in the maximum annual SSA ceilings for France and Portugal - within the existing financial allocations - so as to release pressure on the part of the envelopes reserved to SSA and to allow additional products to be introduced in the forecast supply balances of the outermost regions in need without increasing the overall budget;

Lastly, to reduce the administrative burden and to allow Member States more time to determine the actual needs and finalise a strategic approach for the subsequent year, the Commission proposes to postpone the deadline for the submission of the annual programme modifications for the following year from 1 August to 30 September.