Communication from the Commission to the Council and the European Parliament - Special Framework of Assistance for Traditional ACP Suppliers of Bananas (Council Regulation No 856/1999) Biennial Report from the Commission 2002 / COM/2002/0763 final */ *

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT - Special Framework of Assistance for Traditional ACP Suppliers of Bananas (Council Regulation No 856/1999) Biennial Report from the Commission 2002

1. Introduction

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 In the meantime, the EU market in bananas will continue to be managed through a quota system based on historical reference, which has also been discussed with the ACP countries.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.

2. Legal Basis

On 22 April 1999 Council adopted Regulation (EC) No 856/1999 [1] establishing a special framework of assistance for traditional ACP suppliers of bananas. On 22 July 1999 the Commission adopted Regulation No 1609/1999 [2] laying down the detailed rules for its implementation.

[1] OJ L 108, 27.4.1999, p. 2.

[2] OJ L 190, 23.7.1999, p. 14.

In 2001 the budget line amounted to EUR44 million. A Commission Decision [3] fixing the (individual) amounts available in 2001 under the special framework of assistance was adopted on 14 June 2001. For the budget line 2002, totalling EUR44 million, the Commission Decision fixing the amounts was adopted on 12 June 2002. [4]

[3] Decision E/2001/1056 - C(2001)1596; C(2001)1596/2.

[4] Decision E/2002/987 - C(2002)2088.

2.1. Objectives

The overall objective is either to improve the competitiveness of traditional ACP banana production or support diversification wherever competitiveness is no longer attainable. In summary, it is aimed to achieve this goal by funding projects designed

* To increase productivity,

* To improve quality,

* To adapt production and marketing to the Community's quality standards,

* To establish producers' organisations focusing on improvements of marketing as well as on development of environment-friendly production methods, including fair-trade bananas,

* To develop marketing strategies designed to meet the requirement of the EU banana common organisation of the market,

* To assist banana producers in developing environment-friendly

production methods, including fair-trade bananas,

* To support diversification whenever competitiveness of the banana sector is not sustainable.

2.2. Reporting

Article 9 of the Council Regulation specifies that "by 31 December 2000, and every two years thereafter, the Commission shall present a report, accompanied if appropriate by proposals, on the operation of this Regulation to the European Parliament and the Council". This report fulfils that obligation with regards to the years 2001 and 2002. The previous report, which was dealing with the years 1999 and 2000, was issued on 7 February 2001 [5].

[5] COM(2001) 67 final.

3. Market Information

In 2001 world banana production was approximately 69 million tonnes (68 million tonnes in 2000).The largest producer is India (23% of world production), whilst the main exporters are Ecuador, Costa Rica, Columbia and the Philippines, which in 2001 controlled together 76% of world banana exports.

The largest import markets for bananas are the US (3.4 million tonnes in 2001) and the EU (3.3 million tonnes in 2001). Almost all bananas imported to the US are of Latin American origin. Conversely, in 2001 ACP imports (18%) and Community production (19%) competed with Latin

American bananas (63%) for the EU market.

In 2000, almost 92% of total ACP banana exports were sold into the EU. In 2001, banana imports from the Côte d'Ivoire and Cameroon represented almost 60% (54% in 2000) of the total ACP imports into the EU.

The EU is an attractive market for the banana suppliers due to the higher prices compared to the US market, resulting from the quota system and differences in both duties and transport costs. In 2001 average prices of Latin American supplies were EUR584/tonne, whereas the average prices of ACP imports reached EUR645/tonne. However, significant differences in prices can be seen among the ACP suppliers: in 2001 average prices for bananas originating in Jamaica amounted to EUR775/tonne, whereas for bananas from Côte d'Ivoire the average price totalled EUR600/tonne. Like US market prices, EU banana prices have dropped sharply since mid-2002.

4. EU Trade Regime

The agreements with Ecuador and the US on bananas include significant changes to the EU banana import regime, which are introduced in different phases. "Phase I", introduced on 1 July 2001, made up of three quotas, all open to imports of bananas of any origin: quota A of 2 200 000 tonnes, quota B of 353 000 tonnes and quota C of 850 000 tonnes. Imports under quotas A/B are subject to a customs duty of EUR75/tonne and under quota C of EUR300/tonne. However, ACP imports both enjoy a tariff benefit of EUR300/t under quota C and a tariff preference of EUR75/t under quotas A and B.

In "Phase II", which started on 1 January 2002, 100 000 tonnes were transferred from quota C to quota B. In addition, quota C was reserved solely for imports from ACP countries.

According to Council Regulation (EC) No 216/2001 the EU will remove the tariff quota structure and introduce a "tariff only" regime for banana imports no later than 1 January 2006. The level of the tariff has not as yet been determined but will be discussed in the WTO under GATT Article XXVIII. The EU obtained two waivers in the WTO to cover these arrangements. The first [6] covers the tariff preference for imports of bananas as well as other products from the ACP under the Cotonou Agreement until 2008. The second [7] covers the reservation of quota C for the ACP countries only between 2002 and end 2005. Under the future "tariff only" regime, the ACP countries will continue to benefit from a tariff preference.

[6] WTO Decision of 14th November 2001 : WT/MIN(01)15: "European Communities - The ACP-EC Partnership Agreement"

[7] WTO Decision of 14th November 2001 : WT/MIN(01)16: "European Communities - Transitional region for the EC autonomous tariff rate quota on imports of bananas".

