

January 2015

Review of regime for agriculture in the outermost regions (POSEI)

Main instrument: [Regulation 228/2013](#) laying down specific measures for agriculture in the outermost regions of the Union and repealing [Council Regulation 247/2006](#)

This is one of a series of 'Implementation Appraisals', produced by the European Parliamentary Research Service (EPRS), on the operation of existing EU legislation in practice. Each such briefing focuses on a specific EU law which is, or will shortly be, subject to an amending proposal from the European Commission, intended to update the current text. The series is based on the Commission's intentions, as announced in its annual Work Programme (CWP). 'Implementation Appraisals' aim to provide a succinct overview of material publicly available on the implementation, application and effectiveness of an EU law to date - drawing on available inputs from, inter alia, the EU institutions and advisory committees, national parliaments, and relevant external consultation and outreach exercises. They are provided to assist parliamentary committees in their consideration of the new Commission proposal, once tabled.

This Implementation Appraisal focuses on [Regulation 228/2013](#) on laying down specific measures for agriculture in the outermost regions of the Union and repealing Regulation 247/2006, which is the basic act for the POSEI regime.

EP committee responsible at the time of adoption of the EU legislation: Agriculture Committee (AGRI)
Date of adoption of original legislation in plenary: 7 July 2005 (Regulation 247/2006) and 5 February 2013 (Regulation 228/2013), respectively
Date of entry into force of legislation: 15 February 2006 and 21 March 2013 , respectively
<p>Date foreseen for review: The Commission shall review these arrangements before the end of 2013, in view of their overall effectiveness and the new CAP policy framework, and if necessary come forward with appropriate proposals for a revised POSEI scheme. (Article 35, Regulation 228/2013)</p> <p>Not later than 31 December 2009, and thereafter every five years, the Commission shall submit a general report to the European Parliament and the Council showing the impact of the action taken under this Regulation, accompanied if applicable by appropriate proposals. (Article 28, Regulation 247/2006)</p> <p>By 30 June 2015, and thereafter every five years, the Commission shall submit a general report to the European Parliament and to the Council showing the impact of the action taken under this Regulation, including in the banana and milk sectors, accompanied, if applicable, by appropriate proposals. (Article 32, Regulation 247/2006)</p>
<p>Timeline for new amending legislation: The Commission Work Programme for 2015 indicates that "the POSEI programme will be subject to an evaluation which will be followed by an impact assessment with the aim of reviewing the POSEI policy if needed." Results are expected for 2016.</p>

Background

POSEI - the French acronym for *Programmes d'Options Spécifiques à l'Eloignement et à l'Insularité*¹ - is a scheme that supports the incomes of farmers and the supply of essential products to the outermost regions of the European Union. The scheme compensates farmers for extra costs of production and marketing due to the small size of these territories, their topography and climate, and more difficult access to European markets.

The outermost regions (ORs) of the European Union, namely Guadeloupe, French Guyana, Martinique, Réunion, Saint-Martin, the Azores, Madeira, the Canary Islands and Mayotte (as of 1 January 2014) form an integral part of the European Union. Due to their specific characteristics they benefit from a preferential treatment in various sectors. The European Union has supported these regions through the POSEI regime since 1991. The regime was first reviewed in 2006.

In 2013, in order to align the POSEI regulation to the new requirements of the Lisbon Treaty regarding the delegating and implementing powers of the Commission and simplification of some provisions of the previous Regulation 247/2006, the Commission decided to review the POSEI arrangements and carried out stakeholder consultations, as some concerns had been expressed regarding the adequacy of the scheme. Questions were raised, among others, about the balance between satisfying local consumption and providing support for export products and about the overall costs and benefits of the scheme.

In June 2014, the European Commission (DG AGRI) published a tender for an external evaluation, in order to prepare a report of the functioning of the scheme, due in 2015. Following the results of this report, if needed, the Commission will carry out an impact assessment to examine the POSEI scheme and possible changes. According to the current [DG AGRI evaluation plan](#), the evaluation will start in early 2015 and end in late 2015.

1) EU-level reports, evaluations and studies

In 2009, the European Commission outsourced a [study](#) on the evaluation of the measures implemented under POSEI since 2001. In 2010, the Commission produced a [Report](#) on the impact of the POSEI reform of 2006, in accordance with Article 28(3) of Council Regulation 247/2006.

