

COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a
COUNCIL DECISION
setting up a programme of options specific to the remote and
insular nature of Madeira and the Azores (POSEIMA)

(presented by the Commission)

CONTENTS

	<u>Page</u>
<u>EXPLANATORY MEMORANDUM</u>	3
1. PROBLEMS OF THE REMOTER REGIONS IN THE COMMUNITY	3
2. THE SITUATION OF THE AZORES AND MADEIRA	5
2.1 The socio-economic context	5
2.2 The status of the Azores and Madeira in the Community	6
2.3 Community solidarity since accession	7
3. APPLICATION OF COMMON POLICIES ADAPTED TO THE SPECIAL CONDITIONS OF MADEIRA AND THE AZORES: THE POSEIMA PROGRAMME	9
3.1 Optimum utilization of existing policies and instruments	10
3.2 Taking account of the special characteristics of Madeira and the Azores in applying the common policies	11
3.3 Measures designed to mitigate the effects of the exceptional geographical location	13
3.3.1 Agricultural supplies	13
3.3.2 Energy supplies	15
3.3.3 Special measures for free zones	17
3.3.4 Prices of steel products	17
3.4 Measures to support products of the Azores and Madeira	17
3.4.1 Agricultural products	17
3.4.2 Measures to assist craft industries	24
3.5 Financing of the measures provided for in POSEIMA	25
4. FINANCIAL STATEMENT	27
ANNEX 1	28
ANNEX 2	29
ANNEX 3	37
ANNEX 4	39
PROPOSAL FOR A COUNCIL DECISION setting up a programme of options specific to the remote and insular nature of Madeira and the Azores (POSEIMA)	40

EXPLANATORY MEMORANDUM

1. PROBLEMS OF THE REMOTER REGIONS IN THE COMMUNITY

1. Some Member States of the Community include regions which do not form part of continental Europe (French overseas departments, Canary Islands, Azores and Madeira). In terms of their specific characteristics (remoteness, small size, island and/or isolated location, tropical products, deficient economic structures and low levels of development), these regions differ markedly from the rest of the Community.

2. The single market will throw up new opportunities for local businesses as controls are dismantled and competition injected into activities that suffer from the compartmentalization of national markets. But it will also represent a challenge for them because of their intrinsic handicaps, and this raises a number of questions for the Community, and in particular:

- What steps can be taken to ensure that these regions take advantage of the dynamic of the Community-wide market despite the particular constraints which they face and which stem in particular from their remoteness and insularity?
- Will those specific constraints have to be remedied solely by applying the revised rules for the structural Funds or will special adjustments also have to be made in the way the common policies are implemented in these regions?

3. The Commission gave a general reply to these questions when it decided in 1987 to adopt a global approach to the problems of the remoter regions and to provide an appropriate framework for the application of the common policies in each of these regions.

4. As far as the French overseas departments are concerned, the Council adopted an appropriate framework for the application of the common policies (POSEIDOM)¹ in December 1989. The adjustments and measures envisaged are designed to mitigate the specific constraints they face while limiting the effects to the local economies.

5. Similarly, following the preliminary report it sent to the Spanish authorities² and the latter's reply, the Commission is presenting, at the same time as its proposal in respect of the Azores and Madeira, proposals in respect of the Canary Islands. These take the form of an action programme similar to POSEIDOM to be implemented after adjustment - by means of a proposed Council Regulation - of the arrangements applicable to the Canary Islands as agreed in the Act of Accession.³

1 Council Decision 89/688/EEC of 22 December 1989 setting up a programme of options specific to the remote and insular nature of the overseas departments, OJ L 399, 30.12.1989, p.39.

2 Commission Report on the Canary Islands to be addressed to the Spanish authorities (SEC(90)83 final, 17 January 1990) sent for information to the Council and Parliament on 13 July 1990.

3 Proposal for a Council Regulation on the application of the provisions of Community law to the Canary Islands, and a proposal for a Council Decision setting up a programme of options specific to the remote and insular nature of the Canary Islands (POSEICAN) (COM(90)686).

2. THE SITUATION OF THE AZORES AND MADEIRA

2.1 THE SOCIO-ECONOMIC CONTEXT

6. The social and economic problems stemming from the remote island location of the Azores and Madeira are generally similar to those affecting the French overseas departments and the Canary Islands. Both these autonomous Portuguese regions permanently suffer from specific constraints whose cumulative effect places a heavy burden on economic and social life in the islands.

- Their remote and insular nature: Madeira is in an isolated position off the African coast almost 1 000 km from Lisbon. The Azores are one-third of the way from Portugal to the American continent and, taking the average for the main islands, over 1 500 km from Lisbon. In addition to the distance from sources of supply and potential export markets, these regions are in the form of an archipelago. The nine islands of the Azores are spread over 600 km from east to west in three separate groups. The land area is 2 333 km₂, and the exclusive economic zone (EEZ) covers 938 000 km₂. Apart from several outlying barren islets, Madeira comprises only two inhabited islands, Madeira and Porto Santo, which are 40 km apart. This gives an EEZ of some 377 000 km₂ for a small land area of 798 km₂.
- Geography and climate: A volcanic escarpment which limits the utilized agricultural area and is specially vulnerable to natural disasters (earthquakes, cyclones and torrential rain).
- The reduced dimension of the island economies, which rules out economies of scale, and the lack of exploitable raw materials, which makes them dependent on the outside world, especially as regards energy and supplies of essential agricultural products.
- Small size of agricultural holdings (95% of farms in Madeira and

48.5% in the Azores have a surface area of less than 1 hectare). Agriculture concentrates on a few products, in particular bananas and wine in Madeira, and livestock production and dairy farming in the Azores.

- Trade balance in structural deficit.

7. These handicaps place the Azores and Madeira among the least favoured regions of the Community.⁴ As such, they both qualify for the priority accorded to Objective 1 regions under the revised rules for the structural Funds.

2.2 THE STATUS OF THE AZORES AND MADEIRA IN THE COMMUNITY

8. The option taken up for the Azores and Madeira on accession was for the common policies to be applied in full, subject to the transitional period for Portugal and certain specific exceptions made in the Act of Accession and aimed at resolving certain problems peculiar to the two regions. These are:

⁴ The basic statistics are set out in Annex 1.

- Article 309(d): price of milk in the Azores;
- Article 376: derogation from Article 60 of the ECSC Treaty for steel undertakings until 31 December 1992;
- Annex 1, at point V (system of VAT), in conjunction with Article 26: application of reduced rates under the Sixth VAT Directive; sea and air transport between the islands making up the Azores and Madeira and between those regions and the mainland deemed to be international transport;
- Annex II, at point II.5: airports in the Azores;
- Article 377 allowing a derogation from Article 95 of the Treaty until 31 December 1992 with respect to excise duties on tobacco products manufactured in the Azores and Madeira.

9. In addition, a joint declaration concerning the economic and social development of the Azores and Madeira, annexed to the Act of Accession, recommends that the Community institutions devote special attention to the policies for developing the two regions, "the object of which is to overcome the handicaps of these regions, which arise from their geographical situation, far away from the mainland of Europe, their physical geographical features, the serious deficiency of infrastructures and their economic backwardness".

2.3 COMMUNITY SOLIDARITY SINCE ACCESSION

10. Community solidarity with the Azores and Madeira was evident in the granting of pre-accession aid, which allowed the two regions concerned to acquaint themselves with Community assistance mechanisms. As of the first year of accession, they received assistance under most of the Community structural instruments. (See Annex 2.1.)

11. Community solidarity towards the Azores and Madeira is being expressed more strongly today through assistance from the reformed structural Funds, with the two regions benefiting from the priority accorded to Objective 1 regions, in respect of which a major effort is being made to increase and concentrate Community resources. Today priority has been given effect by the adoption of specific programmes of operations (see Annex 2.2) following adoption of Portugal's Community support framework.

12. The efforts to promote development in the remoter regions, such as the Azores and Madeira, have been boosted by the adoption of a specific Community measure for these regions - the REGIS scheme⁵ - which should in particular facilitate Community financing for extension of the runway at Funchal Airport (Madeira).

