COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.6.2005
SEC(2005) 828

COMMISSION STAFF WORKING DOCUMENT

Annex to the

Proposal for a Regulation of the European Parliament and of the Council

establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime

IMPACT ASSESSMENT

{COM(2005) 266 final}

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1. SCOPE AND PROCESS OF THE ANALYSIS

The reform of the EU Common Market Organisation for sugar will, in any scenario except the status quo, alter the market conditions under which the ACP countries signatories to the Sugar Protocol[1] export sugar to the EU. The impact of the reform on the ACP has been analysed and, as a consequence, the Commission recognises the need to support them in the necessary adaptation process, and is tabling the present proposal for an assistance scheme.

This document evaluates the impact on ACP countries of a reform which would include a reduction of EU price level *in the order of magnitude* proposed by the Commission in July 2004 (COM(2004)499) and in its legislative proposals for the reform to be presented simultaneously to this proposal, in June 2005. The impact of the accompanying measures for the ACP corresponds to mitigation of the potential negative impacts of the reform, and enhancement of the potential positive ones. This document also analyses a range of options for accompanying measures.

This impact analysis is based on different works, mainly the Extended Impact Assessment of the sugar reform carried out in 2003 (SEC(2003)1022) and different documents and studies, as well as on inputs from the ACP themselves. As regards the options for accompanying measures, Commission services have produced a staff working paper in January 2005 (SEC(2005)61) titled "Action Plan on accompanying measures for Sugar Protocol countries affected by the EU sugar reform".

This served as a basis for discussion with the ACP countries themselves on options for their adaptation and for EC support. These consultations have been organised at all ACP level (meeting with the ACP Consultative Group on Sugar in April 2005, as well as with ACP ministers in the margin of the Agriculture Council in January 2005), at regional level (Caribbean regional workshop in March 2005), and at national level by the EC delegations in the Sugar Protocol countries.

Dialogue has also been held with Member States through the Council ACP working group, as well as through the informal network for Agriculture, Trade and Development.

Different Commission services (namely DG Development, Trade, Agriculture and EuropeAid) were involved in the impact analysis, as well as in the elaboration of the staff working paper.

2. PROBLEM DEFINITION: THE SUGAR REFORM AND ITS RELATION TO THE SUGAR PROTOCOL

The present Common Market Organisation (CMO) for sugar has for many years supported EU sugar production, as well as indirectly the sugar sectors of ACP countries participating in the Sugar Protocol, which earn high EU prices for the amounts of sugar it allows them to export to the EU. On the other hand, the CMO has also been the subject of severe criticism, amongst others for its impacts on developing countries. The access to the EU market it offers

[1] "ACP" or "Sugar Protocol countries" refers hereafter to the ACP countries signatories to the Sugar Protocol, unless stated otherwise.

to developing countries is actually quite limited, and has up to now benefited a small number of countries. The CMO has also allowed the EU to occupy a large part of world market shares (being the third largest sugar exporter), which is resented by the more competitive sugar producing countries.

The Commission tabled a reform proposal for the sugar CMO, aiming in particular at reaching a sustainable market balance through a reduction in EU production but also through cuts in EU institutional prices for sugar. The price cuts will directly affect Sugar Protocol exporters.

The Sugar Protocol is a bilateral agreement between certain ACP States and the EU[2] It was agreed in 1975, and concluded for an indefinite period. It therefore has a special legal status and has been attached to the successive Lomé Conventions and to the Cotonou Agreement. In the Protocol, the EC has undertaken *"for an indefinite period to purchase and import, at guaranteed prices, specific quantities of cane sugar, raw or white, which originate in the ACP States"*. The ACP States concerned have undertaken to deliver the agreed quantities.[3] These arrangements have served the interest of both the ACP and the EU, by guaranteeing an outlet on a profitable market to ACP exporters and ensuring a regular supply for EU sugar refiners.

