



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.6.2005
COM(2005) 266 final

2005/0117 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**establishing accompanying measures for Sugar Protocol countries affected by the
reform of the EU sugar regime**

(presented by the Commission)

{SEC(2005) 828}

EXPLANATORY MEMORANDUM

The EU sugar reform, with its proposed price cuts, may lead to significant impacts and adjustment needs, with 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. Therefore, in its proposal for reform, “Accomplishing a sustainable agricultural model for Europe through the reformed CAP – sugar sector reform”¹, the Commission committed to accompanying the adaptation process required in these countries.

Indeed, in the framework of the Cotonou Agreement, the Community is committed to supporting ACP countries on their path to poverty reduction and sustainable development. Moreover, through the EU Action Plan for Agricultural Commodities² 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. Finally, the ACP countries themselves, in their responses to the Commission's reform proposal, called for adjustment programmes to be established.

The Commission produced a staff working paper in January 2005, “Action Plan on accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime”³. It laid out the broad lines along which the Commission could propose to support the Sugar Protocol countries, while providing a basis for dialogue with them. This dialogue, held at all-ACP, regional and national levels, has generally shown that these countries support the Commission's approach. Member States, consulted through the ACP Group of Council, were also generally supportive.

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 to the European Parliament and the Council for a regulation establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime.

This 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 impacts of the sugar reform, which is proposed to 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 as much as possible in preparation of significant changes.

¹ Commission Communication COM(2004) 499.

² Commission Communication COM(2004) 89, and General Affairs Council conclusions of 27 April 2004.

³ SEC(2005) 61.

Considering the complexity of restructuring and diversification processes to be undertaken in Sugar Protocol countries, this assistance scheme should cover a relatively long term. The Commission has proposed eight years. The regulation will hence be followed by a specific appropriation in the 2007-2013 Financial Perspectives, covered by the development part of 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 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 should be offered, to be adapted to each specific situation. 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. Considering the multifunctional role of the sugar sector especially in certain areas, 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, within an overall goal of developing an enabling environment for economic growth and poverty reduction. In the process and in the outcome of the strategy elaboration exercise, careful consideration should be given to the different stakeholders which are affected by and which can contribute to the adjustment process, including both the public and the private sector, and with a specific poverty reduction focus. The environmental impact of alternative options will also require adequate consideration. The strategy should also be linked to and consistent with the overall development strategy of the country.

The preferred delivery mechanisms will be (sectoral) budget support, although programme support will also be possible, depending on the situation of a given country. This support will need to be complementary to other assistance instruments, in terms of development assistance and of trade measures, in particular the Economic Partnership Agreements. Its efficiency should be enhanced by seeking synergies with other instruments.

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.

In terms of budget, the sugar reform creates specific, new challenges to Sugar Protocol countries, which require additional support for their adaptation process. As the 9th European Development Fund has been reserved for other purposes, and as in the case of a similarly motivated programme, the special assistance framework for ACP banana producers, 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 above-mentioned adaptation strategy. It 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 historical importance of sugar exports in their economy. A limited amount should also be reserved to ensure adequate administrative capacity to manage the assistance scheme effectively.

It is also essential to establish implementation modalities which ensure the effectiveness of Community assistance. Committee procedures will take this into account, and budgetary procedures will follow those of the Financial Regulation applicable to the Community budget. In line with the Communication on Reform of the Management of Community Aid (16 May 2000) the responsibility of the management of the actions will be devolved to the EC delegations in the beneficiary countries.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 179 thereof,

Having regard to the proposal from the Commission³,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁴,

Whereas:

