

Getting ready for the budget season – what to look out for

September 2017



The upcoming fall and winter in Europe will be an important time for global development advocates. The period between September 2017 and March 2018 offers vital opportunities to shape official development assistance (ODA), since most European donors are finalizing their 2018 budgets and starting to develop their 2019 budgets. In this briefing, we look at six important European donors and highlight opportunities that may emerge during this ‘budget season’, which advocates could use to encourage budget increases and to prevent potential budget cuts.

Executive Summary

Over the coming six months, between September 2017 and March 2018, important decision-making will occur in the annual budget cycles of European donor countries. Budget proposals that were developed in the first half of 2017 are being discussed, amended, and voted on in parliaments in the upcoming 'budget season' in the second half of 2017 and early 2018. This period is significant as it offers vital opportunities for advocates to shape development budgets.

This briefing provides an overview of the upcoming budget season in six OECD donor countries: France, Germany, Italy, the Netherlands, Norway, and Sweden. For each country, the briefing identifies the opportunities and risks related to the countries' development budgets for 2018 and maps potential advocacy opportunities.

Covering 65% of the official development assistance (ODA) provided by members of the OECD's Development Assistance Committee (DAC), the six donors highlighted in this briefing were selected on the basis of emerging chances to advocate for increases in the development budgets in the next half year. In particular focus are potential gains that could be leveraged or losses that might be prevented in the respective development budgets.

The upcoming budget season offers several key periods during which advocates can engage with different stakeholders. The six months between September 2017 and March 2018 can be divided into three phases:

- **Phase 1 – September to October:** Between September and October 2017, governments finalize drafts of their 2018 development budgets and present them to their parliaments.
- **Phase 2 – October to December:** Parliamentary negotiations usually take place between October and December 2017. During this period the budget is examined, amended, and voted on. Final development budgets are usually adopted in December.
- **Phase 3 – January to March:** The budget cycles for the 2019 development budgets usually start in the first quarter of 2018.

Key opportunities across the six countries are:

1. Four of the six countries analyzed in this report – Germany, Italy, Norway, and Sweden – show a positive ODA trend and can be encouraged to continue increasing ODA levels. France's ODA has been stagnating recently but is expected to increase again in the midterm. The country can thus be encouraged to increase ODA levels in the 2018 budget. In the Netherlands, engaging with newly elected government officials and members of parliament (MPs) provides an opportunity to advocate for ODA increases following sharp cuts to the development budget in recent years.

2. Donors can report some costs of hosting refugees in their countries as ODA. In some cases, this has led to reduced funding for development programs abroad. However, many countries are expecting lower costs of hosting refugees, freeing up funds for global development programs.
3. Recent or upcoming elections in most of the featured donor countries will lead to changes in government and parliament. Early engagement with new stakeholders will provide an opportunity to shape development policy of the new administrations, especially with regard to their development budgets.

About the Donor Tracker

The Donor Tracker seeks to advance and support progress in global development by providing advocates with easy access to high-quality quantitative and qualitative strategic information to support their work. The Donor Tracker is a free, independent website for development professionals that provides relevant information and analysis on 14 major OECD donors.

For more in-depth information on the six donor countries covered in this analysis and to find out more about strategic priorities, funding trends, decision-making, and key opportunities, please visit: donortracker.org

