

Financing instrument for development cooperation *I**

European Parliament legislative resolution of 21 October 2010 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1905/2006 establishing a financing instrument for development cooperation (COM(2010)0102 – C7-0079/2010 – 2010/0059(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2010)0102),
 - having regard to Article 294(2) and Article 209(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0079/2010),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the reasoned opinions sent to its President by national parliaments on the compliance of the draft act with the principle of subsidiarity,
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Development and the opinion of the Committee on Budgets (A7-0285/2010),
1. Adopts its position at first reading hereinafter set out;
 2. Considers that the proposal for a regulation of the European Parliament and of the Council, by drastically reducing the margin under the ceiling of heading 4 of the multiannual financial framework (MFF) for 2007-2013, does not leave sufficient room for manoeuvre to face and to react adequately to a potential upcoming crisis;
 3. Considers that, due to the long-standing issue concerning trade in bananas, the proposed measures could have been integrated at an earlier stage into the MFF;
 4. Reiterates its conviction that any new instrument should not be financed through redeployment as this would jeopardise the existing priorities;
 5. Recalls that the Flexibility Instrument referred to in point 27 of the Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management¹ aims at financing ‘clearly identified expenditure which could not be financed within the limits of the ceilings’, and considers measures relating to trade in bananas to be accompanying measures falling into that category;
 6. Considers therefore that the proposal is not compatible with the ceiling for heading 4 of the MFF, and calls for the revision of the latter by all means provided for in points 21 to

¹ OJ C 139, 14.6.2006, p. 1.

23 of the IIA, or by other means such as those included in points 25 and 27 thereof;

7. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
8. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

P7_TC1-COD(2010)0059

Position of the European Parliament adopted at first reading on 21 October 2010 with a view to the adoption of Regulation (EU) No .../2010 of the European Parliament and of the Council amending Regulation (EC) No 1905/2006 establishing a financing instrument for development cooperation

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 209(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Acting in accordance with the ordinary legislative procedure¹,

¹ Position of the European Parliament of 21 October 2010.

Whereas:

- (1) *The Union's development policy aims to reduce and ultimately eradicate poverty.*
- (2) The Union, as a contracting party of the World Trade Organisation (WTO), is committed to mainstreaming trade in development strategies and to promoting international trade in order to advance development and *reduce – and, in the long term, eradicate* – poverty worldwide.
- (3) The Union supports the African, Caribbean and Pacific (ACP) Group of States on their path to poverty reduction and to sustainable economic and social development, and recognises the importance of their commodity sectors.
- (4) The Union is committed to supporting the smooth and gradual integration of developing countries into the world economy with a view to sustainable development. The main ACP banana-exporting countries *may* face challenges in the context of changing trade arrangements, notably liberalisation *of the* Most Favoured Nation (MFN) *tariff* in the framework of the WTO *and the bilateral and regional agreements concluded, or in the process of being concluded, between the Union and Latin American countries*. Hence an ACP Banana Accompanying Measures programme should be added to Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation¹.

¹ OJ L 378, 27.12.2006, p. 41.

- (5) The financial assistance measures to be adopted under this programme should aim at ***improving the living standards and living conditions of people in banana-growing areas and banana value chains, specifically small farmers and small entities, as well as complying with labour and occupational health and safety standards, and environmental standards, notably those regarding the use of and exposure to pesticides, by supporting the adaptation and including, when relevant, the reorganisation,*** of areas dependent upon banana exports through sector-specific budget support or project-specific interventions. The measures should aim to provide for social resilience policies, economic diversification or investment to improve competitiveness, where this is **■ viable ■**, taking into account the results of and experiences gained through the Special System of Assistance to traditional ACP suppliers of bananas established in accordance with Council Regulation (EC) No 2686/94¹ and the Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas established in accordance with Council Regulation (EC) No 856/1999² and Commission Regulation (EC) No 1609/1999³. ***The Union acknowledges the importance of promoting a more equitable distribution of the banana revenues.***
- (6) The programme should accompany the adaptation process in ACP countries which have exported significant volumes of bananas to the Union in recent years and which will be affected by liberalisation in the framework of the WTO⁴ ***and by the bilateral and regional agreements concluded, or in the process of being concluded, between the Union and Latin American countries.*** The programme builds on the SFA for traditional ACP suppliers of bananas. It is in conformity with the Union's international obligations in the framework of the WTO, ***focuses on*** restructuring and ***boosting competitiveness, and is consequently*** temporary ***in*** nature, with a **■** duration of four years (2010-2013).
- (7) ***The conclusions of the Commission Communication of 17 March 2010 entitled "Biennial Report on the Special Framework of Assistance for Traditional ACP Suppliers of Bananas" indicate that past assistance programmes made substantial contributions to achieving improved capacity for successful economic diversification, although the full impact cannot be quantified, and that the sustainability of ACP banana exports remains fragile.***

¹ OJ L 286, 5.11.1994, p. 1.

² OJ L 108, 27.4.1999, p. 2.