- (1) The European Community is committed, in the framework of the ACP-EC Partnership Agreement⁵, to supporting the ACP countries on their path to poverty reduction and to sustainable development, and recognises the importance of the commodity sectors and their related Protocols.
- (2) The provisions the common organisation of the market in sugar established by Council Regulation (EEC) No 1260/2001 of 19 June 2001⁶ are to be reformed, as proposed by the Commission to the Council in Communication COM(2005) 263⁷.
- (3) Under the Sugar Protocol, attached to Annex V of the ACP-EC Partnership Agreement, some ACP countries have been relying on the EU market to export sugar. The reform will in all likelihood significantly alter their market conditions.
- (4) The adjustment process of the Sugar Protocol countries to these new market conditions may be complex, considering the socio-economic importance of the sugar sector and its significant degree of reliance on the EU market, for several of these states.
- (5) The Commission committed itself in Communication COM(2004) 499 to supporting the adjustment process of Sugar Protocol countries, and laid out the principles for its support proposals in the Staff Working Document SEC(2005) 61, which was discussed with the Sugar Protocol countries.

³ OJ C [...], p. [...].

⁴ OJ C [...], p. [...].

⁵ OJ L 317, 15.12.2000, p. 3.

⁶ OJ L 178, 30.6.2001, p. 1; Regulation as last amended by Commission Regulation (EC) No 39/2004 (OJ L 6, 10.1.2004, p. 16).

⁷ OJ C [...], p. [...].

- (6) Sugar Protocol countries require early support to maximise the chances of successful adaptation to the new conditions, in full complementarity with existing assistance.
- (7) Financial and technical assistance, including budget support where appropriate, additional to that provided for in the framework of the ACP-EC Partnership Agreement, should therefore be granted to Sugar Protocol countries to enable them to adapt to new market conditions, offering a broad range of support to take into account heterogeneity of situations between countries and within a country. It should include upgrading the competitiveness of their sugar cane sector, developing alternative economic activities, and coping with broader social, environmental and economic consequences of a reduction of the contribution of the sugar sector to their economies, or a combination of several of these.
- (8) As this assistance should reflect the specific adjustment efforts required by each of these ACP suppliers as a consequence of the reform, objective criteria should be fixed to determine the extent of such assistance.
- (9) Such assistance should be provided for a period of one year, with continued support to be made available until 2013, by means of the development part of the Development Cooperation and Economic Cooperation Instrument.
- (10) The objective of the action to be taken, namely to accompany the adaptation process of Sugar Protocol countries affected by the EU sugar reform, cannot be sufficiently achieved by the Member States and can therefore, by reason of the scales and effects of the proposed action, be better achieved at Community level, in accordance with the principle of subsidiarity set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve that objective.
- (11) Since the measures necessary for the implementation of the Regulation are management measures within the meaning of Article 2 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁸, they should be adopted by use of the management procedure provided for in Article 4 of that Decision.

HAVE ADOPTED THIS REGULATION:

Article 1

Subject

1. A scheme for financial and technical assistance, including budget support where appropriate, is hereby established 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.
2. Subject to Article 11(3), this scheme shall be implemented for the year 2006.

⁸ OJ L 184, 17.7.1999, p. 23.

Article 2

Definitions

For the purpose of this Regulation:

- « Sugar Protocol countries » means the ACP countries listed in Annex I,
- « sugar » means raw or white cane sugar.

Article 3

Eligibility for assistance; procedure

1. Sugar Protocol countries shall be eligible for financial and technical assistance, including budget support, where appropriate.
2. Financial and technical assistance shall be granted at the request of each Sugar Protocol country. Requests for financial and technical assistance shall be presented no later than 60 days after the entry into force of this regulation.
3. The requests shall be based on a comprehensive multi-annual adaptation strategy, defined by the country concerned in accordance with Article 4, in consultation with all stakeholders.
4. Sugar Protocol countries which table a request, which is not based on a comprehensive, multi-annual adaptation strategy, shall only be eligible in 2006 to financial and technical assistance aiming to contribute to the elaboration of such a strategy.

Article 4

Multi-annual adaptation strategy

1. The multi-annual adaptation strategy shall pursue one or more of the following objectives:
 - (a) to enhance the competitiveness of the sugar and cane sector, where this is a sustainable process, in particular in terms of long-term economic viability of the sector, taking into account the situation of the different stakeholders in the chain,
 - (b) to promote the economic diversification of sugar-dependent areas,
 - (c) 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 macro-economic stability.

