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**A7-0285/2010**

11.10.2010

**\*\*\*I**  
**REPORT**

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))

Committee on Development

Rapporteur: Charles Goerens

### *Symbols for procedures*

- \* Consultation procedure.
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

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

### *Amendments to a draft act*

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in normal italics is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: [...].

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**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 – 2010/0037B(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 aims at financing ‘clearly identified expenditure which could not be financed within the limits of the ceilings<sup>1</sup>’, 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 by points 21 to

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<sup>1</sup> Point 27 of the IIA of 17 May 2006.

23 of the Interinstitutional Agreement (IIA) of 17 May 2006, or by other means such as those included in points 25 and 27;

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.

### **Amendment 1**

#### **Proposal for a regulation – amending act**

##### **Recital -1 (new)**

*Text proposed by the Commission*

*Amendment*

***(-1) The European Union’s development policy aims to reduce and ultimately eradicate poverty.***

### **Amendment 2**

#### **Proposal for a regulation – amending act**

##### **Recital 1**

*Text proposed by the Commission*

*Amendment*

(1) The European Union (EU), 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 poverty **reduction** worldwide.

(1) The EU, 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.

#### *Justification*

*Article 208 TFEU emphasises that the primary objective of Union development cooperation policy is the reduction, and in the long term, the eradication of poverty. It also states that the Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries.*

### **Amendment 3**

#### **Proposal for a regulation – amending act**

##### **Recital 3**

*Text proposed by the Commission*

(3) The EU 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 *as a consequence of* Most Favoured Nation (MFN) liberalisation in the framework of the WTO. Hence an ACP Banana Accompanying Measures programme should be added to the existing Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation<sup>6</sup>.

*Amendment*

(3) The EU 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 EU and Latin American countries*. Hence an ACP Banana Accompanying Measures programme should be added to the existing Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation<sup>6</sup>.

*Justification*

*It is also important to take account of the impact of the bilateral and regional agreements concluded between the EU and Latin American countries. Latin American countries are the leading exporters of bananas to the EU. Cuts in customs tariffs for bananas under trade agreements concluded with Latin American countries consequently have an impact on banana exports from ACP countries.*

**Amendment 4**

**Proposal for a regulation – amending act  
Recital 4**

*Text proposed by the Commission*

(4) The financial assistance measures to be adopted under this programme should aim at supporting the adaptation and/or *restructuring* of areas dependent upon banana exports through sector-specific budget support or project-specific interventions. The measures should aim to

*Amendment*

(4) 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*

provide for social resilience policies, economic diversification or investment to improve competitiveness, where this is a viable *strategy*, taking into account the results of and experiences gained through the Special System of Assistance to traditional ACP suppliers of bananas<sup>7</sup> and the Special Framework of Assistance to traditional ACP suppliers of bananas<sup>8</sup>.

*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<sup>7</sup> and the Special Framework of Assistance to traditional ACP suppliers of bananas<sup>8</sup>. **The EU acknowledges the importance of promoting a more equitable distribution of the banana revenues.***

## Amendment 5

### Proposal for a regulation – amending act Recital 5

#### *Text proposed by the Commission*

(5) The programme should accompany the adaptation process in ACP countries which have exported significant volumes of bananas to the EC in recent years and which will be affected by liberalisation in the framework of the WTO<sup>9</sup>. The programme builds on the Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas. It is in conformity with the EU's international obligations in the framework of the WTO **and has a clear** restructuring and **hence** temporary nature, with a **maximum** duration of four years (2010-2013),

#### *Amendment*

(5) The programme should accompany the adaptation process in ACP countries which have exported significant volumes of bananas to the EC in recent years and which will be affected by liberalisation in the framework of the WTO<sup>9</sup> **and by the bilateral and regional agreements concluded, or in the process of being concluded, between the EU and Latin American countries.** The programme builds on the Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas. It is in conformity with the EU'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). ***One year prior to the programme's expiry, an assessment shall be made of the programme and the progress made by countries; this shall include recommendations on any further measures to be taken and the nature thereof.***