³ OJ L 190, 23.7.1999, p. 14.

⁴ Geneva Agreement on Trade in Bananas, OJ L 141, 9.6.2010, p. 3.

- (8) *The Commission has carried out an evaluation of the SFA programme and has not carried out an impact assessment of the banana accompanying measures (BAMs).*
- (9) *The Commission should ensure proper coordination of this programme with the regional and national indicative programmes operating in the beneficiary countries, in particular as regards the achievement of economic, agricultural, social and environmental objectives.*
- (10) *Almost 2 % of the world's trade in bananas is endorsed by fair trade producers' organisations. The minimum fair trade prices are set on the basis of a calculation of the 'sustainable production costs', established following consultations with stakeholders, with a view to internalising the costs of meeting decent social and environmental standards and generating a reasonable profit, enabling producers to safeguard their livelihoods in the long term.*
- (11) *To prevent the exploitation of local workers, actors in the production chain in the banana industry should agree to ensure that the revenue generated by the industry is allocated fairly.*
- (12) *The Commission should be empowered to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union in respect of Geographic Strategy Papers, Multi-annual Indicative Programmes and Strategy Papers for thematic programmes and the accompanying measures, as they supplement Regulation (EC) No 1905/2006 and are of general application. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level.*
- (13) Regulation (EC) No 1905/2006 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1905/2006 is hereby amended as follows:

- (1) Article 4 is replaced by the following:

"Article 4

Implementation of Union assistance

Consistent with the overall purpose and scope, objectives and general principles of this Regulation, Union assistance shall be implemented through the geographic and thematic programmes set out in Articles 5 to 16 and the programmes set out in Articles 17 and 17a.";

(2) The following Article is inserted:

"Article 17a

Main ACP banana supplying countries

1. ACP banana supplying countries listed in Annex IIIa shall benefit from banana accompanying measures. Union assistance shall aim at supporting their adjustment process following **■** liberalisation of the Union market for bananas in the framework of the World Trade Organisation. ***Union assistance shall in particular be used to combat poverty by improving the living standards and conditions of farmers and persons concerned, where relevant small entities, including by means of compliance with labour and safety standards, as well as with environmental standards, including the use of and exposure to pesticides.*** Union assistance shall take into account the countries' policies and adaptation strategies, ***as well as their regional environment (in terms of proximity to outermost regions of the Union and overseas countries and territories)*** and shall pay specific attention to the following areas of cooperation:

- (a) enhancing the competitiveness of the banana export sector, where this is sustainable, taking into account the situation of different stakeholders in the chain;
- (b) promoting the economic diversification of banana-dependent areas, ***where such a strategy is viable;***
- (c) addressing broader impacts generated by the adaptation process, possibly related but not restricted to employment and social services, land use and environmental restoration, and macroeconomic stability.

2. Within the amount referred to in Annex IV, the Commission shall fix the maximum amount available to each eligible ACP banana-supplying country *referred to* in paragraph 1 on the basis of *the following* objective, *weighted* indicators:

- (a) *firstly*, trade in bananas with the Union;
- (b) *secondly*, the importance of banana exports to the economy in the ACP country concerned, *along with the* country's level of development.

The measurement of the allocation criteria shall be based on *representative* data preceding *2010 and covering a period not longer than five years, and on a Commission study assessing the impact on the ACP countries of the agreement reached within the WTO and the bilateral and regional agreements concluded, or in the process of being concluded, between the Union and Latin American countries, which are the leading exporters of bananas.*

3. The Commission shall adopt multi-annual support strategies by analogy to Article 19, and in accordance with Article 21. It shall ensure that such strategies complement the geographic strategy papers of the countries concerned, and the temporary nature of these banana accompanying measures.

The *multi-annual* support strategies *for banana accompanying measures shall include:*

- (a) *an updated environmental profile paying due attention to the country's banana sector, inter alia focusing on pesticides;*
- (b) *information on the achievements of past banana support programmes;*
- (c) *indicators to assess progress in relation to disbursement conditions, when budget support will be chosen as the form of financing;*
- (d) *the expected results of the assistance;*

- (e) *a time schedule of support activities and of expected disbursements for each recipient country;*
- (f) *the ways in which progress will be achieved and monitored in meeting internationally agreed ILO core labour standards and appropriate occupational safety and health conventions as well as relevant internationally agreed core environmental standards.*

18 months before the expiry date, the programme and the progress made by the countries shall be the subject of an assessment, which shall include recommendations on any measures to be taken and the nature thereof."

- (3) Article 21 is replaced by the following:

"Article 21

Adoption of strategy papers and multiannual indicative programmes

Strategy papers and multi-annual indicative programmes referred to in Articles 19 and 20, and any reviews thereof referred to in Article 19(2) and Article 20(1), as well as accompanying measures referred to in Articles 17 and 17a respectively, shall be adopted by the Commission *by means of delegated acts* in accordance with *Article 35, and subject to the conditions laid down in Articles 35a and 35b."*

- (4) *Article 22(3) is replaced by the following:*

"3. The annual action programmes shall be adopted by the Commission taking into account the opinions of the European Parliament and of the Council."