2. The strategy shall at least define the objectives pursued, the approach and means identified to achieve them, the responsibilities of the different stakeholders, and the financial plan to implement the strategy.

It shall assess its sustainability under present and future market conditions, and in social and environmental terms. It shall demonstrate its consistency with general development strategies of the country and its poverty focus.

3. Within the multi-annual strategy, a specific assistance plan for 2006 shall be defined. In the design of this plan, particular attention shall be given to:
 - the pursuit of cost effectiveness and sustainable impact,
 - the clear definition and monitoring of objectives and indicators of achievement.

Article 5

Measures adopted by the Commission

1. After consultation with the Sugar Protocol country, the multi-annual adaptation strategy shall be adopted under the procedure referred to in Article 7(2), and in accordance with Article 4.
2. Special account will be taken of the individual situation of each Sugar Protocol country. For countries finding themselves in a political crisis, unrelated to the evolution of the sugar sector, the delivery of assistance under this Regulation will be assessed by the Commission on a case by case basis.
3. Assistance to Sugar Protocol countries without a multi-annual adaptation strategy shall be subject in 2006 to an annual work programme, adopted under the procedure referred to in Article 7(2).
4. The assistance provided for under this Regulation shall complement and reinforce assistance provided under other instruments of development cooperation.

Article 6

Implementation of measures

The measures financed under this Regulation shall be implemented in accordance with general rules as set out in Council Regulation (EC) No 1605/2002⁹, namely the Financial Regulation applicable to the general budget of the European Communities. As regards management procedures, this refers in particular to Article 53(1a) and (2) of the Financial Regulation and Article 36 of Commission Regulation (EC) No 2342/2002, namely the implementing rules of the Financial Regulation¹⁰.

⁹ OJ L 248, 16.9.2002.

¹⁰ OJ L 357, 31.12.2002.

Article 7

Committee procedure

1. The Commission shall be assisted by the geographically competent committee for development.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof. The period laid down in Article 4(3) of Decision 1999/468/EC shall be set at 30 days.
3. The Committee shall adopt its rules of procedure.

Article 8

Overall amount

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

Article 9

Allocation of overall amount

1. Within the overall amount available for the year of validity of this Regulation, the Commission shall fix the maximum amount available to each Sugar Protocol country for financing the actions referred to in Article 4(3) and 3(3), on the basis of the needs of each country, related in particular to the impact of the reform on the sugar sector in the country concerned and to the importance of the sugar sector in the economy. The measurement of the allocation criteria shall be based on data of campaigns preceding 2004.
2. Further instructions regarding the allocation of the overall amount between Sugar Protocol countries shall be defined by a Commission decision in accordance with the procedure referred to in Article 7(2).
3. The financial reference amount for the implementation of the financial and technical assistance referred to in Article 3(4), aiming to contribute to the elaboration of a multi-annual strategy, is EUR 300 000.
4. 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.

Article 10

Protection of the financial interests of the Community

1. Any agreements resulting from this Regulation shall contain provisions ensuring the protection of the Community's financial interests, in particular with respect to fraud, corruption and any other irregularities, in accordance with Council Regulations (EC, Euratom) No 2988/95, (Euratom, EC) No 2185/96 and (EC, Euratom) No 1073/1999.

2. Agreements shall expressly entitle the Commission and the Court of Auditors to perform a document audit or an on-the-spot audit of any contractor or subcontractor who has received Community funds. They shall also expressly authorise the Commission to carry out on-the-spot checks and inspections, as provided for in Regulation (Euratom, EC) No 2185/96.
3. All contracts resulting from the implementation of assistance shall ensure the rights of the Commission and the Court of Auditors under paragraph 2 during and after the performance of the contracts.

