Oxfam Recommendations to the Cypriot EU Presidency
July – December 2012

Cyprus takes up the EU Presidency in a context of uncertainty and crisis. Determined action to conclude policy and legislative processes that will create a more secure future for everyone, within the social and environmental boundaries, is essential for a sustainable future. From regulating financial markets to avoid excessive speculation on food, ensuring transparency in reporting to reforming European biofuels policy that threatens food security, Cyprus will face many demands but can make a lasting positive impact for Europe and the rest of the world.

Negotiations on the next EU budget will enter in a crucial phase, and ensuring that the EU remains a leader in development cooperation is at stake. But quality is as important as quantity, and changing the EU aid system towards building resilience is key to break the cycle of crisis and food insecurity. A thriving civil society holding their government to account is also an important element of poverty eradication and the EU, as the biggest ODA donor, should facilitate this role by engaging CSO in the political and policy dialogue.

As a small island already witnessing the effects of climate change, Cyprus brings to the EU debate the understanding of the immediate threats that will result from the lack of progress in climate negotiations. Building on the opportunity of the EU Presidency, Cyprus can play a significant leadership role, bridging between the EU and developing countries and ensuring that the EU takes steps forward on climate finance.

Oxfam puts forward a number of recommendations to the Cypriot EU Presidency that are feasible and time bound. We believe that, with a strong political will to fulfil a leadership role, Cyprus could make a successful footprint during its Presidency.

Climate finance: need of clarity on EU climate finance post-2012

2012 will see the end of the Fast Start Finance period – the 30bn USD over 2010-2012 agreed in Copenhagen in 2009 to support climate adaptation and mitigation in developing countries. There is currently no clarity on what climate finance will look like in 2013 and beyond, and despite the political commitment to deliver 100bn USD annually by 2020, a huge mid-term finance gap is looming between 2013 and 2020. Important steps should be taken during the Cypriot presidency to ensure that, in Doha, Europe is in a position to give a clear answer to the growing number of concerns raised around climate finance in the post-2012 period, and comes ready to support a global pledge to the Green Climate Fund.

Despite verbal reassurances that climate finance will not fall off a cliff at the end of 2012, the EU has recently started sliding backwards on discussions on the roadmap to scale-up climate finance between 2012 and 2020. Ambiguous statements by Finance Ministers in May 2012 appear to indicate that climate finance in 2013 may even be lower than in the three years since Copenhagen. Global climate negotiations, including those on increasing mitigation ambition, will not be able to progress without a clear signal that developed countries will live up to their commitments and have a clear financial package to offer in Doha to provide new and additional climate finance.

The EU's climate finance contribution post-2012 is an essential element of the negotiations that will be held in Doha. The protracted agenda discussions at the Bonn UN meetings in May show that trust is lacking in the process, hampering the EU's ambition to make progress on the Durban Platform on Enhanced Action.

The Cypriot EU Presidency should make steps forward to provide clarity on EU climate finance in 2013 and beyond by:

1. Getting the EU to contribute to an initial **global pledge of at least 10-15bn USD to the Green Climate Fund** over the years 2012-2015, as part of a broader climate finance package. This will function as a down-payment on trust; reduce concerns about the recycling of aid as climate finance and signal clear support for the new multilateral institutions of the UN Climate Convention.
2. Prioritizing progress on **finalizing governance procedures of the Green Climate Fund** and helping to build the institutional capacities of the Green Climate Fund so it can swiftly start supporting the adaptation and mitigation needs of developing countries. But as with the Global Fund in 2001, substantial pledges can be made before the Fund is fully operational and ready to disburse programme finance.
3. Establishing and agreeing an EU roadmap with intermediate targets to **scale up the EU's public finance contributions from 2013-20** as part of its fair share of the 100 billion dollar Copenhagen commitment. In line with its own priorities, the Cypriot Presidency should also champion the need for at least 50% of EU climate finance to be for adaptation purposes.
4. **Unlocking the potential of innovative sources** to help supplement budgetary contributions. This should include getting EU consensus on mechanisms that allow international revenue collection for the Green Climate Fund from a global measure to reduce shipping emissions. It should also lead to the reiteration of the commitment to provide at least 50% of ETS auctioning revenues as climate action, including for developing countries.
5. **Increasing the EU's emissions reduction target to 30%** as a first step to ensuring the EU contributes its fair share to the globally needed mitigation effort.