13. These major Community efforts in the structural field are a necessary prerequisite, but are insufficient to cope with all the problems of the remote islands making up the Azores and Madeira and enable them to catch up with economic and social development in the Community. The question is, should adjustments be made in the application of certain common policies or, at least, should special treatment be accorded to the Azores and Madeira to take account of their special characteristics in relation to the Community as a whole? Following the memorandums covering the problems and requests of the Azores and Madeira presented to the Commission in 1988, the latter prepared a factual report which was sent to the Portuguese authorities.⁶ The report highlighted the potential benefits deriving from the application of common policies adapted to the situation in the Azores and Madeira, along the lines of the Community approach to remoter regions as first exemplified in the POSEIDOM programme adopted in 1989. In April 1990 the Portuguese authorities reacted positively to this approach while formulating certain additional requests.

5 OJ C 196, 4.8.1990, p.15.

6 Commission report on the Azores and Madeira to be addressed to the Portuguese authorities (SEC(90)85, 17 January 1990); sent for information to Parliament and the Council on 13 July 1990.

3. APPLICATION OF COMMON POLICIES ADAPTED TO THE SPECIAL CONDITIONS OF MADEIRA AND THE AZORES: THE POSEIMA PROGRAMME

14. In view of the above, the Commission proposes that an appropriate framework be set up for the application of common policies in the Azores and Madeira. This approach should have a threefold aim:

- to allow the Azores and Madeira to play a full part in the dynamic of the internal market by making the best possible use of existing Community policies and instruments;
- to acknowledge the region's special situation by taking into account in the application of the common policies their very distinctive natural conditions, where these conditions clearly mark the islands out from the rest of the Community;
- in doing so, to contribute to the economic and social development of the Azores and Madeira, by providing Community finance for the specific measures proposed.

The framework set up to permit the implementation of common policies should make it possible to implement provisions designed to take account of the special characteristics of the two regions without undermining the integrity and coherence of the Community legal order.

15. In line with the Community approach to the remoter regions, the Commission believes that such a framework should be given shape in an action programme known as POSEIMA (programme of options specific to the remote and insular nature of Madeira and the Azores). This multisectoral and coherent action programme should in principle be implemented by 31 December 1992 following adoption by the Council or the Commission, as appropriate, of the necessary legal instruments. With regard to specific constraints, of a permanent nature, which are a feature of these two regions, the period for the implementation of the proposed measures under POSEIMA should continue, if necessary, beyond the process of completing the internal market.

16. To ensure maximum effectiveness, the operations proposed under POSEIMA should be drafted, implemented, monitored and evaluated by the Commission in partnership with the national and regional authorities concerned.

17. With the same end in view, efforts will be made to ensure that POSEIMA operations and those conducted at national and local levels complement each other as far as possible. To achieve complementarity, the Member State and the regions concerned should take account of the specific measures contained in POSEIMA when drawing up future regional development plans. The Commission, for its part, will endeavour to ensure coherence between POSEIMA operations and assistance from the structural Funds and other Community financial instruments.

3.1 OPTIMUM UTILIZATION OF EXISTING POLICIES AND INSTRUMENTS

18. Community policies already include a number of instruments and programmes which could meet some of the specific requirements and constraints of the Azores and Madeira, mainly in the field of fisheries, energy, the environment, craft industries, and research and development. In partnership with the Member State and the two regions concerned, and in the framework of existing regulations, the Commission will ensure that optimum use is made of these instruments and programmes in the Azores and Madeira, particularly by facilitating their dissemination to these remote regions and developing appropriate technical assistance programmes.

19. With particular reference to the protection of the environment, the problems of the Azores and Madeira are exacerbated both by the geology and climate of the islands and by the fragility of their ecosystems. These problems are particularly significant because of the close ties between the environment and the various aspects of socio-economic development. While the Community's ENVIREG scheme to protect the environment might resolve some of the problems, it is clear that needs are still great, notably for the protection of coastal areas, soil and ecosystems. The Commission is therefore prepared to consider any specific requests made by the Portuguese authorities. Similarly, in view of the geological structure and the climate of the Azores and Madeira and the increased risk of natural disasters which results, the Commission is prepared to consider any specific requests made by the Portuguese authorities in connection with Community cooperation in civil protection matters, notably for training and exchanges of civil protection personnel and managers.

3.2 TAKING ACCOUNT OF THE SPECIAL CHARACTERISTICS OF MADEIRA AND THE AZORES IN APPLYING THE COMMON POLICIES

20. Generally speaking, the directives or other measures adopted with a view to establishing the internal market and implementing the other common policies could, when being drawn up or adopted, be scrutinized to determine whether their - as a rule, uniform - application should take into account the special characteristics of the Azores and Madeira, particularly in the fields of transport, taxation, social matters, research and technological development, and protection of the environment.

21. With particular respect to taxation, the principle underlying the Community approach to the remoter regions would permit special indirect taxation arrangements compatible with the rules of the Treaty, justified by the special location of these regions and capable of promoting their economic and social development:

- as regards VAT this would mean maintaining special arrangements for the Azores and Madeira in accordance with the Act of Accession. It would be possible, for instance, as part of the Council's work on removing tax frontiers in the Community, to allow modulations after 1992 of the type already applied to these two regions. In this connection the Commission has already proposed that sea and air transport between the islands making up the Azores and Madeira and between these islands and the mainland should continue to be treated as international transport after 1992;
- a special arrangement for excise duties on manufactured tobacco, spirits and other alcoholic beverages, and petroleum products after 31 December 1992 taking account of the problems of extreme remoteness will have to be incorporated into the general framework of the Commission's proposals on excise duties.

22. In applying the principle referred to in paragraph 20 to transport, particular account must be taken of the importance for the Azores and Madeira of access to regular means of transport at the lowest possible cost to alleviate the drawbacks of their remoteness and island location. Attention should focus in particular on the development of air transport, for which the most appropriate forms of liberalization should be worked out, notably under partnership arrangements, to enable many different airlines, especially regional airlines, to serve the islands in the interests of their development.

3.3 MEASURES DESIGNED TO MITIGATE THE EFFECTS OF THE EXCEPTIONAL GEOGRAPHICAL LOCATION

23. The geographical location of the two Portuguese autonomous regions in relation to the continental territory of the Community places serious constraints on trade between them and other parts of the Community. Community action is necessary to alleviate the impact of the additional costs of supply resulting from the remote and insular nature of the Azores and Madeira.

24. The object of such Community action is to maintain a reasonable standard of living in the Azores and Madeira while ensuring, by preserving competition, that traditional trade flows are not disrupted.

3.3.1 Agricultural supplies

25. In the case of essential agricultural products for consumption or processing in the Azores and Madeira (see Annex 3.1 and 3.3), the Community action in question would consist, within the limits of local market requirements and taking into account local production and traditional trade flows, in:

- exempting from levies and/or customs duties products originating in non-member countries;
- permitting, in parallel and in competition with products from non-member countries and on equivalent terms, the supply of Community products taken into intervention storage or available on the Community market.

26. The principles underlying the application of this system will be as follows:

- in order to ensure that these measures have an impact on the level of production costs and consumer prices, a system will have to be set up to monitor this impact up to the end-user stage;
- with respect to raw sugar supplies for the Azores, the system set out in paragraph 25 will be applicable until such time as local production of sugar beet is sufficient to satisfy local market needs and as long as the total volume of sugar refined in the Azores does not exceed 10 000 tonnes;
- with respect to supplies of compound feedingstuffs in Madeira, the system set out in paragraph 25 will be applied temporarily pending an increase in capacity and the modernization of the industry producing these feedingstuffs, subject to the limits of local market needs and taking account of local production. This measure could be applied for three marketing years for the products coming under CN Codes 2309 90 31, 33, 41, 43, 51 and 53.

27. In the Azores, for the purposes of genetic improvement, aid could be granted for the purchase of male breeding animals originating in the Community (beef breeds).

28. In Madeira, specific measures will be necessary to develop livestock farming for local market needs:

- aid for the purchase of breeding animals (cattle, pigs, chicks and hatching eggs) originating in the Community;
- on a temporary basis, limited to decreasing quantities pending the development of local production, exemption from levies and/or customs duties for the purchase of cattle for fattening originating in non-member countries; in the light of this exemption aid for the supply of Community products will be granted to facilitate the access of these products on equivalent conditions. After four years of application of the system, the situation would be reviewed.

