2006 budget: Section III, Commission

2005/2001(BUD) - 19/10/2005 - Document attached to the procedure

This Amending Letter contains the following elements:

– the mobilisation of new funds for an amount of EUR 40 million in commitment appropriations and EUR 21.2 million in payment appropriations, to support the accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime during 2006.

The EU sugar reform, with its proposed price cuts, may have a significant impact with broad socioeconomic consequences, and may lead to adjustment needs, in ACP countries that are signatories to the Sugar Protocol, and which have been relying on preferential sugar exports to the EU, in most cases since 1975. Therefore, 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 was the subject of the Commission's proposal for a regulation establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime. (Please see COM(2005)0266). That regulation will supply the legal basis for delivering assistance in 2006. In order to maximise chances of a successful transition, it is essential to facilitate opportunities for the Sugar Protocol countries to anticipate as much as possible the impact of the sugar reform, which is proposed to be implemented as early as July 2006. Restructuring and reconversion can best mitigate the likely impact of the reform if they succeed in preventingmajor disruptions of the level of economic activity.

Considering the complexity of the restructuring and diversification processes to be undertaken in the Sugar Protocol countries, the assistance scheme is to cover a relatively long term. The Commission has proposed eight years. Actions under the regulation will thus continue beyond 2006, and they will be covered by the "Development Cooperation and Economic Cooperation Instrument". In the event that this instrument does not enter into force on 1 January 2007, an extension of the regulation will be enacted.

The countries to be covered by the scheme are the 18 ACP countries that are signatories to the Sugar Protocol, and export sugar at present to the EU. In terms of areas of support, the range should cover the needs of countries which will aim to upgrade the competitiveness of their sugar sector, as well as of those for which the adaptation process requires diversifying into alternative economic activities, around or instead of the sugar sector.

In terms of budget, the sugar reform creates specific, new challenges to Sugar Protocol countries, which require additional support for their adaptation process. In 2006, the total budget for the assistance scheme needs to allow the Sugar Protocol countries to undertake priority investment and programmes in the framework of the above-mentioned adaptation strategy. The budget will be divided amongst the countries according to their different needs, which depend in particular on the impact of the sugar reform on their sugar industry, and on the importance of sugar in their economy. A limited amount should also be reserved to ensure adequate administrative capacity to manage the assistance scheme effectively.

The global amount needed (EUR 40 000 000 in 2006) is split in two components: expenditure on administrative management (EUR 1 200 000) and operational expenditure (EUR 38 800 000). These amounts will be included under items 31 01 40 and 31 02 41 01 of the chapter 31 02 "Reserves for financial interventions".

Lastly, the ceiling for Heading 4 in 2006 is already exceeded by EUR 123.5 million. The additional recourse to the flexibility instrument for EUR 40 million will result in a negative margin totalling

EUR 163.5 million.