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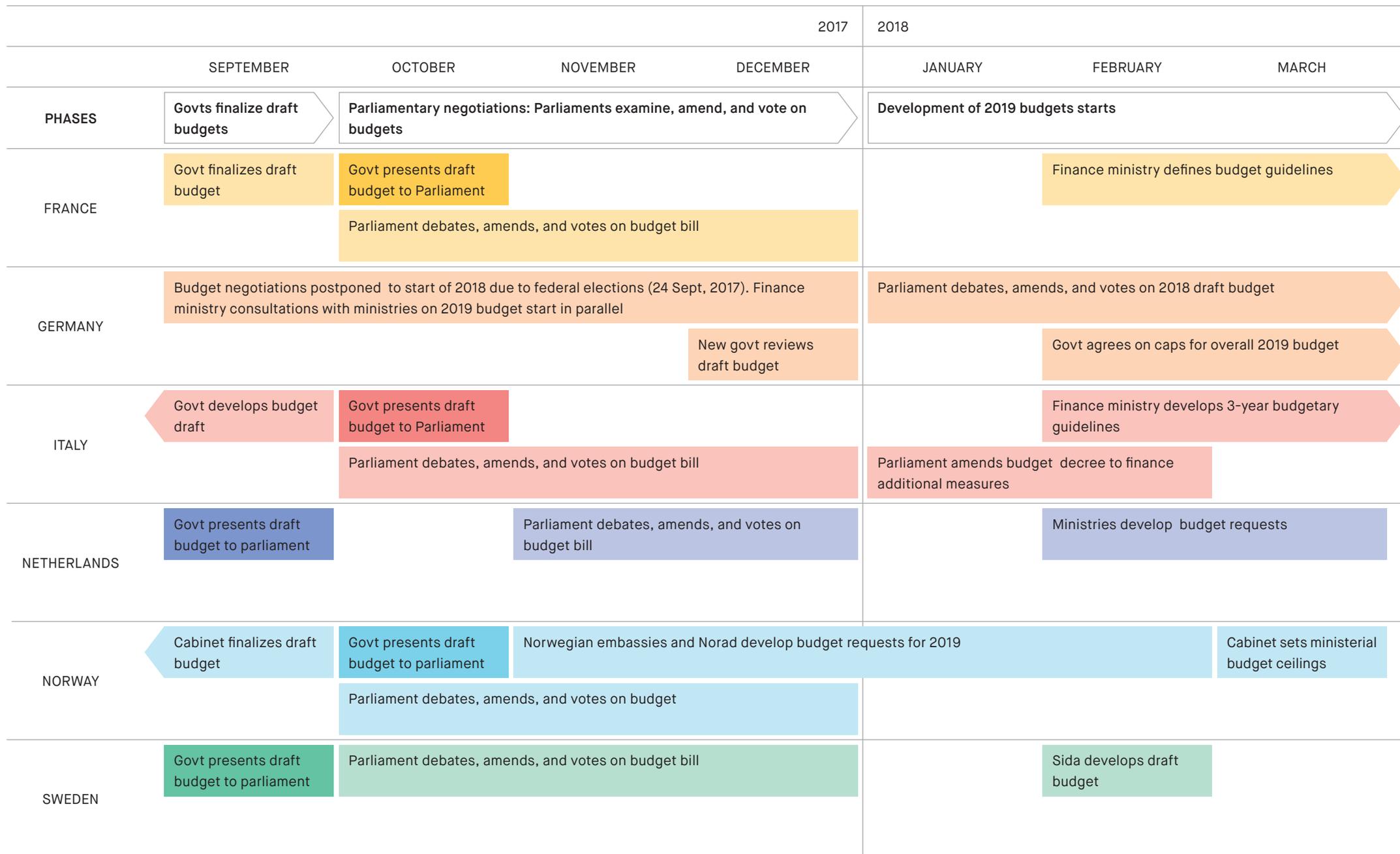
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Budget season in Europe – where and when to engage



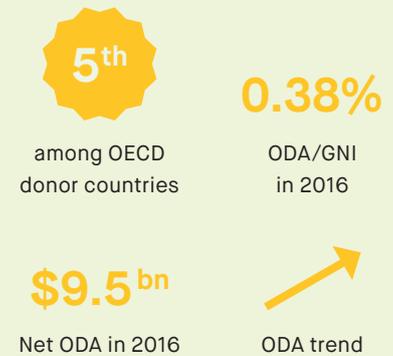
France's upcoming budget season

What's at stake?

Opportunities: France remains committed to increasing its ODA levels in the long term. In August 2017, President Emmanuel Macron reaffirmed France's goal to spend 0.55% of its gross national income (GNI) on ODA by 2022, up from 0.38% in 2016. Despite cuts to the Ministry for Europe and Foreign Affairs' (MAE) ODA envelope for 2017, the overall development budget is expected to increase during Macron's tenure, possibly thanks to additional funding leveraged by extra-budgetary sources. The French government will release a three-year roadmap, most likely in October, which will give insight into France's planned future spending. France is a pioneer in innovative finance mechanisms for development: It levies an airline ticket tax and allocates revenues from this tax as well as from its national financial transaction tax (FTT) to ODA and climate change-related programs.

Risks: Planned short-term cuts (around €140 million from MAE's ODA programs) may negatively affect ODA levels in 2017. In addition, the new government has not yet spelled out the trajectory of the planned increase in ODA to 0.55% of GNI by 2022.