29. For the production of liqueur wines in Madeira solely to satisfy local market needs, aid would be provided for the purchase of rectified concentrated musts in the Community, pending the result of a feasibility study on the construction of a wine alcohol distillery.

3.3.2 Energy supplies

30. Another drawback of the remote location of the Azores and Madeira is that they are very far from sources of supplies of refined petroleum products. This, together with their heavy reliance on imports of refined petroleum products to meet energy needs, means that supply costs in the Azores and Madeira are much higher than in the Community generally. At present these costs are borne by the regional budgets, which limits correspondingly their possibilities of action to promote economic and social development.

31. Given this exceptional situation, and without prejudice to various Community programmes currently in operation or being prepared (see Annex 4), the Commission believes it is appropriate to grant aid from the Community budget for a specified period to assist these regions to offset the high cost of oil imports. The following conditions would govern this aid:

- the extra costs to be offset would be those relating to the transport by sea of petroleum products between mainland Portugal (the reference point of departure being the nearest refinery, i.e. the Sines refinery) and the main depots on the islands, and between the main and the secondary depots on the other islands;
- the reference year for the calculation of Community aid will be 1989: account will be taken only of the costs of sea transport - and not the cost of storage and distribution on the island - on the basis of the quantities of petroleum products actually transported in 1989, the average transport costs by category of product in 1989 and the average ecu/escudo exchange rate in that year;
- aid will be granted for three years from 1 January 1991 up to 31 December 1993. During these three years, annual Community aid will remain constant and equal to the extra cost of supplies, as defined above, in the reference year (1989);
- Community aid will be granted subject to the condition that over the same period the beneficiary regions devote at least 50% of the amount of Community aid to incentive programmes to promote investment in energy saving and the development of local, renewable energy sources to improve the situation of energy supply and demand on the islands. The regional authorities will present an annual report to the Commission to enable it to monitor observance of this condition.

3.3.3 Special measures for free zones

32. The Commission is aware that free zones can be an appreciable instrument of economic and social development in the remote island regions of the Azores and Madeira, and is keeping an open mind on the subject, particularly as regards State aid. Furthermore, an exception to the principle of Community preference to exempt inward processing operations from the economic conditions attaching to these arrangements would be appropriate in the case of the free zones in the two regions.

3.3.4 Prices of steel products

33. In view of the dependence of the Azores and Madeira on the outside world for supplies of steel products, it would be appropriate to extend for three years beyond 31 December 1992 the provisions concerning the pricing of steel products contained in Article 376 of the Act of Accession. The situation would have to be reviewed by the Commission in 1995.

3.4 MEASURES TO SUPPORT PRODUCTS OF THE AZORES AND MADEIRA

3.4.1 Agricultural products

3.4.1.1. Products of Madeira

34. Given the crucial importance of bananas to the economy of Madeira and with a Community market organization for bananas due to be established by 31 December 1992, steps should be taken to adopt structural measures without waiting for common rules to be adopted in that area; such measures could involve research, harvesting, presentation and processing, transport, storage, marketing and commercial promotion.

35. Community assistance would be given for the fruit and vegetable sector and the flowers and live plants sector (see Annex 3.2), as follows:

- temporary aid per hectare for programmes of measures carried out by producers and producer groups or organizations to diversify production and/or improve product quality; these programmes should serve to develop tropical products in particular. The aid would be increased in cases where the implementation of these programmes involves technical assistance measures;
- aid for the marketing of tropical products where the volume of trade does not exceed 3 000 tonnes for each product, under marketing season contracts between producers on Madeira and operators in other parts of the Community;
- the funding of an economic analysis and forward planning study of the processed fruit and vegetable sector (particularly tropical fruit and vegetables).

36. Other measures required to support local production on Madeira include (see Annex 3.2):

- specific aid per hectare for potato-growing, within the limits of the present areas under cultivation, irrespective of any measures which might be adopted in the context of a market organization for this product;
- as regards sugar cane:
 - * specific aid per hectare for producers and producer groups or organizations growing sugar cane under a restructuring plan to be submitted by the Portuguese authorities; after five years this aid would be granted solely to producer groups or organizations;
 - * aid for the direct processing of sugar cane into sugar syrup ("Mel de cana") or farm rum, where a minimum price is paid to the cane-grower;
- specific aid for grapes to be used in the making of quality wines psr, to be granted to producers and producer groups or organizations, subject to appropriate limits on the yield per hectare. Quantities delivered for distillation would not be taken into account. After five years this aid would be granted solely to producer groups or organizations;
- specific aid to support products of traditional stockfarming on Madeira and intended for local consumption (fresh milk and fresh meat);
- as regards animal and plant health, measures to safeguard Madeira from certain harmful diseases and organisms against which it is not yet protected, together with a Community financial contribution towards prevention or eradication programmes.

37. To encourage agricultural producers on Madeira to supply high-quality products and to promote the marketing of such products, the Community could finance the design and promotion of a logo.

38. The current legislation on agricultural structures may not take sufficient account of the special characteristics of agriculture on Madeira. Steps need to be taken to allow special exceptions to be made, on the basis of duly substantiated applications from the Portuguese authorities, to provisions restricting or preventing the granting of certain types of structural aid, with due account being taken of the measures already adopted to assist Portugal. New forms of structural assistance could also be envisaged within the framework of programmes to be submitted by the Portuguese authorities and could include:

- aid to improve and diversify production and to improve product quality, particularly in the case of wine, fruit and vegetables, flowers and live plants, animal products and forestry products.

3.4.1.2. Products of the Azores

39. Community assistance will be given for the fruit and vegetable sector and the flowers and live plants sector (see Annex 3.4), as follows:

- temporary aid per hectare for programmes of measures carried out by producers and producer groups or organizations to diversify production and/or improve product quality; these programmes should serve to develop tropical products in particular. The aid would be increased in cases where the implementation of these programmes involves technical assistance measures;
- aid for the marketing of tropical products where the volume of trade does not exceed 3 000 tonnes for each product, under marketing season contracts between producers in the Azores and operators established in other parts of the Community;
- the funding of an economic analysis and forward planning study of the processed fruit and vegetable sector (particularly tropical fruit and vegetables).

40. Other measures required to support local production include (see Annex 3.4):

- in the case of sugar beet:
 - * flat-rate aid per hectare for the development of local production, subject to a limit on quantities corresponding to production of 10 000 tonnes of sugar;
 - * specific aid for the processing of locally grown beet into white sugar, with a view to stabilizing supply costs;
- specific aid per hectare for the growing of seed potatoes (subject to a maximum of 200 hectares) and for the growing of chicory (subject to a maximum of 400 hectares);
- specific aid for the collection of tobacco and for the traditional local production of leaf tobacco, subject to maximum guaranteed quantities;
- temporary aid per hectare for the growing of vines to produce quality wines psr, to be granted to producers and producer groups or organizations pending the results of restructuring and subject to a maximum of 1 700 hectares;
- given the social importance of milk production in the Azores, particularly in the case of small producers, specific aid should be introduced to ensure the survival of traditional economic activities in this sector;
- specific additional aid for the fattening of adult male cattle, within the limits of traditional levels of production;
- as regards animal and plant health, measures to safeguard the Azores from certain harmful diseases and organisms against which they are not yet protected, together with a Community financial contribution towards prevention or eradication programmes.

41. To encourage agricultural producers in the Azores to supply high-quality products and to promote the marketing of such products, the Community could finance the design and promotion of a logo.

42. The current legislation on agricultural structures may not take sufficient account of the special characteristics of agriculture in the Azores. Steps need to be taken to allow special exceptions to be made, on the basis of duly substantiated applications from the Portuguese authorities, to provisions restricting or preventing the granting of certain types of structural aid, with due account being taken of the measures already adopted to assist Portugal. New forms of structural assistance could also be envisaged within the framework of programmes to be submitted by the Portuguese authorities:

- aid to improve and diversify production and to improve product quality, particularly in the case of milk, animal products, fruit and vegetables, flowers and live plants, wine and forestry products;
- aid to offset the additional cost of agricultural investments because of the need for protection against natural disasters and, where production has been diversified, aid for the establishment of a solidarity fund for the restoration of production potential damaged by natural disasters.

