



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.02.1998
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98/ 0014 (SYN)

Proposal for a

COUNCIL REGULATION (EC)

establishing a special framework of assistance
for traditional ACP suppliers of bananas

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. The Lomé Convention requires the EU to provide preferential access to all ACP bananas. The EU is also required to provide additional benefits to traditional ACP bananas in that, in respect of its banana exports to the Community market, no ACP State shall be placed, as regards access to its traditional markets and its advantages on those markets, in a less favourable situation than in the past or the present.

2. The common organisation of the market in bananas established by Regulation (EEC) 404/93 set the framework for continuing, on the Community market, the advantages enjoyed in the past by traditional ACP suppliers, in accordance with the Community's commitments set out above. This was, in particular, achieved by allocating a reserved share of the market to individual traditional ACP suppliers and by applying a special import licence scheme which led to a cross subsidisation between dollar and ACP bananas. This licence scheme not only provided operators with an incentive to continue to import traditional ACP bananas but also bridged the difference in production costs between dollar and ACP bananas, increasing the competitiveness of the latter.

3. The amendments proposed by the Commission to the common organisation of the market in bananas, on (date), will substantially alter the market conditions for traditional ACP suppliers and jeopardise the continuing viability of ACP supplies if no specific action is taken. In particular, since it has been proposed that the special import licence system be dismantled, the gap in competitiveness between Latin American bananas on the one hand and ACP bananas on the other will eventually reappear and traditional ACP banana suppliers will be unable to maintain their presence on the EU market if no additional effort is undertaken to fill this gap.

4. With a view to assisting traditional ACP suppliers of bananas to adapt to the new conditions on the market and in particular to increase the competitiveness of this production while at the same time encouraging more environment-friendly methods of production and marketing, it is proposed to establish a special framework of technical and financial assistance for the benefit of such suppliers.

5. In accordance with the objectives pursued, the level of the technical and financial assistance made available should vary according to the competitiveness gap observed while taking into account the importance of banana production for the economies of the countries concerned. Moreover, in order to ensure the appropriateness of such assistance, it should be limited in time - a period of 10 years is considered appropriate in this respect - and degressive. The level of technical and financial assistance being directly related to the level of competitiveness observed, such degressivity should be the normal consequence of the Community support. Indeed, increased competitiveness and thus degressivity should under normal circumstances occur after an initial period of time, allowing the programmes financed to produce their effect. However, in order to provide an additional incentive to traditional ACP suppliers and to provide for a smooth and gradual phasing out of technical and financial assistance, a reduction coefficient should be applied after this period of time, in cases where no sufficient increase in competitiveness can be observed.

6. In view of the commitments arising from the Lomé Convention, and in particular its Protocol 5, the Commission assumes that the funds required for financing this technical assistance will come from the Community budget. Together with its ACP partners it will examine whether, by analogy with other aid instruments (Stabex, Sysmin, etc.), schemes of this nature could be covered by the future ACP-EC partnership agreement.

Council Regulation (EC) No /98 of1998
establishing a special framework of assistance
for traditional ACP suppliers of bananas

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130w thereof,

Having regard to the proposal from the Commission¹,

Acting in accordance with the procedure laid down in Article 189c of the Treaty²,

Whereas the fourth ACP-EEC Convention provides that, in respect of its banana exports to the Community markets, no ACP State shall be placed, as regards access to its traditional markets and its advantages on those markets, in a less favourable situation than in the past or at present;

Whereas the common organisation of the market in bananas established by Regulation (EEC) No 404/93, as last amended by Regulation (EC) No 3290/94³, set the framework for continuing, on the Community market, the advantages enjoyed in the past by traditional ACP suppliers;

Whereas, in particular, the trade regime with third countries established by Title IV of that Regulation was designed to allow bananas produced by the ACP States which are traditional suppliers to the Community to be disposed of on the Community market providing an adequate income for the producers, in accordance with the Community's commitment set out above;

Whereas this trade regime has been amended by Regulation (EC) No...../98;

Whereas these modifications have substantially altered the market conditions for traditional ACP suppliers;