Quick Facts



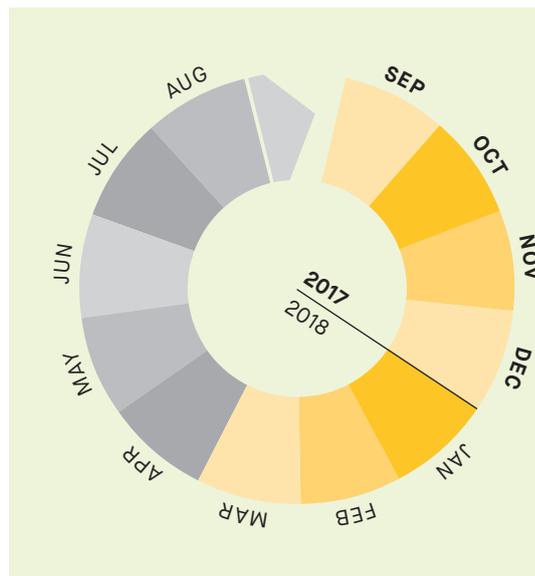
How will France's ODA budget be shaped?

Budget structure: ODA comes from two main sources: the general budget (62% in 2017) and extra-budgetary ODA sources (38%). The two largest ODA-related programs of the general budget are the Finance Ministry's program 110 (16%) and the MAE's program 209 (27%). ODA from sources outside the general budget mainly comprises contributions to the European Commission, funding generated through the FTT, the airline ticket tax, and debt-relief mechanisms.

Key actors in budget drafting: The MAE and the Finance Ministry jointly manage development policy and draft the budgets for their main ODA programs. The Finance Ministry is mainly responsible for bilateral and multilateral assistance provided through loans, while the MAE provides grants, including funding to civil society organizations (CSOs).

Budget process between September 2017 and March 2018:

- **September to October:** The MAE and the Finance Ministry review their draft budgets for 2018, in light of the expenditure ceilings set out in August by the Prime Minister. Both ministries then adjust their draft budgets. Allocations to the two main ODA programs, including the budget lines that these programs comprise, are decided during this period. By the first Tuesday of October, the government submits its



Budget Cycle

- OCT:** Govt presents draft budget to Parliament
- OCT-DEC:** Parliament debates and amends budget draft
- DEC:** Parliament votes on budget
- FEB-APR:** The Finance Ministry defines general budgetary guidelines

2018 draft budget bill to Parliament.

- **October to December:** Between October 10 and 14, the Parliament begins its examination of the draft budget bill. The chambers – the National Assembly and the Senate – together have 70 days to scrutinize, propose amendments, and vote on the budget. The National Assembly has 40 days, after which the Senate discusses the draft budget for 20 days. The final 10 days are set aside for inter-chamber discussions.

Decision-making opportunities:

- MPs can reallocate spending within budget lines but cannot change the overall amounts allocated to budget lines. MPs do, however, have influence on develop-

ment spending by increasing revenues from the FTT that can then be directed to development programs. MPs can also modify the maximum amount of revenue from the FTT to be allocated to development spending.

- Since the government usually holds a majority in Parliament, the executive branch, especially the President's and the Prime Minister's Offices, remain important stakeholders to engage with in advance and throughout the parliamentary budget discussions.

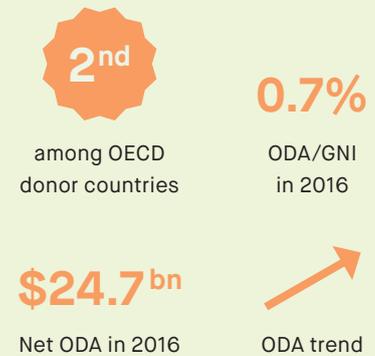
Germany's upcoming budget season

What's at stake?

Opportunities: The budget of the Federal Ministry for Economic Cooperation and Development (BMZ), which is the main budget envelope for development programs, will continue to increase, from €8.5 billion in 2017 to €8.7 billion in 2018, according to current government planning. Federal elections on September 24 could change the structure of the government. The two main political candidates of the Christian Democratic Union (CDU) and the Social Democratic Party (SPD), have committed to increasing funding for development to tackle the 'root causes' of flight and migration. This is an opportunity to advocate for further increases of the BMZ's budget in 2018 and beyond.

Risks: Germany reached the target of spending 0.7% of its gross national income (GNI) on ODA in 2016 for the first time. However, this was partly due to high costs of hosting refugees which Germany reported as ODA (representing 25% of ODA). These costs were in addition to the regular ODA budget. The Federal Ministry of Finance currently expects a fall in the ODA/GNI share from 0.7% in 2016 to 0.52% in 2018 due to lower numbers of incoming refugees. Thus, in order to continue reaching the 0.7% target, Germany would have to significantly increase development funding in its 2018 budget to compensate for the reduction in refugee costs.