3.4.2 Measures to assist craft industries

43. In view of the considerable economic and social importance of craft industries in the regions concerned and given the traditional and highly localized nature of production, measures could be envisaged to assist small businesses in the fields of occupational training, access to new technology and the use of such technology, and access to new markets, where they are not covered by the Community support framework. These measures could include:

- specific information campaigns on Community training programmes;
- a feasibility study on a European apprenticeship system (training to qualify as a master craftsman);
- development of transnational pilot schemes to enable apprentices and craftsmen to take advantage of vocational training programmes in other Member States;
- launching of an advertising campaign to ensure that small businesses are fully informed of the opportunities to participate in technological programmes such as VALUE, CRAFT and LEADER or any new programme relevant to small businesses;
- encouragement for the introduction of trade directories or buyers' handbooks for the use of craftsmen and small businesses;
- improved access for firms and trade organizations to statistics on the quantitative and qualitative development of markets for craft products in the Member States;
- examination of the possibility of establishing an export credit and insurance system for craftsmen and small businesses.

44. Such projects must be selected, on the one hand, on a partnership basis in close collaboration with the regional and local authorities concerned and, on the other hand, be consistent with operations carried out in the two regions concerned under the Community support framework and with schemes implemented by the Commission in these regions and in other regions of the Community.

45. It is in any case necessary to mobilize small businesses in Madeira and the Azores so that they take advantage of the opportunities offered by the Community to improve their productivity and expand their outlets on the Community market. Similarly, they must be given easier access to the services of the Euro-Info-Centres already established on Madeira and the Azores so that they can make full use of the data available through these Centres. Another task will be to promote better use of the services of the BC-Net and the Business Cooperation Centre so that firms can cooperate across national frontiers.

3.5 FINANCING OF THE MEASURES PROVIDED FOR IN POSEIMA

46. The attached financial statement gives estimates of the cost of the various measures over an initial period of three years (1991-93).

47. Many agricultural measures provided for in POSEIMA will be financed by the EAGGF Guarantee Section.

48. The financing of measures relating to agricultural structures and of the specific aid for energy supplies and small businesses will depend, however, on the availability of resources in addition to those already agreed for the period up to 31 December 1993 in the Community support framework or currently under discussion for the REGIS scheme.

49. The question therefore arises of whether an overall budgetary framework should be set up to cover financial commitments under POSEIMA other than measures financed under the EAGGF Guarantee Section, and without prejudice to structural policy operations for the two regions.

50. If the Community measures to assist the remoter regions are to be fully consistent, this budgetary framework should also cover the funding of financial commitments which are not eligible under the EAGGF Guarantee Section and which appear in the action programmes for the other remoter regions - already adopted, in the case of the French overseas departments (POSEIDOM), or proposed, in the case of the Canary Islands (POSEICAN).

4. FINANCIAL STATEMENT

1. Measures to be financed by the EAGGF Guarantee Section (Estimate)

- Maximum annual expenditure
(2nd or 3rd year of application) ECU 23 million

2. Measures to improve agricultural structures (1991-93) (Estimate)

- Traditional products
 bananas ECU 8 million
 livestock products Azores ECU 17 million

- Other products ECU 9 million

- Natural disaster fund ECU 6 million

Total - Agricultural structures 1991-93 ECU 40 million

3. Aid for energy supplies (1991-93)

annual cost estimated at approx. ECU 8.6 million,
i.e. for the three-year period 1991-93: ECU 25.8 million

4. Measures to assist small businesses (1991-93)

estimated cost for the three-year period 1991-93: ECU 7 million

Total - Items 2, 3 and 4 ECU 71.8 million

ANNEX 1

AZORES AND MADEIRA: BASIC STATISTICS

INDICATOR	AZORES	MADEIRA	EUR 12	YEAR
Population (thousands)	253 (0.07%)	268 (0.08%)	324077 (=100%)	1986
Pop. Increase (% p.a.)	0.6	0.9	0.3	86/76
Area (thousand km ²)	2.3 (0.1%)	0.8 (0.04%)	2254.6 (=100%)	
Density (Inh./km ²)	112 (78.3%)	338 (238%)	143 (=100%)	1986
<u>EMPLOYMENT</u>				
Unemployment rate (%)	3.1 ¹	3.8 ¹	10.2	1988
Agric./tot. emp. (%)	29.2	21.5	8.1	1986
Indust./tot. emp. (%)	22.6	34.2	33.7	1986
Services/tot. emp. (%)	48.2	44.3	57.7	1986
<u>GDP</u>				
Per capita GDP (ECU)	6820 ²	6820 ²	10324	AVE. 84-86
Agric./tot. GDP (%)	30 ³	26 ³		
Indust./tot. GDP (%)	23 ³	18 ³		
Services/tot. GDP (%)	47 ³	55 ³		

NOTES

1. One reason for the low rates of unemployment is that large numbers of people have emigrated from the islands. There is in fact considerable underemployment in agriculture and small-scale industry (Madeira).

2. Since the data for the Azores and Madeira are not available, the figure given is the national average for Portugal. Per capita GDP in the Azores and Madeira is usually reckoned to be less than half this national average.

3. Estimates.

ANNEX 2

COMMUNITY STRUCTURAL AID FOR THE AZORES AND MADEIRA

1. PERIOD 1986-1989

Transport infrastructures were one of the priority areas for Community aid to the Azores over the period 1986-89, reflecting the concerns of the regional government, one of whose main objectives was to equip each island with at least one port and one airport. Other priority areas for assistance to the region included: energy infrastructures (placing emphasis on alternative energy sources and facilitating regular supplies of energy throughout the region), medical infrastructures, support for tourism and productive activities, and vocational training. In addition to the assistance granted for individual projects, the region also benefits from the Community's STAR (telecommunications) and VALOREN (energy) programmes, from the national programme of Community interest in support of productive activity (PNICIAP) and from the PEDIP programme (with the exception of the SINPEDIP subprogramme).

In Madeira, assistance during the same period went primarily to transport infrastructures (40%), energy infrastructures (33%) and water-engineering infrastructures (15%). The main projects financed in the region include the ports of Porto Santo and Funchal, the Victoria power station, the hydroelectric power station at Calheta, the acquisition of a vessel for the Funchal/Porto Santo route, several water supply projects and a large number of roads. In addition to the assistance granted for individual projects, the region also benefits from the Community's STAR (telecommunications) and VALOREN (energy) programmes, from the national programme of Community interest in support of productive activity (PNICIAP) and from the PEDIP programme (with the exception of the SINPEDIP subprogramme).

The two autonomous regions are also eligible for various measures under the PEDAP (specific programme for the development of Portuguese agriculture) and for special arrangements that take account of their specific structural characteristics for the purposes of applying the Community Regulations on improving the efficiency of agricultural structures and on improving the conditions under which agricultural and fisheries products are processed and marketed.

Structural aid to the Azores, 1986-89

ANNEX

1. Community assistance (commitments) for the Azores¹

	<u>ECU million</u>									
	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
<u>EAGGF (Guidance Section)² - Total</u>						1.10	4.81	1.02	1.12	8.05
Reg 355/77 Proc/Mark Ag Prods						0.40	2.96	1.02	n.a.	4.38
Reg 4028/86 Restr fisheries ³						0.70	1.85	8.00	1.12	3.67
<u>ESF⁴ - Total</u>						0.00	2.33	4.23	0.00	6.56
Measures not broken down						0.00	2.33	4.23	0.00	6.56
<u>ERDF - Total</u>						29.80	29.71	18.19	n.a.	77.70
Infrastructure						29.80	29.71	18.19	n.a.	77.70
<u>Total - Assistance</u>						<u>30.89</u>	<u>36.84</u>	<u>23.44</u>	<u>1.12</u>	<u>92.29</u>

¹ Excluding assistance for multiregional projects or programmes.

² Direct and indirect measures that can be broken down by region.

