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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the implementation of the scheme of specific measures for agriculture in favour of the outermost regions of the Union (POSEI)

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1. INTRODUCTION

The outermost regions - Guadeloupe, French Guiana, Martinique, Mayotte, Réunion Island and Saint-Martin (France), the Azores and Madeira (Portugal) and the Canary Islands (Spain) - are an extraordinary asset for the European Union. Their unique rich biodiversity, vast exclusive economic zones, proximity to third countries and location suitable for space and astrophysics activities are important por the EU as a whole.

However, the geographical situation (remoteness, insularity, smaller size, difficult topography and climate) of the outermost regions poses constraints for their development and hinder their integration in the internal market.

The special situation of the outermost regions has been acknowledged since 1999 by the EU treaties and since 2009 under Article 349 of the Treaty on the Functioning of the European Union (TFEU), which enables them to benefit from specific measures in key EU policies such as agriculture, cohesion and competition.

The POSEI scheme (programme of options specific to the remote and insular nature of the outermost regions) is part of the Commission's overall strategic approach towards the outermost regions[1]: in the programming period 2014-2020, the European Structural and Investment Funds and the Europen Agricultural Guarantee Fund (EAGF) provided almost EUR 13.3 billion to these regions - an important source of investments and job creation. Furthermore, specific rules apply to them such as specific State aid rules for operating and investments aids and specific taxation and customs rules to help boost their competitiveness.

In this context, specific measures for agriculture have been implemented through the POSEI scheme.

This report assesses the POSEI scheme's implementation between 2015 and 2019. It takes into account, in particular, the Commission's experience in implementing the programme until 2019 (financial year 2020) and takes into account the analysis and conclusions of the 'Synthesis study of annual implementation reports of POSEI programmes and the programme for the smaller Aegean islands for 2015-2019', carried out by Ecorys between January 2021 and October 2021.

2. POSEI: ORIGIN, EVOLUTION AND CURRENT SITUATION

The POSEI scheme was created in 1989 for the French overseas regions (Guadeloupe, Martinique, French Guiana, Réunion and since 2014, Mayotte) and introduced in 1991 for the Canary Islands, the Azores and Madeira.

In 2006, Council Regulation (EC) No 247/2006[2] deeply modified the scheme by introducing a programming approach. Subsequently, the Member States concerned submitted comprehensive programmes to the Commission for approval.

The POSEI scheme was revised in 2013 in alignment with the Lisbon Treaty. Regulation (EU) No 228/2013 of the European Parliament and the Council was

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1 COM(2017) 623 final 'A stronger and renewed strategic partnership with the EU's outermost regions'.
2 OJ L 49 of 21.2.2006.

adopted in 2013, followed by the adoption of Commission Delegated Regulation (EU) No 179/2014 and Commission Implementing Regulation 180/2014.

The POSEI scheme is financed by the EAGF. Regulation (EU) No 228/2013 sets the ceiling per financial year for: the French outermost regions (EUR 278.41 million), the Canary Islands (EUR 268.42 million) and the Azores and Madeira (EUR 106.21 million).

In the reform of the commun agricultural policy (CAP) for 2023-2027, the co-legislators decided that the POSEI scheme would remain unchanged, i.e. would be separate from the CAP strategic plans. EU funding for the POSEI will be maintained at its current level, thus recognising the scheme's particular role in supporting agriculture in the outermost regions.

The POSEI programme in the outermost regions replaces the measures of the first pillar of the CAP, except those included in the Common Market Organisation for fruit and vegetables, wine and beekeeping.

Figure 1 in the annex shows the financial execution (the amounts paid compared to the amounts programmed) for the 2015-2019 programmes.

3. LEGAL BASIS OF THE REPORT

Article 32(3) of Regulation (EU) No 228/2013 states that the Commission has to submit to the European Parliament and to the Council a report showing the impact of the actions taken under this Regulation by 30 June 2015[3] and then every 5 years.

4. OBJECTIVES, SCHEME AND PROGRAMMING

The POSEI scheme aims to help meet the following objectives, as specified in Article 2 of Regulation (EU) No 228/2013:

- *guaranteeing the supply* to the outermost regions of essential agricultural products,
- *securing* the development of the 'livestock' and 'crop-diversification' sectors and
- *maintaining* the development and strengthening the competitiveness of traditional agricultural activities.

