

EUROPEAN PARLIAMENT

2004



2009

Session document

FINAL
A6-0281/2005

30.9.2005

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REPORT

on the 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
(COM(2005)0266 – C6-0210/2005 – 2005/0117(COD))

Committee on Development

Rapporteur: Bernard Lehideux

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend the common position
- *** Assent procedure
majority of Parliament's component Members except in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend the common position
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission.)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the 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
(COM(2005)0266 – C6-0210/2005 – 2005/0117(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2005)0266)¹,
 - having regard to Article 251(2) and Article 179 of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0210/2005),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Development and the opinion of the Committee on Budgets (A6-0281/2005),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1 Recital 3

(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.

(3) Under the Sugar Protocol, attached to Annex V of the ACP-EC Partnership Agreement, some ACP countries *rely* on the EU market to export sugar. The reform will significantly alter their market conditions.

¹ Not yet published in OJ.

Amendment 2
Recital 4

(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.

(4) The adjustment process of the Sugar Protocol countries to these new market conditions **will** be complex, considering the socio-economic importance **and the multifunctional role** of the sugar sector and its significant degree of reliance on the EU market, for several of these states.

Justification

In several ACP countries, sugar production fulfils rural development and social, and even environmental conservation, functions.

Amendment 3
Recital 6

(6) Sugar Protocol countries **require early** support to maximise the chances of successful adaptation to the new conditions, in full complementarity with existing assistance.

(6) **It is essential that** Sugar Protocol countries **receive** support **as quickly as possible** to maximise the chances of successful adaptation to the new conditions, in full complementarity with existing assistance.

Amendment 4
Recital 7

(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

(7) **It is therefore necessary to grant Sugar Protocol countries financial** and technical assistance, including budget support where appropriate, additional to that provided for in the framework of the ACP-EC Partnership Agreement, 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. **This must** include upgrading the competitiveness of their sugar cane sector, developing alternative economic activities, and coping, **with the help of adequate resources**, with **the serious** broader social, environmental and economic consequences

sugar sector to their economies, or a combination of several of these.

of a reduction of the contribution of the sugar sector to their economies, or a combination of several of these.

Amendment 5
Article 3, paragraph 3

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.

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. ***The multi-annual adaptation strategy may include measures in the process of being implemented and also current and future financial impacts of social plans already implemented, on the express condition that the measures and social plans concerned are clearly in line with the objectives laid down in Article 4(1) of this Regulation.***

Justification

ACP countries that have already taken steps to adapt their sugar industry in anticipation of the EU reform of the common organisation of the markets in the sugar sector should not be penalised. It is essential that measures in the process of being implemented receive Community assistance if they are clearly in line with the objectives of enhancing the competitiveness of the sugar and cane sector, where this is a sustainable process, and/or of promoting the economic diversification of sugar-dependent areas and/or of addressing broader impacts of the adaptation process. Likewise, it is essential that the cost of the financial impacts of social plans which have already been implemented but are in line with the objectives laid down in this Regulation may also be borne by the EU.

Amendment 6
Article 4, paragraph 1, point (b)

(b) to promote the economic diversification of sugar-dependent areas,

(b) to promote the economic diversification of sugar-dependent areas, ***for example by redirecting current sugar production towards the production of bio-ethanol and other non-food applications of sugar,***

Justification

Bio-ethanol production forms an interesting alternative to sugar production for food purposes and can assist ACP countries in meeting their energy needs, while protecting the environment, making them less dependent on imports and supporting rural livelihoods, and should therefore be mentioned as a key solution.

Amendment 7 Article 5, paragraph 4

The assistance provided for under this Regulation shall ***complement and reinforce*** assistance provided under other instruments of development cooperation.

The assistance provided for under this Regulation shall ***be complementary but additional to*** assistance provided under other instruments of development cooperation.

Justification

New funding provided to the ACP under the Action Plan must be additional to existing funding resources, but also must complement programmes already in progress in these countries.

Amendment 8 Article 7, paragraph 2

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.