- **Evaluation report² of November 2009 on the measures implemented under POSEI since 2001**

The evaluation report examines the implementation of the main instruments of the following programmes: the **Specific Supply Arrangements (SSA)** and the **Measures to assist local agricultural products (MLAP)**. The SSA are measures aiming at mitigating the costs for the supply of products used as inputs for the everyday consumption or manufacture of certain essential foodstuff. The MLAP are intended to support local production by financing, processing or marketing local products.

¹ Programme of Options Specifically Relating to Remoteness and Insularity

² The European Commission provided a [Quality Assessment Form](#) for this Evaluation where it was assessed mostly as *very good* or *excellent*.

The evaluation covered the seven outermost regions, including the Canary Islands (Spain), the Azores and Madeira (Portugal) and the 4 French Overseas Departments (DOM) (Guadeloupe, French Guiana, Martinique and La Reunion) and also the smaller islands of the Aegean Sea (SIAS).

The 664-page report, besides reviewing the results of the two instruments (SSA, MLAP), provides a more in-depth analysis of a limited number of products / sectors. The analysis was restricted to certain products for the SSA and sectors for the MLAP (banana, sugar, bovine meat, dairy, other fruit and vegetables excluding banana) based on their significance in the agricultural sector and their weight in the POSEI budget.

As mentioned in the Study, the reforms of the two programmes were recent at the time of data collection, as they were implemented at the end of 2006 in the Canary Islands and in the DOM, and in 2007 in the Portuguese territories and in the SIAS. Given the fact that the implementation period is short, the impacts that may be observed are limited.

The study makes the following general recommendations:

- the programming approach introduced by the 2006 reform should be maintained, as it has enabled a progressive adjustment of the measures to the needs of the territories;
- in some sectors (animal breeding, fruit and vegetables (except bananas), and traditional crops) the budget ceiling was defined on the basis of the previous budgets allocated to each sector. Without calling into question the principle of a budget ceiling, the constrained budget introduced by the POSEI reform considerably limited the possibilities for introducing new measures; should it be possible to increase the current budgets of the "diversification sectors" it could be done through a different budget allocation between sectors, using the flexibility offered by the programming approach;
- preference should be given to a global agricultural development approach instead of a sector-oriented one;
- POSEI aid should not be confined to supporting production, but should continue the effort of structuring sectors and to support the agri-food industry.

The study provides further specific recommendations to the Member States in charge of defining and following-up the programmes, and other recommendations addressed to the European Commission itself. Specific Supply Arrangements should be maintained with some improvements. The recommendations for the Measures to assist local agricultural products are listed for each of the territories and sectors studied.

- **[Report from the European Commission on the impact of the POSEI reform of 2006, September 2010](#)**

The first implementation report is based on the data on financial execution of the programmes until the financial year 2009, data on the relevant markets up to 2009 and the above [study on the evaluation of the measures implemented under POSEI since 2001](#), carried out by the external consultants for the European Commission.

Specific Supply Arrangements (SSA)

As Member States are competent for controlling SSA aid arrangements, the Commission advised them to quickly establish such appropriate control systems to verify SSA advantage is received by

the end users. The Member States were advised to adjust the level of SSA aid for locally produced products and to distribute the funds in such a way as to prioritize the development of local production.

Support to the Local Production

The report states that the POSEI measures have proved successful in increasing the profitability and the competitiveness of a number of sectors. The measures have been very effective for the sectors of banana and sugar, while in the fruit and vegetables sector in the French Departments the aids have a more limited impact. The sugar sector in Azores faced difficulties despite the POSEI support. The Member States were therefore advised to examine the reasons for the limited success of the measures and to propose an improved strategy of support in their programmes.

Proposed amendments to EU legislation

The report proposed to recast Regulation 247/2006 to align it to the new TFEU requirements, to include the possibility of free trade in SSA processed products among the French Overseas Departments and to increase the maximum annual SSA ceilings for France and Portugal. In addition, Regulation 793/2006 should be amended so as to allow the Member States to postpone the deadline for the submission to the European Commission of the annual programme modifications.

Report conclusions

The Report concluded that POSEI scheme was successful in terms of the programming approach and the broad objectives of the scheme were met.

2) European Parliament position / Members' Oral and written questions

In 2008 the Parliament adopted a [resolution](#) on 'Strategy for the outermost regions: achievements and future prospects' where it acknowledged that the Structural Funds as well as the POSEI programmes played a major role in the development of the ORs.