Biofuels versus food security: dealing with the impacts of EU policy on access to food and land in developing countries

The EU's Renewable Energy Directive (RED) adopted in 2009 sets a 10% target for renewable energy in transport by 2020. In practice, member states plan to source almost all of this ten percent from first generation biofuels produced from food crops. This means the 10% target is effectively a biofuels mandate.

The EU's promotion of biofuels is in contradiction with its development policy. Biofuels increase food price volatility by creating a major source of new demand for food commodities and facilitating price contagion between energy markets and food markets. Evidence on the contribution of biofuels to food price volatility is so compelling that it led ten international bodies – including the World Bank and FAO – to recommend that G20 governments abolish biofuels mandates and subsidies. Oxfam research shows that food price volatility hits women particularly hard. Biofuels mandates are also driving increases in global biofuels production at a speed and scale that is incompatible with sustainable production models and equitable engagement with small-scale producers. Evidence suggests that land acquisitions to grow biofuels feedstocks may account for up to 60 percent of all large-scale land deals globally.

The EU's promotion of biofuels is in contradiction with its climate policy. The EU aims at reducing its emissions by 20% by 2020. However, its biofuels policy encourages biofuels that cause higher greenhouse gas emissions than fossil fuels because it does not take into account the emissions caused by indirect land use change (ILUC). Scientists have made it clear that urgent action is needed, warning about the high levels of emissions that result from indirect land use change (ILUC). According to the results of the Commission's own studies, the carbon footprint of biodiesel can be worse than that of fossil fuels once these indirect side-effects are taken into account.

The Cypriot EU Presidency should use upcoming policy discussions to reform European biofuels policy based on the principle of policy coherence for development (PCD) enshrined in the Treaties by:

1. Ensuring that the **EC's legislative proposal on how to deal with the ILUC is discussed and passed** by the end of 2012. To prevent the use of the most climate-damaging biofuels feedstock-specific ILUC emission factors should be included in the calculation of the carbon footprints of biofuels in both the Renewable Energy and Fuel Quality Directives.
2. Ensuring that the Council conclusions to be adopted following EC's communication on the post-2020 Renewable Energy Strategy give **adequate consideration to the impacts of the EU's renewable energy policy on food security and land rights in developing countries**. No new binding 2030 targets for renewable energy in transport should be considered.

3. **Including the impact of biofuels policy on developing countries in the agenda of the Development Council**. This important discussion would follow the EC's report on the impacts of its biofuels policy on developing countries in 2012 and propose adequate "corrective action". The Renewable Energy Directive requires the European Commission to prepare a biannual report on the impacts of increased EU demand for biofuels, in particular the impacts on land rights and food prices. Weaknesses in the baseline study suggest that the report is likely to ignore the real and tangible impact of EU biofuels mandates on the lives and livelihoods of millions of women and men living in poverty, focusing instead on paper commitments and macro-level trends.

Speculation versus food security: regulating European financial markets to grow a better future

Food prices are a matter of life and death to many in the developing world. Financial markets that should be helping food growers and processors to manage their risk and set prices have become a potential threat to global food security. Deregulated and secretive agricultural commodity derivatives markets have attracted huge sums of speculative money, and there is growing evidence that they deliver distorted and unpredictable food prices.