#### *Justification*

*The Commission recently concluded (Colombia/Peru), or is in the process of concluding (Central America), bilateral trade agreements that go even further towards dismantling the banana customs tariff negotiated at the WTO in December 2009. Those customs concessions will thus have a lasting impact on ACP countries still exporting bananas and competing with MFN countries that are by far the leaders on this market. The EU must therefore, via this financial instrument, provide priority support to the competitiveness of ACP countries still exporting bananas, while also enabling countries wishing to do so to escape their dependence on this product, restructure and diversify part of their economy. Lastly, in line with the written undertaking given by the Commission to Cameroon's Minister for Trade (the ACP coordinator for bananas) and depending on the circumstances of the ACP banana industry come 2013, consideration should be given to maintaining this type of instrument in order to respond to the consequences of the reduction in customs duties.*

#### **Amendment 6**

##### **Proposal for a regulation – amending act Recital 5 a (new)**

*Text proposed by the Commission*

*Amendment*

***(5a) The conclusions of the 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.***

## Amendment 7

### Proposal for a regulation – amending act Recital 5 b (new)

*Text proposed by the Commission*

*Amendment*

***(5b) 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).***

#### *Justification*

*The Commission recently concluded (Colombia/Peru), or is in the process of concluding (Central America), bilateral trade agreements that go even further towards dismantling the banana customs tariff negotiated at the WTO in December 2009. Those customs concessions will thus have a lasting impact on ACP countries still exporting bananas and competing with MFN countries that are by far the leaders on this market. The EU must therefore, via this financial instrument, provide priority support to the competitiveness of ACP countries still exporting bananas, while also enabling countries wishing to do so to escape their dependence on this product, restructure and diversify part of their economy. Lastly, in line with the written undertaking given by the Commission to Cameroon's Minister for Trade (the ACP coordinator for bananas) and depending on the circumstances of the ACP banana industry come 2013, consideration should be given to maintaining this type of instrument in order to respond to the consequences of the reduction in customs duties.*

## Amendment 8

### Proposal for a regulation – amending act Recital 5 c (new)

*Text proposed by the Commission*

*Amendment*

***(5c) 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.***

## *Justification*

*In order to improve policy coherence, it is essential to point out that the programming and implementation of the BAMs must be coordinated with EDF programming through the NIPs and RIPs.*

### **Amendment 9**

#### **Proposal for a regulation – amending act Recital 5 d (new)**

*Text proposed by the Commission*

*Amendment*

*(5d) 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.*

### **Amendment 10**

#### **Proposal for a regulation – amending act Recital 5 e (new)**

*Text proposed by the Commission*

*Amendment*

*(5e) To prevent the exploitation of local workers, the production chain in the banana industry should agree to ensure that the revenue generated by the industry is allocated fairly.*

### **Amendment 11**

#### **Proposal for a regulation – amending act Article 1 – point -1 (new)**

*Text proposed by the Commission*

*Amendment*

***(-1) Recital 27 is replaced by the following:***

***“(27) 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 this Regulation 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.”***

## **Amendment 12**

### **Proposal for a regulation – amending act**

#### **Article 1 – point 2**

Regulation (EC) No 1905/2006

Article 17 a, paragraph 1, introductory part

*Text proposed by the Commission*

*Amendment*

‘1. ACP banana supplying countries listed in Annex IIIa shall benefit from banana accompanying measures. Union assistance to these countries shall aim at supporting their adjustment process following **from** liberalisation of the EU market for bananas in the framework of the World Trade Organisation. Union assistance shall take into account the countries’ policies and adaptation strategies and shall pay specific attention to the following areas of cooperation:’

‘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 EU market for bananas in the framework of the World Trade Organisation. **Union assistance shall in particular be used to combat poverty in improving the living standards and conditions of farmers and persons concerned, where relevant small entities, including by means of compliance 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 EU and overseas countries and territories)* and shall pay specific attention to the following areas of cooperation:'