- (5) *In Article 23, paragraphs 3 and 4 are replaced by the following:*

"3. Where the cost of such measures exceeds EUR 10 million, the Commission shall adopt them taking into account the opinions of the European Parliament and of the Council. For special measures below EUR 10 million, the Commission shall send the measures to the European Parliament and to the Council for information within one month of adopting its decision.

4. Amendments to special measures, such as those making technical adjustments, extending the implementation period, reassigning funds within the forecast budget, or increasing or reducing the size of the budget by less than 20 % of the initial budget, provided these amendments do not affect the initial objectives set out in the Commission decision shall be communicated within one month to the European Parliament and to the Council."

(6) Article 25(2) is replaced by the following:

"2. Union assistance shall not in principle be used for paying taxes, duties or charges in beneficiary countries."

(7) Article 29(1) is replaced by the following:

1. Budget commitments shall be made on the basis of decisions taken by the Commission in accordance with Articles 17a(3), 22(1), 23(1) and 26(1)."

(8) In Article 31(1), the third subparagraph is replaced by the following:

"Participation in the award of procurement or grant contracts financed under a thematic programme as defined in Articles 11 to 16, and the programmes set out in Articles 17 and 17a, shall be open to all natural persons who are nationals of, or legal persons who are established in, a developing country, as specified by the OECD/DAC and in Annex II, in addition to natural or legal persons eligible by virtue of the thematic programme or the programmes set out in Articles 17 and 17a. The Commission shall publish and update Annex II in accordance with regular reviews of the list of aid recipients of the OECD/DAC, and inform the Council thereof."

(9) Article 33(2) is replaced by the following:

"2. The Commission shall send its evaluation reports to the European Parliament and to the Council for information. The results shall feed back into programme design and resource allocation."

(10) *Article 35 is replaced by the following:*

“Article 35

Exercise of the delegation

- 1. The power to adopt the delegated acts referred to in Article 17(2) and Articles 17a and 21 shall be conferred on the Commission for the period of application of this Regulation.*
- 2. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.*
- 3. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in Articles 35a and 35b.*

Article 35a

Revocation of the delegation

- 1. The delegation of power referred to in Article 17(2) and Articles 17a, and 21 may be revoked at any time by the European Parliament or by the Council.*
- 2. The institution which has commenced an internal procedure for deciding whether to revoke a delegation of power shall endeavour to inform the other institution and the Commission within a reasonable time before the final decision is taken, indicating the delegated power which could be subject to revocation and possible reasons for a revocation.*
- 3. The decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect immediately or at a later date specified therein. It shall not affect the validity of the delegated acts already in force. It shall be published in the Official Journal of the European Union.*

Article 35b

Objections to delegated acts

1. The European Parliament or the Council may object to a delegated act within a period of two months from the date of notification.

At the initiative of the European Parliament or the Council this period shall be extended by two months.

2. If, on the expiry of the period referred to in paragraph 1, neither the European Parliament nor the Council has objected to the delegated act, it shall be published in the Official Journal of the European Union and shall enter into force on the date stated therein.

The delegated act may be published in the Official Journal of the European Union and enter into force before the expiry of that period if the European Parliament and the Council have both informed the Commission of their intention not to raise objections.

3. If either the European Parliament or the Council objects to the delegated act within the period referred to in paragraph 1, it shall not enter into force. The institution which objects shall state the reasons for objecting to the delegated act.”;

(11) In Article 38, paragraphs 1 and 2 are replaced by the following:

"1. The financial reference amount for the implementation of this Regulation over the period 2007-2013 is EUR 17 087 million.

2. The indicative amounts allocated to each programme referred to in Articles 5 to 10, 11 to 16 and 17 to 17a are laid down in Annex IV. These amounts are established for the period 2007-2013.”;

(12) Annex IIIa, as contained in Annex I to this Regulation, is inserted;

(13) Annex IV is replaced by the contents of Annex II to this Regulation.

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

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

Done at

For the European Parliament
The President

For the Council
The President

ANNEX I

"ANNEX IIIa

Main ACP banana supplying countries

1. Belize
2. Cameroon
3. Côte d'Ivoire
4. Dominica
5. Dominican Republic
6. Ghana
7. Jamaica
8. Saint Lucia
9. Saint Vincent and the Grenadines
10. Suriname"

ANNEX II

"ANNEX IV

Indicative financial allocations for the period 2007-2013 (in EUR million)

Total	17 087
Geographic programmes:	10 057
Latin America	2 690
Asia	5 187
Central Asia	719
Middle East	481
South Africa	980
Thematic programmes:	5 596
Investing in people	1 060
Environment and sustainable management of natural resources	804
Non-State actors and local authorities in development	1 639

Food security	1 709
Migration and asylum	384
ACP Sugar Protocol countries	1 244
Main ACP banana-supplying countries	190"