The Cypriot EU Presidency should take up the opportunity of the review of the Markets in Financial Instruments Directive (MiFID) to make markets transparent, tackle excessive speculation on food commodities and restore the core functions of commodity derivatives markets by:

1. **Increasing transparency by mandating transaction reporting for all commodity derivatives**, in as close to real time as is technically possible, by categorising traders by type of regulated entity and by trading activity, by requesting publication of reports on a weekly basis.
2. **Introducing ex-ante position limits for all types of derivative contracts** and all participants or classes of market participants. These limits should be applied to support liquidity as necessary to facilitate transactions which objectively reduce risks directly related to commercial activities linked to the underlying commodity; to prevent market abuse; to support orderly pricing and settlement conditions; to ensure the delivery of commodity markets' core functions of enabling hedging of commercial risk and providing price discovery for the physical market; to prevent or eliminate excessive speculation.

Ensuring the EU has the financial means to continue being a leader on development cooperation

During its EU Presidency, Cyprus will play a central role in the negotiations on the proposed increased in the EU development budget (heading 4 and European Development Fund) for 2014-2020.

Cyprus can make its mark in Europe and in the poorest countries in the world if, at the end of its Presidency, the increase in the EU development budget proposed by the European Commission is agreed. During the budget discussions, Cyprus should steer the discussion to ensure that at least the European Development Fund and heading 4 significantly increase in value (compared to 2007-2013) and in terms of percentage of the budget, and that the Development Cooperation Instrument – the main poverty-focused instrument – represents at least 29.5% of heading 4 as proposed by the European Commission in June 2011.

If the European Union is serious about becoming a stronger global player and remaining a leader in development cooperation, it needs to have the means to achieve its ends. We would be happy to work with the Cypriot Presidency to make the case for an increase of the EU development budget by explaining the strong added value of the EU in development cooperation.

The Cypriot EU Presidency will play a crucial role in ensuring that poverty eradication remains the focus of aid during the negotiation with the European Parliament on the next Development Cooperation Instrument (DCI) and within the Council on the European Development Fund (EDF) by:

1. **Increasing EU's assistance to the poorest countries** but without disengaging totally from MIC as two thirds of the poorest people in the world live there.
2. **Ensuring that differentiation is not based only on macroeconomic criteria** such as the GNI, but also takes into account inequality and other criteria such as the human development index. A transition period must be implemented for countries where graduation will happen.

3. **Facilitating the dialogue with the European Parliament with strong involvement of civil society**, always with the aim of designing the instruments in the most efficient way to fight poverty eradication.
4. **Focusing on the sectors that can have the strongest impact on poverty eradication** (health, education, and agriculture). For example, Cyprus should support the 20% benchmark proposed by the European Commission, but focus on "health and education" instead of "social protection and human development".
5. **Including safeguards to ensure that increased work with the private sector and more blending** benefits the local private sector in a sustainable way.

Financial transaction tax

Oxfam hopes that a coalition of European countries will decide at the end of the Danish Presidency to move ahead – through enhanced cooperation – with the implementation of a financial transaction tax, a significant part of the revenue from which would be used for development and climate change. We urge Cyprus to join this coalition of the willing and to ensure that the enhanced cooperation procedure move swiftly. Oxfam and the Robin Hood Tax coalition stand ready to work with Cyprus to explain why a financial transaction tax is an opportunity that should not be missed.

Social protection: supporting health and education as a key pillars of social protection

The European Commission will adopt in coming months a Communication on Social Protection; Oxfam welcomes the effort of Cyprus in making this topic a priority during its EU Presidency by putting on its agenda the adoption of Council conclusions in October.

The Cypriot EU Presidency should steer the discussion with all Member States to adopt Council conclusions that incorporate social protection as a human rights-based approach to poverty reduction. Social protection should be tool to use provisions in law, policy and programmes to protect people from the effects of chronic poverty as well as a range of risks and shocks by:

1. **Promoting context specific social protection schemes**, led by national governments in consultation with local civil society: there is no one size fits all and social protection schemes will depend on the needs of people. The EU should follow the evidence of what works in developing countries rather than imposing preconceived European approaches.
2. **Promoting comprehensive social protection systems** and support free universal essential services as a key pillar of social protection: support to social protection schemes should not be provided by EU donors at the expense of other social areas like health and education that lie at the heart of poverty eradication.
3. **Analysing gender power relationships** when establishing social protection systems in developing countries and giving specific attention to supporting the participation of women in policy design, decision-making and monitoring of social protection programmes.
4. **Committing to long term and predictable technical and financial EU support**, preferably in the form of budget support when possible.
5. **Supporting to strengthen public administration and improving national tax systems** as an effective way to reduce poverty and promote growth, so partner countries secure domestic resources for long-term funding, including progressive tax reforms, as necessary.
6. **Recognising the role of Civil Society Organisations** in participating in the process of designing and monitoring social protection strategies and programmes.