Article 11

Period of validity

1. This Regulation shall enter into force on the seventh day following its publication in the *Official Journal of the European Union*.
2. It 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.
3. In the event that the Development Cooperation and Economic Cooperation Instrument has not entered into force on 1 January 2007, the Commission shall be permitted to extend the validity of this Regulation and to adopt further requisite measures.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

Annex I

List referred to in Article 2

« Sugar Protocol countries »

1. Barbados
2. Belize
3. Guyana
4. Jamaica
5. Saint Kitts and Nevis
6. Trinidad and Tobago
7. Fiji
8. Congo
9. Côte d'Ivoire
10. Kenya
11. Madagascar
12. Malawi
13. Mauritius
14. Mozambique
15. Swaziland
16. Tanzania
17. Zambia
18. Zimbabwe

LEGISLATIVE FINANCIAL STATEMENT

This document is intended to accompany and complement the Explanatory Memorandum. As such, when completing this Legislative Financial Statement, and without prejudice to its legibility, an attempt should be made to avoid repeating information contained in the Explanatory Memorandum. Before filling in this template, please refer to the specific Guidelines that have been drafted to provide guidance and clarification for the items below.

1. NAME OF THE PROPOSAL :

Proposal for a regulation of the European Parliament and of the Council, establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime

2. ABM / ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities: 21 03 - Development and relations with African, Caribbean and Pacific (ACP) States - Relations with sub-Saharan Africa, the Caribbean, Pacific and Indian Ocean and overseas countries and territories.

3. BUDGET LINES

3.1. **Budget lines** (operational lines and related technical and administrative assistance lines (ex- B.A lines)) including headings: operational budget line 21 03 19 and administrative assistance line under chapter 21 01 04.

3.2. Duration of the action and of the financial impact: assistance for Sugar Protocol countries has been proposed to last 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.

3.3. Budgetary characteristics (*add rows if necessary*) :

Budget line	Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
21 03 19	Non-comp	Diff ⁴ / ₅	YES	/NO	NO	No [4...]
21 01 04...	Non-	Non-	YES/	/NO	/NO	No [4]

⁴ Differentiated appropriations.

⁵ Non-differentiated appropriations hereafter referred to as NDA.

	comp	diff				
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4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section no.		Year n	n + 1	n + 2	n + 3	n + 4	n + 5 and later	Total
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Operational expenditure⁶

Commitment Appropriations (CA)	8.1	a	38,8						
Payment Appropriations (PA)		b	20	18,8					

Administrative expenditure within reference amount⁷

Technical & administrative assistance (NDA)	8.2.4	c	1,2						
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TOTAL REFERENCE AMOUNT

Commitment Appropriations (*)		a+c	40						
Payment Appropriations (*)		b+c	21,2	18,8					

Remark: The Regulation covers the year 2006. However the programme is expected to continue until 2013 (8 years duration), and will be based on the proposed DCEC instrument as from 2007. Future annual amounts will most probably exceed the 2006 level. The reasons are that the reform of the CAP for sugar only begins mid-2006 (hence the impact on Sugar protocol countries will be lower the first year), and 2006 essentially target preparatory activities and priority investments.

Administrative expenditure not included in reference amount⁸

Human resources and associated expenditure (NDA)	8.2.5	d	0,398						
Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6	e	0,08						

⁶ Expenditure that does not fall under Chapter xx 01 of the Title xx concerned.

⁷ Expenditure within article xx 01 04 of Title xx.

⁸ Expenditure within chapter xx 01 other than articles xx 01 04 or xx 01 05.

Total indicative financial cost of intervention

TOTAL CA including cost of Human Resources		a+c +d+ e	40,478						
TOTAL PA including cost of Human Resources		b+c +d+ e	21,678	18,8					

Co-financing details

If the proposal involves co-financing by Member States, or other bodies (please specify which), an estimate of the level of this co-financing should be indicated in the table below (additional lines may be added if different bodies are foreseen for the provision of the co-financing):

EUR million (to 3 decimal places)

Co-financing body		Year n	n + 1	n + 2	n + 3	n + 4	n + 5 and later	Total
.....	F							
TOTAL CA including co-financing	a+c +d+ e+f							

The adaptation process of Sugar Protocol countries will be based on comprehensive national strategies. The cost of their implementation will be covered not only by EC assistance, but also likely by the national governments, the sugar industry, and/or other donors or financial institutions. The process of elaboration of these strategies is however on-going in 2005, which does not allow at this stage to quantify co-financing commitments.