Whereas particular efforts will thus be needed by traditional ACP suppliers to adapt to these new market conditions in order to maintain a presence on the Community market and to allow for the continuing viability of traditional ACP supplies;

Whereas technical and financial assistance, additional to that provided for in the fourth ACP-EC Convention, should therefore be granted to traditional ACP suppliers to enable

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them to adapt to new market conditions and in particular to improve competitiveness; whereas at the same time environment-friendly production and marketing methods should be encouraged;

Whereas, as this assistance should relate to the special efforts required as a consequence of the new market conditions, objective criteria should be fixed to determine the extent of such assistance;

Whereas, in order to ensure the appropriateness of such assistance with regard to the objectives pursued, this assistance should be temporary and gradually and smoothly phased out;

Whereas, to facilitate implementation of these provisions, a procedure involving close cooperation between the Member States and the Commission should be established,

HAS ADOPTED THIS REGULATION:

Article 1

1. A special framework for technical and financial assistance is hereby established to assist traditional ACP suppliers of bananas to adapt to the new market conditions following the amendments introduced to the common organisation of the market in bananas by Regulation (EC) No /98.
2. This special framework shall be implemented for a period not exceeding ten years starting on 1 January 1999.

Article 2

For the purposes of this Regulation:

- "traditional ACP suppliers" means the ACP States listed in the Annex
- "bananas" means fresh or dried bananas covered by CN code 0803 00 19.

Article 3

1. Traditional ACP suppliers shall be eligible for technical and financial assistance.

2. Technical and financial assistance shall be granted to contribute to the implementation of programmes in the banana sector aiming at improving competitiveness, in particular through:

- increasing productivity, without causing damage to the environment,
- improving quality,
- adapting production, distribution or marketing methods to meet the quality standards provided for in Article 2 of Regulation (EEC) No 404/93,
- establishing producers' organizations which have as their objective the improvement of the marketing and competitiveness of their products and the development of systems for certifying environment-friendly production methods,
- developing a production and/or marketing strategy to meet the requirements of the market in the Community in the light of the common organisation of the market in bananas,
- assisting with training, market intelligence, the development of environment-friendly production methods, improving the distribution infrastructure and improving commercial and financial services to banana producers.

Article 4

The Commission shall decide on the eligibility of the programmes referred to in Article 3 after consultation with the traditional ACP suppliers concerned. It shall also take into account the consistency of the envisaged programme with the general development objectives of the ACP State concerned and its impact on regional cooperation with other banana producers, in particular the Community producers.

Article 5

1. Within the global amount available for a given year, the Commission shall fix the maximum amount available to each traditional ACP supplier for the financing of the programmes referred to in Article 3(2), taking into account the level of competitiveness and the importance of banana production for the economy of the country concerned.
2. In order to ensure the appropriateness of the technical and financial assistance with regard to the objectives pursued, a reduction coefficient of up to 15 % shall be applied, where appropriate, from the year 2004, to the level of assistance made available to an individual ACP traditional supplier in the previous year, where no sufficient increase in competitiveness can be observed.

Article 6

The financial support provided under this Regulation shall be in addition to any funds available for traditional ACP suppliers pursuant to the provisions of the fourth ACP-EC Convention.

Article 7

1. Detailed rules for the application of this Regulation shall be laid down by the Commission.
2. The Commission shall be assisted by a committee composed of the representatives of the Member States and chaired by a representative of the Commission.
3. The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the committee shall be weighted in the manner set out in that Article. The chairman shall not vote.
4. The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the committee.
5. If the measures envisaged are not in accordance with the opinion of the committee, or if no opinion is delivered, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken. The Council shall act by a qualified majority.
6. If, on the expiry of a period of three months from the date of the proposal, the Council has not acted, the proposed measures shall be adopted by the Commission.