The sugar imported in the framework of the Sugar Protocol benefits from duty free access to the Community market and is sold *"at prices freely negotiated between buyers and sellers"*. However, the Community has undertaken *"to purchase, at the guaranteed price, quantities of white or raw sugar, within (the) agreed quantities, which cannot be marketed in the Community at a price equivalent to or in excess of the guaranteed price"*.[4] The guaranteed prices for raw and white sugar are negotiated "*within the price range obtained within the Community, taking into account all economic factors*"[5]. In practice, it has always been equivalent to the Community's intervention prices.

The Cotonou Agreement commits the ACP and the Community to review all the protocols in the context of negotiations on EPAs: "*the Parties ... agree on the need to review [the commodity protocols] in the context of the new trading arrangements, in particular as regards their compatibility with WTO rules, with a view to safeguarding the benefits derived therefrom, bearing in mind the special legal status of the Sugar Protocol"*[6]. This review has not yet started and will be closely linked to the outcome of discussions on the future shape of the sugar CMO. Article 10 of the Sugar Protocol provides that either party may denounce the Protocol subject to two years notice.

Under the Protocol, the sugar sector of certain countries has developed a significant level of reliance on the EU market. Sugar Protocol countries export around 40% of their production to the European market. In terms of value, the dependence in relation to the European market is more important as it represents as a whole around 70% of the revenues of the sector. The situation though varies depending on the country: for all concerned Caribbean and Pacific

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2 The participating countries have evolved during the years, but in 2005 they are: Barbados, Belize, Republic of Congo (Brazzaville), Côte d'Ivoire, Fiji, Guyana, Jamaica, Kenya, Madagascar, Malawi, Mauritius, Mozambique, St Christopher and Nevis, Swaziland, Suriname, Tanzania, Trinidad and Tobago, Uganda, Zambia and Zimbabwe. Amongst these, Uganda and Suriname have ceased exporting to the EU.

3 Article 1.

4 Article 5.

5 Article 5(4).

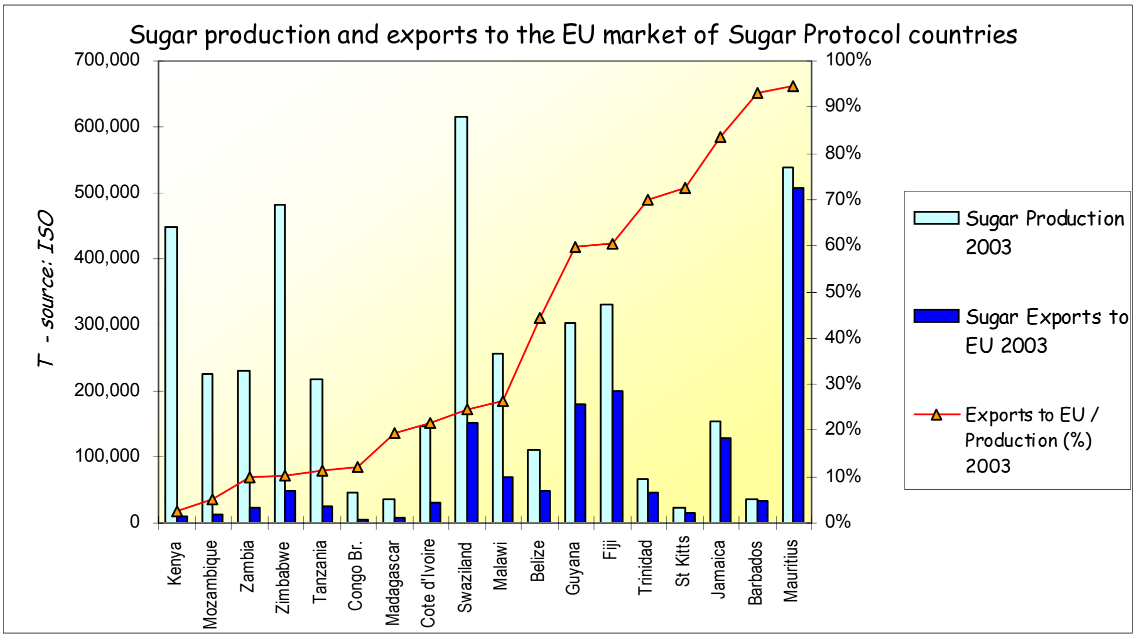
6 Article 36 (4).

countries, as well as for Mauritius, the dependence in volume in relation to the EU is high (over 40%, with peaks for Barbados, Mauritius and St. Kitts). Most of the African countries depend much less on the European market.