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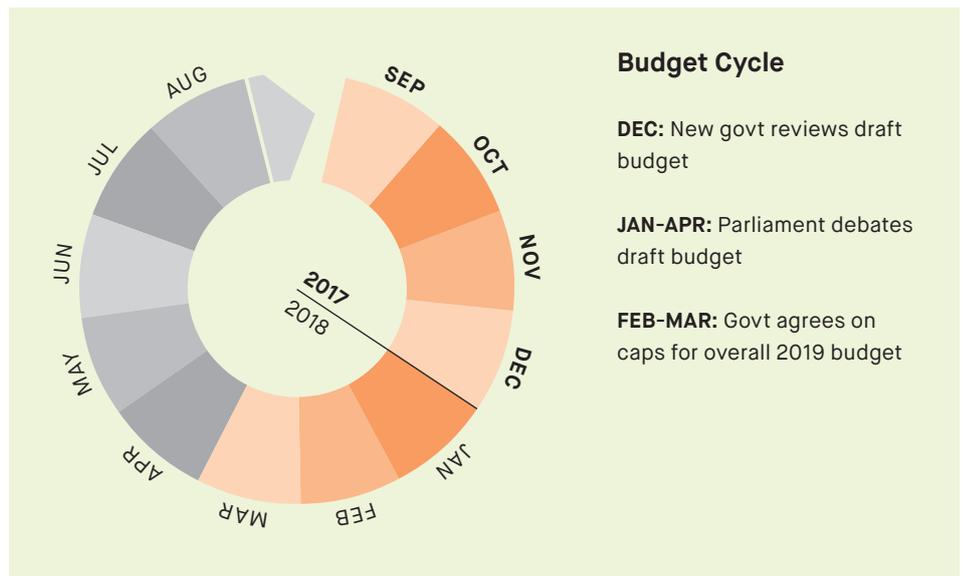
How will Germany's ODA budget be shaped?

Budget structure: The largest share of total ODA is handled by BMZ (37% in 2015). Another 24% is raised by Germany's development bank, KfW, on capital markets. The Federal Foreign Office (8%) manages funding for humanitarian assistance and for UN peace-keeping.

Key actors in budget drafting: On the basis of each ministry's expenditure estimates, the Finance Ministry develops caps for individual ministerial budgets. Under the cabinet leadership of the Chancellor, BMZ sets development priorities and sectoral funding levels.

Budget process between September 2017 and March 2018:

- This upcoming budget season, the German parliament will discuss the 2018 budget and the government will start developing the 2019 budget.
- Usually the draft budget is negotiated in parliament from September to November. However, in 2017 this process will be delayed by the September elections. Depending on when the governing coalition is formed, discussions on the 2018 budget could be held off until the beginning of 2018. The new government, likely formed by December, will review the draft budget and submit it to parliament, which will debate, amend, and vote on it in the first



quarter of 2018.

- Around February/March 2018, the Finance Ministry will develop caps for ministerial budgets for 2019. At this point, decisions on overall increases in ODA and main allocations will be taken.

Decision-making opportunities:

- MPs, especially members of the Budget Committee and the Committee on Economic Cooperation and Development can push for increased ODA levels and influence budget allocations to specific programs in the 2018 budget.
- Engaging with the government in the first quarter of 2018, specifically the Finance Ministry, provides an opportunity to ad-

vocate for increases in the 2019 budget.

- The election could lead to a change in leadership in BMZ, the Foreign Office, and the Finance Ministry. This presents opportunities for advocates to engage with newly-elected stakeholders on development policy.

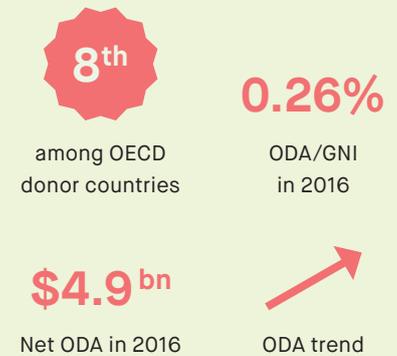
Italy's upcoming budget season

What's at stake?

Opportunities: Italy's ODA is likely to further increase. The government has committed to spending 0.3% of its gross national income (GNI) on ODA by 2020, up from 0.26% in 2016. Funding increases will particularly benefit Italy's development agency, AICS. Its budget is set to increase from €292 million in 2016 to €532 million in 2018. In the second half of 2017, events linked to Italy's G7 presidency, including ministerial meetings on agriculture, health, and women and gender violence, provide opportunities to advocate for increases in Italy's ODA.

