Basic information

2005/0117(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
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 **Subject** 3.10.06.07 Sugar 6.30.02 Financial and technical cooperation and assistance **Geographical area** ACP countries	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
DEVE Development	LEHIDEUX Bernard (ALDE)	24/05/2005

Committee for opinion	Rapporteur for opinion	Appointed
INTA International Trade	The committee decided not to give an opinion.	
BUDG Budgets	LEWANDOWSKI Janusz (PPE-DE)	07/09/2005
CONT Budgetary Control	The committee decided not to give an opinion.	
AGRI Agriculture and Rural Development	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	2703	2006-01-23

European Commission

Commission DG	Commissioner
Development	

Key events

Date	Event	Reference	Summary
22/06/2005	Legislative proposal published	COM(2005)0266	Summary
07/07/2005	Committee referral announced in Parliament, 1st reading		
26/09/2005	Vote in committee, 1st reading		Summary
03/10/2005	Committee report tabled for plenary, 1st reading	A6-0281/2005	
13/12/2005	Debate in Parliament		
15/12/2005	Decision by Parliament, 1st reading	T6-0520/2005	Summary
15/12/2005	Results of vote in Parliament		
23/01/2006	Act adopted by Council after Parliament's 1st reading		
15/02/2006	Final act signed		
15/02/2006	End of procedure in Parliament		
21/02/2006	Final act published in Official Journal		

Technical information

Procedure reference	2005/0117(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	EC Treaty (after Amsterdam) EC 179
Stage reached in procedure	Procedure completed
Committee dossier	DEVE/6/29299

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Amendments tabled in committee		PE362.665	12/09/2005	
Committee opinion	BUDG	PE362.616	30/09/2005	
Committee report tabled for plenary, 1st reading/single reading		A6-0281/2005	03/10/2005	
Text adopted by Parliament, 1st reading/single reading		T6-0520/2005	15/12/2005	Summary

Council of the EU

Document type	Reference	Date	Summary

Draft final act	03673/1/2005	15/02/2006	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2005)0266	22/06/2005	Summary
Document attached to the procedure	SEC(2005)0828	22/06/2005	Summary
Commission response to text adopted in plenary	SP(2006)0053	12/01/2006	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Regulation 2006/0266
OJ L 050 21.02.2006, p. 0001-0005 Summary

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 - Document attached to the procedure

COMMISSION'S IMPACT ASSESSMENT

For further information concerning the background to this issue, please refer to the summary of the Commission's initial proposal COM(2005)0266 of 22 June 2005 establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar régime.

1- POLICY OPTION AND IMPACTS: The Commission looks at three policy options.

Option 1 – No assistance measures to accompany the adjustment process required in Sugar Protocol countries: The EC could decide not to address the links between the EU sugar reform and the ACP countries signatories to the Sugar Protocol. In that case, the economic, social and environmental impacts would be fully felt by these countries, unless they can implement mitigation measures with resources of other origin (likely to be difficult due to the loss of financial resources as a result of the reform). It would also demonstrate little consistency with the EC's political commitment to the ACP regarding poverty reduction and the better integration of developing countries into world trade.

1.2- Option 2 - Trade measures: Trade policy is an important tool to foster economic growth in developing countries, and can have a positive impact for achieving sustainable development and poverty reduction. The Commission has committed itself to use these to support the adaptation process of Protocol countries to be implemented mainly through the negotiation of Economic Partnership Agreements (EPA) with the ACP. The EPA process can be utilised to enhance the prospects of the sugar sector within an ACP region, especially within those regions where consumption is growing. It also offers opportunities to improve the trading environment for other products and thus can promote the policy climate for both vertical and horizontal diversification. As regards more specifically the access of ACP sugar to the EU market, the Commission considers that the Sugar Protocol should be integrated into EPA in such a way that does not prejudice the EU's commitment to LDC for full market access for sugar from 2009 and thus ensure full compatibility with WTO rules. Trade measures can contribute to mitigating the impacts of the sugar reform, but only for certain Sugar Protocol countries, and for certain dimensions of the impacts. They should thus be used as a complement to development assistance and are being established in the framework of EPA negotiations.

1.3- Option 3: Development assistance to accompany the adjustment process required in Sugar Protocol countries: In addition to trade related measures, and in order to support the adjustment process of ACP countries affected by the sugar reform, a development assistance scheme can be established. Since the impacts of the reform can be expected to affect a relatively broad range of social, economic and environmental parameters, and since the situations of the different Sugar Protocol countries are very diverse, such an assistance scheme would need to cover a broad range of areas, including measures aiming at i) enhancing the competitiveness of the sugar sector, where this is a sustainable process, ii) promoting the diversification of sugar-dependent areas, and iii) addressing broader adaptation needs.