In quantity terms, Maurice is by far the biggest beneficiary from the Sugar Protocol, with an allocation of more than 490.000T. The other big suppliers are Fiji, Guyana, Jamaica, and Swaziland (100.000 to 200.000 T). Zimbabwe, Barbados, Trinidad, Belize and Malawi are medium suppliers (between 40.000 and 65.000 T) while the allocations for Tanzania, Zambia, Ivory Coast, St. Kitts, Congo, Madagascar, Mozambique and Kenya are lower (less than 16.000 T).

Graph 1 hereunder illustrates these two parameters for the different countries. They contribute to explaining the significance of the EU reform for these countries, as well as the diversity of impacts to be expected.

Graph 1



Source: own elaboration, based on data sources indicated in the graph.

Sugar producing Least Developed Countries (LDC)[7] have also since 2001 benefited from guaranteed prices for limited quantities of exports to the EU, via the "Everything but Arms" (EBA) initiative, which undertakes to give them fully free access to the EU market in 2009. Having only benefited from EBA since 2001, the EU has not played a role in building up a large economic dependency of these countries on sugar exports to the EU. Considering the small amounts still allowed for export to the EU, the "losses" they would incur in their sugar export earnings after a reduction of the EU price are limited.

7 In this context, LDC refers to those LDC who are not also beneficiaries of the Sugar Protocol.

3. IMPACTS OF THE REFORM

3.1. Methodological aspects of the impact assessment

The geographical scope of the analysis covers the ACP countries included in the Sugar Protocol, which have exported sugar to the EU until the Commission's reform proposal of July 2004 (Barbados, Belize, Guyana, Jamaica, St Kitts, Trinidad, Fiji, Congo, Côte d'Ivoire, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Swaziland, Tanzania, Zambia, Zimbabwe).

The impact of the reform is analysed on the basis of a price reduction scenario in the order of magnitude of the one proposed in July 2004 and in June 2005, in comparison to the status quo. All the options consider the situation at the time horizon 2010-11. This does not take into consideration the possible phasing in over time of the price reduction, which may influence the impact in the concerned countries, in terms of the adaptation perspectives. The duration of validity of the regime may also influence the adaptation perspectives of a country insofar as the decision of adaptation can be based on a more or less predictable future. The "present" situation is based on the period 2000-03.

- Status quo: The EU prices are supposed to adapt to the reduction of the tariff protection already negotiated in WTO. At the 2010 horizon, free access for LDC sugar is supposed to have become effective. The preferential access of sugar from the ACP Protocol countries is supposed to be maintained at the present quota level (1.3 million t). Inside this quota, the quantities allocated to countries whose industries may not be exporting any more to the EU, are supposed to be re-allocated to non LDC Protocol countries, who may still be in a position to export under the new conditions.

- Price reduction: The price is supposed to fall in the order of magnitude of Commission proposals of July 2004 and June 2005. The access conditions and the re allocation of the ACP quotas are supposed to be the same as for the status quo scenario

It is clear that there are significant limitations regarding the availability and quality of data, as well as regarding the assumptions required to carry out the analysis. The accuracy of the results is obviously affected by these limitations and assumptions. In particular, the level of aggregation of the analysis, considering average data at national level, does not allow for a differentiated view of the different sugar factories within a country. The objective of the analysis is to improve the understanding of the likely impacts of the reform on the Sugar Protocol countries as a group, as well as to capture their diversity. For the purpose of elaborating adaptation strategies in each country and for each region within a country, more specific analyses are required.