Risks: Elections are expected to take place at the latest in May 2018. Migration and the hosting of refugees will be at the heart of the political debate. Due to high costs of hosting refugees in Italy that are reported as ODA (US\$1.7 billion or 36% of total ODA in 2017), Italy might reach its 0.3% ODA/GNI target well before 2020. In turn, this means that if these costs decrease, significant increases in funding to development programs abroad will be necessary to reach the 0.3% target.

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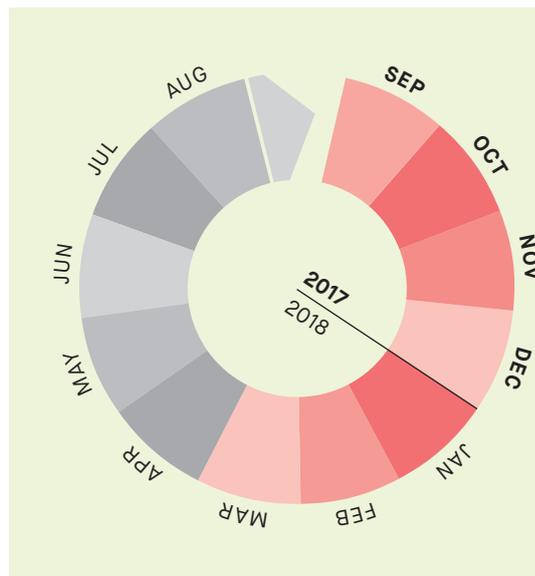
How will Italy's ODA budget be shaped?

Budget structure: The Italian ODA budget is largely managed by three ministries: the Ministry of Foreign Affairs and International Cooperation (MAECI, 27% in 2017), the Ministry of Economy and Finance (MEF, 36% in 2017), and the Ministry of Interior (36% in 2017, mostly comprising refugee costs).

Key actors in budget drafting: MAECI leads on determining budget allocations for development. MEF mostly manages contributions to multilateral development banks and funds. MAECI and MEF are also members of the Interministerial Committee for Development Cooperation (CICS). The CICS usually meets twice a year to define, among other things, development budget priorities.

Budget process between September 2017 and March 2018:

- **October to December:** By October 15, the Cabinet presents its draft budget to the Parliament, comprising the Chamber of Deputies and the Senate. The Foreign Affairs Committees of both houses review and propose amendments, after which the Budget Committees set the final budget bill.
- **December to February:** In addition to the regular budget, the government usually issues a decree known as 'milleproroghe' ('one thousand extension decree'), which it uses to finance additional measures



Budget Cycle

- OCT:** Govt presents draft budget to Parliament
- OCT-DEC:** Parliament debates and amends budget draft
- DEC:** Parliament votes on budget
- FEB-MAR:** MEF develops three-year budgetary guidelines

in the next budget year. Parliament may amend the decree from January to February 2018.

- **February to March:** The MEF develops the Economic and Financial Document (DEF), which includes ODA/GNI share targets for 2019 to 2021. The document is presented for approval to Parliament by April 10, 2018.

Decision-making opportunities:

- Engaging with MPs from the Foreign Affairs and Budget Committees prior to the draft budget presentation in September, as well as during the budget discussions in October and November, provides opportunities to advocate for ODA increases. This year, budget debates are expected

to be particularly polarized, as they fall during the campaigns for the upcoming elections.

- The 'milleproroghe' decree provides additional opportunities to engage with MPs to advocate for financing of additional measures in the next budget year.
- The Prime Minister, the MEF, the Minister of Foreign Affairs, and the Deputy Minister of Foreign Affairs are key decision-makers in shaping the DEF and consequently the budget priorities, defined by CICS in the first quarter of 2018.

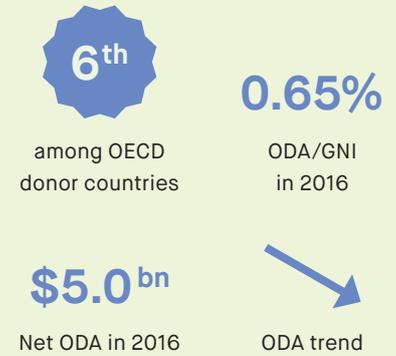
The Netherlands' upcoming budget season

What's at stake?