Article 8

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities. It shall be binding in its entirety and directly applicable in all Member States

Done at Brussels,

For the Council

The President

ANNEX

List provided for in Article 2 (1)

Traditional ACP suppliers of bananas

Belize

Cameroon

Cape Verde

Côte d'Ivoire

Dominica

Grenada

Jamaica

Madagascar

Saint Lucia

Saint Vincent and the Grenadines

Somalia

Suriname

FINANCIAL STATEMENT

1. **Budget Heading:** B7 - 871: Compensation for ACP banana producers

2. **Title:** Special framework of assistance for traditional ACP suppliers of bananas

3. **Legal Basis:** Article 130w of the Treaty,
Proposal for a Council Regulation establishing a special framework of assistance for traditional ACP suppliers of bananas (COM..)

4.1. **Aims:** To provide a framework of financial and technical assistance to traditional ACP banana suppliers in order to assist their adaptation to the new market conditions following the amendments to be introduced to the common organisation of the market for bananas.

4.2. **Duration:** 10 years from 1 January 1999.

5. Classification of the expenditure

5.1. Non Compulsory expenditure (DNO)

5.2. Dissociated appropriation (CD)

5.3. not applicable

6. Type of expenditure

- 100% subsidy

- no reimbursement

- the action does not imply a modification of the receipts

7. Financial impact

7.1 The application of the previous market management system bridged the gap in competitiveness which exists between ACP bananas and those from the dollar zone, by the operation of an import licensing system which transferred a quota rent from the dollar banana marketing chain to the banana ACP marketing chain. Using the latest available market intelligence, this gap in competitiveness equates to a total of 45 MECU for the current marketing year calculated on the basis of the value of a import licence (\$3-4/box of bananas, approximately 150 ecu/t) and an estimate of the number of licences sold by ACP importers (300 000 licences). The findings of the WTO Panel have now prevented the Commission proposing a similar market based system. But, in order to give the traditional ACP banana producers the means to adapt to the new market conditions caused by the modifications being introduced to the common market organisation for bananas, an equivalent amount should be made available for these new market challenges. The results of the previous aid granted to traditional ACP banana producers under Council Regulation 2686/94 (see para 9.2 and the annex) concentrated on the most

easily achievable improvements within the sector. Further increases in the level of competitiveness of ACP production will thus require greater effort, and more long-term and more complex projects. The global amount to be made available will be allocated between the twelve ACP traditional banana producing countries on the basis of their level of competitiveness and the importance of banana production to the economy of the country concerned. In order to ensure the appropriateness of the assistance, a reduction co-efficient of up to 15% shall be applied, where appropriate, from the year 2004, to the level of assistance made to an individual supplier where no sufficient increase in competitiveness is observed.

It is clear that the new risks for traditional ACP banana supplies will be caused as a result of a decision by the EU within the trade sphere and flowing out of the common market organisation for bananas of the Common Agricultural Policy. It is difficult to justify therefore the use of financial resources, earmarked for development action under the Lomé Convention, for funding measures made necessary by modifications to the common market organisation for bananas that result from Community commitments to the World Trade Organisation nevertheless, future financing from the EDF is not to be excluded within the framework of the new partnership agreement with ACP countries presently under preparation. This proposal does not follow the rationale of long-term programme aid leading to major structural and economic reforms and therefore any funds available under this special framework must be additional to those funds already allocated for development projects through the EDF for diversification and restructuring of the agriculture sector and the economies of the 12 traditional banana producing ACP states. Moreover, especially for some of the smaller banana producing islands, the allocations within their national indicative programmes, financed out of the Development Fund, are on a much smaller scale than the amounts envisaged as being necessary under this proposal.

7.2

Allocation	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Total (mecu)	45	45	45	45	45	38.2	32.5	27.6	23.5	20	366.8

7.3. Not applicable

7.4 Schedule of payments

year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
commitments	45	45	45	45	45	38.2	32.5	27.6	23.5	20			366.8
payments													
1999	13.5	27	4.5										45
2000		13.5	27	4.5									45
2001			13.5	27	4.5								45
Others													
Total	13.5	40.5	45	45	45	42.9	37.1	31.6	26.9	22.9	14.4	2	366.8

Grand total 366.8 MECU

Explanation of the payment method: the aid engaged for each financial year will be paid out over three years (30% in year 1; 60% in year 2; and 10% in year 3)

8. Anti-fraud measures

There will be control by the Commission, audits by certified accountants and overall control by the Court of Auditors

9. Cost effectiveness of the measures

9.1. The effectiveness of these measures will be judged by not only the maintenance of the ACP traditional suppliers' current share of the EU banana market under the modified market conditions but also an improvement of the competitiveness of the traditional ACP bananas vis a vis dollar bananas from Latin America.