3.2. Competitiveness at different price levels

As a first approximation, the competitiveness of preferential exports may be judged on the basis of the production and transport costs per country. On the basis of the available data, these vary amongst the Sugar Protocol countries between less than € 150 per tonne of raw sugar and more than € 400 per tonne in terms of operational costs, and between less than € 200 per tonne of raw sugar to more than € 600 per tonne in terms of total costs.

These costs correspond to the present situation (for which more reliable data is available) and they can vary at the 2010-11 horizon. Certain countries are engaged in restructuring and/or expansion programmes, which will tend to reduce their costs, while for others, the progressive reduction of their cane production will tend to raise the unit cost of sugar. These trends were taken into consideration, wherever possible, in the evaluation of the countries' perspectives in each option.

The present European price of raw sugar (524 €/t) permits most of the industries taken into consideration here to largely cover their costs and to obtain important benefits. Yet, the industries of certain countries cover their operational costs, but are not able to cover the totality of their depreciation costs nor to attract the necessary investments for their modernisation. In view of the considerable difference between the European and the world price, they continue nevertheless to export in general to the EU the totality of their quota, resorting sometimes to imports to cover their own consumption.

At the price of the status quo, the industries of those same countries would barely cover their operational costs. In view of the absence of realistic modernisation perspectives they might be led to stop their exports to the EU. We can however not prejudge of the continuity of these industries on the sole basis of criteria of profitability of sugar production (considering i.a. the alternative products and services related to cane). An EU price corresponding to the status quo should not cause problems to the industry of other Protocol countries, which appear to be competitive even on the basis of today's cost structures.

With the price reduction scenario, the industry from an additional significant number of Protocol countries could cover their operational costs but not any more the totality of their costs. In the medium term, the less competitive amongst them may not be anymore able to profitably export to the European market. The modernisation of the industry in some of these countries (on going in several cases) will be a critical factor for their competitiveness level. For these countries, relatively small differences in the EU price level may not have a linear impact on their industries, since, in the order of magnitude of the price cut envisaged by the Commission, and according to the production cost data available, they are at a threshold in terms of profitability. Any additional loss of revenue is particularly sensitive for these industries and puts them in a vulnerable position.

The industries of the Protocol countries benefiting from the lowest production costs will be in a position to continue to take profit from their access to the European market, even under the price reduction scenario..

3.3. Impacts on sugar exports to the EU

3.3.1. Impacts on the volume of exports to the EU

At the price and access conditions of each option, the volume of sugar exports of each country to the EU will depend on:

- The competitiveness of their exports (CIF price), including the costs which handicap certain competitive but landlocked countries.
- The quantitative restrictions which limit their access to the market.
- The perspectives of implementation of plans of expansion or of efficieny improvements of the sector.

- The attractiveness of the European market in relation to the domestic and regional markets, to other preferential markets (US among others) and to the world market (FOB price FOB).
- The magnitude of the difference between the European and the world prices. Beyond a certain gap, varying according to the countries, all or part of the local production intended for domestic consumption could be exported to the European market, and imported sugar could substitute it to supplyn the local market. The financial attractiveness of such a choice is independent from the production costs of sugar, and will existif the price differential exceeds the costs of this double transaction. In this context, the additional export volume would only be limited by the level of consumption[8].

The evolution of the exchange rates, and in particular the exchange rates €./.US $ and those related to the national currency, as well as the level of the world price, will influence several of those elements.

For the less competitive countries, the envisaged price reduction may likely lead to the eventual discontinuation of their sugar exports to the EU.

For non LDC with higher competitiveness levels, the status quo and price reduction options have a similar impact on the export volumes, due to the hypothesis of fixed Protocol quotas. They might slightly increase their export volumes, in comparison with today's volumes, due to the reattribution of Protocol quotas following likely shortfalls by less competitive countries.

For the most competitive LDC group, benefiting from free market access, the price difference between the status quo and price reduction options would have a marked impact on their export volumes. In both cases, but most so in the case of the status quo, they would likely increase their export volumes to the EU, in relation to their present situation. But this increae would not be due to the reform, but rather to the free access already foreseen under EBA.