³ Including Regulations Nos 2902/81, 31/83 and 2908/83.

⁴ Before 1984, the bulk of ESF assistance could not be broken down by region.

2. Community loans to the Azores⁵

	<u>ECU million</u>									
	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
<u>EIB - Total</u>						0.00	6.30	29.50	n.a.	35.80
Industry and services						0.00	0.00	0.00	n.a.	0.00
Energy						0.00	0.00	0.00	n.a.	0.00
Infrastructure						0.00	6.30	29.50	n.a.	35.80
<u>Total - Loans</u>						<u>0.00</u>	<u>6.30</u>	<u>29.50</u>	<u>0.00</u>	<u>35.80</u>

⁵ Excluding loans for multiregional projects or programmes.

* Partial/provisional.

Structural aid for Madeira over the period 1985-1989

1. Community assistance (commitments) for Madeira¹

		ECU million									
		1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
EAGGF (Guidance Section) ² - Total							1.01	0.65	0.04	1.05	2.75
Reg 355/77 Proc/Mark Ag Prods							0.84	0.00	0.00	n.a.	0.88
Reg 4028/86 Restr fisheries ³							0.15	0.65	0.04	1.05	1.29
ESF ⁴ - Total							0.00	2.39	3.14	0.17	5.70
Measures not broken down							0.00	2.39	3.14	0.17	5.70
ERDF - Total							20.19	26.34	19.17	n.a.	65.70
Infrastructure							20.19	26.09	18.08	n.a.	65.16
Studies							0.00	0.25	0.29	n.a.	0.59
Total - Assistance							21.20	29.38	22.35	1.22	74.15

¹ Excluding assistance for multiregional projects or programmes.

² Direct and indirect measures that can be broken down by region.

³ Including Regulations Nos 2902/81, 31/83 and 2908/83.

⁴ Before 1984, the bulk of ESF assistance could not be broken down by region.

* Partial/provisional

2. Community loans to Madeira⁵

		ECU million									
		1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
EIB - Total							29.10	20.70	0.00	n.a.	49.80
Industry and services							0.00	0.00	0.00	n.a.	0.00
Energy							29.10	0.00	0.00	n.a.	29.10
Infrastructure							0.00	20.70	0.00	n.a.	20.70
Global loans ⁶							0.00	0.00	0.00	n.a.	0.00
Total - Loans							29.10	20.70	0.00	0.00	49.80

⁵ Excluding loans for multiregional projects or programmes.

⁶ Regional breakdown of allocations from global loans.

Source: EIB Annual reports.

* Partial/provisional.

2. Application of the reformed structural Funds in the Azores and Madeira

Structural Fund operations for Madeira are shown in the table below concerning a multi-fund programme costing ECU 309 million with a Community contribution of ECU 218 million. This programme comprises the following eight subprogrammes:

1. Development of production structures
2. Tourism
3. Energy infrastructure
4. Transport infrastructure
5. Vocational training and utilization of human resources to best effect
6. Social strategy equipment (in the areas of education, health and vocational training)
7. Protection of the environment and town and country planning
8. Programme management and evaluation.

Structural Fund operations for the Azores are shown in the tables below. The first programme is the specific development programme for the autonomous region of the Azores (PEDRAA). Costing a total of ECU 304 million with a Community contribution of ECU 178 million, it is made up of the following four subprogrammes:

1. Basic infrastructure
2. Vocational training and support for production activity
3. Environment and quality of life
4. Implementation and monitoring.

The second programme is the national programme of Community interest (NPCI). The Community contribution is ECU 63 million out of a total cost of ECU 95 million.

The third operation is the purchase of three aircraft for the SATA airline, for which the Community will contribute ECU 19 million out of a total cost of ECU 38 million.

The Azores and Madeira would also be eligible for certain national measures in the Community support framework for Portugal (CIENCIA, PNICIAP, etc.).

Finally a number of Community schemes should also include the Azores and Madeira: ENVIREG, STRIDE, TELEMATIQUE, REGIS, LEADER, EUROFORM, NOW and HORIZON.

PROGRAMA OPERACIONAL: : PEDRAA (Programa Especifico de Desenvolvimento da Região Autónoma dos Açores)

SUBPROGRAMAS

(ECUs Constantes 1989 x 1000)

	CUSTO TOTAL	DESPESA PUBLICA											DESPESA PRIVADA		SEI
		TOTAL	APOIOS COMUNITARIOS				FINANCIAMENTO PUBLICO				TOTAL				
			TOTAL	FEDER	FSE	FEOGA	OUTROS	TOTAL	ESTADO	REGIAO			OUTRA		
1=2+12	2=3+8	3=4+5+6+7	4	5	6	7	8=9+10+11	9	10	11	12	13			
Subprog. 1	168 163	168 163	105 125	105 125				63 038			63 038				
Subprog. 2	54 400	43 350	31 500	6 500	25 000			11 850			11 850		11 050		
Subprog. 3	79 950	79 950	39 975	39 975				39 975			39 975				
Subprog. 4	2 000	2 000	1 400	1 400				600			600				
TOTAL	304 513	293 463	178 000	153 000	25 000			115 463			115 463		11 050		80 000

Nota: Encontra-se negociado um empréstimo com o BEI, de aproximadamente 80 MECUs, que compreende alguns projectos incluídos neste PO.

PNIC AÇORES - CUSTO TOTAL, DESPESA PÚBLICA E CONTRIBUIÇÃO FEDER

SUB-PROGRAMAS	Custo Total (Valor)	DESPESA PÚBLICA						DESPESA PRIVADA	
		REGIONAL		FEDER		TOTAL		Valor	% Custo Total
		Valor	% Despesa Pública	Valor	% Despesa Pública	Valor	% Custo Total		
S/P1 - Estruturas Físicas em sectores ou áreas envolventes ao sector turismo	8 899,0	3 218,5	36,2	5 680,5	63,8	8 899,0	100,0	-	-
1988	626,0	253,2	40,4	372,8	59,6	626,0	100,0	-	-
1989	3 708,0	1 357,0	36,6	2 351,0	63,4	3 708,0	100,0	-	-
1990	4 565,0	1 608,3	35,2	2 956,7	64,8	4 565,0	100,0	-	-
S/P2 - Melhoria e criação de estruturas físicas no sector turismo ...	7 872,0	2 405,9	30,6	5 464,2	69,4	7 870,1	100,0	1,9	...
1988	1 511,0	463,1	30,7	1 047,4	69,3	1 510,5	100,0	0,5	...
1989	3 137,0	965,0	30,8	2 171,4	69,2	3 136,4	100,0	0,6	...
1990	3 224,0	977,8	30,3	2 245,4	69,7	3 223,2	100,0	0,8	...
S/P3 - Organização	175,0	52,5	30,0	122,5	70,0	175,1	100,0	-	-
1988	17,0	5,1	30,0	11,9	70,0	17,0	100,0	-	-
1989	76,0	22,8	30,0	53,2	70,0	76,0	100,0	-	-
1990	82,0	24,6	30,0	57,4	70,0	82,0	100,0	-	-
S/P4 - Apoio ao investimento	693,0	207,9	30,0	485,1	70,0	693,0	100,0	-	-
1988	81,0	24,3	30,0	56,7	70,0	81,0	100,0	-	-
1989	225,9	67,8	30,0	158,1	70,0	225,9	100,0	-	-
1990	386,1	115,8	30,0	270,3	70,0	386,1	100,0	-	-
S/P5 - Promoção.....	596,0	178,8	30,0	417,2	70,0	596,0	100,0	-	-
1988	104,0	31,2	30,0	72,8	70,0	104,0	100,0	-	-
1989	217,0	65,1	30,0	151,9	70,0	217,0	100,0	-	-
1990	275,0	82,5	30,0	192,5	70,0	275,0	100,0	-	-
S/P6 - Execução e acompanhamento	80,0	24,0	30,0	56,0	70,0	80,0	100,0	-	-
1988	15,0	4,5	30,0	10,5	70,0	15,0	100,0	-	-
1989	28,0	8,4	30,0	19,6	70,0	28,0	100,0	-	-
1990	37,0	11,1	30,0	25,9	70,0	37,0	100,0	-	-
TOTAL PNIC AÇORES	18 315,0	6 087,6	33,2	12 225,5	66,8	18 313,1	100,0	1,9	...
1988	2 354,0	781,4	33,2	1 572,1	66,8	2 353,5	100,0	0,5	...
1989	7 392,0	2 486,2	33,6	4 905,2	66,4	7 391,4	100,0	0,6	...
1990	8 569,0	2 820,0	32,9	5 748,2	67,1	8 568,2	100,0	0,8	...