In 2012 the Parliament adopted the [resolution](#) on 'The Role of Cohesion Policy in the outermost regions of the European Union in the context of EU 2020' where it took the view that cohesion policy must remain one of the main instruments for reducing disparities in the EU's regions in general and in the ORs in particular.

In February 2014 the Parliament adopted a [resolution](#) on optimising the potential of the outermost regions by creating synergies between the Structural Funds and other European Union programmes. POSEI should help the outermost regions producers to cope with the impact of the liberalisation of a number of sectors resulting from EU policies and international agreements, particularly those concluded in the milk, sugar, rum, meat and banana sectors.

The Parliament called on the Commission to foster the participation of outermost regions in EU programmes and funds such as European Structural and Investment (ESI) Funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). It also called on the Commission to set up a contact group made up of the relevant Commissioners, the inter-service working party that coordinates policies involving the ORs and the Members of the European Parliament representing the ORs in order to review the progress of programmes planned and/or introduced for the ORs.

The resolution points out that in terms of competition, the circumstances in the ORs are not the same as in the rest of the European area; the free market is not possible in most sectors and the supply of high-quality products at competitive prices in the ORs can only be ensured if the state provides appropriate financial support. Therefore, the European Commission should urgently conduct an assessment to make the EU legislative framework more flexible and better suited to these specific circumstances.

Follow-up to the EP resolution

In May 2014, the European Commission came forward with a [follow-up](#) to the resolution. Regarding the setup of a contact group (paragraph 6 of the Resolution) consisting of the relevant Commissioners and MEPs, the Commission had contacted the MEPs from the outermost regions. The arrangements between the Commission and the Parliament on this issue would, however, be left to the new Commission.

As regards the synergy between all EU funds, the Commission would do its utmost to ensure greater coordination between all EU funds and will monitor the Member States' arrangements that ensure the coordination between the ESI funds and other Union and national funding. Member States should indicate in their partnership agreements the arrangements that ensure coordination between the ESI funds and other Union and national funding. In order to monitor this, the Commission envisaged the formation of thematic working groups composed by Commission officials from different DGs and representatives of the outermost regions and of the three Member States concerned. Contrary to the above mentioned contact group, the Commission does not mention involving the European Parliament here.

The follow-up further clarifies the criteria for financing projects from the EU funds. For example, the Commission noted that on the European Union Solidarity fund, the forthcoming amended Regulation would contain a provision relating to the outermost regions setting the damage threshold to intervene for regional disasters; on Horizon 2020 the Commission underlined that although this programme could not use geographic criteria for allocation of funding, the rules would be simplified and new financial instruments would be available to prospective participants from the outermost regions.

[Written question by MEP Willy Meyer, April 2014](#) - As the Commission decided to withdraw the proposal to review the regulation 228/2013 and to conduct an impact assessment, the Member wanted to know when the impact assessment would take place and if the Commission intended to submit a new proposal. The Member also stated that "the withdrawn proposal would have brought the POSEI scheme into line with the current Common Agricultural Policy and tackled issues which are fundamental to supporting the outermost regions, such as increasing self-sufficiency, taking account of diversification, adopting a tailored approach to organic and small farmers and tying aid to rural employment." He asked if these issues would be provided for in the new proposal.

[Answer given by Mr Ciolos on behalf of the Commission, June 2014](#) - The Commission said that the POSEI scheme could be further enhanced by carrying out a full impact assessment and a thorough examination of its different aspects and that it would present a legislative proposal in due time.

[Written question by MEP Nuno Teixeira, April 2013](#) - The MEP asked the European Commission on its views on the possibility of extending the POSEI instrument to cover all the outermost regions'

products, both agricultural and non-agricultural, and if such an extension should be considered in the next review of the POSEI arrangements.

[Answer given by Mr Ciolos on behalf of the Commission, May 2013](#) - The European Commission replied that within the current POSEI programme the Member States had "the possibility to include all or any agricultural productions listed in Annex I of the Treaty, as long as the expenditure remained within the envelope allocated to them" and that it did not have any plans to propose other POSEI programmes for non-agricultural products. The European Commission did not consider any extension of the scheme to include non-agricultural products but the possibility of extending aid to agricultural products which do not already benefit from POSEI support could be explored.