The proposal aims to increase the competitiveness of ACP production by funding projects which are designed to increase productivity whilst respecting the environment, improve quality, develop new production and marketing methods and strategies for the changed market conditions, assist in training, improve transport, and distribution infrastructures.

The major beneficiaries of this scheme will be the ACP traditional banana producers.

9.2

The EU's Lomé commitments on bananas

The Lomé Convention requires the EU to provide preferential access to all ACP bananas. The EU is also required to provide additional benefits to traditional ACP bananas in that, in respect of its banana exports to the Community market, no ACP state shall be placed as regards access to its traditional markets and its advantages on those markets, in a less favourable situation than in the past or the present. It was through the common market organisation that the EU had sought to implement its obligations to ACP banana producers as required by the Lomé Convention.

Regulation 2686/94 establishing a special system of assistance for traditional ACP banana suppliers

Following the introduction of the common market organisation for bananas on 1 July 1993, it was accepted that special effort would be required by traditional ACP banana producers, in order for them to move into a position where they could compete within a single market and to cushion them from a drop in income as a result of a more liberalised market. To this end, the Council adopted a Regulation (EC No 2686/94) establishing a special system of assistance to traditional ACP suppliers of bananas providing for income support and technical assistance. This system was limited in duration from 1 July 1993 to 28 February 1996 (ultimately extended to 31 December 1996 by Regulation EC No 2320/96). Although Council Regulation 2686/94 was agreed in October 1994 (some 16

months after the introduction of the single market), many projects have been slow to come on stream. There have been a number of reasons for this including the fact that this was a completely new type of programme which was unfamiliar to all those involved, new projects had to be designed drawing on a number of interested players - DGVIII officials, Delegations, ACP Governments, ACP marketing organisations, ACP Banana Growers Associations etc, tenders needed to be launched, contracts needed to be agreed and coherence was necessary between these projects and the overall development policy of each ACP state concerned.

The following table indicates where the funds have been allocated (for more details see the annex):

ACP State	1994		1995		1996	
	I.S	T.A	I.S	T.A	I.S	T.A
Belize			2.22			1.05
Cameroon	2.96		6.25		1.49	4.5
Capé Verde			0.54			0.3
Cote d'Ivoire	7.28		6.34		16.68	4.5
Windward Islands	1.74		7.72			
Jamaica	1.99		3.05		5.77	
Suriname			3.7			
Total	13.97		29.82		23.94	10.35

(all figs in MECU, I.S = income support, TA= technical assistance)

A project undertaking an assessment of Regulation 2686/94 has recently been launched which will include an audit of the engaged funds. This assessment will however not be available for several months but for a "snap shot" of the present situation, of the more important traditional ACP banana suppliers, is detailed in the attached annex. Even at this stage, it is clear that those projects already completed are having a very positive effect on the level of competitiveness of traditional ACP banana production and are pointing to which areas of the sector require further investment in new projects.

The proposed amendments to the common market organisation for bananas

The amendments now being proposed by the Commission to the common organisation of the market in bananas as a result of the WTO Panel proceedings, will substantially alter, once again, the market conditions for traditional ACP suppliers and jeopardise their continuing viability, if no specific action is taken. In particular, the gap in competitiveness between Latin American and ACP bananas will reappear and traditional ACP banana suppliers will be unable to maintain their presence on the EU market if no additional effort is undertaken to fill this gap.