4.1.2. Compatibility with Financial Programming

- Proposal is compatible with existing financial programming.
- Proposal will entail reprogramming of the relevant heading in the financial perspective.
- × Proposal may require application of the provisions of the Interinstitutional Agreement⁹ (i.e. flexibility instrument or revision of the financial perspective).

4.1.3. Financial impact on Revenue

- × Proposal has no financial implications on revenue
- Proposal has financial impact – the effect on revenue is as follows:

⁹ See points 19 and 24 of the Interinstitutional agreement.

NB: All details and observations relating to the method of calculating the effect on revenue should be shown in a separate annex.

EUR million (to one decimal place)

Budget line	Revenue	Prior to action [Year n-1]	Situation following action					
			[Year n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5] ₁₀
	<i>a) Revenue in absolute terms</i>							
	<i>b) Change in revenue</i>	Δ						

(Please specify each revenue budget line involved, adding the appropriate number of rows to the table if there is an effect on more than one budget line.)

- 4.2. Human Resources FTE (including officials, temporary and external staff) – see detail under point 8.2.1.

Annual requirements	Year n	n + 1	n + 2	n + 3	n + 4	n + 5 and later
Total number of human resources						

5. CHARACTERISTICS AND OBJECTIVES

Details of the context of the proposal are required in the Explanatory Memorandum. This section of the Legislative Financial Statement should include the following specific complementary information:

- 5.1. Need to be met in the short or long term

The adjustments required from the ACP Sugar Protocol countries, due to the EU sugar reform, will be significant in many cases. This is why an 8 year assistance scheme is being proposed (although the present regulation covers only 1 year – see point 3.2). It is also important to support their adjustment process in the short term, i.e. 2006, because the impacts of the reform on certain countries will be felt immediately (the reform is expected to enter in force in 2006), because the likelihood of success in mitigating the impacts of the reform will be enhanced if adaptation takes place as early as possible, and also because this confirms the commitment of the EC to address the needs of the ACP in relation to trade shocks in a broader context (i.a. the Doha Development Agenda).

¹⁰ Additional columns should be added if necessary i.e. if the duration of the action exceeds 6 years.

5.2. Value-added of Community involvement and coherence of the proposal with other financial instruments and possible synergy

- The need for this assistance scheme is linked to a Community policy (the CAP, as well as indirectly EC trade policy since a recent WTO panel requires the EU to modify its sugar regime). The sugar reform creates specific, new challenges to Sugar Protocol countries, which require additional support for their adaptation process. The EC is ready to provide such a temporary financial assistance. This support is to be provided in full consistency with the country's overall development strategy, as well as with the existing cooperation strategy of the EC in these countries.
- The Sugar Protocol is part of the Cotonou agreement and the countries concerned mostly receive financial assistance from the Community through the EDF. As 9th EDF funds have already been reserved for other purposes, the Commission proposes that expenses linked to the present proposal be covered by the Community budget. For a similar programme, which support ACP banana producers, the budget authority also decided to fund it out of the Community budget, so that the programme became additional to other EDF resources. The Commission has already announced this to the ACP.

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

The objectives of these accompanying measures is to help Sugar Protocol countries to adjust to the changing market conditions on the sugar market, by enhancing the competitiveness of their sugar sector, by diversifying into other economic activities, and/or by addressing the broader social, economic, and/or environmental impacts of these changes. The expected results depend on the type of objective pursued in a given country, but can include more competitive sugar exports (including lower production costs) and increased value of alternative sectors, leading to avoid or limit the loss of export revenues, employment and other economic and social parameters, and to more sustainable development in the long term.

5.4. Method of Implementation (indicative)

Show below the method(s)¹¹ chosen for the implementation of the action.