PROGRAMA OPERACIONAL PLURIFUNDOS DA REGIÃO AUTÓNOMA DA MADEIRA

SUBPROGRAMAS

(ECUs CONSTANTES 1989 X 1 000)

	CUSTO TOTAL	DESPESA PÚBLICA													DESPESA PRIVADA	
		TOTAL		APOIOS COMUNITÁRIOS						FINANCIAMENTO PÚBLICO					TOTAL	%
			%	TOTAL	%	FEDER	FSE	FEOGA	OUTROS	TOTAL	%	ESTADO	REGIÃO	OUTRA	TOTAL	%
1=2+15	2=4+10	3	4=6+7+8+9	5	6	7	8	9	10=12+13+14	11	12	13	14	15	16	
Subprog. 1	67 402	65 280	97	43 484	67	43 484				21 796	33		9 764	12 032	2 122	3
Subprog. 2	38 760	38 760	100	29 070	75	29 070				9 690	25		9 690			
Subprog. 3	28 865	28 865	100	15 878	55	15 878				12 987	45			12 987		
Subprog. 4	70 502	69 244	98	52 193	75	52 193				17 051	25		17 051		1 258	2
Subprog. 5	39 521	38 772	98	27 118	70		27 118			11 654	30		11 654		749	2
Subprog. 6	41 136	41 136	100	30 851	75	30 851				10 285	25		10 285			
Subprog. 7	24 830	24 830	100	18 624	75	18 624				6 206	25		6 206			
Subprog. 8	2 374	2 374	100	1 781	75	899	882			593	25		593			
TOTAL	313 390	309 261	99	218 999	71	190 999	28 000			90 262	29		65 243	25 019	4 129	1

A N N E X 3

1. AGRICULTURAL PRODUCTS COVERED BY THE MEASURES RELATING TO SUPPLIES ON MADEIRA

GENERAL PROVISIONS GOVERNING SUPPLIES

Cereals
Rice
Sugar
Vegetable oils
Beef/veal
Pigmeat
Milk and milk products

On a temporary basis

Compound feedingstuffs
Bovine animals for fattening
Seed potatoes

AID FOR THE PURCHASE OF COMMUNITY PRODUCTS

Breeding animals

Cattle
Pigs
Day-old chicks and eggs for hatching

Products for use in the manufacture of liqueur wines

Concentrated and rectified grape must
Wine alcohol (temporarily)

2. AGRICULTURAL PRODUCTS COVERED BY THE MEASURES TO ASSIST PRODUCTION ON MADEIRA

FRUIT, VEGETABLES, FLOWERS AND LIVE PLANTS

Tropical products

Sweet potatoes
Tropical fruit, including anonas, avocados, pineapples and papaws
Exotic plants and flowers

Other products

Non-tropical fruit
Potatoes
Vegetables other than potatoes

SUGAR CANE

VINEYARDS

3. AGRICULTURAL PRODUCTS COVERED BY THE MEASURES RELATING TO SUPPLIES IN THE AZORES

GENERAL MEASURES RELATING TO SUPPLIES

Cereals
Raw sugar

PURCHASE OF BREEDING ANIMALS

Cattle

4. AGRICULTURAL PRODUCTS COVERED BY THE MEASURES TO ASSIST PRODUCTION IN THE AZORES

FRUIT, VEGETABLES, FLOWERS AND LIVE PLANTS

Tropical products

Pineapples
Other fruit: avocados, anonas, passion fruit, mangoes etc.
Exotic plants and flowers

Other fruit and vegetables intended for the local market:

Citrus fruit
Various fruit and vegetables

SUGAR BEET

SEED POTATOES, CHICORY AND TOBACCO

VINES

BEEF/VEAL

A N N E X 4

COMMUNITY AID TO THE AZORES AND MADEIRA IN THE ENERGY SECTOR

In addition to the specific aid for energy supplies which the Commission is proposing under the POSEIMA programme, the Community has provided and will continue to provide financial support for energy-related measures in the Azores and Madeira.

By means of the various Commission programmes which are currently in operation or being prepared, whether they are specific to the energy sector or of a more general nature, the Community is providing or could provide support for energy-related measures on both groups of islands, depending on the rules and priorities laid down for each programme.

The abovementioned programmes include:

- the JOULE programme for research and development in the energy sector;
- regional and urban energy programmes;
- the THERMIE programme for the development of energy-related technologies;
- the SAVE programme to promote the efficient use of energy;
- the VALOREN programme for the exploitation of the Community's own energy potential;
- multifund operations programmes;
- the Community's REGIS scheme to assist the remoter regions.

**Proposal for a
COUNCIL DECISION**

setting up a programme of options specific to the remote and
insular nature of Madeira and the Azores (POSEIMA)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic
Community,

Having regard to the Act of Accession of Spain and Portugal,

Having regard to the proposal from the Commission,¹

Having regard to the opinion of the European Parliament,²

Having regard to the opinion of the Economic and Social Committee,³

Whereas the autonomous Portuguese regions of the Azores and Madeira
belong politically and economically to the Community by virtue of the
Act of Accession, which did, however, recognize some of their specific
characteristics by allowing various isolated exceptions in the
application of the common policies;

1 OJ C
2 OJ C
3 OJ C

Whereas the Member States, in a joint declaration annexed to the Act of Accession, called on the Community institutions to devote special attention to the development policies of the two regions, "the object of which is to overcome the handicaps of these regions, which arise from their geographical situation, far away from the mainland of Europe, their physical geographical features, the serious deficiency of infrastructures and their economic backwardness";

Whereas the European Parliament, in its resolution of 14 April 1989 on Community programmes to help the Portuguese autonomous island regions¹, considered that in view of their island status and highly peripheral situation the Azores and Madeira deserve special treatment from the Community;

Whereas the Azores and Madeira suffer from a serious structural lack of development aggravated by a number of constraints (remoteness, isolation, small size, difficult terrain and climate) whose unchanging nature and combined impact have serious effects on their economic and social development and place them among the least-favoured regions of the Community; whereas these special constraints make it necessary to step up Community support in order to ensure that the Azores and Madeira are fully involved in the dynamic of the internal market; whereas this Community support takes the form of operations under the reformed structural Funds (enjoying the priority given to the Objective 1 regions), but must also ensure that the special constraints affecting the Azores and Madeira are taken into account in the application of common policies, in accordance with the Community approach to the remoter regions, of which the adoption and implementation of the POSEIDOM programme for the French overseas departments is the first practical example;

1 OJ No C 120, 16.5.1989, p. 321.

Whereas an overall, multi-sector approach is necessary to allow for the special constraints on the Azores and Madeira in the application of common policies; whereas a coherent line must be taken as part of an overall action programme involving legislative measures and financial commitments;

Whereas, for the purposes of implementing this programme, the necessary legal acts will be adopted either by the Council or by the Commission, as appropriate, before 31 December 1992; whereas the application of certain measures in this programme could extend beyond the process of completing the internal market, given the permanent constraints which are a particular feature of the Azores and Madeira;

Whereas this programme must be based on the twofold principle that the Azores and Madeira form an integral part of the Community and that the regional reality deriving from their particular geographical situation must be recognized;

Whereas the measures contained in the programme must accordingly take into account the special characteristics and constraints of the Azores and Madeira without undermining the integrity and coherence of the Community legal order; whereas the economic effects of specific measures must therefore remain limited to the territory of the Azores and Madeira without affecting directly the functioning of the common market;

Whereas Community policies already provide many instruments and programmes which could deal with some of the specific problems and constraints of the Azores and Madeira, notably concerning fisheries, energy, environment, the craft industry and research and development; whereas steps should be taken to put these instruments and programmes to best use in the Azores and Madeira, especially by ensuring that they reach these remote regions and by developing appropriate technical assistance measures;