In order to ensure that these new measures will be compatible with both the EU's development policy and the EU's WTO obligations, it would not be appropriate to pay direct compensatory aid to individual ACP banana producers. These new measures will however assist traditional ACP suppliers of bananas in adapting to the new conditions on

the market and in particular to increase the competitiveness of this production. The level of the technical and financial assistance made available will be directly related to the competitiveness gap observed while taking into account the importance of the banana production for the economies of the country concerned. Moreover, in order to ensure the appropriateness of such assistance, it will be limited in time - a period of 10 years is considered appropriate in this respect - and degressive.

The main risk factors that need to be taken into account, which may result in the objectives not being fulfilled are the structural problems in the banana industries, the general economic position and the natural constraints in some of the ACP regions such as hurricanes (see the country details in the attached annex)

9.3 The success of these measures will be evaluated on the basis of the increased competitiveness of traditional ACP banana production. This will be assessed by the level of production per unit of land (which is influenced by the average farm size) production by unit labour costs and ultimately unit production costs (farm gates prices, FOB and CIF prices), and the overall level and value of exports.

The measures will be evaluated on a yearly basis and an assessment will be required to see by how much each ACP state has improved its competitiveness.

To conclude, the funds provided under Regulation 2686/94 (approximately 74 MECU over three years) have started to yield important gains in productivity, efficiency and therefore competitiveness. Further such gains will be much harder to achieve, not least because the "easiest" projects both in terms of design, organisation, simplicity and speed of results have been completed first. This further request for funding not only relates therefore to the need to adapt to a further change in market conditions but also an awareness that any projects to be undertaken in this sector will have more longer term objectives and subsequent effects.

10. Administrative resources

The co-ordination of the work on this proposal will be handled by the post holder in DGVIII, A4. The desk officers and delegation staff who are still implementing projects under Regulation 2686/94 will soon be completing this work and will have the spare capacity to take on the extra tasks associated with the execution of this proposal.

Consequently, no extra posts will be required for this work.

Annex

An assessment of the current state of play in the most important traditional ACP banana producing countries following the actions undertaken through Council Regulation 2686/94

1. BELIZE

The two programmes funded by 2686/94 (totalling 3.27 MECU for technical assistance) in Belize were established too recently for there to have been an official assessment of the success of the projects and of their impact on the industry or the other beneficiaries. The main components were:

- Road maintenance, packing stations, transport equipment, port storage facilities, airstrip extensions, flood protection;
- Farm housing infrastructure improvement, training, and technical assistance.

All these elements will make their contribution to a greater efficiency and longer term sustainability of the banana industry, but for the moment there is no quantifiable data available to assess the impact. The Banana Growers Association of Belize have indicated their determination to continue to lower production costs and to enhance productivity per acre (by eliminating low quality land). Yields per acre have already improved from 290 boxes (5.3 tons) per acre in 1992 to 650 boxes per acre now, and their objective is to reach a yield of 1,000 boxes per acre which is comparable with that found in plantations in Central America. The total quantity of banana production should however not increase by the same rates, on the contrary: the aim is an economically viable production.

Further assistance is therefore required, in particular aid to finance projects with longer term benefits for the overall sustainability of the industry.

2. CAMEROON

1. Cameroon received a total of 15.2 MECU through 2686/94 as follows :

Income support :	1994 :	2,957,884 ECU
	1996 :	1,491,794 ECU
Financial and Technical Assistance :	1995 :	6,250,000 ECU
	1996 :	4,500,000 ECU

2. The funds were divided on a pro rata (production) basis among the four industrial plantations with some 2% going to ASSOBA CAM (the industry's professional organisation for industry wide studies/support).

3. To date some 90 % of the total funds available have been committed with payments reaching 80 % in respect of 26 Protocols, as follows:

		Commitments	Payments
Income support :	1994 :	99%	95%
	1996	88%	86%
FTA :	1995	89%	77%
	1996	80%	72%

4. The Community's support (focused on improving productivity and quality) is only part of a programme involving efforts by the industry itself as well as by government. The principal actions financed by the Community have concerned :

Variety and quality improvement:	53 %
Irrigation schemes:	15%
Farm management techniques :	9 %

5. Already some 17 operations have been completed (9 in respect of 1993 Income Support, 3 in respect of FTA 95, 3 in respect of FTA 96 and 2 in respect of 1995 Income Support).