Two categories of measures have been implemented within the programmes, namely specific supply arrangements (SSA) and support to local production (SLP).

The measures have to comply with EU law and be consistent with the common agricultural policy and other EU policies.

4.1. Specific supply arrangements (SSA)

Two types of support are possible: exemption from import duties for *imports from third countries* and aid for the *supply of Union products*.

[3] It was agreed that the first report would be submitted by 31 December 2016 so that elements from the assessment carried out by an external evaluator could be included.

Regulation (EU) No 228/2013 established the ceilings per financial year for SSA: EUR 72.7 million for the Canary Islands, EUR 26.9 million for the French outermost regions and EUR 21.2 million for the Azores and Madeira. The volume of products to be supported by SSA is set every year on the basis of forecasts by the Member State concerned. The SSA may not harm local production and its growth.

4.2. Support to local production (SLP)

SLP measures support the production, processing and marketing of local agricultural products. There are two types of measures : those in favour of *traditional production* which represent the historical export sectors (such as bananas in Guadaloupe, Martinique and the Canary Islands) and those in favour of *diversification products,* in general for local consumption (fruit and vegetables and animal production).

Cross-compliance applies to payments granted to farmers under the CAP and makes a link between these payments and the farmer complying with a set of EU statutory rules for the environment and public, animal and plant health.

4.3. Programming by Member States

In the POSEI scheme, the measures in both SSA and SLP are defined in detail in the individual programmes. Therefore, each national programme is quite specific, following the priorities decided by the national authorities for their agricultural sector, in close cooperation with stakeholders. These priorities can be adapted annually to satisfy the needs expressed, by modifying the programme (Article 40 of Regulation (EU) No 180/2014).

Each year, by 30 September, Member States submit an annual report on their programme’s implementation for the previous year (Article 39(1) of the Regulation mentioned above).

4.3.1. POSEI programme for France

SSA is mainly oriented towards agricultural commodities for the local animal feed and agro-food processing industries. EUR 26.9 million is earmarked for 2019, around 10% of the maximum financial allocation. Réunion is the main beneficiary of SSA, followed by Guadeloupe and Martinique.

SLP includes a group of measures supporting the various parts of the value chain: support to (i) bananas (EUR 129.1 million allocated in 2019), (ii) sugar/cane/rum (EUR 74.86 million), (iii) crop diversification products (EUR 14.1 million), (iv) livestock production (EUR 30.7 million) and (v) transversal measures, such as technical assistance, reference network, etc. (EUR 2.8 million). 73.3% of EAGF funding for the POSEI SLP budget has been allocated to traditional production (46.4% for bananas and 26.9% for cane/sugar/rum).

Since 2009, France grants additional national financing (EUR 45 million in 2019) for SLP diversification measures only.

4.3.2. POSEI programme for Spain

SSA focuses on agricultural inputs, products for human consumption and food processing (EUR 62.09 million is earmarked for 2019, around 23% of the maximum financial allocation, the highest proportion of SSA/SLP in the outermost regions).

SLP includes 3 groups of measures: support to (i) fruit and vegetables (EUR 36 million), (ii) bananas (EUR 141.1 million) and (iii) animal production (EUR 25 million). 72% of the POSEI funding for SLP has been allocated to traditional production (70% for bananas and 5% for export tomatoes).

Under SLP, additional national complementary financing was allocated to support animal and vegetable production. The amount per financial year varied from EUR 11 to 17 million for vegetables, and from EUR 6 to 8 million for animal production.

4.3.3. POSEI programme for Portugal

The Portuguese programme includes two quite distinct sub-programmes, one for the Azores (EUR 76.8 million in 2019), the other for Madeira (EUR 30.6 million)[4].

In the Azores, **SSA** focuses on cereals and other by-products for its animal feed industry and livestock sector; **SSA** in Madeira also focuses on products for animal input but to a lesser extent, and includes products for human consumption. The SSA global allocation for 2019 amounts to EUR 17.17 million (around 16% of the maximum financial allocation).

SLP in the Azores includes five measures: support to (i) animal production (EUR 57.76 million in 2019), (ii) local crops (EUR 11.9 million in 2019), (iii) processing (EUR 0.85 million in 2019), and (iv) technical assistance (EUR 1.29 million[5]). Of the POSEI funding for SLP, 81.8% has been allocated to traditional production (milk and meat). Under SLP, EUR 8 million of additional regional complementary financing was allocated to support animal and vegetable production in 2019.