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. ***The European Parliament's right to be informed on a regular basis, in accordance with Article 7(3) of this Decision, must be fully respected.***

Justification

Attention should be drawn to the fact that it is necessary for Parliament to be kept informed of measures taken under the management committee procedure provided for in Article 7(2).

Amendment 9
Article 8

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

The financial reference amount for implementation of this Regulation for 2006 is EUR **80** million.

Justification

The amount provided for in the proposal for a regulation is quite inadequate to enable ACP countries affected by the reform of the EU sugar regime to implement the far-reaching adjustment programmes needed in order to successfully adapt to the new market conditions.

Amendment 10
Article 11, paragraph 3

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.***

3. In the event that the Development Cooperation and Economic Cooperation Instrument has not entered into force on 1 January 2007, the ***period of*** validity of this Regulation ***shall be extended until the date of entry into force of that instrument.***

Justification

It is essential to provide for the validity of this regulation to be extended in the event that the Development Cooperation and Economic Cooperation Instrument does not enter into force on 1 January 2007, so as to prevent the funding of adjustment programmes from being suspended for several months. For that reason, in such a situation, the period of validity of this Regulation is to be automatically extended, with the annual financial reference amount being set at double the amount adopted for the year 2006.

EXPLANATORY STATEMENT

1. Background to the proposal for a regulation

In July 2004, in its Communication to the Council and the European Parliament 'Accomplishing a sustainable agricultural model for Europe through the reformed CAP - sugar sector reform' (COM(2004)499), the Commission committed itself to supporting the adjustment process in Sugar Protocol countries that will be affected by the forthcoming reform of the common organisation of the markets in the sugar sector. In January 2005, the Commission set out the principles forming the basis of its support proposals in the staff working document 'Action Plan on accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime' (SEC(2005)61), which has been discussed with the Sugar Protocol countries. Finally, on 22 June 2005, the Commission proposed a regulation 'establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime' (COM(2005)266). The proposal for a regulation contains measures designed to support the adjustment process in ACP Sugar Protocol countries.

This proposal is linked to the proposal for a 'Council Regulation on the common organisation of the markets in the sugar sector' (COM(2005)263 final), also published on 22 June 2005, the objective of which is to reform the EU sugar regime, which has been in existence for 37 years. The final decision on the precise parameters for EU sugar sector reform should not, however, directly influence the adoption of these accompanying measures for Sugar Protocol countries, particularly in terms of the time frame for adoption. Furthermore, these countries need to begin the process of adaptation as early as possible, even - if possible - before entry into force of the reforms.

2. Substance of the regulation

The proposed regulation covers 18 ACP countries that are signatories to the Sugar Protocol and that currently export sugar to the European Union.

The objective of the proposed regulation is to establish a system of financial and technical assistance to support the adjustment process in Sugar Protocol countries that will be affected by the forthcoming reform of the common organisation of the markets in the sugar sector. The aim is to provide additional funds to these countries, on which the reforms will have a major impact, in order to enable them to restructure their sugar industry or diversify their economies and to cope with the serious social, economic and environmental consequences of these changes.

Alongside these development aid measures, the Commission has also pledged to implement trade measures to help Sugar Protocol countries adapt. These measures are to be introduced in the context of negotiations on Economic Partnership Agreements (EPAs).

Under the proposal, the basis for the accompanying measures is:

- within the framework of the Cotonou Agreement, the Community is committed to supporting ACP countries on their path to poverty reduction and sustainable development;

- through the EU Action Plan in support of agricultural commodities in developing countries (COM(2004)089) adopted in April 2004, the EU is committed to helping economies dependent on commodities, such as sugar, to address the challenges faced by these sectors;
- finally, the ACP countries themselves, in their responses to the Commission's reform proposal, have called for adjustment programmes to be established.