Accounting directive: an opportunity for the EU to ensure transparency in reporting

The Cypriot EU Presidency will play a key role in finalizing the revision of the Accounting Directive that started in October 2011. Chapter 9 of the Accounting directive, creating a country-by-country reporting to increase the transparency of multinational companies active in the extractive and forestry sectors, is a huge step in the fight against corruption, enabling citizens in resource-rich countries to hold governments to account for their use of natural resource revenues, making sure that these benefit the many and not just the few.

The Cypriot EU Presidency should support a strong final Council position for the country-by-country reporting in the trialogue with the European Parliament and the Commission, by:

1. **Ensuring a true project level reporting**: Many extractive activities result in substantial localised impacts for the surrounding communities. Citizens need project-specific information to ensure that their governments collect the revenues owed as well as to track where that money goes. Project should refer to any "specific licence, concession or similar legal agreement which gives rise to revenue liabilities". Where any payment liabilities are incurred on a different basis, reporting shall be on that basis.
2. **Indicating a low threshold for materiality**: The EC proposal makes it clear that materiality should be determined in relation to recipient governments, but the Council position not to disclose payments below €500,000 does not reflect this. The European Parliament's suggested threshold of €100,000 as an absolute maximum is more appropriate.
3. **Removing the exemption clause:** the EC proposal suggests including an exemption in the case of a national criminal law which prohibits the disclosure of payments by companies. The US Dodd-Frank legislation includes no such exemption and Petrobras[1] confirmed that they were not aware of the existence of such law in the countries in which they work. However, keeping the clause would motivate unscrupulous governments to undermine the legislation by introducing secrecy laws.
4. **Including additional contextual information for more corporate accountability**: disclosure of payments alone cannot reveal whether payments correspond to the amount owed. Therefore, to put payments in context, extractive companies should be required to publish, on a country-by-country basis, basic information such as production volumes, sales, profits and the number of employees. This information will make the directive more effective by increasing accountability to citizens who will be able to assess whether companies are paying their fair share; and by providing information that will allow investors to make informed decisions in a high-risk sector.

Chapter 9 presents a rare opportunity to the European institutions to pass legislation that would help to lift millions out of poverty, reducing dependency on overseas aid and improving the business climate for European companies.

Enabling space for CSO: EU's role in the Arab Spring

Over a year after the uprising of the Arab Spring and despite progress towards democracy, the future remains challenging regarding the protection of human rights and fundamental freedoms and accountability of governments towards their citizens.

The EU needs to support the ability of a civil society to advocate for their rights and hold their government to account. EU donors should facilitate CSO engagement in policy dialogue regarding aid expenditure in the country as well as transparency and information sharing on aid delivered so that CSOs can play at the very least a meaningful role in monitoring and tracking the use of that aid. This facilitation can be put into practice by granting civil society representatives a formal statutory role in the EU-partner country policy dialogue. Additionally, in the political and policy dialogue with all the Mediterranean partners, the EU should call for a joint commitment towards an enabling environment for civil society.

There are a number of vital functions that civil society groups fulfil from the local to the international levels. They are central to holding government to account, by scrutinizing their actions and working with parliaments and others to expose government inaction or corruption. They also can play a key role in holding other actors (including donors) to account and ensuring sustainable community development. CSOs also work on advocating for the realization of human rights and helping to provide key services for marginalized and vulnerable groups as part of a wider system of public provision.

