

## **ODI/DIE/ONE Private Roundtable: Rethinking the EU's external action budget**

1<sup>st</sup> March 2011, Berlin

### Key points:

1. This was the third in a currently planned series of consultations on the Financial Perspectives post-2013, in London, Brussels, Berlin, Paris and possibly in Madrid, Maastricht and the European Parliament. About 25 people participated, including representatives of the German Ministry of Development Cooperation (BMZ), the Ministry of Foreign Affairs and the Chancellory.
2. The German position is clear. The Germans want a budget ceiling of no more than 1% of GNI. They do not want a major restructuring of the external actions budget, but rather a refining of the instruments. No additional money should be allocated towards climate finance. It should be included and sourced from within Heading 4. Neighbourhood Policy is where the EU's added value lies. The Germans are supportive of budgetisation of the EDF but not before 2020.
3. Flexibility is proving to be problematic, in particular between Headings. This will be opposed by almost every Finance Minister and it also runs the risk of diverting money away from the development instruments.
4. The Commission is still undecided as to their proposals for Heading 4. In particular, they are struggling with differentiation - how to deal with LICs vs. MICs, and what to do with China, India and Brazil. They are also pondering whether to focus the budget geographically and do away with thematic programmes. The rationale they give is that the Paris Declaration emphasises country-based cooperation and priorities should be set as part of the Country Strategy Paper process. Reducing thematic programmes would also reduce transactions costs and allow for greater flexibility.
5. Simon and Mikaela's 10-point charter was welcomed by the German representatives, in particular the representative from the Chancellory.

1. EDCSP are organising a series of private roundtables with key officials, politicians and stakeholders to discuss the EU's next multi-annual budget framework, the Financial Perspectives post-2013. The first took place at ODI on 5<sup>th</sup> October 2010 and focused on

the UK's priorities for the upcoming negotiations. The second was held in Brussels on 14<sup>th</sup> February 2011, in collaboration with ONE, and had a broader European focus. The third in the series was a joint event with DIE and ONE and took place in Berlin on 1<sup>st</sup> March 2011 with officials from the German Foreign Affairs, Finance and Development Ministries, as well as European Commission and NGO representatives. A similar event will take place in Paris on the 16<sup>th</sup> March 2011, and future events are provisionally planned for the coming months in Spain, the Netherlands and in the European Parliament.

2. Tobias Kahler, Director of ONE Germany, opened the meeting by outlining the objectives of the event: to come to a shared understanding of the challenges and opportunities of the new Financial Perspectives; to share views on how the Financial Perspectives matter to each department/organisation; and to discuss how we can contribute to the process.
3. Imme Scholz, Deputy Director, DIE/GIE, gave some introductory remarks which highlighted the context of the negotiations for the next EU Financial Perspectives. Before designing the new instruments for external action, it is necessary to set the strategic aims of EU development cooperation. The instruments should then be designed so that these objectives can be met. She suggested the overarching objective of smart, sustainable and inclusive growth. She then highlighted some of the key challenges facing EU development cooperation: dramatic shifts in the patterns of growth across developing countries; fragile states and the need for coherence between security and development concerns; climate change; a reassessment of the EU's Neighbourhood Policy.
4. Eloise Todd, Director, ONE Brussels, introduced ONE's priorities for the next EU Financial Perspectives. These include an increased Heading 4, within which the proportion of ODA should increase; a focus on results and catalytic sectors; and flexibility across the budget. Some challenges to achieving these objectives include how to support poor people in MICs, keeping the ODA definition, and how to measure success beyond economic GDP.
5. Mikaela Gavas, then highlighted ODI's 10-point charter and urged all participants to vote online on the principles. She then stressed the need to use the principles outlined in the Lisbon Treaty for EU external action as a guide to the negotiations for the next Financial Perspectives.
6. Participants introduced themselves and how they are involved in designing the German position on the next Financial Perspectives. A number of officials reflected on aspects of the German Government's official response to the Commission's consultation on the

Financial Perspectives (see attached). In addition, the government's coalition agreement also makes some references to the EU budget, including a commitment to ODA levels, support for budgetisation of the EDF, although only from 2020, and a call for increased resources for the Common Foreign and Security Policy.

7. Svea Koch, DIE, gave a brief presentation looking at the current Financial Perspectives, challenges for the upcoming negotiations, and the European Commission and German government's current position.
  - a. EU challenges: Assess the effectiveness of current instruments; streamline instruments; ensure flexibility; new institutional set-up and new EEAS; maintaining 0.7% ODA target; identifying added value of EU development cooperation; coherence between spending programmes and policies.
  - b. Global challenges: Rise of new powers; global geography of poverty; climate change
  - c. Germany's position: climate finance should be included and sourced from within Heading 4; no major restructuring but just refining of instruments; refocus relationship with MICs; Neighbourhood Policy is where EU's added value lies; budgetisation of EDF shouldn't be done before 2020 but should be prepared now.
  - d. Points for discussion: How much and what for? How to adapt financial instruments? Should there be ODA thresholds within Heading 4? Are the thematic and geographic programmes still relevant? How to manage climate finance? How to ensure transparency and flexibility?
8. The discussion focused on:
  - a. Whether budgetisation is politically feasible and positive for development cooperation. The advantages in terms of efficiency and democratic accountability were stressed, but a question remained over whether it would actually result in lower ODA levels.
  - b. How to achieve flexibility in the budget. There is no guarantee that flexibility across budget headings would actually work in favour of development cooperation. One possibility is to 'EDF-ise' the EU budget with a derogation to allow unallocated funds to be used for unforeseen needs.

- c. How to increase resources for the Common Foreign and Security Policy without diverting resources from traditional development policy, and whether it is possible to divorce the two.
- d. What should be the appropriate division of labour between EU and Member States' development cooperation? Should the European Commission be required to prove its added value when Member States' do not? Or, does the principle of subsidiarity demand the Commission to identify the areas where it is more effective in development cooperation.
- e. How to respond to the changing geographical patterns of poverty? The MICs are a broad group with some countries having only just moved out of the LIC category. It is therefore not possible to have one strategy for the entire group. For some, political dialogue is more appropriate than traditional development cooperation. But, how does this translate into the design of instruments? Is an additional instrument necessary for Brazil, China and India?
- f. Are geographic and thematic programmes still appropriate? The former facilitates dialogue with the partner countries, but can you set priorities for a 7-10 year period? If thematic programmes are scrapped, how can thematic priorities be mainstreamed into Country Strategy Papers?
- g. The EU's Neighbourhood Policy represents a significant share of the EU's ODA. And Turkey is the number one recipient of EC aid. Is this appropriate?
- h. How can those who want to protect the EU's Heading 4 work together to make the case for protecting or increasing the share of ODA.

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