The regulation proposes the establishment of aid arrangements for a period of eight years, bearing in mind the complexity of the restructuring and diversification process which will have to be implemented by the countries concerned. The regulation is intended to provide the necessary legal basis for delivering aid from 2006. It will be followed by a specific appropriation in the 2007-2013 Financial Perspective, covered by the development part of the 'Development Cooperation and Economic Cooperation Instrument'. The proposal provides that the period of validity of the regulation may be extended in the event that this instrument does not enter into force on 1 January 2007.

Under the proposal, Community support is to be based on a country-specific, multi-annual adaptation strategy, to be devised by the country concerned in collaboration with the Commission. In order to be eligible for Community assistance, the strategy must pursue specific goals. A key criterion will be the long-term sustainability of the strategy, taking account in particular of the prospects for profitability of the sugar sector or alternative sectors under future market conditions. In each country, the strategy will also have to meet the more general objective of developing and enabling an environment conducive to economic growth and poverty reduction. The cost of implementing the strategies is to be covered not solely by Community assistance, but also support from national governments, the sugar industry, and/or other sponsors or financial institutions.

The preferred delivery mechanisms will be (sectoral) budget support, although programme support will also be possible, depending on the situation of a given country. Nonetheless, it is essential that this support is complementary to other assistance instruments, in particular EPAs.

The reference amount proposed for the year 2006 is EUR 40 million. Within that overall amount, the Commission intends to fix the maximum amount available to each Sugar Protocol country on the basis of the needs of each country, in particular on the basis of the impact of the reform of the sugar sector in the country concerned and the importance of the sugar sector in the economy.

3. Sugar Protocol

The specific agreements relating to trade in sugar between EU Member States and certain ACP countries have long historical roots. Since 1975, these agreements have been incorporated into the Sugar Protocol concluded between 18 ACP countries and the EU within the framework of the ACP-EU partnership (under the former Lomé Conventions and the current Cotonou Agreement). Under this agreement, the EU has undertaken to purchase and import from these countries a fixed quantity of sugar cane at a guaranteed price. As a consequence, access by those countries to the EU market currently accounts for some 70% of revenue in their sugar sector and 40% of their sugar exports, although the figures vary from

one region to another. Sugar Protocol countries in the Caribbean and Pacific and Mauritius are, for example, far more dependent on the European market than African countries. Such favoured access has had an impact on investment in ACP countries, and has therefore played a very significant role in their economic and social situation.

The proposed reform of the common organisation of the markets in the sugar sector should considerably reduce the EU price for sugar and, therefore, also the guaranteed price paid to ACP Sugar Protocol countries. In many cases these new market conditions should have far-reaching economic, social and even environmental consequences. Overall, ACP countries estimate that the EU proposals will lead to an annual loss to their economies of EUR 400 million, with many of their leaders declaring that the reform is too swift, too far-reaching and is being carried out too early. ACP countries would prefer a less sharp reduction in prices and more staggered implementation, with entry into force being put back to not before 2008.

Along with the aforementioned estimated annual loss of EUR 400 million to their economies as a result of the EU reform, ACP countries estimate, overall, that agriculture sector employment could be reduced to around 80 000 employees (35% of the current level), with a similar impact in the manufacturing sector.

4. Rapporteur's position

The internal aspects of the reform of the common organisation of the markets in the sugar sector will undoubtedly give rise to a debate on a number of issues, including that of the level of price cuts, procedures for implementing the reform and compensation for European farmers. These issues will be addressed in the Committee on Development by Mrs Kinnock in her opinion on the reform proposals for the Committee on Agriculture and Rural Development.

As far as the specific subject of this report is concerned, namely the accompanying measures to be implemented in 2006, your rapporteur agrees on the urgent need for assistance for Sugar Protocol countries to enable them to anticipate as much as possible the effects of the reform of the sugar sector, converting and restructuring their industry.

Several Sugar Protocol countries are already at an advanced stage in devising their national strategies, and it is therefore essential to provide them with financial assistance enabling them to implement the strategies as early as possible, as from January 2006. In the case of countries that have not yet devised an appropriate strategy, it is essential to make available to them the necessary financial assistance to allow them to carry out their preparations under the best conditions.