The Cypriot EU Presidency should encourage broad-based dialogue and consultation with all stakeholders, including those of previously marginalized groups, to analyse how EU policies would affect the poor such as their access to goods and services. In particular, the Cypriot EU Presidency should engage in the Mediterranean neighbourhood and especially in Egypt by:

1. **Conduct strong public diplomacy over continued concerns of human rights abuses** and restrictions on civil society.

[1] See: http://www.sec.gov/comments/s7-42-10/s74210-25.pdf

2. **Promote greater transparency** by ensuring that EU stakeholders (including the EBRD and EIB) seek more consultation with all relevant stakeholders - including stakeholders who are likely to oppose agreements - before agreements are forged, to assess the real needs and potential outcomes of policies, as well as during implementation to monitor impact.
3. Call on Mediterranean governments **to prioritize legislation on freedom of association** that enables civil society to operate freely so as to better reflect the needs of the poor and marginalized, and that enables new organizations, especially youth groups, to emerge.

From emergency to resilience: address flaws in the EU aid system

Only a few months after the peak of the extreme hunger we witnessed in 2011 in the Horn of Africa, the beginning of 2012 has seen the development of a large-scale food crisis in the Sahel region of West Africa, which emerged from a situation of extreme food insecurity to a full-fledged state of emergency, expected to reach its peak during July-August 2012. More than 18 million people are facing food insecurity and more than 1 million children under the age of five are at risk of severe acute malnutrition.

The 2012 food crisis is unfortunately not an isolated case. It occurs in a region of chronic food insecurity. Around 20% of the inhabitants of Sahel countries suffer each year from hunger, and hundreds of thousands of families suffer from poor harvests, a lack of pastureland and low incomes to buy food. Although emergency responses to the food crises are essential, they do not tackle the root causes of the Sahel's population's vulnerability. It is therefore important to reconcile the long-term issues with short-term responses. Implementing a new approach based on building resilience will enable access to food and improved livelihoods for the poorest households, finally breaking this vicious cycle of food crises.

Even if the current regional emergency stabilizes, the crisis in the Sahel is likely to be repeated if long-term resilience strategies are not put in place. Investing now in earlier and more cost-effective actions, vulnerable populations can be better protected at a much lower cost than if action is delayed until the crisis hits. In 2005, the UN Humanitarian Coordinator Jan Egeland estimated that it cost $1 per day to protect a child from malnutrition before that year's food crisis in Niger, and $80 per day to save a child's life from severe malnutrition by the time the crisis had reached its peak. Communities must be supported to develop coping mechanisms through investment in resilience, so that the cycle of under-investment, chronic vulnerability and late response to crises is broken.

The Cypriot EU Presidency should use the public, political and media attention first paid to the crisis in the Horn of Africa, now focused on the Sahel crisis, to lead the way in developing long-term strategies in order to guarantee the world will never see a famine again by:

1. **Investing in resilience and disaster risk reduction**: the EU should move away from recurring short term responses and focus on better managing risk rather than face the crisis.
2. **Steering a genuine step forward towards programming**, integrating development and humanitarian approaches on the basis of crisis forecasts and the provision of more flexible funding.
3. **Promoting stronger links between the humanitarian and development community** to work together for disaster risk reduction, LRRD and resilience building. This involves managing the risks, not the crisis, and acting on information from early warning systems, as well as tackling the root causes of vulnerability.
4. Helping to convince all actors to ensure that humanitarian interventions reach the **most vulnerable people with the right assistance**, including by ensuring adequate targeting of women and pastoralists and strengthening interventions focused on community-level water, sanitation and hygiene.
5. **Putting in practice the European policy guidelines on food security**, as set out in the Food Security Policy Framework agreed by all EU member states in 2010, by urgently agreeing an actionable implementation plan that is applicable to all EU member states. Implementing a coordinated approach to aid to agriculture and food security is essential to ensure it benefits smallholder farmers, particularly women, increases their resilience in the face of climate change and natural resource shortages, and helps avoid major food crises.