*CONCLUSION:***The Commission selected a combination of Options 2 and 3.**

IMPACTS: *Note:* These impacts refer to the proposed sugar reform *per se* and are the reasons for which the Commission has put forward the accompanying measures.

Competitiveness: With the price reduction scenario, the industry from an additional significant number of Protocol countries could cover their operational costs but not their overall costs anymore. In the medium term, the least competitive amongst them may no longer be able to profitably export to the European market. The modernisation of the industry in some of these countries (ongoing in several cases) will be a critical factor for their competitiveness level. For these countries, relatively small differences in the EU price level may not have a linear impact on their industries, since, in the order of magnitude of the price cut envisaged by the Commission, and according to the production cost data available, they are at a threshold in terms of profitability. Any additional loss of revenue is particularly sensitive for these industries and puts them in a vulnerable position. The industries of the Protocol countries benefiting from the lowest production costs will be in a position to continue to take profit from their access to the European market, even under the price reduction scenario.

Sugar exports to the EU: For the least competitive countries, the envisaged price reduction may likely lead to the eventual discontinuation of their sugar exports to the EU. For the non LDC group with higher competitiveness levels, the status quo and price reduction options have a similar impact on the export volumes, due to the hypothesis of fixed Protocol quotas. They might slightly increase their export volumes, in comparison with today's volumes, due to the reattribution of Protocol quotas following likely shortfalls by less competitive countries. For the most competitive LDC group, benefiting from free market access, the price difference between the status quo and price reduction options would have a marked impact on their export volumes that would rise. The price reduction imposes a general reduction of revenue for the group of Protocol countries, mitigated by the presence of LDC suppliers which, at the time horizon of 2010-11, would be likely significantly increase their export volumes to the EU.

The countries that might be led to halt their exports to Europe would undergo a total loss of revenue. The revenue of the group of non-LDC suppliers with a higher level of competitiveness will decrease in direct proportion to the price reduction.

Economic: Sugar is an important source of foreign exchange earnings for many Sugar Protocol countries. The loss of foreign exchange revenue to be expected from the reform will have a negative impact on their balances of payments, especially in those where debt sustainability is a sensitive issue. For countries with sugar sectors which depend highly on the EU market (e.g. Mauritius or St Kitts) and which weigh heavily in the economy (e.g. Guyana and Swaziland), the reform may affect their macro-economic situation.

Social: The restructuring of the industry to be expected following the sugar reform will have significant impacts in terms of employment and will affect different labour categories: factory workers, permanent and temporary estate workers, hired directly or indirectly, independent cane growers supplying to the industry, as well as a number of employment sectors indirectly linked to the sugar economy. Their relative importance will vary significantly between Protocol countries, depending on their production structures. Two general types of production structures can be distinguished. In the Caribbean, with the exception of Guyana and St Kitts, cane production is mainly in the hands of small producers, whose revenues depend heavily on this crop. In the African countries, cane production is essentially concentrated in agro-industrial companies, which manage both cane growing (estates) and sugar milling. The sugar companies, whether state-owned (often in the Caribbean) or private (often in Africa) play an important social role. They employ a large number of permanent and seasonal workers, and often provide essential social services to workers, suppliers, their families and / or the community: infrastructure (drinking water, electricity…), housing, health and schooling services. Restructuring due to the reform may lead in certain cases to jeopardising the capacity of these companies to keep providing these social services.

Environment: Like any agricultural chain, sugar production, either through factory operations or through cane cultivation, is linked to a number of environmental impacts, both negative (water consumption and alteration of water quality, biodiversity loss, soil depletion, for example), and positive (soil coverage and erosion control, renewable energy production, for example). In countries where cane plantations represent a significant share of agricultural land use (for example Mauritius, Barbados, Fiji or Belize), restructuring of the industry due to the reform may have significant impacts on these environmental parameters, especially if potential changes in land use do not take place in the framework of a planned process.

2- FOLLOW-UP: The proposed Regulation covers the year 2006, but the assistance scheme for Sugar Protocol countries should continue thereafter under the Development Cooperation and Economic Cooperation Instrument for an additional period of seven years.

For the first year, most countries are expected to be able to undertake priority actions with EC assistance. In some cases, assistance in this first year may be required to support the preparation of a national adaptation strategy. A common indicator to be evaluated for 2006 will be the availability in all countries of an adaptation strategy.