Opportunities: The Netherlands is still in the process of forming a government following the federal election in March 2017. The last government agreed to cut ODA to €1 billion below the 0.7% ODA/GNI spending target. The outcome of the coalition negotiations might change this trajectory. A majority of the parties called for an increased development budget in their election manifestos, with the exception of the winning conservative People's Party for Freedom and Democracy (VVD) and the second-placed far-right Party for Freedom (PVV). As the VVD has ruled out a coalition with the PVV, it will need at least three other parties to form a majority. This presents opportunities to generate more resources for development, since all potential coalition partners are in favor of increased development funding.

Risks: Costs of hosting refugees will continue to constrain the funding that is available for development programs abroad. Some of these costs spent in 2016 and 2017 have been front-loaded from future ODA budgets up until 2020. Thus, these funds are no longer available for development programs abroad.

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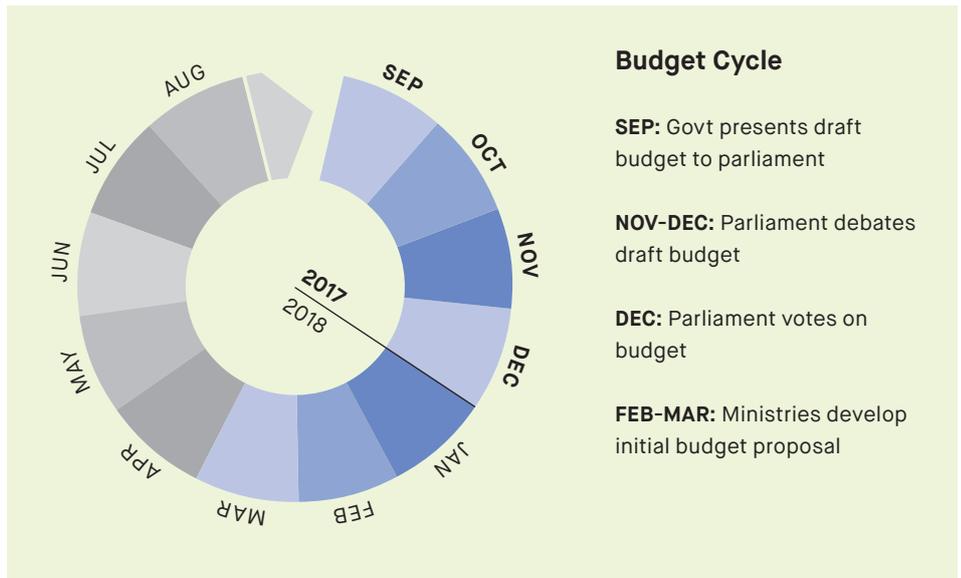
How will the Netherlands' ODA budget be shaped?

Budget structure: The Minister for Foreign Trade and Development Cooperation (MFT-DC), who sets development policy and is part of the Ministry of Foreign Affairs (MFA), manages the largest share of ODA (53% in 2017). Another 14% is managed by divisions in the MFA that are not overseen by the MFT-DC. The remaining ODA funds are largely used to cover costs of hosting refugees (22%).

Key actors in budget drafting: Within the MFA, the MFTDC and the Minister of Foreign Affairs are the main decision-makers in the budget draft development as they decide on spending levels for the main policy areas. Under the oversight of the MFTDC, the Directorate-General for International Cooperation (DGIS) decides allocations to specific programs.

Budget process between September 2017 and March 2018:

- **September:** Despite the protracted coalition talks, the 2018 budget presentation by the caretaker government to parliament is expected to happen on the usual date, the third Tuesday of September.
- **October to November:** Overall budget discussions generally begin in October. The ODA budget is debated by the Committee on Foreign Trade and Development Cooperation of the House of Representatives at the end of November. However, due to the



ongoing coalition talks, budget negotiations may be delayed this year.

- **December:** If the budget negotiations take place as usual, it is likely that the budget will be approved by parliament in December. However, the draft budget could still be revised and altered depending on the priorities of the new government.
- **February to March:** MFA develops initial proposals for the 2019 budget and decides on spending increases or decreases for the main policy areas.

Decision-making opportunities:

- MPs, who are members of the Committee on Foreign Trade and Development Cooperation, are key stakeholders. Engaging

with them prior to and during the budget discussions provides opportunities to advocate for ODA increases.

- Since the caretaker government is a minority government, significant changes to the existing internal budget draft for 2018 are not expected. Hence, the final allocation for the 2018 budget depends largely on the new government's coalition agreement, and the preparedness of newly elected MPs to make amendments to the current draft. Establishing relationships early with new government officials and MPs is key to advocacy for higher ODA levels.

