

**Meeting of the ACP/LDC Ministerial Delegation with the
European Commission and EU Agriculture Ministers**

**Statement by Albert Shabangu,
Deputy Prime Minister of Swaziland**

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The ACP Sugar Protocol Group comprises 18 countries supplying sugar to the EU. Most have been reliable trading partners with the EU since 1975 and for a much longer period with the UK. Most can be categorized as small developing nations which are vulnerable to severe climatic disruptions and external economic shocks. Most have a high dependence on sugar exports for contributions to GDP foreign exchange earnings and employment especially in the rural areas. Some of us have been classified as LDCs but all of us have significant sectors of poverty within our economies.

However mere statistics, impressive as they may be, do not convey the full socio-economic importance of the sugar industry which has a major multi-functional role in our countries. In particular:

- It delivers a wide and transparent distribution of sugar income especially in rural areas;
- In addition to direct employment, the multiplier effect of indirect employment and benefits in ancillary and support industries indicates that as many as three million people derive part or all of the income from sugar;
- In many ACP countries the sugar industries are directly responsible for the provision of primary health care services (including hospital care and public health programmes), local education, housing, recreation, and community services;
- It provides renewable and environmentally friendly energy both for the mill and increasingly for the national electrical grid.

Because of the sheer scale of its scope and its long historical involvement, the sugar industry is woven into the tapestry of our rural economies. We were initially encouraged by the EC's apparent understanding of the crucial role of sugar and the EC statement of a firm commitment to mitigate the devastating effect of such a radical sugar reform proposal. It was stated that there would be a financial support package from funds which would be additional to the European Development Fund.

The negative impact of reform on the livelihoods of the EU's own beet and cane suppliers was acknowledged from the outset and the reform proposals have been directly linked to the provision of immediate financial payments to growers, irrespective of whether or not they remained in sugar production. However despite the absence of realistic alternative uses for land and people and the considerably greater difficulty for ACP economies to absorb the major revenue losses, there is no such urgency in the fulfillment of EU promises of financial support. Instead there have been vague references to "Accompanying Measures".

We were confronted in January 2005 with the so-called Action Plan for delivery of the Accompanying Measures. This "Action Plan" whilst having the appearance of laudable intentions is being viewed with increasing skepticism in the ACP, and even among MEPs and the major development NGOs. It contains all the ingredients for a major bureaucratic delay with an array of hurdles to overcome. It is, for example, a pre-requisite to justify whether finance should be made available for:

- Enhancing the competitiveness of the sugar sector where this is possible;

- Promoting the diversification of sugar dependent areas;
- Addressing broader adaptation needs.

The procedures attached to this approach amount to a candy shop for consultants and a certainty of delay. We have been unimpressed by the consultant reports conducted on our industries in recent times. We have in fact been studied to exhaustion. Most of us have already conducted full reviews of our industries' future potential and have embarked upon a wide range of alternative actions which cover the range of options outlined in the EU's Action Plan objectives. All of these plans need urgent financial assistance.

Yet the real situation is that:

- Unlike the compensation for EU countries there is no monetary value being placed on the assistance, there is no timetable for disbursement and no clear linkage has been established between the trade losses which will be sustained and the financial assistance offered.
- It has been suggested that a sum of €40 million will be released in 2006. Quite apart from the incredibly small amount to be spread between 18 countries it is made worse by realising that in fact only €20 million will be available in 2006 and a further 18.8 million will not be disbursed until 2007. Moreover, a sum of €1.2 million will be retained for administrative purposes. This is at a time when the EC proposals will take away €35 million in the first year of the new regime. Again, a direct contrast with the guaranteed immediate finance for domestic stakeholders to whom €1.5 billion per annum is being offered.
- We have been advised that no further finance can be defined until the EU budget process has been concluded. We are not even being told the amount which is being requested in this process although it has been recognised by one country that an amount of €500 million per annum is required. Indeed in our view the multiplier effect on the loss of direct revenue would lead to a much higher number. Despite this lack of any definitive data we are being rushed into agreement on Action Plans which will crucially depend on the amounts and timing of finance available.
- In addition to capital and long term financial assistance, ACP sugar producers are in need of immediate short term funds to cater for the cash flow constraints caused by existing restructuring activities.
- ACP sugar producers should also qualify to receive income support to take account of the lag between investments and productivity gains to be reaped therefrom.
- It has been indicated that the EU will not necessarily be the provider of either the grant or loan finance needed to support the modernisation and diversification of our industries. We have been told that the EU would use its influence to assist us to obtain funds and would seek support from international institutions such as the World Bank. In the context of an urgent need for funds to pursue and complete modernisation and diversification plans which are already in place, this is a bizarre suggestion. The World Bank is not an appropriate organization to provide fast disbursing funds to projects already in progress.

- ACP countries that have already taken steps to reform their industries are being penalised. It is essential that measures in the process of being implemented and which conform to the objectives stated in the Action Plan should be eligible for EU financial assistance, and be funded retroactively when the overall financial perspectives are approved.
- We are also being encouraged to tap other EU funds, e.g. Water and Energy Funds which are not linked directly to the reform of the sugar regime. It is inappropriate to ask the ACP to hunt and navigate around EC finances. If there is known availability of spare finance, surely political will can obtain a budget switch to secure early release of cash.
- The very poor experience of some ACP countries with the promised financial support required to reform of the Banana regime casts even greater doubt on the “Action Plan”. There are worrying similarities between the sugar and banana experiences to date. As with bananas the good intentions of the political solution seem likely to suffer from the bureaucratic barriers inherent in the EC, and the economies of the ACP will experience long-lasting and irreversible damage.

It is frustrating that the problems have not been unforeseen. In January, Commissioner Mandelson in a speech in Georgetown, Guyana acknowledged the severe challenges which reform would create, and pledged EU support in the process of adjustment. He stated that Financial Assistance should “anticipate reform and not just cushion its effects”. The present arrangements represent a complete denial of that recognition of the need for early disbursement of substantial funds. Some industries are desperate for finance to assist in their economic restructuring. St Kitts, for example, has already announced cessation of sugar production after 360 years and needs urgent help. Other industries are already experiencing high operating and debt financing costs from radical reform programmes. These will become untenable with the imminent loss of revenue on the scale proposed. It is therefore essential to have a clear bankable commitment of the amounts and timings of finance from the EU.

There are some ACP countries which may be able to offset part of the revenue loss by increasing their exports to Europe. This has been recognised by both Commissioners Lamy and Mandelson. We need these assurances to be backed by a firm commitment now.

The ACP preference is for maintaining and enhancing trade for development. The benefits of the Sugar Protocol cannot and should not be replaced by inadequate and bureaucratically hamstrung handouts.

We are faced with problems which emanate primarily from a disharmony in the proposed timetables for Sugar Reform in July 2006, the new EU budget from 2007, and the EPAs due to start in 2008. The present proposals and the dislocated timetables are in danger of worsening the prospects for some of the EU’s oldest trading partners to achieve their Millennium Development Goals, and poverty will not be reduced it will be dramatically increased.