SLP in Madeira is structured around three measures: (i) basic support for farmers (EUR 4.3 million in 2019), (ii) support to agricultural and livestock production value chains (EUR 13.3 million in 2019), and (iii) marketing of local products (EUR 1.56 million in 2019). Of the total POSEI funding for SLP, 54% has been allocated to traditional production (bananas and wine). EUR 1.17 million of additional regional comlementary financing was allocated in 2019 to support measure (ii) for agricultural and livestock production value chains.

4.3.4. Synthesis of the programmes

The strategic choices of the Member States for the SSA/SLP share are quite different, as underlined in the annex in Figure 2 for SSA and in Figure 3 for SLP.

For **SSA,** the Azores and French outermost regions give priority to supporting animal feed and/or cereals for animal consumption, thereby reducing the costs for livestock production on the islands.The Canary Islands and Madeira, which give a higher importance to SSA than the other regions (24% and 36% of the POSEI maximum financial allocation respectively), focus on products for direct human consumption and on support to processing. With a lower priority to animal feed imports, they still devote almost a third of SSA support to this last product category.

[4] The distribution of the amount of EUR 106.21 million between the 2 sub-programmes has been done by national authorities

[5] This measure was only present in 2015 and 2016, and it was subsequently removed from the programme.

In all outermost regions, **SLP** support is mostly provided for the traditional export sectors, representing 77% of the aggregated allocations earmarked for SLP measures over the period, whereas the share dedicated to diversification is about 23%. The highest share for the traditional sectors is noted for France (approximately 82%), the lowest share for Madeira (55-56%). The high allocation for these sectors confirms the priority given to their maintenance.

Overall, the shares devoted to traditional versus diversification sectors have remained stable.

5. FINANCIAL EXECUTION

The financial execution rate is very high for the whole period covered by this report, with an average execution rate of between 97.9% and 98.9%.

Details on the financial execution for 2015-2019 are presented in Table 1 in annex.

6. ASSESSMENT OF THE SCHEME

6.1. Guarantee of supply for agricultural products

POSEI programmes guaranteed the supply of the specifically-selected products by the outermost regions within the SSA budget constraints and mitigated additional costs. For the full period, the forecast supply balance for products from the EU was almost entirely utilised[6] with a very high execution rate in all regions, while the exemption quotas on imports from third countries (products exempt from tariffs) were much less utilised.

According to the conclusion of the synthesis report, POSEI was fairly **effective** in reaching its objective of guaranteeing the supply of products essential for human consumption or for processing as agricultural input to the areas concerned.

SSA unit support levels were found to be almost always lower than the estimated additional costs. The SSA aid can thus be considered proportional. The POSEI was therefore also found to be **efficient** in reaching the general objective.

6.2. Coherence between SSA and SLP

Overall, SSA and SLP instruments have been implemented through the programme modifications in a coherent manner, i.e. in such a way that the number of potentially competitive products was limited and the SSA support did not harm local production or its growth.

6.3. Maintenance of agricultural activities

POSEI support has helped to keep agricultural production activities in the outermost regions. It has also strongly supported income. Although the programmes have been **fairly effective** in securing the long-term future and development of **the livestock and crop diversification sectors**, they have been **less effective in the traditional crop sectors,** for which most sub-sectors were found to be on a decreasing

6 Presented as the financial execution rate, as the quantities of the different products cannot be added together.

production trend. Even so, the POSEI's substantial role in maintaining production for these sectors during the period 2015-2019 is beyond doubt.

Large variations in the extent to which agricultural area and employment evolved could be observed. While the utilised agricultural area has increased for the Canary Islands, the Azores and French Guiana, it has remained stable in Martinique and has decreased in the other French outermost regions and in Madeira.

As for changes in agricultural employment, Martinique and Madeira have shown a significant decrease. The Azores, French Guiana and the Canary Islands noted a positive trend.

6.3.1. Traditional production

In the **banana sector,** overall production volumes decreased by some 10% in the period. Guadeloupe has seen its banana output level halved, but the figures for Martinique also show a significant 28% drop, these trends being mainly due to repeated climate disasters. At the same time, the Canary Islands, the largest producer supported under POSEI, have seen a 5% increase over the same period. Similarly, the volume of bananas produced in Madeira was 22% higher in 2019 compared to 2015.