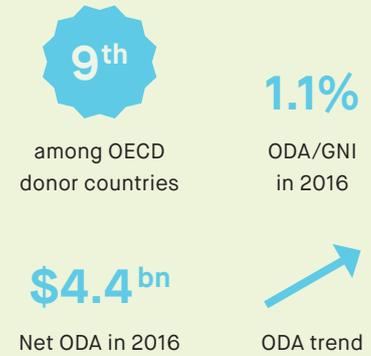
Norway's upcoming budget season

What's at stake?

Opportunities: Norway has spent at least 1% of its gross national income (GNI) on ODA since 2013, and there is a cross-party consensus to maintain this GNI/ODA ratio. Hence, no major changes in ODA levels are expected as a result of the elections on September 11. However, the elections may have an impact on the direction of development policy: Debates in the run up to the elections have, amongst other things, revolved around the creation of a Ministry for International Development to manage development cooperation, which is currently in the hands of the Ministry of Foreign Affairs (MFA). Norway uses part of its development budget to cover costs of hosting refugees. However, in 2017, Norway expects to spend less on hosting refugees than initially earmarked. Some of these funds have been reallocated to development programs. Further earmarked funds could be freed up in the 2018 budget if refugee numbers remain low.

Risks: The 1% commitment means that Norway's ODA will likely increase in absolute terms if the economy grows. However, reduced global oil prices have led to decreased revenues, which is putting pressure on public expenditures. This could limit the number of new development-related initiatives launched by the new government.

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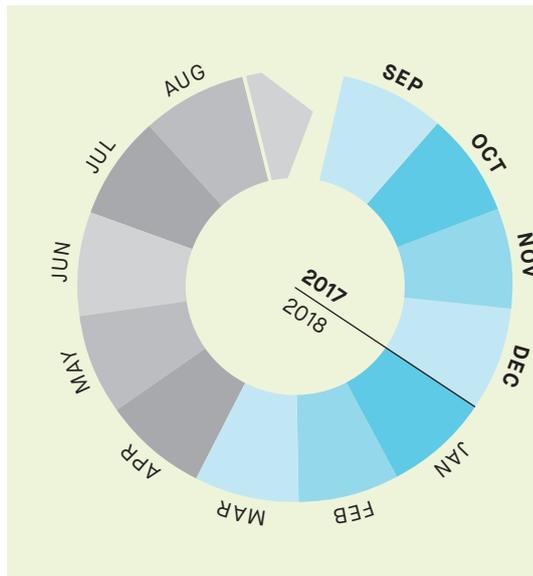
How will Norway's ODA budget be shaped?

Budget structure: The MFA administers 92% (2017) of the ODA budget; the Ministry of Climate and Environment 8%. The MFA manages most bilateral and multilateral funding, and ODA-reportable costs of hosting refugees. The Ministry of Climate and Environment mainly provides funding for Norway's International Climate and Forest Initiative.

Key actors in budget drafting: The MFA sets priorities for development policy, and determines allocations to development programs in the budget. The Norwegian Agency for Development Cooperation (Norad) and Norfund, a state-owned investment fund, play key roles in Norway's policy development, priority setting, and implementation.

Budget process between September 2017 and March 2018:

- October to November:** In the first week of October the Ministry of Finance submits the proposition for the budget, which is debated in parliament from October to November. Within parliament, the Standing Committee on Foreign Affairs and Defense may propose amendments to the development budget. However, in practice, it is the Standing Committee on Finance and Economic Affairs that leads the process of amending the budget, including for proposed budget ceilings and specific allocations within the development budget.



Budget Cycle

- OCT:** Govt presents draft budget to parliament
- OCT-NOV:** Parliament debates draft budget
- DEC:** Parliament votes on budget
- NOV-FEB:** Norwegian embassies and Norad develop budget requests

- December:** By mid-December, the parliament approves the budget for the upcoming year. It is expected to be announced the week of the 5th of December 2017.
- November to February:** Norad and Norwegian embassies submit their budget requests for the 2019 budget to the MFA. The ministries then start their preparations for developing their 2019 draft budgets.

Decision-making opportunities

- Engaging with MPs of the Standing Committee on Foreign Affairs, and particularly the Standing Committee on Finance and Economic Affairs, between September and November 2017 provides opportunities to advocate for ODA increases in the 2018 budget.

- Starting in November, opportunities to advocate for ODA increases in the 2019 budget arise when Norad and Norwegian embassies start preparing their budget requests for the MFA.