5. Financial Decisions

5.1. Budget line 2001

As a result of the revision of 2001 allocations, EUR500 000 initially allocated to Cape Verde could be used to finance an overall evaluation of the implementation of Regulation (EC) No 856/1999 and continue the monitoring started in 2000. There was no financing agreement for Madagascar's EUR500 000 allocation because the strategy document was unsatisfactory.

Financing agreements in 2001 covered a total of EUR43 500 000. As shown in Table 4, the money was mobilised under eleven financing agreements signed in the first half of 2002.

5.2. Budget line 2002

The indicative amounts for 2002 were decided on 12 June 2002 (see Table 1).

In November twelve financing proposals and financing agreements to mobilise these sums were submitted to the EDF Committee (geographical), which gave its agreement.

6. Implementation

Between 1999 and 2002 the sums used to boost the productivity of banana plantations declined compared with those for diversification in situations where it did not appear feasible to increase competitiveness in the banana sector. Table 5 shows that the ratios of financing for diversification against boosting productivity changed from around 14% and 13% in 1999 and 2000 to 81% and 178% in 2001 and 2002.

Under the heading increasing the productivity of banana plantations, projects to improve irrigation and drainage were supported in seven of the nine countries in 1999 and 2000. The renewal of plantations was asked for by producers in Cameroon and Suriname in all four years, three years out of four in Côte d'Ivoire, two out of four in Belize and Jamaica, and two out of two in Dominica, Grenada and St Lucia. Improved packing and storage of crops was asked for mainly in Cameroon and Côte d'Ivoire (4/4), and in Jamaica and St Vincent & Grenadines (2/4). Infrastructure and social projects are planned only in Cameroon (4/4) and Côte d'Ivoire (2/4). Technical assistance is covered by this budget in Côte d'Ivoire (4/4), St Vincent & Grenadines (3/3) and Dominica, Grenada and St Lucia (2/2).

Actions to promote diversification were usually in the agriculture and rural development sectors. There were requested in St Lucia (4/4), Côte d'Ivoire (3/3), Dominica (3/4), Somalia and Cape Verde (2/2), Madagascar (1/1) and Jamaica (1/2). Social projects were requested in St Lucia (4/4), St Vincent (1/1) Dominica (1/4). It is planned to extend microcredit to Grenada (2/2), Dominica and St Lucia (2/4) and Belize (1/2).

Tables 2 to 4 set out commitments and payments per year and per country at 31 October 2002. The big delay in mobilising and implementing the appropriations was mainly caused by some changes in the mounting of projects and methods of implementing the appropriations. These changes consist in keeping National Authorising Officers responsible for determining assignment key and conditions of use of the appropriations while as far as possible giving beneficiaries the responsibility for implementing the appropriations allocated to them through grant contracts. Note that changes in relation to previous practice (Council Regulation (EEC) No 404/1993) are in line with the Commission's concern to improve the management of appropriations, in particular regarding transparency, security and the identification of the various stakeholders' responsibilities. The implementation of these provisions requires a large number of contractual documents, which have to be signed by the various stakeholders such as growers, growers' associations and the various administrative departments. There is therefore a lot of preparation, training and technical, administrative and financial information work for the beneficiaries, who are often understaffed. After a "running-in period" under the 1999 programme, it now looks as though everything is set in most countries for substantial stepping-up of the pace of payments.

7. monitoring

An initial monitoring mission in all Caribbean countries in receipt of this special assistance was carried out from February to April 2001. Although the activities were not yet under way at that time, this mission was useful for determining objectively verifiable indicators and developing tools for monitoring and evaluating the activities and of their impact. A second mission was carried out in Jamaica, Belize and Suriname in January 2002. The recommendations of this mission were useful for revising the logical frameworks of programmes and the corresponding monitoring frameworks. A third mission to the Leeward Islands is planned for the beginning of January 2003.

For Africa, only one monitoring mission was carried out in November-December 2001. The final version of the report was completed in July 2002. The experts responsible for this monitoring mission had problems with the terms of reference for this first mission, which is why there was a big gap between the mission and the submission of the final report. It emerged from this disagreement that the technical, economic and social criteria and indicators designed to guarantee the objectivity, equity and the effectiveness of the financial contributions allocated to the various structures and production sites were only partially identified. The mission to Cameroon did not take place following a considerable delay in getting the programme off the ground because the three producer companies could not reach agreement on how to share out the funds. In the absence of any activity in Cape Verde and Madagascar, the monitoring missions for these countries were cancelled.

8. Recommendations/Conclusions/

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 significantly reduce 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.

BANANA BUDGET LINE B7-8710 COUNTRY ALLOCATIONS 2001 AND 2002

>TABLE POSITION>

Table 2

Special Framework of Assistance for Traditional ACP Suppliers of Bananas - 1999

Financial situation at 31/10/2002

>TABLE POSITION>

Table 3

Special Framework of Assistance for Traditional ACP Suppliers of Bananas

- 2000

Financial situation at 31/10/2002

>TABLE POSITION>

Table 4

Special Framework of Assistance for Traditional ACP Suppliers of Bananas

- 2001

Financial situation at 31/10/2002

>TABLE POSITION>