Whereas Community rules must take account of the specific nature of the Azores and Madeira and permit their economic and social development, particularly in those areas where the fragile nature of island territories is particularly acute, such as transport, taxation, the social sector, research and development, or the protection of the environment in view of the vulnerability of the Azores and Madeira to the risks of environmental or natural disasters;

Whereas, with respect to taxation, the special characteristics of the Azores and Madeira can be catered for by allowing special indirect taxation arrangements compatible with the rules of the Treaty and capable of promoting their economic and social development;

Whereas it is important to provide regular transport links at the lowest possible cost to alleviate the drawbacks of remoteness and the island location; whereas air transport is an instrument of regional development and the most appropriate forms of greater liberalization should be worked out, notably under partnership arrangements;

Whereas the exceptional geographical situation of the Azores and Madeira in relation to sources of supply for products used as inputs in certain food sectors, which are essential for current consumption or processing in the archipelago, entails costs that are a severe handicap for this area; whereas there is a need, in this connection, to make special arrangements for the supply of these products within the limits of market needs for the two regions and taking account of local production and traditional trade flows;

Whereas the extreme remoteness of the Azores and Madeira in relation to sources of supply of refined petroleum products, coupled with the heavy reliance on these products to meet energy needs and the compartmentalization of the market, means that supply costs in the Azores and Madeira are much higher than in mainland Portugal; whereas these costs are at present borne by the regional budgets, which limits

correspondingly their capability for action to promote economic and social development; whereas these higher costs should be offset by temporary Community aid tied to the application by the two regions of incentive programmes to promote investment in energy saving and the development of local, renewable energy sources to improve the energy supply and demand situation on the islands;

Whereas free zones can be an appreciable instrument of economic development in the remote island regions of the Azores and Madeira; whereas customs measures may be appropriate regarding the arrangements applicable to the free zones in the Azores and Madeira, in view of their special geographical situation;

Whereas, in view of the dependence of the Azores and Madeira on the outside world for supplies of steel products, it would be appropriate to take temporary measures, to extend beyond 31 December 1992 the provisions concerning the pricing of these products contained in Article 376 of the Act of Accession;

Whereas the special production conditions in the Azores and Madeira require that particular attention be paid to applying the common agricultural policy to this region; whereas appropriate measures are needed to assist the development of the fruit and vegetable and flowers and live plant sectors; whereas these measures will have to promote the growing of tropical products in particular; whereas special attention will have to be given to Madeira bananas in view of their crucial economic and social importance for the island and with due account for aspects relating to ecological balance and the countryside; whereas other market and structural measures will be required to support local products, especially for the milk sector in the Azores in view of the social importance for small producers;

Whereas, in view of the considerable social importance of maintaining craft activities in the two regions, specific Community measures should be taken to fit in with those already planned under the Community support framework; whereas these measures should aim at promoting vocational training, access to new technology and the use of such technology, and access to new markets;

Whereas the preparation, implementation, monitoring and evaluation of the measures provided for in this programme require a partnership between the Commission and the competent national and regional authorities; whereas this partnership must permit complementarity between the measures laid down in the programme and those applied at national and regional level;

Whereas Portugal and the region must take account of the measures and operations under this programme in drafting future regional development plans; whereas the Commission, within the scope of its powers, will take steps to ensure that this programme is consistent with the operations of the structural Funds and other Community financial instruments,

HAS DECIDED AS FOLLOWS:

Article 1

1. An action programme for Madeira and the Azores, known as POSEIMA (Programme of options specific to the remote and insular nature of Madeira and the Azores) and set out in the Annex, is hereby established. This programme shall cover legislative measures and financial commitments.

2. Within the context of the powers conferred upon it by the Treaty, the Council shall adopt the provisions necessary for the execution of this programme and invite the Commission to submit the relevant proposals as soon as possible.

Article 2

The financial resources required to implement the measures relating to agricultural structures appearing in this programme shall be determined in the annual budgetary procedures.

Article 3

This Decision shall take effect on ... 1991.

Article 4

This Decision shall be published in the Official Journal of the European Communities.

Done at Brussels,

For the Council
The President

ANNEX

**PROGRAMME OF OPTIONS SPECIFIC TO THE REMOTE AND INSULAR NATURE OF
MADEIRA AND THE AZORES (POSEIMA)**

TITLE I

General principles

1. POSEIMA will be based on the twofold principle that Madeira and the Azores form an integral part of the Community and that the regional reality, characterized by the special features and constraints specific to the regions concerned as distinct from the Community as a whole, must be recognized.

2. Implementation of the measures and operations set out in the POSEIMA programme will in principle be carried out before 31 December 1992, through the adoption either by the Council or by the Commission, as appropriate, of the necessary legal acts, in accordance with the provisions and procedures laid down in the Treaty.

3.1. The POSEIMA programme will help attain the general aims of the Treaty by contributing to the achievement of the following specific objectives:

- better integration of Madeira and the Azores into the Community by establishing an appropriate framework for the application of common policies in this area;
- the full involvement of the Azores and Madeira in the dynamic of the internal market by making optimum use of existing Community regulations and instruments;
- assisting the Azores and Madeira to catch up economically and socially, principally through Community financing of the specific measures contained in POSEIMA.

3.2. The Member State and the regions concerned will take into account the specific measures and operations contained in POSEIMA when drawing up future regional development plans. Within the scope of its powers, the Commission, for its part, will take steps to ensure that the operations conducted under POSEIMA are consistent with the operations of the structural Funds and other Community financial instruments.

3.3. The drafting, implementation, monitoring and evaluation of the operations and measures contained in POSEIMA will be carried out in partnership by the Commission and the competent national and regional authorities. Efforts will be made to ensure that POSEIMA operations and those conducted at national and regional levels complement each other as far as possible.

4. The measures and operations contained in POSEIMA should enable the specific nature and constraints of the Azores and Madeira to be taken into account without undermining the integrity and coherence of the Community legal order.

TITLE II

Optimum use of existing policies and instruments

5. The Commission, in partnership with the Member State and the two regions concerned, and within the framework of the existing regulations, will endeavour to ensure that optimum use is made of existing Community instruments and programmes in the Azores and Madeira, in particular by developing appropriate technical assistance programmes.

TITLE III

Application of common policies in the Azores and Madeira

6. Directives or other measures adopted in connection with the internal market and other common policies will have to take account of the special characteristics of the Azores and Madeira and make their economic and social development possible, particularly in the fields of transport and taxation, social matters, research and technological development (without prejudice to the Community framework programme on this topic), and protection of the environment.

7.1. Due allowance will be made in the Community tax regulations for the special characteristics of the Azores and Madeira to admit an indirect taxation system specific to these regions, compatible with the rules of the Treaty and capable of promoting their economic and social development.

7.2. As regards VAT this means maintaining special arrangements for the Azores and Madeira in accordance with the Act of Accession.

7.3. A special arrangement for excise duties on manufactured tobacco, spirits and other alcoholic beverages, and petroleum products after 31 December 1992 taking account of the problems of extreme remoteness will have to be incorporated into the general framework of the Commission's proposals on excise duties.

8. The Community and the Member State will develop any actions designed to enable the many different Community airlines, particularly local airlines, to serve the Azores and Madeira in the interests of their development.

TITLE IV

Specific measures to mitigate the effects of the exceptional geographical situation

9.1. Within six months from the date on which this Decision takes effect, the Council or the Commission, as appropriate, will adopt the measures laid down in this article which are intended to alleviate the impact of the additional costs involved in maintaining supplies of agricultural products resulting from the remote and insular nature of the Azores and Madeira.

9.2. In the case of essential agricultural products for consumption or processing in the two regions, this Community action will consist, within the limits of local market requirements and taking into account local production and traditional trade flows, in:

- exempting from levies and/or customs duties products originating in non-member countries;
- permitting, in parallel and in competition with products from non-member countries and on equivalent terms, the supply of Community products taken into intervention storage or available on the Community market.