Sweden's upcoming budget season

What's at stake?

Opportunities: Sweden's ODA is expected to further increase in 2018. Since the government remains committed to allocating 1% of gross national income (GNI) to ODA, and the Swedish economy is currently expected to grow by 2.3% in 2018, this will lead to higher ODA levels. Sweden sources part of the costs of hosting refugees from the development budget. This has led to reductions in funding for development programs in 2015 and 2016. However, refugee costs are expected to significantly decrease from 2018 onwards, likely freeing up additional funding for development programs abroad. In early September, the government announced that it will increase funding for programs on climate change, environmental protection and marine resources in the 2018 development budget by SEK742 million (€88 million).

Risks: Current Prime Minister Stefan Löfven leads a center-left minority coalition government formed between the Social Democrats (S) and the Green Party (MP). With a minority government, the budget bill will be under increased scrutiny by the opposition in parliament. While this does not pose a significant risk to ODA levels, it may lead to lengthy debates around priorities. However, it is also an opportunity to advocate for increased funding.

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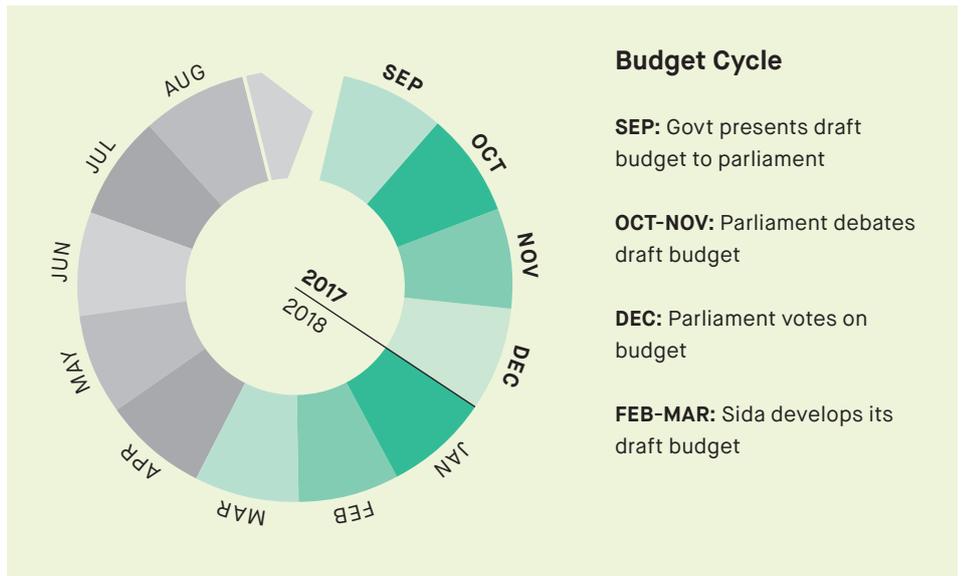
How will Sweden's ODA budget be shaped?

Budget structure: Sweden's development agency Sida administers 44% of ODA in 2017 and the Ministry of Foreign Affairs (MFA) 27%. Sida's budget includes allocations for bilateral programs, CSOs, and humanitarian assistance. The MFA manages core contributions to UN agencies, development banks, and other multilateral funds. Remaining ODA funds (24%) are largely used to cover costs of hosting refugees and EU contributions.

Key actors in budget drafting: The MFA is the most important stakeholder in the ODA budget drafting process. It oversees all development policy and financing. Within the MFA, the Department for International Development Cooperation coordinates budget development and drafts the appropriation letters for Sida. Sida's leadership and its regional departments drive the development of Sida's budget requests to the MFA.

Budget process between September 2017 and March 2018:

- **September:** The government presents its budget bill to parliament at the latest by September 20.
- **October to December:** The Committee on Finance discusses the government's draft expenditure ceilings for all budget areas, including international cooperation. The Committee on Foreign Affairs may pro-



pose amendments to specific allocations within the international cooperation budget. The current minority government parties have to work closely with the opposition in the committees to come to an agreement on the budget.

- **March:** On March 1, 2018, Sida submits its budget request for the 2019 budget to the MFA.

Decision-making opportunities:

- MPs are less open to advocacy during the budget negotiations, which is why advocates need to start engaging with MPs ideally before the draft budget is presented to parliament in September each year.
- Opportunities for advocacy arise again,

when the new budget cycle for the 2019 budget starts in the first quarter of 2018. Engaging with MFA leadership, MPs, and Sida is key for this.