In these circumstances, your rapporteur considers that the financial reference amount proposed by the Commission of EUR 40 million for the year 2006 is decidedly inadequate to meet the immediate needs of these countries.

Your rapporteur is aware that the budget proposed by the Commission for the first year is of a preparatory nature, essentially intended to enable the most well-prepared countries to introduce the first concrete measures. Nonetheless, your rapporteur considers that this budget should be increased, and is therefore proposing an amount of EUR 80 million for the year

2006.

ACP countries that have already taken steps to adapt their sugar industry in anticipation of the EU reform of the common organisation of the markets in the sugar sector should not be penalised. It is essential that measures in the process of being implemented receive Community assistance if they are clearly in line with the objectives of enhancing the competitiveness of the sugar and cane sector, where this is a sustainable process, and/or of promoting the economic diversification of sugar-dependent areas and/or of addressing broader impacts of the adaptation process. Likewise, it is essential that the cost of the financial impacts of social plans which have already been implemented but are in line with the objectives laid down in this Regulation may also be borne by the EU. It is for that reason that your rapporteur is proposing that multi-annual strategies may incorporate measures in the process of being implemented and current and future financial impacts of social plans already implemented.

In the event that the Development Cooperation and Economic Cooperation Instrument does not enter into force on 1 January 2007, it is essential to provide for the period of validity of this regulation to be extended, so as to prevent the funding of adjustment programmes from being suspended for several months. In that event, ACP countries must be given guarantees of the amount of aid to be provided for the additional period. For that reason, in such circumstances, your rapporteur is proposing that the period of validity of this Regulation be automatically extended and that the annual financial reference amount be set at double that adopted for the year 2006.

Finally, ACP countries need long-term predictability in order to be able to devise the multi-annual strategy required by the EU under satisfactory conditions. For that reason, it is also essential to ensure that the amount provided for in the 2007-2013 Financial Perspective is adequate, bearing in mind the scale of the impact of the reform of the common organisation of the markets in the sugar sector in the countries concerned and the necessary costs of adaptation.

30.9.2005

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Development

on the 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

(COM(2005)0266 – C6-0210/2005 – 2005/0117(COD))

Draftsman: Janusz Lewandowski

SHORT JUSTIFICATION

The Commission asked for extra resources amounting to EUR 123 million in its preliminary draft budget for 2006. This only corresponded to a partial financing of the tsunami reconstruction (EUR 180 million pledged for 2006). The European Parliament already deemed this unsatisfactory in its July resolution before the first budgetary conciliation, as it would imply reductions for some other policies. This was most clearly manifest in the dramatic reduction of the human rights programme proposed by the Commission.

This funding-gap leading to reductions was present even before any appropriations were entered for this new support action following sugar reform.

The Council has refused any use of the flexibility instrument and has therefore cut other programmes not only to the tune of the EUR 123 million mentioned above but, additionally, also making room for the additional EUR 40 million requested by the Commission in this proposal.

In addition to the serious situation for Human Rights, there are now substantial across-the-board cuts over many budget chapters, including geographical regions such as Asia, TACIS, Latin America and MEDA and thematic actions such as NGO cooperation.

The Committee on Budgets therefore considers that the proposal is currently incompatible with the financial ceiling and could only be financed in the context of an overall solution for external actions with the Council.

AMENDMENTS

The Committee on Budgets calls on the Committee on Development, as the committee responsible, to incorporate the following amendments in its report:

Draft legislative resolution

Amendment 1 Paragraph 1 a (new)

1a. Considers that the financial framework is only compatible with the heading 4 ceiling of the financial perspective in the case of an overall financing solution for heading 4, pursuant to the provisions of the Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure;

Justification

There is a large funding-gap for external actions and the current proposal would lead to reductions for other programmes unless an overall financing solution for heading 4 could be reached with the Council.