3.3.2. Impacts on export revenues to the EU

The price reduction imposes a general reduction of revenue for the group of Protocol countries, mitigated by the presence of LDC suppliers, which at the time horizon of 2010-11 would likely significantly increase their export volumes to the EU.

The countries that might be led to halt their exports to Europe would undergo a total loss of revenue. In the case of the status quo and of the price reduction, the revenue of the group of non LDC suppliers with a higher level of competitiveness will decrease in direct proportion to the price reduction. Starting from a lower export level, the competitive LDC will augment their revenue in proportion to the price level of these two options.

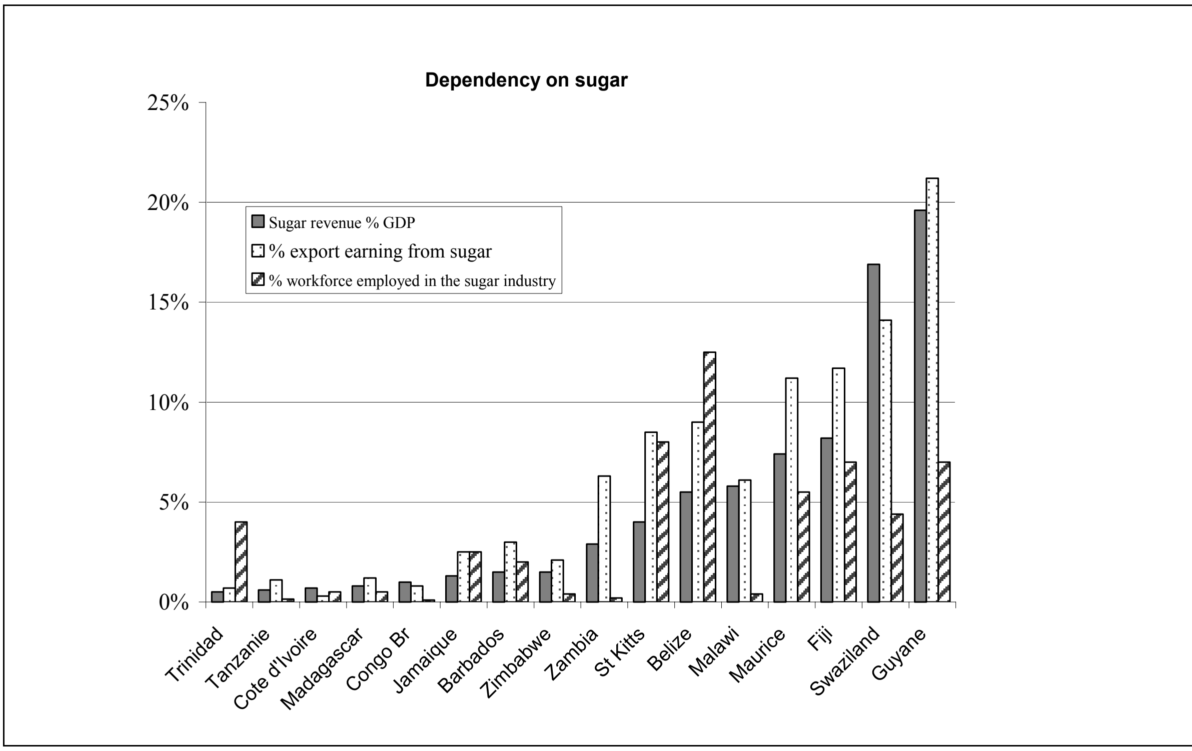
3.4. Impacts on the different dimensions of sustainable development

The expected evolutions in export volumes and revenues, especially in potential cases of loss of profitability of sugar exports to the EU, have direct consequences on the economic, social and environmental situation of the affected countries, in particular where the sugar sector plays a major role in the economy

8 This would be the case for a net exporting country. In the case of a net importer, the limit would be the production level.