## Amendment 13

### Proposal for a regulation – amending act

#### Article 1 – point 2

Regulation (EC) No 1905/2006

Article 17a – paragraph 1 – point b

#### *Text proposed by the Commission*

b) promoting the economic diversification of banana-dependent areas;

#### *Amendment*

b) promoting the economic diversification of banana-dependent areas, ***where such a strategy is viable***;

#### *Justification*

As in the case of support for competitiveness, the Commission must be extremely careful to envisage the economic diversification of banana-dependent areas only where such an option is mentioned in multi-annual national strategy papers. Indeed, a number of examples from the previous support programme for banana-producing ACP countries (SFA (1999-2008)) show that the use of funds allocated for economic diversification has not always had the desired effect.

## *Amendment*

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### Proposal for a regulation – amending act

#### Article 1 – point 2

Regulation (EC) No 1905/2006

Article 17a – paragraph 2

#### *Text proposed by the Commission*

2. Within the amount referred to in Annex IV, the Commission shall fix the maximum amount available to each eligible ACP banana-supplying country ***for financing the actions referred to*** in paragraph 1 on the basis of ***a set of*** objective indicators.

#### *Amendment*

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: ***firstly***,

**The indicators shall include** trade in bananas with the EU; the importance of banana exports to the economy in the ACP country concerned; **and** country's level of development. The measurement of the allocation criteria shall be based on data **from years** preceding 2009.

trade in bananas with the EU; **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 EU and Latin American countries, which are the leading exporters of bananas.

#### *Justification*

*The criteria for the apportioning of assistance must be transparent. They should therefore be weighted to increase the transparency of the allocation of assistance. Besides this, the allocation must be based on countries' requirements. The aim of the accompanying measures is primarily that of enabling banana-producing ACP countries to adapt to the reduction in their preferential tariffs. Resources should therefore be targeted, as a priority, at ACP countries that actually wish to retain their banana sector in view of the role it plays in the sustainable development of their country.*

### **Amendment 15**

#### **Proposal for a regulation - amending act**

##### **Article 1 – point 2**

Regulation (EC) No 1905/2006

Article 17a – paragraph 3

#### *Text proposed by the Commission*

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 support strategies **may** be **reviewed ad hoc**, if necessary, **but shall not be submitted to a**

#### *Amendment*

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.

*mid-term* review.

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

- 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;*

*The support strategies shall be subject to an independent ex ante review and, if necessary, an ad hoc review.'*

## **Amendment 16**

### **Proposal for a regulation – amending act**

#### **Article 1 – point 3**

Regulation (EC) No 1905/2006

Article 21

#### *Text proposed by the Commission*

‘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

#### *Amendment*

‘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 in accordance with *the procedure referred to in Article 35(2)*.’

respectively, shall be adopted by the Commission *by means of delegated acts adopted* in accordance with Article 35, and *subject to the conditions set in Articles 35a and 35b*.’

#### **Amendment 17**

**Proposal for a regulation – amending act** Article 1 – point 3 a (new)  
Regulation (EC) No 1905/2006  
Article 25 – paragraph 2

*Text proposed by the Commission*

*Amendment*

*(3a) 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.”.*

#### **Amendment 18**

**Proposal for a regulation– amending act**  
**Article 1 – point 5 a (new)**  
Regulation (EC) No 1905/2006  
Article 35

*Text proposed by the Commission*

*Amendment*

*(5a) 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), 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.”.*

## **Amendment 19**

**Proposal for a regulation – amending act**

**Article 1 – point 5 b (new)**

Regulation (EC) No 1905/2006

Article 35 a (new)

*Text proposed by the Commission*

*Amendment*

*(5b) The following Article is inserted after Article 35:*

*“Article 35a*

*Revocation of the delegation*

*1. The delegation of power referred to in Article 17(2), 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 the 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.”.*