Proposal for a Regulation

Amendment 2 Article 8

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

The financial ***framework*** for implementation of this Regulation for 2006 is EUR 40 million. ***This financial framework shall not take away funding from the existing programmes. The budgetary authority shall determine the appropriate means of financing this amount in accordance with the provisions of the Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission.***

Justification

There is a large funding-gap for external actions and the current proposal would lead to reductions for other programmes unless an overall financing solution for heading 4 could be reached with the Council.

PROCEDURE

Title	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.
References	COM(2005)0266 – C6-0210/2005 – 2005/0117(COD)
Committee responsible	DEVE
Committee asked for its opinion Date announced in plenary	BUDG 7.7.2005
Enhanced cooperation	
Draftsman Date appointed	Janusz Lewandowski 7.9.2005
Discussed in committee	14.9.2005 29.9.2005
Date adoption	29.9.2005
Result of final vote	+: 28 - : 0 0: 2
Members present for the final vote	Laima Liucija Andrikienė, Simon Busuttil, Valdis Dombrovskis, Brigitte Douay, James Elles, Szabolcs Fazakas, Salvador Garriga Polledo, Neena Gill, Dariusz Maciej Grabowski, Ingeborg Gräßle, Louis Grech, Nathalie Griesbeck, Catherine Guy-Quint, Jutta D. Haug, Anne E. Jensen, Wiesław Stefan Kuc, Janusz Lewandowski, Vladimír Maňka, Mario Mauro, Jan Mulder, Giovanni Pittella, Wojciech Roszkowski, Esko Seppänen, Helga Trüpel, Yannick Vaugrenard, Kyösti Tapio Virrankoski, Ralf Walter
Substitute(s) present for the final vote	Hans-Peter Martin, Jacek Emil Saryusz-Wolski, Margarita Starkevičiūtė
Substitute(s) under Rule 178(2) present for the final vote	

PROCEDURE

Title	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			
References	COM(2005)0266 – C6-0210/2005 – 2005/0117(COD)			
Legal basis	Articles 251(2) and 179 EC			
Basis in Rules of Procedure	Rule 51			
Date submitted to Parliament	22.6.2005			
Committee responsible Date announced in plenary	DEVE 7.7.2005			
Committee(s) asked for opinion(s) Date announced in plenary	AGRI 7.7.2005	CONT 7.7.2005	BUDG 7.7.2005	INTA 7.7.2005
Not delivering opinion(s) Date of decision	AGRI 13.9.2005	CONT 12.7.2005	INTA 12.7.2005	
Enhanced cooperation Date announced in plenary				
Rapporteur(s) Date appointed	Bernard Lehideux 24.5.2005			
Previous rapporteur(s)				
Simplified procedure Date of decision				
Legal basis disputed Date of JURI opinion	/			
Financial endowment amended Date of BUDG opinion	BUDG 29.9.2005	/		
European Economic and Social Committee consulted Date of decision in plenary				
Committee of the Regions consulted Date of decision in plenary				
Discussed in committee	13.7.2005	29.8.2005	5.9.2005	
Date adopted	26.9.2005			
Result of final vote	for: 24 against: 0 abstentions: 1			
Members present for the final vote	Margrete Auken, Alessandro Battilocchio, Margrietus van den Berg, Danutė Budreikaitė, Thierry Cornillet, Nirj Deva, Koenraad Dillen, Alexandra Dobolyi, Fernando Fernández Martín, Michael Gahler, Hélène Goudin, Filip Andrzej Kaczmarek, Maria Martens, Miguel Angel Martínez Martínez, Gay Mitchell, Luisa Morgantini, Pierre Schapira, Jürgen Schröder, Felekna Uca, Anna Záborská, Jürgen Zimmerling			
Substitutes present for the final vote	Marie-Hélène Aubert, John Bowis, Bernard Lehideux, Linda McAvan, Manolis Mavrommatis, Karin Scheele, Anne Van Lancker, Anders Wijkman, Gabriele Zimmer			
Substitutes under Rule 178(2) present for the final vote				
Date tabled – A6	30.9.2005		A6-0281/2005	
Comments	...			