Three parameters can indicate the relative importance of the sugar sector in the economy of the Protocol countries : (1) the weight of the sugar sector in GDP; (2) the % of export earnings from sugar in total export earnings; and (3) the % of workforce employed in the sugar industry. These data, presented in Graph 2, are valid in the present situation, where these countries benefit from the Protocol.

Graph 2. Importance of the sugar sector in the economy of the Sugar Protocol countries.



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Source : « Addressing the impact of Preference Erosion in Sugar on Developing Countries » LMC & OPM, September 2003.

For Guyana and Swaziland, the suagr sector is a crucial element of their economy; its contribution exceeds 15 % of GDP and its export earnings represent respectively 21% and 14 % of total export earnings. The sugar sector also has a major weight in the economies of Fiji, Mauritius and, to a lesser degree of Belize, St Kitts, Malawi and Zambia. Finally sugar has a relatively lower weight in the economy of certain African countries (Congo, Côte d'Ivoire, Zimbabwe, Tanzania and Madagascar) and in certain Caribbean countries (Barbados, Trinidad and Jamaica). For these Caribbean countries, the reason for this situation is the gradual relative decline of sugar in comparison to other sectors, such as tourism or financial services, although for Jamaica the diversification process is probably less advanced. As regards employment, the countries which most depend on sugar are Belize, St Kitts, Guyana and Fiji.

It is important to note that these are national data, which may hide important differences between regions of a country.

3.4.1. Economic impacts

Sugar is an important source of foreign exchange earnings for many Sugar Protocol countries. The loss of foreign exchange revenue to be expected from the reform will have a negative impact on the balance of payments of these countries, especially in those where debt sustainability is a sensitive issue. For countries with sugar sectors which depend highly on the EU market (Mauritius or St Kitts for example) and which weigh heavily in the economy (Guyana and Swaziland for example), the reform may affect their macro-economic situation. On the other hand, those LDC countries which will be able to increase their exports to the EU, even at a lower price, can expect an increase of their foreign exchange revenue.

The contraction of the sugar sector may also affect the budget of the government, through reduced revenues either from the general tax basis, or in a few cases from specific taxes on sugar exports or on overall exports (as in Fiji, Swaziland and Zimbabwe for example). In cases where state-owned sugar enterprises are faced with losses in the present situation, the potential rationalisation of these enterprises, induced by the reform, may actually allow the government to free budgetary resources in the medium term.

3.4.2. Social impacts

Industry restructuring, to be expected following the sugar reform, will obviously entail significant impacts in terms of employment. This phenomenon will affect different labour categories: factory workers, permanent and temporary estate workers, hired directly or indirectly, independent cane growers supplying to the industry, as well as a number of employment sectors indirectly linked to the sugar economy. Their relative importance can vary significantly between Protocol countries, depending on their production structures. Especially in countries like St Kitts, Belize, Guyana and Fiji, where the sector is likely to need restructuring to different degrees, and where it contributes to the employment of 6 to 12% of the work force, important social impacts of the reform may be expected. Especially for the significant proportion of farmers and workers whose age and education level render alternative employment possibilities difficult, pension funds or early retirement packages may be required.

Two general types of production structures can be distinguished. In the Caribbean, to the exception of Guyana and St Kitts, cane production is mainly in the hands of small producers, whose revenues much depend on this crop. In the countries of the African continent, cane production is essentially concentrated in agro-industrial companies, which manage both cane growing (estates) and sugar milling. Sourcing cane from small growers is a limited practice, except in the case of Tanzania. Larger independent estates exist mainly in Zimbabwe, Swaziland and Zambia. These different categories require different transitional measures to adapt to the changes induced by the reform.

The sugar companies, whether state-owned (often in the Caribbean) or private (often in Africa) play an important social role. They employ a large number of permanent and seasonal workers, and often provide essential social services to workers, suppliers, their families and / or the community: infrastructure (drinking water, electricity…), housing, health and schooling services. Restructuring due to the reform may lead in certain cases to jeopardising the capacity of these companies to keep providing these social services.