Centralised **Management**

Directly by the Commission

Indirectly by delegation to:

Executive Agencies

Bodies set up by the Communities as referred to in art. 185 of the Financial Regulation

National public-sector bodies/bodies with public-service mission

¹¹ If more than one method is indicated please provide additional details in the "Relevant comments" section of this point.

x Shared or decentralised management

With Member states

With Third countries

Joint management with international organisations (please specify)

Relevant comments:

The assistance scheme may be implemented under different modalities in different Sugar Protocol countries: through budget support as far as possible, or in through programme support. Centralised management through EC delegations applies in the first case, while the second case may require shared or decentralised management with third countries. The management of the actions will be devolved to the EC delegations in the beneficiary countries.

MONITORING AND EVALUATION

5.5. Monitoring system

This will depend on the type of delivery mechanism of support in each country (budget or programme support).

5.6. Evaluation

5.6.1. Ex-ante evaluation

The likely impact of the EU sugar reform on ACP Sugar Protocol countries has been analysed in the overall Extended Impact Assessment made in 2003 for the sugar reform, as well as specifically for the Protocol countries in a more in-depth analysis by Commission services. A price reduction of the order of magnitude of the ones to be tabled by the Commission in its sugar reform proposals of July 2004 and June 2005 (reduction in the institutional price for raw sugar between 35% and 45%) would likely lead several of the less competitive Sugar Protocol countries to stop their sugar exports to the EU, and in some cases could lead to the closure of their sugar industry. In other countries, the sugar sector could adjust with more or less significant restructuring efforts.

The total annual loss of export revenues of Sugar Protocol countries is likely to be significant, with consequences on the social, economic and land use situation of the countries, especially where the impact of the reform is expected to be greater, and where the sector relies on the EU market. The budget of € 40 million in the first year is of a preparatory nature, to allow the ACP countries, which are already developing an adaptation strategy, to launch immediate investments and programmes, in order to anticipate as much as possible the impacts of the reform. In the following years, the budget to be programmed will likely be influenced by the final shape of the sugar reform, yet to be decided.

5.6.2. Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)

Not applicable (first intervention of this kind in this sector so no evaluations are available).

5.6.3. Terms and frequency of future evaluation

The assistance scheme should be evaluated after a period of implementation of three years, but this will be done under the DCECI, rather than under this regulation.

6. Anti-fraud measures

The financing agreement with the beneficiary country shall include amongst others the following provisions:

- The beneficiary undertakes to check regularly that the operations financed with the Community funds have been properly implemented. It shall take appropriate measures to prevent irregularities and fraud and, if necessary, bring prosecutions to recover funds wrongly paid.
- The beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud and of any measure taken to deal with them.
- The beneficiary undertakes to take every appropriate measure to remedy any practices of active or passive corruption whatsoever at any stage of the procedure for the award of contracts or grants or in the implementation of the related contracts.
- The beneficiary agrees to the Commission, OLAF and the Court of Auditors of the European Communities conducting documentary and on-the-spot checks on the use made of Community funding under the financing agreement. The checks and audits shall also apply to contractors and subcontractors who have received Community funding.

8. DETAILS OF RESOURCES

8.1 Objectives of the proposal in terms of their financial cost

Commitment appropriations in EUR million (to 3 decimal places)

(Headings of Objectives, actions and outputs should be provided)	Type of output	Av. cost	Year n		Year n+1		Year n+2		Year n+3		Year n+4		Year n+5 and later		TOTAL	
			No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost
OPERATIONAL OBJECTIVE No.1 ¹² Enhancing competitiveness of the sugar sector																
Action 1.....																
- Output 1																
- Output 2																
Action 2.....																
- Output 1																
Sub-total Objective 1																
OPERATIONAL OBJECTIVE No.2 ¹ ... Diversifying into alternative economic activities																
Action 1.....																
- Output 1																
Sub-total Objective 2																

¹² As described under Section 5.3.

OPERATIONAL OBJECTIVE No.3 ¹ Addressing broader social, economic, and/or environmental impacts																
Sub-total Objective n																
OPERATIONAL OBJECTIVE No.4 ¹ Supporting the elaboration of country specific adaptation strategies																
Sub-total Objective n																
TOTAL COST																

Recognising the diversity of situations of Sugar Protocol countries, in terms of impact of the reform and of responses, this assistance scheme emphasises the need for each country to develop country-specific strategies, pursuing one or a combination of the objectives mentioned in the table. These strategies are in the process of being elaborated in each country. It is hence not possible at this stage, to specify the amounts to be directed to each one of these objectives. Budget envelopes per country are however likely to be in a range of € 1 to 4 million in 2006, taking into account the different levels of needs.