6. The main plantations have adopted a restructuring programme aimed at achieving a substantial reduction in costs. The most immediate impact comes through a rationalisation of maritime transport arrangements which will lead to a 50 FCFA/kg reduction on an item which represents, on its own, 30 % of the total CIF price. The principal grouping (60 % of production) has prepared a 30 billion FCFA (50 million ECU) investment programme over the next three years which aims at achieving a halving of costs by the year 2005. On its side, the government is taking steps to rationalise the Port of Douala thereby eliminating serious bottlenecks.

7. While it is too early to give an accurate picture (much of the impact will only become apparent in the medium term) it is clear that already there have been substantial improvements. For example, the improved irrigation schemes have increased yields by up to 35 %, improved spraying methods have reduced costs by 2,5 FCFA/kg while the variety improvement programme (involving the introduction of a homogeneous variety) has increased both productivity and improved quality. Overall it is estimated that the farm gate price has fallen from 115 FCFA/kg in 1992/93 to 95 FCFA/kg in 1997/98 while the FOB price has fallen from 271 FCFA/kg to 237 FCFA/kg in the same period.

8. As regards quality in 1992/93 only 60% of exports were classified as "Catégorie Extra" -the top quality - with 30% in "catégorie 1" and 10% in "catégorie 2". In 1997/98 80% is classified as "Catégorie Extra" with the remaining 20% in "Catégorie 1".

3. COTE D'IVORIE

1. Côte d'Ivoire has received a total amount of 34.801.935 ECU under Regulation 2686/94:

Income support 1994	-	7.278.530 ECU
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¹ recalculated in post-1994 devalued FCFA

Technical assistance 1995	6.340.000 ECU
Technical assistance 1996	4.500.000 ECU
Income support 1996	- 16.683.405 ECU

2. The on-going programmes concern:

- Electrification of production sites
- rebuilding of tracks and access roads;
- rebuilding of the fruit wharf;
- Installation of a vitroplant laboratory;
- Contribution for purchase of plantation equipment;
- Financing of a guarantee fund for transportation;
- Accompanying measures (technical assistance, studies, mapping...).

3. Unfortunately not all projects have progressed at the same speed and in particular the important electrification and fruit wharf reconstruction projects have encountered some technical delays because of their complexity.

4. Given these constraints, the overall effects of these projects are not yet measurable. However, early results indicate that the objective of reducing production costs by 30% will be achieved and that the associated improvements relating to transport liberalisation and handling and packaging costs have already substantially increased competitiveness by reducing such costs from 50% to about 30% of the CIF price of bananas.

4. JAMAICA

In Jamaica, Regulation 2686/94 has funded two income support programmes (total of ECU 7.77 million) and technical & financial assistance of ECU 3.05 million.

The first income support programme (called also phase I) started in June 1996 and was completed in Sept. 1997. It was focusing on agricultural input supplies, sigatoka (an endemic disease of the banana plant) control and water management. A final report is currently being prepared and an independent evaluation is foreseen early this year (Terms of reference are under preparation with the NAO). However some preliminary results are already available in that agricultural inputs are now available at significantly reduced prices, revolving funds are thus established enabling small farmers to have access to the funds under favourable credit conditions. The sigatoka control team is functioning and receiving ever increasing demand (additional teams were formed under phase II program), and 400 acres have been identified for the water management component.

Phase II has therefore been designed as a follow-up to phase I, comprising more sigatoka control and water management activities, supply of fertilisers and technical assistance.

Phase III is too recent for an assessment; the agreement was only signed in March 97 and the transfer of the funds (another income support programme) took place in June 1997.

Experts agree that higher levels of productivity and quality can be achieved in Jamaica, but only on a longer term basis, with continued efforts, by in particular, improvements of sigatoka control on small farms and improvements in fruit quality. This cannot be achieved with a 3-year programme of some ECU 10.8 million.