## **Amendment 20**

**Proposal for a regulation – amending act**

**Article 1 – point 5 c (new)**

Regulation (EC) No 1905/2006

Article 35 b (new)

***(5c) The following Article shall be inserted after 35a:***

***“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 that period, 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 the European Parliament or the Council objects to a delegated act, it shall not enter into force. The institution which objects shall state the reasons for objecting to the delegated act.”***

## EXPLANATORY MEMORANDUM

The aim of the Commission proposal is to support the main banana-exporting countries in Africa, the Caribbean and the Pacific (ACP) via banana accompanying measures (BAMs), which are intended to last four years (2010-2013).

Although measures for which funding was provided in the past (special framework of assistance, SFA) were designed to help the ACP countries adjust to changing trends in international competition, we are still faced with similar problems today, and *'the sustainability of ACP banana exports remains fragile'*<sup>1</sup>.

**We must therefore look at the issue from the point of view of development aid and combating poverty.** Our job in the Committee on Development is to check that the proposed measures seek to attain the main objective of the EU's development policy, which is to reduce and ultimately eradicate poverty. The key challenge is therefore to move away from the old structures, which were set up **with trade, rather than development, in mind**. Efforts need to be made to effectively improve the standard of living of the people concerned and compliance with labour and safety standards. There is also a need to ensure that assistance is allocated in a way that does not distort competition on the market, but nevertheless supports farmers, who are now at the beginning of the production chain and yet only receive a small percentage of the final price paid by European consumers.

We will have done a good job if we manage to move beyond the trade policy aspects of this issue and improve the Commission proposal so that it really can foster sustainable development and poverty reduction in the areas concerned.

### **How banana accompanying measures work**

The aim of the banana accompanying measures proposed by the Commission is to use budget support or specific interventions to help areas dependent on banana exports adjust. The Commission has identified the following three areas for cooperation:

- improving competitiveness;
- promoting the economic diversification of banana-dependent areas;
- noting the broader impact of the adaptation process.

The following ACP countries are beneficiaries of banana accompanying measures: Belize, Cameroon, Côte d'Ivoire, Dominica, the Dominican Republic, Ghana, Jamaica, St Lucia, St Vincent and the Grenadines and Suriname.

The Commission is therefore proposing to adopt multi-annual support strategies, and to establish, for each country benefiting from BAMs, the maximum amount of funding on the basis of a set of objective indicators:

- trade in bananas with the EU;

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<sup>1</sup> Source: *Conclusions of the Biennial report on the special framework of assistance for traditional ACP suppliers of bananas*

- the importance of banana exports to the economy of the ACP country concerned;
- the country's level of development.

Assistance to the tune of €190 million should allow ACP countries that have exported significant volumes of bananas to the EU in the recent past to continue and/or launch immediate investments and adjustment programmes in order to counter and mitigate the impacts of the tariff reduction.

The Commission takes the view that each country, along with the stakeholders concerned, should draw up its own national adaptation strategy for the banana industry, or, if such a strategy already exists, update it, in line with the country's broader policies relating to agriculture, the environment and employment. The same should be done for development strategies.

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Supporting BAMs would seem to be the right idea with a view to improving the standard of living of the people in ACP banana-supplying countries, which will be affected by trends in tariffs on banana imports into the EU. To do this, however, innovative solutions must be found. The Commission proposal should therefore take the following issues into account:

- Banana accompanying measures must have a positive impact on farmers, who are now at the beginning of the production chain and yet only receive a very small percentage of the final price paid by European consumers.
- Aspects relating to combating poverty must be taken into account so as to ensure that those all along the chain can benefit from acceptable standards of living and easier access to the markets.
- The entire chain should agree to ensure that the revenue from bananas is allocated fairly.
- The allocation formula needs to be made clearer.
- Enhanced coordination mechanisms with other donors (donor matrices) must be set out in the strategy paper to flag up additional action being taken by Member States and other donors and to avoid any duplication.
- All the country strategies must include:
  - an 'independent assessment' strand, which must be central to the negotiations in the form of a set of specifications that applies for all agreements;
  - indicators to be used in assessing eligibility conditions for budget support;
  - the expected results of targeted reforms of the banana industry;
  - the conditions for granting aid;
  - a detailed schedule of reforms and expected expenditure for each recipient country;
  - environmental protection measures, and measures relating to the health of workers who are overly exposed to pesticides on a regular basis.
- The strategy papers should give priority to supporting projects that promote on-the-spot banana processing and that improve workers' standards of living.

- For countries choosing conversion, conversion projects should be carried out on the basis of an ex ante impact assessment indicating the sector(s) in which the converted banana plantations might be used.
- The measures the Commission decides upon must be compatible with the absorption capacity of the beneficiary countries.
- Assistance measures should not distort competition at the expense of workers' incomes and health, in particular through massive exposure to pesticides or failure to comply with ILO labour standards.

Efforts must therefore be made to implement accompanying measures that have a positive impact on workers in the industry so that, after 2013, we can assess whether the progress expected has actually been brought about, **rather than once again having to note the difficulties involved in measuring the expected results.**

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## **Procedure**

Your rapporteur takes the view that the European Parliament's role is a primarily political one, meaning that the procedures used must take full account of Parliament's prerogatives. Bearing in mind the need to respect these democratic prerogatives, it is vital that Parliament should be able to exercise all the powers of democratic scrutiny it currently enjoys, including the possibility opened up by the Lisbon Treaty for delegating to the Commission the power to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of the legislative act, including multi-annual strategy papers and programming documents relating to the BAMs.

A final comment on the procedures that enable the national parliaments to check that legislative proposals are in line with the principle of subsidiarity: the text of the report takes account of the reasoned opinions issued by the Portuguese Assembly, the Italian Senate and the Polish Senate, including the Polish Senate's request for compliance with the obligation under Article 5 of the Protocol on subsidiarity, which provides for the inclusion in the legislative text of '*a detailed statement making it possible to appraise compliance with the principles of subsidiarity and proportionality*'<sup>1</sup>.

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<sup>1</sup> Protocol on the application of the principles of subsidiarity and proportionality, OJ C 310, 16.12.2004, p. 207.

15.9.2010

## **OPINION OF THE COMMITTEE ON BUDGETS**

for the Committee on Development

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

Rapporteur: Ivailo Kalfin

### **SHORT JUSTIFICATION**

On 17 March, the Commission adopted its proposal on amending DCI Regulation aiming at allowing the financing of Bananas Accompanying Measures (BAM), as foreseen in the framework of WTO negotiations on the issue. Actually, the Commission has acknowledged that the Agreement on new trading conditions in bananas mean that ACP producing and exporting countries will face additional adjustment needs.

The measures, designed to support the adaptation of these countries, would have a budget of 190 million over the four years 2010, 2011, 2012 & 2013, with a potential supplementary 10 million if margins allow (an average allocation of BAM fixed at EUR 47.5 million). It should be underlined that BAM are not a compensatory programme, but a targeted support to accompany the adaptation efforts of involved countries, and that the overall proposed envelope is based on the average annual level of assistance to ACP countries under the Special Framework of Assistance (1998-2008), including the increase in trade in bananas since the start of the SFA programme.

The annual breakdown is the following, in commitment appropriations:

2010:	75 million
2011:	43 million
2012:	41 million
2013:	31 million
Total:	190 million

This discrepancy in allocation over the four years stems from the fact that the first and largest tariff cut will take place in 2010 with retroactive application as of December 2009 (a decrease of 45% of the total tariff cut will be applied already in 2010).