In the **sugar sector**, despite the significant amount of support from POSEI, sugar cane production has decreased (-15%), as has sugar production (-11%), whereas rum processing was on an increasing trend (+15%). This positive trend seemed to be particularly evident in French Guiana.

The surface area for producing **export tomatoes** strongly decreased in the Canary Islands from 2.478 ha in 2006 to 352 ha in 2020, despite restructuring attempts. The sector has lost its main comparative advantage, which was built on the concentration of exports to the European markets during the winter months. This is due to competition from Morocco, the Spanish mainland and European production but also to increased labour costs. The production trend is clearly negative.

POSEI has helped to maintain **milk production** in the outermost regions. For the main milk and beef producing region, the Azores, milk production remained stable, whereas beef production increased. The areas allocated to beef production have more than doubled since 1999. The number of animals has also increased.

The Canary Islands and Madeira also saw an increase in milk production. At the same time, in the main milk-producing French region, Réunion, production declined over the period, and for Martinique, it has almost disappeared in recent years.

All outermost regions (with the exception of the Azores) are still far from meeting local milk and meat consumption needs.

Wine production in Madeira seems to have decreased to some extent over the period, and the sector shows a potential decrease of its competitiveness level. Production of Madeira wine decreased by about 11% from 2015 to 2019, whereas the increase in PDO[7] still wine was about 20%.

[7] Protected designation of origin (PDO).

6.3.2. *Diversification productions*

The diversification sectors obtained about 23% of the yearly SLP allocation. Sectors eligible for support vary by country, but include both crop and animal sectors for all regions. The whole value chain was addressed through different support measures, especially processing and marketing.

As far as the **crop diversification** sectors are concerned, the analysis of the annual implementation reports concluded that fruit and vegetable production has been decreasing as has the coverage rate of local consumption. Some sub-sectors have increased their production and seem to have increased their competitiveness: this includes tomatoes for all French outermost regions (in particular French Guiana), peppers (French Guiana), melon (French Guiana and Guadeloupe), flower production (Madeira), etc. The production volume of other sub-sectors has decreased and may have lost competitiveness: examples are potatoes in Réunion, fruit (in particular oranges) in the Azores, to some extent pineapple and mango in French Guiana, and vegetables in Madeira. The competitiveness of the fruit and vegetable sector in the Canary Islands seems to have decreased, while in the wine sector it has strengthened. Rum production in Madeira also shows a positive trend.

The global development of the number of **livestock** for the outermost regions is rather negative in the period, with the number of livestock units decreasing overall. The decrease is particularly notable in Martinique (-28%). However, a positive trend was noted for Réunion in particular, as well as French Guiana and the Azores. Some local production seemed under pressure from low-priced imports, especially frozen meat imports.

Despite all the efforts by the Members States, the **structuring** of the sectors seems to have worsened in the outermost regions, as fewer producers were members of producer organisations in 2019 than in 2015, both in the crop and livestock sectors.

All outermost regions have designed various support measures to encourage the production of **quality products** (for example PDO/PGIs[8] or products with national/regional quality signs). Despite this, however, the result was relatively mixed.

6.4. Contribution to CAP objectives

The POSEI scheme contributed to the overall CAP objectives of the period analysed. It has helped maintain production levels in most sectors, thereby considerably supporting farmers' incomes in a stable manner, and therefore **viable food production**. **Sustainable management** was mainly addressed through the respect of cross-compliance requirements. As POSEI notably supports production activities in more remote areas, it helped to ensure **balanced territorial development**.

There was **strong coherence** between POSEI programmes and rural development programmes, which is crucial to achieving the CAP objectives, given the inter-dependence between the two types of support. Numerous **synergies** between POSEI and rural development programmes have been identified (training, setting-up of young farmers and investments supported by rural development programmes and production supported by POSEI). But coherence with national support, other CAP

[8] Protected geographical indication (PGI).

measures (wine, fruit and vegetables) and European Regional Development Fund programmes also remained strong.

6.5. Relevance of the POSEI scheme and EU added value

The POSEI programmes are designed in a manner that allows the outermost regions to satisfactorily address agriculture-related problems, in particular economic challenges. Regarding the specific objectives of the new CAP, they address, first of all, the three economic objectives to foster a resilient farm sector, while the sustanability aspect continues to be assured through cross-compliance rules. If the POSEI legislative framework seems to be coherent[9] with the new CAP objectives[10], the effective implementation of the programmes would need to be assessed in the coming years in order to determine to what extent it fulfils the requirements of increased sustainability and climate actions.