5. SURINAME

Support totalling ECU 3.7 million has been available under Regulation 2686/94 of which ECU 200,000 was earmarked for a feasibility study. These funds were identified as part of a comprehensive modernisation programme of one of SURLAND's two banana plantations, Jarikaba (1380 Ha gross area of which 1100 planted), near the capital Paramaribo. Total cost of this modernisation is ECU 9.963 million, shared by 3 partners: Government(GOS)/Surland - ECU 2.226 million (labour, equipment and pumps); the private company Fyffes - ECU 4.237 million (irrigation scheme for 1300 Ha); the EU funds from 2686/94 - ECU 3.5 million,

The EU intervention has 2 main components: a technical assistance programme to contribute to the improvement of productivity and quality, and to monitor implementation of our project which comprises the supply and installation of cableways (on 1300 Ha) and packing station equipment; and the development of a 50 Ha pilot/model plantation.

Implementation has suffered extreme delays at almost all stages of the project - social unrest, prolonged difficulties at the level of the Surland's top management, problems with the supply tender, both in terms of overruns and with regard to respect of rules of EU origin. But, the contract is finally due for signature in the third week of January 1998.

The new cableways and packing stations will indeed play a key role in quality improvement and complement the productivity drive which is expected to be achieved through the irrigation system which is being installed by Fyffes. The old cableway was indeed identified as the main source of deterioration of fruit quality.

6. THE WINDWARD ISLANDS

The funds allocated to the Windward Islands under Regulation 2686/94 totalled ECU 1.743.278 for income support and ECU 7.720.000 for technical assistance. These sums were the object of transfer decisions signed in December 1995 and were available for disbursement throughout 1996 (except for Dominica's income support which due to unforeseen problems within the Commission's internal procedures was only transferred in May 1997).

Income support

The funds allocated for income support were applied to the financing of comprehensive rehabilitation programmes following the hurricanes and tropical storms in 94/95. This

included the Farm Productivity and Quality Enhancement programme in Dominica, the Restoration of viability within the banana based agriculture sector project in St Lucia and the Banana industry development programme in St Vincent.

Technical Assistance

The ECU 7.720.000 technical assistance facility available to the Windward Islands provides for the financing of a long-term (3 years) multi-disciplinary consultancy team, to assist WIBDECO and the Banana Growers Associations to implement an industry-wide restructuring programme, to bring about the necessary changes in production, management, government and marketing, to achieve a core and lean industry capable of competing in a liberalised market. The facility also provides for the financing of the services of regional co-ordinator, to assist the donors in the elaboration of an assistance strategy and in the co-ordination of the various financing instruments and programmes in support of the Windward Island banana industry. Both Technical Assistants mobilised in January 1997 and are fulfilling their goals.

Quantifiable Results

In the case of the Windward Islands, the key objective pursued under the programmes benefiting from funds under 2686/94, e.g. to rehabilitate production after the 1994/1995 natural disasters, have been achieved.

As a result of these activities the Windward Islands exports in 1996 showed a modest increase as compared to exports in 1994 and 1995 whereas the estimated productive acreage has been reduced from 12.618 in 1994 to 6.000 in 1996. However, during the first 9 months of 1997 exports fell to volumes 38% lower than forecast. The combined effect of the unfavourable signs deriving from the WTO challenge to the EU banana regime and the high quality standards imposed by the industry forced less efficient and marginal farmers to abandon production.

A very positive result from the implementation of the restructuring programme is the steady rise in the average quality of Windward Island fruit. During the first 8 months of 1997 the average quality scores for the Windward Islands were steadily above 80%, reaching 85 % during the last three months of the period, as compared to an average of 76% for the first three months of 1996.

Future Areas of Support for the Special Framework of Assistance

The securing of a future for the Windward Island banana export industry requires the continuation of substantial investments to increase productivity and quality. Irrigation, drainage, access roads, packaging and shipping facilities are some of the areas at production level requiring substantial investments. Further investments may be required in order to address substantial inefficiencies at the management, governance and marketing levels. Stabex funds are being programmed to achieve the macroeconomic and sectoral reforms necessary to promote economic diversification and to reduce social and economic dependency on banana exports.

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