The proposed financing of the measure is the following:

Redeployment:	95.8 million
Margin under Heading 4:	75.9 million
Flexibility Instrument:	18.3 million
Total:	190 million

Although the measures have to be supported as they follow previous commitments, your draftsman is of the opinion that several aspects of the legislative financial statement are not satisfactorily dealt with and create great concerns:

- first of all, it is surprising to note that, notwithstanding the fact that the issue of bananas' trade has been open for decades within WTO, the Commission and the Council have not taken on board the potential financial consequences of the end of the preferential regime, neither during the negotiations of the 2007-2013 MFF, nor during mid-term review of the Development and Cooperation Instrument;

- secondly, no proper impact assessment has been conducted, leaving therefore the EU with unclear and unpredictable results ensuing from these specific measures on the medium and long runs;

- the proposed redeployment over the four years affects instruments whose positioning in the frame of EU as a global player could have on the contrary been reinforced; as an example, it could be questionable to reduce appropriations for the Civil Protection Instrument in third countries when natural catastrophes hit regularly the poorest third world countries;

- furthermore, as regards the mobilisation of the Flexibility Instrument, a contribution of only 9.6% (18.3 million out of 190 million) to the whole financing of BAM, is foreseen (in 2010 only), whereas this Instrument could be mobilised up to 115 million in year 2010;

- as a result, the extensive use of the margin jeopardises the Union's ability to face and to react to unforeseeable emerging crisis, and do not speak in favour of the proposed financing;

- therefore, the chronic under financing of Heading 4, rightly pointed out by the Commission in its report assessing the functioning of the IIA, does not allow the sustainability of the financing of BAM. As it stands, the proposal is not compatible with the MFF 2007-2013, and its revision, through all means provided for by points 21 to 23 of the IIA, is unavoidable.

For information, the proposed overall financing (including redeployment) over the four years is the following (in EUR million):

## B.A.M. Financing 2010-2013

EUR million

FINANCING SOURCES	Budget line	2010	2011	2012	2013	TOTAL
<b>Mobilisation of the Flexibility instrument</b>		<b>18,3</b>				<b>18,3</b>
<b>Margin Heading 4</b>		<b>0,875</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>75,875</b>
<b>Redeployment</b>		<b>55,825</b>	<b>18</b>	<b>16</b>	<b>6</b>	<b>95,825</b>
Facility for rapid response to soaring food prices in developing countries	21 02 03	17,4				17,4
Commodities Agreements	21 07 04	1,8				1,8
Emergency response to the financial and economic crisis in developing countries	19 06 08	2,5				2,5
Preparatory action - Pharmaceutical-related transfer of technology in favour of developing countries	21 05 01 06	3,3				3,3
Preparatory action - Environmental monitoring of the Black Sea Basin and a common European framework programme for development of the Black Sea region	07 02 04	1,5				1,5
Food security	21 02 01	1	2	1		4
Non-State actors in development	21 03 01		1	2		3
Human and social development	21 05 01 01	1	2	1		4
Adjustment support for sugar protocol countries	21 06 03	24,325				24,325
Cooperation with developing countries in Latin America	19 09 01	1	4	4		9
Cooperation with developing countries in Asia	19 10 01 01	2	4	3		9
Civil protection CPFI	23 03 06		5	5	6	16
		<b>75</b>	<b>43</b>	<b>41</b>	<b>31</b>	<b>190</b>

### AMENDMENTS

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

#### Amendment 1

#### Draft legislative resolution Paragraph 1 a (new)

*Draft legislative resolution*

*Amendment*

***1a. 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 multiannual financial framework 2007-2013(MFF), does not leave sufficient room for manoeuvre to face and to react adequately to a potential***

*upcoming crisis;*

## **Amendment 2**

### **Draft legislative resolution Paragraph 1 b (new)**

*Draft legislative resolution*

*Amendment*

***1b. 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;***

## **Amendment 3**

### **Draft legislative resolution Paragraph 1 c (new)**

*Draft legislative resolution*

*Amendment*

***1c. Reiterates its conviction that any new instrument should not be financed through redeployment as this would jeopardise the existing priorities;***

## **Amendment 4**

### **Draft legislative resolution Paragraph 1 d (new)**

*Draft legislative resolution*

*Amendment*

***1d. Recalls that the Flexibility Instrument aims at financing “clearly identified expenditure which could not be financed within the limits of the ceilings<sup>1</sup>”, and considers measures relating to trade in bananas to be accompanying measures falling into that category;***

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<sup>1</sup> Point 27 of the IIA of 17 May 2006.