3.4.3. Environmental impacts

As any agricultural chain, sugar production, either through factory operations or through cane cultivation, is related to a number of environmental impacts, both negative (water consumption and alteration of water quality, biodiversity loss, soil depletion for example), and positive (soil coverage and erosion control, renewable energy production for example). Especially in countries where cane plantations represent a significant share of agricultural land use (for example Mauritius, Barbados, Fiji or Belize), restructuring of the industry due to the reform may have significant impacts on these environmental parameters, especially if potential changes in land use do not take place in the framework of a planned process.

4. OBJECTIVES OF ASSISTANCE MEASURES FOR SUGAR PROTOCOL COUNTRIES

Considering the very significant impacts identified above, the Commission proposes to establish an assistance scheme to accompany the adjustment process which will be required in Sugar Protocol countries as a consequence of the EU sugar reform. The objectives of this assistance scheme are:

- To contribute to ensuring that these countries have a strategic approach to face the impact of the EU sugar reform and to devise appropriate adaptation measures.
- To facilitate the adaptation of Sugar Protocol countries to the new market conditions created by the sugar reform, by enhancing the competitiveness of their sugar sector and / or by developing alternative economic activities.
- To mitigate the potentially broader social, environmental and economic consequences of the sugar reform in Sugar Protocol countries.
- To contribute to the central objective of Community development policy, enshrined in particular in the ACP-EC Partnership Agreement, namely poverty reduction and sustainable development.
- To put in practice the EC commitment to policy coherence for development, enshrined in the EC Treaty (art. 178), by developing synergies between the development and agricultural policies.

5. OPTIONS FOR ACCOMPANYING MEASURES FOR SUGAR PROTOCOL COUNTRIES

5.1. No assistance measures to accompany the adjustment process required in Sugar Protocol countries

The EC could decide not to address the links between the EU sugar reform and the ACP countries signatories to the Sugar Protocol. In that case, the economic, social and environmental impacts identified above would be fully felt by these countries, unless they can implement mitigation measures with resources of other origin (which is rendered difficult by the loss of financial resources to be expected from the reform). It would also demonstrate little consistency with the EC's political commitment to the ACP in terms of cooperation towards poverty reduction and towards better integration of developing countries into world trade, as stated by the EU for example in the framework of negotiations of the Doha Development Agenda and of Economic Partnership Agreements. Finally, the effectiveness of overall EU development assistance in these countries would be at stake, in cases where the trade shock created by the reform jeopardises progress already achieved towards sustainable development.

5.2. Trade measures

Trade policy is an important tool to foster economic growth in developing countries, and can have a positive impact for achieving sustainable development and poverty reduction. In its Communication on the reform (COM(2004)499) and in its staff working document on accompanying measures for Sugar Protocol countries (SEC(2005)61), the Commission has committed itself to use trade measures to support the adaptation process of Protocol countries.

This can mainly be implemented through the negotiation of Economic Partnership Agreements (EPA) with the ACP. The EPA process can be utilised to enhance the prospects of the sugar sector within an ACP region, especially within those regions where consumption is growing. It also offers opportunities to improve the trading environment for other products and thus can promote the policy climate for both vertical and horizontal diversification. As regards more specifically access of ACP sugar to the EU market, the Commission estimates that the Sugar Protocol should be integrated into EPA in such a way that does not prejudice the EU's commitment to LDC for full market access for sugar from 2009 and that ensures full compatibility with WTO rules.

If for example, within EPA access to the EU market were broadened, it is likely that a number of non-LDC Sugar Protocol countries could be able to increase their exports to the EU, either by reorienting their exports from other markets or by increasing their production. These countries might partly compensate their loss in turnover through higher volumes of exports albeit at a lower price. This would however not be an interesting option for all ACP Sugar Protocol countries (those which will likely downsize their sugar sector), nor for LDC (for which full access to the EU market is in any case guaranteed by EBA from 2009).