3) European Commission consultations

As required in the basic act and in order to check whether the POSEI fully meets the needs of the outermost regions the Commission conducted stakeholder consultations between the 15 October and 12 November 2013 to review the POSEI arrangements with regard to their capacity to attain the objectives set for the scheme. In the [consultation document](#) the Commission asked questions on policy scenarios, impact, monitoring and evaluation of the POSEI scheme. 575 contributions were received, of which the great majority was from Spain. Contributions came from national administrations, as well as from producer organizations, SSA operators and MLAP beneficiaries. So far, there is no Commission document available that sums up the contributions and their evaluation. The results of the public consultation will be used in the framework of the external evaluation of the POSEI regime which will start shortly.

4) European Court of Auditors' [Special Report 10/2010](#)

The European Court of Auditors (ECA) assessed in December 2010 the effectiveness of the specific measures after their reform in 2006 and identified a number of weaknesses in the management of the POSEI arrangements.

In its **recommendations**, the Court said that the Member States should:

- apply the new bottom-up, decentralised approach to improve the effectiveness of the existing measures;
- develop control procedures suited for each type of measure;
- use the Commission's evaluation report as a basis to identify ineffective measures.

At the same time, the European Commission should:

- help the Member States draw up their programmes;
- monitor the effectiveness of the specific measures more regularly;
- develop a set of indicators for monitoring programme performance;
- ensure that the control procedures for each type of measure were effective;
- use the information provided by the Member States to monitor programme performance on an annual basis.

Reactions to the Special Report

In March 2011 the Council³ [welcomed](#) the ECA report and invited the European Commission and the Member States concerned to continue and step up their efforts to improve the effectiveness of the measures and to ensure that proper budgetary discipline and auditing was maintained. The Council recalled that the Commission had proposed a harmonised framework of common indicators to monitor the schemes' performance more effectively and that all the Member States concerned had indeed incorporated them into their programmes as from 2011.

In May 2011 the European Parliament [endorsed](#) the CoA's recommendations, called on the Commission to cooperate more effectively with the Member States and took the view that the closer involvement of the Commission in control measures would increase programme efficiency.

5) Positions of European Economic and Social Committee (EESC) and Committee of the Regions (CoR)

In February 2011, based on a consultation with the European Parliament and the Council, the EESC delivered an [Opinion](#) on the 2010 [proposal](#) of the European Commission laying down specific measures for agriculture in the outermost regions of the Union in which it proposed the inclusion of Article 349 of TFEU as the legal basis. The articles on CAP alone seemed to be insufficient to ensure that tailored measures can be adopted for the outermost regions of the European Union. The EESC suggested that large companies located in the outermost regions should be exempt from the ban on receiving state aid for taking out agricultural insurance policies. The opinion also called for an increase in banana funding. The Committee asked for an assessment of POSEI and an extension of the range of products covered and for appropriate financial means to allow the outermost regions to achieve the objectives of the Europe 2020 strategy.

In February 2013, following the European Commission's [communication](#) "The outermost regions of the European Union: towards a partnership for smart, sustainable and inclusive growth", the CoR delivered an [Opinion](#) on the outermost regions of the European Union in the light of the Europe 2020 Strategy. The opinion recommended to the European Commission to prioritise education, training and employment. The opinion supported the Commission proposal to offer specific treatment to these regions through a co-financing rate of 85% to ORs regardless of their GDP. The CoR also called for better synergy between Cohesion Policy funds and the European Development Fund. In line with the European Parliament [resolution](#) of 18 April 2012, the CoR called for an extension of the period of implementation of these funds in the ORs.

6) Conclusion

The European Parliament, as well as the EESC and CoR have repeatedly called for more involvement of the outermost regions in Structural and Cohesion Funds. Both the Parliament and the European Court of Auditors have called on Commission to monitor more regularly the effectiveness of the specific measures.

³ The Council Working Party on Financial Agricultural Questions (AGRIFIN).

The review of POSEI is still pending, although the Regulation 228/2013 indicates the end of 2013 as the deadline. However, it is only in December 2014 that the Commission announced in its Work Plan that it would evaluate the arrangements and conduct an impact assessment in order to review the policy, if needed.

7) Other useful documents

EPRS Policy area [post](#) on Specific measures for agriculture in the EU's outermost regions, January 2013.

EPRS policy area [post](#) on Development of the EU's Outermost Regions, October 2010.

This document is also available on the internet at: www.europarl.europa.eu/thinktank

To contact the Policy Performance Appraisal Unit, please e-mail: eprs-policyperformanceappraisal@ep.europa.eu

Manuscript completed in January 2015. Brussels © European Union, 2015.

The opinions expressed in this document are the sole responsibility of the author(s) and do not represent an official position of the European Parliament. Reproduction and translation of this document for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.