As regards the eight-year scheme, a "mid-term" evaluation will likely be undertaken, and may lead to proposals for adaptation of the assistance scheme, if relevant. The relevance of indicators to be used in the framework of this evaluation will vary between countries, depending on the strategy adopted. Overall export earnings, GDP and unemployment in targeted areas, as well as the effectiveness of implementation mechanisms will be common indicators.

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) - 15/12/2005 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution making some amendments to the Commission's proposal. It should be recalled that the Parliamentary Committee had wanted the EU to provide EUR 80 million in 2006, double the EUR 40 million proposed by the European Commission when it unveiled the reform in June this year. (Please see the summary of 26/09/2005.) However, the final figure of EUR 40 million was approved by Parliament in order to reach agreement with the Council in first reading. Parliament's rapporteur Bernard **Lehideux** (ALDE, FR) therefore called for his name to be withdrawn from the report although reluctantly supporting the first-reading agreement on the EUR 40 million. The figure of EUR 80 million would come from the External action budget heading, a key area in the ongoing negotiations between Parliament and Council on the 2006 budget. In addition, the assistance provided for under the Regulation shall be complementary but additional to assistance provided under other instruments of development cooperation.

Other amendments, however, followed the committee line:

-ACP countries that had already taken steps to adapt their sugar industry in anticipation of the EU sugar reform should not be penalised. A new clause stipulates that the multi-annual adaptation strategy "may include measures in the process of being implemented and also current and future financial impacts of social plans already implemented", provided that these measures and plans are clearly in line with the objectives laid down in Article 4 of the regulation;

-ACP countries affected by the reform should promote non-food uses of sugar such as bioethanol production;

-the reform's flanking measures should be extended automatically to 2007 if negotiations on the next financial perspective drag on, thereby delaying implementation of the new instrument for development aid and economic cooperation.

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) - 15/02/2006 - Final act

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 266/2006/EC of the European Parliament and of the Council establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime.

CONTENT : the EU sugar reform, with its proposed price cuts, will lead to significant impacts and adjustment needs. This will 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. The adjustment process of the Sugar Protocol countries to these new market conditions will be complex, considering the socioeconomic importance and the multifunctional role of the sugar sector and its significant degree of reliance on the EU market, for several of these States.

This Regulation establishes a scheme to grant Sugar Protocol countries financial and technical assistance, including budget support where appropriate, additional to that provided for in the framework of the ACP-EC Partnership Agreement. This will to enable them to adapt to the new market conditions, and offer a broad range of support to take into account heterogeneity of situations between countries and within a country. This must include upgrading the competitiveness of their sugar cane sector, developing alternative economic activities, and coping, with the help of adequate resources, with the serious broader social, environmental and economic consequences of a reduction in the contribution of the sugar sector to their economies, or a combination of several of these.

This scheme will be implemented for the year 2006, with continued support to be made available until 2013, by means of the development part of the Development Cooperation and Economic Cooperation Instrument. The main points of the Regulation are as follows:

- Financial and technical assistance will be granted at the request of each Sugar Protocol country, and such requests will be presented by 29 April 2006.

- The financial reference amount for implementation of the Regulation for 2006 is EUR 40 000 000

- The requests must be based on a comprehensive multiannual adaptation strategy, defined by the country concerned in accordance with the terms of the Regulation. Sugar Protocol countries which submit a request which is not based on a multiannual adaptation strategy will only be eligible in 2006 to financial and technical assistance aiming to contribute to the development of such a strategy. The financial reference for the latter is EUR 300 000.

- The multiannual adaptation strategy must pursue one or more of the following objectives: to enhance the competitiveness of the sugar and cane sector, in particular in terms of the long-term economic viability of the sector; to promote the economic diversification of sugar dependent areas, for example by redirecting current sugar production towards the production of bio-ethanol and other non-food applications of sugar; to address broader impacts generated by the adaptation process, possibly related, but not restricted, to employment and social services, land use and environmental restoration, the energy sector, research and innovation and macroeconomic stability.

- 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 European Parliament's right to be informed on a regular basis regarding implementing legislation must be fully respected.

- Within the overall amount available, the Commission will fix the maximum amount available to each Sugar Protocol country on the basis of the needs of each country, related in particular to the impact of the reform of the sugar sector in the country concerned and to the importance of the sugar sector to the economy. The measurement of the allocation criteria will be based on data of campaigns preceding 2004.

ENTRY INTO FORCE : 28/02/2006.

DATE OF APPLICATION : The Regulation shall apply until 31 December 2006. It shall continue to apply for legal acts and commitments relating to the implementation of the 2006 budget year. In the event that the Development Cooperation and Economic Cooperation Instrument has not entered into force on 1 January 2007, the period of validity of this Regulation shall be extended until the date of entry into force of that instrument.

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.