Bananas: special framework of assistance for traditional ACP suppliers (Regulation (EC) No 856/1999). 2002 biennial report

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PURPOSE : to present a communication from the Commission on the special framework of assistance for traditional ACP suppliers of bananas. CONTENT : this document comprises of the communication from the Commission on a special framework assistance for traditional ACP suppliers of bananas (Council Regulation 856/1999) biennial report from the Commission 2002. The document recalls that banana imports in the European Union have traditionally been regulated by a quota-system with strong preferential treatment for bananas from Africa, the Caribbean and the Pacific (the so-called ACP countries). The US, Guatemala, Honduras, Mexico and Ecuador have challenged this regime as being incompatible with WTO regulations. In April 2001, after lengthy legal battles and negotiations, an Understanding was reached with the US and Ecuador on the future of the banana import regime into the EU. The agreement stipulates that the quota system will be replaced by a tariff only system, which should come into force on 1st January 2006 at the latest. In the meantime, the EU market in bananas will continue to be managed through a quota system based on historical reference, which has also been discussed with the ACP countries. In order to help the twelve traditional ACP banana suppliers better cope with the transition to the new market conditions, a Special Framework of Assistance (SFA) was put in place already in 1999, through a dedicated budget line. Five African countries and seven Caribbean countries are considered as traditional suppliers and are therefore beneficiaries of the SFA. This framework provides technical and financial support to specific projects presented by the countries concerned, based on a long-term strategy previously agreed with and approved by the Commission. The individual country allocations are calculated on the basis of two criteria, namely both the competitiveness gaps observed when compared to the third country suppliers, and the importance of the banana production to the economy of the ACP concerned. So far (1999 - 2002) the logic underlying the allocation methodology has caused those countries suffering from a bigger competitiveness gap and in which the share of the banana sector in the total GDP is higher, to receive more support. The report concludes by stating that due to some new procedures and the high degree of participation by the beneficiaries in implementation, disbursements have experienced delays in some cases. However, these difficulties are being tackled, and there have been substantial improvements in recent months. It is expected that further ground will be made up in the next two-year period, also as a result of the current devolution exercise. In this context, the Commission will explore the possibility of creating a "BA" budget line with a view to making the administrative process as effective as possible. In general, a need to streamline the whole administrative process has become evident. Whereas the strategies adopted are long-term, the fact of having projects in the form of annual action plans makes it burdensome both for the beneficiaries and for the Commission to elaborate, approve and implement them every year. In accordance with the SFA Regulation and the Financial Regulation, the Commission will explore the possibility of devising multi-year action plans. This would significantlyreduce the administrative steps currently undertaken every year, and would enhance the consistency of implementation. In accordance with the SFA Regulation, the Commission would favour further strengthening of the link between the Country Strategy and the projects submitted under the SFA, as it has been the case in several countries already. In the Council Regulation establishing the SFA there is provision for application of a maximum reduction coefficient of 15% to the level of assistance made available from 2004, and for this reduction coefficient to be reduced proportionally to the increase in competitiveness observed. In the first phase of the SFA the logic applied favoured the less competitive suppliers, the idea being to bridge the bigger gaps and enable these producers to compete under the new market conditions. From 2004, in accordance with the above-mentioned provision, the

allocation criteria should be adjusted by taking into account the different degrees of competitiveness gained. In parallel, implementation efforts are likely to shift more and more from support for competitiveness to diversification for those suppliers still suffering from substantial competitiveness gaps.