## **Amendment 5**

### **Draft legislative resolution Paragraph 1 e (new)**

*Draft legislative resolution*

*Amendment*

***1e. 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 by points 21 to 23 of the IIA of 17 May 2006, or by other means such as those included in points 25 and 27;***

## PROCEDURE

<b>Title</b>	Amendment of Regulation (EC) No 1905/2006 of the European Parliament and of the Council establishing a financing instrument for development cooperation
<b>References</b>	COM(2010)0102 – C7-0079/2010 – 2010/0059(COD)
<b>Committee responsible</b>	DEVE
<b>Opinion by</b> Date announced in plenary	BUDG 24.3.2010
<b>Rapporteur</b> Date appointed	Ivailo Kalfin 21.4.2010
<b>Date adopted</b>	13.9.2010
<b>Result of final vote</b>	+: 36 -: 2 0: 0
<b>Members present for the final vote</b>	Damien Abad, Marta Andreasen, Francesca Balzani, Reimer Böge, Giovanni Collino, Jean-Luc Dehaene, Isabelle Durant, James Elles, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Jens Geier, Ivars Godmanis, Ingeborg Gräßle, Estelle Grelier, Carl Haglund, Lucas Hartong, Jutta Haug, Jiří Havel, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Anne E. Jensen, Ivailo Kalfin, Jan Kozłowski, Giovanni La Via, Vladimír Maňka, Barbara Matera, Nadezhda Neynsky, Dominique Riquet, László Surján, Helga Trüpel, Derek Vaughan
<b>Substitute(s) present for the final vote</b>	Gerben-Jan Gerbrandy, Roberto Gualtieri, Riikka Manner, Jan Olbrycht, Paul Rübig

## PROCEDURE

<b>Title</b>	Amendment of Regulation (EC) No 1905/2006 of the European Parliament and of the Council establishing a financing instrument for development cooperation		
<b>References</b>	COM(2010)0102 – C7-0079/2010 – 2010/0059(COD)		
<b>Date submitted to Parliament</b>	17.3.2010		
<b>Committee responsible</b> Date announced in plenary	DEVE 24.3.2010		
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	INTA 17.6.2010	BUDG 24.3.2010	AGRI 24.3.2010
<b>Not delivering opinions</b> Date of decision	INTA 28.9.2010	AGRI 6.4.2010	
<b>Rapporteur(s)</b> Date appointed	Charles Goerens 4.5.2010		
<b>Discussed in committee</b>	21.6.2010	13.7.2010	30.8.2010
<b>Date adopted</b>	5.10.2010		
<b>Result of final vote</b>	+: -: 0:	28 0 0	
<b>Members present for the final vote</b>	Thijs Berman, Michael Cashman, Corina Crețu, Leonidas Donskis, Charles Goerens, Catherine Grèze, Enrique Guerrero Salom, András Gyürk, Eva Joly, Gay Mitchell, Norbert Neuser, Bill Newton Dunn, Maurice Ponga, David-Maria Sassoli, Birgit Schnieber-Jastram, Michèle Striffler, Alf Svensson, Eleni Theocharous, Ivo Vajgl, Anna Záborská, Gabriele Zimmer		
<b>Substitute(s) present for the final vote</b>	Kriton Arsenis, Santiago Fisas Ayxela, Isabella Lövin, Miguel Angel Martínez Martínez, Bart Staes, Patrizia Toia		
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Róza Gräfin von Thun und Hohenstein		
<b>Date tabled</b>	11.10.2010		