8.2 Administrative Expenditure

8.2.1 Number and type of human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (number of posts/FTEs)					
		Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5
Officials or temporary staff ¹³ (XX 01 01)	A*/AD	1(a) + 1(b)					
	B*, C*/AST	0					
Staff financed ¹⁴ by art. XX 01 02		1(c)					
Other staff ¹⁵ financed by art. XX 01 04/05		10(d)					
TOTAL		13					

8.2.2 Description of tasks deriving from the action

- a => DEV: support to delegations in the dialogue with beneficiary countries on and assessment of the adaptation strategies, management of different proposals i.a. referred to in Articles 5 and 9.
- b => AIDCO (management and presentation of various proposals according to procedures referred to in Article 7)
- c => AIDCO support to b
- d => Contractual Agents in delegations: management of the budget line and assistance programmes

8.2.3 Sources of human resources (statutory)

(When more than one source is stated, please indicate the number of posts originating from each of the sources)

- Posts currently allocated to the management of the programme to be replaced or extended
- a × Posts pre-allocated within the APS/PDB exercise for year n

¹³ Cost of which is NOT covered by the reference amount.

¹⁴ Cost of which is NOT covered by the reference amount.

¹⁵ Cost of which is included within the reference amount.

- Posts to be requested in the next APS/PDB procedure
- Posts to be redeployed using existing resources within the managing service (internal redeployment)
- b x Posts required for year n although not foreseen in the APS/PDB exercise of the year in question

8.2.4 Other Administrative expenditure included in reference amount (XX 01 04/05 – Expenditure on administrative management)

EUR million (to 3 decimal places)

Budget line (number and heading)	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
1 Technical and administrative assistance (including related staff costs)							
Executive agencies ¹⁶							
Other technical and administrative assistance							
- <i>intra muros</i>	1,200						
- <i>extra muros</i>							
Total Technical and administrative assistance	1,200						

8.2.5 Financial cost of human resources and associated costs not included in the reference amount

EUR million (to 3 decimal places)

Type of human resources	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later
Officials and temporary staff (XX 01 01)	0,306					

¹⁶ Reference should be made to the specific legislative financial statement for the Executive Agency(ies) concerned.

Staff financed by Art XX 01 02 (auxiliary, END, contract staff, etc.) (specify budget line)	0,092					
Total cost of Human Resources and associated costs (NOT in reference amount)	0,398					

Calculation– *Officials and Temporary agents*

Reference should be made to Point 8.2.1, if applicable

The average cost of an official is € 108.000.

Calculation– *Staff financed under art. XX 01 02*

Reference should be made to Point 8.2.1, if applicable

The average cost of a contractual agent is € 91.680.

8.2.6 Other administrative expenditure not included in reference amount

EUR million (to 3 decimal places)

	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
XX 01 02 11 01 – Missions	0,030						
XX 01 02 11 02 – Meetings & Conferences	0						
XX 01 02 11 03 – Committees ¹⁷							
XX 01 02 11 04 – Studies & consultations	0,050						
XX 01 02 11 05 - Information systems	0						
2 Total Other Management Expenditure (XX 01 02 11)	0						
3 Other expenditure of an administrative nature (specify including reference to budget line)	0						

¹⁷ Specify the type of committee and the group to which it belongs.

Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)	0,080						
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Calculation - Other *administrative expenditure not included in reference amount*

Total required amount for missions: € 30.000

2 missions to the Pacific: (average cost/mission € 6.000) = € 12.000

2 missions to Austral Africa (average cost/ mission; € 5.000) = € 10.000

2 missions to the Caribbean (average cost/mission: € 4.000) = € 8.000

A study will be required for an amount of € 50.000