Trade measures can hence contribute to mitigate the impacts of the sugar reform, but only for certain Sugar Protocol countries, and for certain dimensions of the impacts. They should hence be used in complement to development assistance, and are being established in the framework of EPA negotiations.

5.3. Development assistance to accompany the adjustment process required in Sugar Protocol countries

In addition to trade related measures, and in order to support the adjustment process of ACP countries affected by the sugar reform, a development assistance scheme can be established. Since the impacts of the reform can be expected to affect a relatively broad range of social, economic and environmental parameters, and since the situations of the different Sugar Protocol countries is very diverse, such an assistance scheme would need to cover a broad range of areas. This should include measures aiming at i) enhancing the competitiveness of the sugar sector, where this is a sustainable process, ii) promoting the diversification of sugar-dependent areas, and iii) addressing broader adaptation needs. Favouring a comprehensive approach to adaptation, several of these areas are likely to be needed in a given country, and should hence be combined. Country-specific strategies, designed to adapt to the new market conditions and to guide the delivery of EC assistance, should be the main policy frame to ensure relevance and efficiency of the scheme at national level, and should be elaborated or updated in the country itself, in dialogue with the Commission. This assistance should be coherent with other instruments of development cooperation.

The adjustments required from the ACP Sugar Protocol countries, due to the EU sugar reform, will be significant in many cases. This is why a long term assistance scheme is required. In the staff working document on accompanying measures, Commission services have proposed an eight year scheme, starting in 2006.

Starting in 2006 is particularly important to support the adjustment process in the short term, since the impacts of the reform on certain countries will be felt immediately (the reform is expected to enter in force in 2006), since the likelihood of success in mitigating the impacts of the reform will be enhanced if adaptation takes place as early as possible, and also since this confirms the commitment of the EC to address the needs of the ACP in relation to trade shocks in a broader context (i.a. the Doha Development Agenda). The ACP also insist on the need for EC support to be frontloaded, and several of these countries are already in the process of designing adaptation strategies. To reach ambitious targets in terms of reduction of their production costs, they include investment and transformation processes which require several years to bear fruit. If they are not implemented urgently, the full impact of EU price reductions may lead several of these industries to operate at a loss and to be unable thereafter to recover towards a sustainable economic situation.

The experience of the Special Framework of Assistance for ACP countries traditionally supplying bananas to the EU has been taken into account in the elaboration of the regulation proposal. Implementation procedures have been proposed to reduce as much as possible the administrative load and the length of the procedures, while ensuring appropriate consultation and quality support. Resources have been explicitly considered for the management of the scheme, which is to be administered as close as possible to the beneficiaries, i.e. in devolved EC delegations. The emphasis on budget support as delivery mechanism for EC assistance, where appropriate, should also facilitate a smooth implementation. Finally the long-term sustainability of the strategies is a key criteria for their eligibility.

6. MONITORING AND EVALUATION

The regulation proposal covers the year 2006, but the assistance scheme for Sugar Protocol countries should continue thereafter under the Development Cooperation and Economic Cooperation Instrument for an additional period of seven years.

For the first year, most countries are expected to be able to undertake priority actions with EC assistance. In some cases, assistance in this first year may rather be required to support the elaboration of a national adaptation strategy. A common indicator to be evaluated for 2006 will be the availability in all countries of an adaptation strategy following the principles laid out in the staff working document SEC(2005)61.

As regards the eight year scheme, a “mid-term” evaluation will likely be undertaken, and may lead to proposals for adaptation of the assistance scheme, if relevant. The relevance of indicators to be used in the framework of this evaluation will vary between countries, depending on the strategy adopted. Overall export earnings, GDP and unemployment in targeted areas, as well as the effectiveness of implementation mechanisms will be common indicators.

7. CONCLUSION

On the basis of the impact assessment above, it seems clear that accompanying measures are needed for Sugar Protocol countries, to help them adapt to the new context created by the sugar reform. Trade measures are a valid option, but are being pursued by the Commission through other instruments, and need to be complemented by development assistance, tailored to the specificities of each country, and to be implemented as soon as possible.