The principles underlying the application of this system will be as follows:

- in order to ensure that these measures have an impact on the level of production costs and consumer prices, a mechanism will have to be set up to monitor this impact up to the end-user stage;

- with respect to raw sugar supplies for the Azores, the system will be applicable until such time as local production of sugar beet is sufficient to satisfy local market needs and as long as the total volume of sugar refined in the Azores does not exceed 10 000 tonnes;
- with respect to supplies of compound feedingstuffs in Madeira, the system will be applied temporarily pending an increase in capacity and the modernization of the industry producing these feedingstuffs, subject to the limits of local market needs and taking account of local production. This measure could be applied for three marketing years for the products coming under CN Codes 2309 90 31, 33, 41, 43, 51 and 53.

9.3. In the Azores, for the purposes of genetic improvement, aid may be granted for the purchase of male breeding animals originating in the Community (beef breeds).

9.4. In Madeira, specific measures will be necessary to develop livestock farming for local market needs:

- aid for the purchase of breeding animals (cattle, pigs, chicks and hatching eggs) originating in the Community;
- on a temporary basis, limited to decreasing quantities pending the development of local production, exemption from levies and/or customs duties for the purchase of cattle for fattening originating in non-member countries; in the light of this exemption, aid for the supply of Community products will be granted to facilitate the access of these products on equivalent conditions. After four years of application of the system, the situation would be reviewed.

9.5. For the production of liqueur wines in Madeira solely to satisfy local market needs, aid will be provided for the purchase of rectified concentrated musts in the Community, pending the result of a feasibility study on the construction of a wine alcohol distillery.

10.1. In the course of 1991 specific Community aid to compensate for the extra cost of supplying oil to the Azores and Madeira will be introduced for a three-year period on the terms laid down in paragraphs 10.2 to 10.5.

10.2. The extra costs to be offset by this aid are those related to the transport by sea of petroleum products between the mainland and the main depots on the islands of the Azores and Madeira, and between the main depots and the secondary depots on the other islands.

10.3. The reference year for the calculation of Community aid will be 1989: account will be taken only of the costs of sea transport - and not of the cost of storage and distribution on the islands - on the basis of the quantities of petroleum products actually transported in 1989, the average transport costs by category of product in 1989 and the average ecu/escudo exchange rate in that year.

10.4. Aid will be granted for three years from 1 January 1991 up to 31 December 1993. During these three years, annual Community aid will remain constant and equal to the extra cost of supplies, as defined above, in the reference year (1989).

10.5. Community aid will be granted subject to the condition that over the same period the beneficiary regions devote at least 50% of the amount of Community aid to incentive programmes to promote investment in energy saving and the development of local, renewable energy sources to improve the situation of energy supply and demand on the islands. The regional authorities will present an annual report to the Commission to enable it to monitor observance of this condition.

11. Inward processing operations carried out in the Azores and Madeira free zones will not be subject to the economic conditions attaching to these arrangements.

12. The provisions concerning the pricing of steel products contained in Article 376 of the Act of Accession will be extended for three years beyond 31 December 1992. During the year preceding the expiry of this period the Commission will evaluate this measure and review the situation.

TITLE IV

Specific measures to support products of Madeira and the Azores

13. In view of the economic and social importance of bananas for Madeira and the objective of a fair standard of living for producers, the Commission will, without waiting for the adoption of common rules, decide on structural action to assist this sector. With a view to improving the conditions of production and competition, such action will include measures concerning research, harvesting, presentation and processing, transport, storage, marketing and commercial promotion.

The Council, acting on a proposal from the Commission, will lay down provisions for bananas before 31 December 1992 with a view to the completion of the single market.

14.1. Within six months from the date on which this Decision takes effect the Council or the Commission, as appropriate, will adopt the measures referred to in this article.

14.2. Measures for the fruit and vegetable and live plants and flowers sectors in the Azores and Madeira may take the form of:

- temporary aid per hectare for programmes of measures carried out by producers and producer groups or organizations to diversify production and/or improve product quality; these programmes should serve to develop tropical products in particular. The aid may be increased in cases where the implementation of these programmes involves technical assistance measures;
- aid for the marketing of tropical products where the volume of trade does not exceed 3 000 tonnes for each product and for each of the two regions, under marketing season contracts between producers in these regions and operators in other parts of the Community;
- the funding of an economic analysis and forward planning study of the processed fruit and vegetable sector (particularly tropical fruit and vegetables).

14.3. Other measures to help support and develop local production on Madeira may take the form of:

- specific aid per hectare for potato-growing, within the limits of the present areas under cultivation, irrespective of any measures which might be adopted in the context of a market organization for this product;
- as regards sugar cane:
 - * specific aid per hectare for producers and producer groups or organizations growing sugar cane under a restructuring plan to be submitted by the Portuguese authorities. After five years this aid may be granted solely to producer groups or organizations;

- * aid for the direct processing of sugar cane into sugar syrup ("Mel de cana") or farm rum, where a minimum price is paid to the cane-grower;
- specific aid for grapes to be used in the making of quality wines psr, to be granted to producers and producer groups or organizations, subject to appropriate limits on the yield per hectare. Quantities delivered for distillation will not be taken into account. After five years this aid will be granted solely to producer groups or organizations;
- specific aid to support products of traditional stockfarming on Madeira and intended for local consumption (fresh milk and fresh meat).

14.4. Other measures to help support local production in the Azores may take the form of:

- in the case of sugar beet:
 - * flat-rate aid per hectare for the development of local production, subject to a limit on quantities corresponding to production of 10 000 tonnes of sugar;
 - * specific aid for the processing of locally grown beet into white sugar, with a view to stabilizing supply costs;
- specific aid per hectare for the growing of seed potatoes (subject to a maximum of 200 hectares) and for the growing of chicory (subject to a maximum of 400 hectares);
- specific aid for the collection of tobacco and for the traditional local production of leaf tobacco, subject to maximum guaranteed quantities;

- temporary aid per hectare for the growing of vines to produce quality wines psr, to be granted to producers and producer groups or organizations pending the results of restructuring and subject to a maximum of 1 700 hectares;
- specific aid designed to ensure the survival of traditional economic activities in the milk sector;
- specific additional aid for the fattening of adult male cattle, within the limits of traditional levels of production.

14.5. As regards animal and plant health, appropriate measures will be taken to safeguard Madeira and the Azores from certain harmful diseases and organisms against which they are not yet protected. A Community financial contribution may also be made towards prevention or eradication programmes.

14.6. To encourage agricultural producers in the Azores to supply high-quality products and to promote the marketing of such products, the Community may finance the design and promotion of a logo for each of these regions.

14.7. Special exceptions may be made, on the basis of duly substantiated applications from the Portuguese authorities, to provisions restricting or preventing the granting of certain types of structural aid to reflect the special characteristics of agriculture in the Azores and Madeira, with due account being taken of the measures already adopted to assist Portugal.

14.8. New forms of structural assistance may also be envisaged within the framework of programmes to be submitted by the Portuguese authorities:

(a) Madeira:

- aids to improve and diversify production and to improve product quality, particularly in the case of wine, fruit and vegetables, flowers and live plants, animal products and forestry products;

(b) the Azores:

- aids to improve and diversify production and to improve product quality, particularly in the case of milk, animal products, fruit and vegetables, flowers and live plants, wine and forestry products;
- aid to offset the additional cost of agricultural investments because of the need for protection against natural disasters and, where production has been diversified, aid for the establishment of a solidarity fund for the restoration of production potential damaged by natural disasters.

15.1. Community measures will be introduced to assist small businesses in the Azores and Madeira in the fields of occupational training, access to new technology and the use of such technology, and access to new markets.

15.2. Such projects must be selected, on the one hand, on a partnership basis in close collaboration with the regional and local authorities concerned and, on the other hand, be consistent with the schemes implemented by the Commission in other regions of the Community.

15.3. The Commission and the Member State will introduce the necessary measures to improve the dissemination and accessibility of the programmes and networks available under the Community's enterprise policy, with a view to increasing the productivity of the craft sector in the Azores and Madeira and increasing their outlets on the Community market.

TITLE VI

Final provision

16. The Commission will report annually to the Council on progress in the implementation of the POSEIMA programme.

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