At policy level, EU added value is mainly positively assessed: the outermost regions face a number of severe common constraints requiring specific measures which are framed by a common Commission's strategic approach, including POSEI.

At the level of the design and implementation of programmes, the scheme also proved positive in terms of the flexibility left to the Members States to define their programmes, based on their specific needs while responding to the common overall goals, generating coherence between the various programmes.

6.6. Administration and management of the programmes

POSEI programmes are in general satisfactorly managed, given the high execution rates and audit results. Member States' reporting on implementation has improved, especially in recent years thanks to the new template, which clarified and simplified the reporting requirements in 2018[11]. Payment of and reporting on complementary national aid based on Article 23 of Regulation (EU) No 228/2013 have also improved.

Nevertheless, there is still room for improvement: first of all, the Member State's **strategy** should be better clarified in the programmes, including further development of specific indicators to be reported in the annual implementation reports. Also, the scheme's contribution to the new overall CAP objectives should be made more explicit in the programme and linked to the specific quantified objectives.

Further effort is needed to improve **reporting**, as the implementation reports do not address satisfactorly the fulfilment of the specific objectives, and in general contain very limited information on the programme's performance in achieving the objectives.

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9 Article 4(2) of Regulation (EU) No 228/2013 provides that 'Consistency of the measures taken under POSEI programmes with measures implemented under other instruments of the common agricultural policy…, shall be ensured'.

10 https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/new-cap-2023-27/key-policy-objectives-new-cap_en

11 Annex IX to Commission Implementing Regulation (EU) 180/2014 introduced by Regulation (EU) 2018/920 of 28 June 2018, OJ L 164, 29.6.2018, p. 5–13.

7. RECOMMENDATIONS

7.1. No need to amend the EU Regulation

Taking into account the assessment of the scheme described in point 6, modification of Regulation (EU) No 228/2013 is not deemed necessary.

7.2. Recommendations to the Member States

Although the overall assessment of the implementation is fairly positive, further efforts are needed, in particular on strategy, reporting and on some other elements.

Member States should define a **clearer strategy** in their programmes, highlighting general objectives and quantifying the specific objectives with adequate indicators.

Table 2 in annex gives an overview of the specific points to be improved.

Reporting should be improved, particularly to better assess whether the objectives are being met and to better describe the situation of the agricultural sector and its development. Performance indicators should be better reported.

Furthermore, the recommendations formulated in the European Commission's 2016 report[12] still remain valid. These concern the fair **distribution of the support,** the promotion of **sustainable farming** practices, **product quality** (organic production or other labels and certification), **product differenciation** (brown sugar, sustainable bananas, fresh milk, PDO wine, etc.) and the **exchange of good practices** with other outermost regions (see annex).

8. CONCLUSIONS

The overall performance of the POSEI programmes over the 2015-2019 period is rather positive, especially when it comes to their ability to address the agricultural challenges specific to the geographical location and permanent constraints of the outermost regions, as defined in Article 349 of the TFEU.

With its higher level of support and flexible programming measures, POSEI proved to be an efficient instrument to strengthen local agricultural and food production and mitigate the risk of abandonment of agricultural activities, which would have a significant negative effect on employment and on the social and territorial dimension of the outermost regions.

If POSEI remains outside the CAP strategic plans, it should nonetheless be consistent with the new objectives of the CAP. The consistency requirement is explicitly stipulated in basic Regulation No 228/2013. Therefore modification of the current legislative framework is not deemed necessary.

Nevertheless, Member States should take into account the results and the recommendations of this report, in order to adapt their programmes for a more effective implementation of the measures, a better design of the programmes, greater consistency with the new enviromental and social objectives of the CAP and more complementarity with other support from the CAP and/or other Funds. Greater

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[12] Report from the Commission to the European Parliament and the Council on the implementation of the scheme of specific measures for agriculture in favour of the outermost regions (POSEI), COM/2016/0797 final - See the recommendations in annex.

synergy between the different forms of support to outermost regions would also result in more effective and efficient budget spending that could help to further develop local agricultural production as well.

Annex: Financial execution for the 2015-2019 POSEI programmes