External aid: financial and technical assistance to ACP countries that are signatories to the Sugar Protocol following the reform of the common organisation of the market in sugar CMO

2005/0117(COD) - 22/06/2005 - Legislative proposal

PURPOSE : to establish a scheme for financial and technical assistance to accompany the adjustment process of Sugar Protocol countries, faced with new conditions on the sugar market due to the forthcoming reform of the common organisation of the market in sugar.

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

CONTENT : the EU sugar reform, with its proposed price cuts, may lead to significant impacts and adjustment needs. This may have broad socio-economic consequences in ACP countries that are signatories to the Sugar Protocol and have been relying on preferential sugar exports to the EU, in most cases since 1975. In the context of the future sugar regime, market conditions may further evolve due to internal as well as external factors, such as trade flows under the “Everything But Arms” initiative.

Through the EU Action Plan for Agricultural Commodities adopted in April 2004, the EU is engaged in helping economies dependent on commodities, such as sugar, to address the challenges related to these sectors. The Commission committed itself to offering both trade measures and development assistance to help the Sugar Protocol countries to adapt. The trade measures are being established in negotiations on the Economic Partnership Agreements. The development assistance is the subject of this Commission proposal establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime. The following points should be noted:

- This regulation will supply the legal basis for delivering assistance in 2006. The sugar reform will be implemented as early as July 2006. Restructuring and reconversion can best mitigate the likely impacts of the reform if they succeed in preventing major disruptions of the level of economic activity. Similarly, social measures, for example favouring labour mobility, need to be implemented in preparation of significant changes. Considering the complexity of restructuring and diversification processes to be undertaken in Sugar Protocol countries, this assistance scheme will cover eight years. The regulation will be followed by a specific appropriation in the 2007-2013 Financial Perspectives.

- The countries to be covered by this scheme are the 18 ACP countries that are signatories to the Sugar Protocol and export sugar at present to the EU. In the two ACP countries that are signatories to the Sugar Protocol, but have not exported sugar to the EU in recent years (namely Uganda and Suriname), the EU sugar reform will not require specific adjustments. LDC countries, which are not signatories to the Sugar Protocol, have not historically relied on sugar exports to the EU. Further market access under EBA, even at lower levels of EU market prices, should allow several sugar producing LDC to increase their revenues from sugar exports to the EU. These LDC are hence not covered here.

- Considering the differences between the different Sugar Protocol countries, in terms of types of issues to face and possible responses, a broad range of support options will be offered, to be adapted to each specific situation. These accompanying measures should also cover broader social, economic, and environmental consequences of the reform, if necessary.

- EC support will be based on a country-specific, multi-annual, comprehensive adaptation strategy, to be devised in the country concerned, in dialogue with the Commission. Some important criteria for eligibility of this strategy to Community assistance are its justification in terms of long term sustainability, considering in particular the relative prospects for profitability of sugar or alternative sectors in future market conditions. Careful consideration should be given to the different stakeholders affected by the adjustment process. The environmental impact of alternative options will also require adequate consideration.

- The preferred delivery mechanisms will be (sectoral) budget support, although programme support will also be possible, depending on the situation of a given country. The national strategy elaboration process has already progressed in several Sugar Protocol countries. However, countries which, in 2006, have not yet devised a suitable adaptation strategy should be eligible in that year for financial assistance with the aim of developing such a strategy. For countries in political crisis, the Commission will evaluate whether the situation allows effective use of sugar-related assistance, and may decide to reallocate the share of the budget envisaged for that country to the other eligible countries. The financial reference amount for the implementation of the financial and technical assistance aiming to contribute to the elaboration of a multi-annual strategy, is EUR 300 000.

- In terms of budget, the sugar reform creates specific, new challenges to Sugar Protocol countries, which require additional support for their adaptation process. The Commission proposes that expenses linked to the present proposal be covered by the Community budget. In 2006, the total budget for the assistance scheme needs to allow the 18 Sugar Protocol countries to undertake priority investment and programmes in the framework of the adaptation strategy. A limited amount will be reserved to ensure adequate administrative capacity to manage the assistance scheme effectively. Within the overall amount, an indicative amount of 3% will be used to cover the human and material resources required for effective administration and supervision of the assistance.

- The responsibility of the management of the actions will be devolved to the EC delegations in the beneficiary countries.

- The financial reference amount for implementation of the Regulation for 2006 is EUR 40 million.

FINANCIAL IMPLICATIONS :

- Budget lines: operational budget line 21 03 19 and administrative assistance line under chapter 21 01 04.

- Duration of the action and of the financial impact: assistance for Sugar Protocol countries has been proposed for a period of 8 years, since they involve complex restructuring and diversification processes. From 2007 to 2013, the legal basis for this assistance will be the Development Cooperation and Economic Cooperation Instrument (DCECI). The present regulation is hence needed for 1 year only (2006), until the DCECI enters into force. If the DCECI were not in force on 1 January 2007, the validity of the present regulation could be extended. As the sugar reform is expected to be implemented in 2006, it is important for the Sugar Protocol countries to undertake as early as possible their adaptation process.

- Summary of commitment appropriations and payment appropriations:

- Operational expenditure: EUR 38.8 million.

- Administrative expenditure within reference amount: technical and administrative assistance: EUR 1.2 million.

- Administrative expenditure not included in reference amount: Human resources and associated expenditure: EUR 0,398 million.

- Administrative costs, other than human resources and associated costs, not included in reference amount: EUR 0,08 million.

Total staff: 13.