

KEY QUESTION

4

How is the EU's ODA budget structured?

EU ODA comes from the EU budget and the EDF

The EU's ODA comes from two main sources: the European Development Fund (EDF; €30.5 billion or US\$40.5 billion for 2014 to 2020) and part of the EU's general budget's Heading 4, 'Global Europe'. Heading 4 is part of the multiannual financial framework (MFF), which sets political priorities and provides a framework for financial programming and budgetary control from 2014 to 2020, and it includes funding instruments that are most relevant for ODA: the Development Cooperation Instrument (DCI), the European Neighborhood Instrument (ENI), and the Instrument for Pre-accession Assistance (IPA).

- the Development Cooperation Instrument (DCI; €19.6 billion or US\$26 billion for 2014 to 2020), whose prime objective is the reduction of poverty
- the European Neighborhood Instrument (ENI; €15.4 billion for 2014 to 2020) is accessible to the EU's neighbor countries only and is focused on promoting human rights, supporting the transition towards the market economy, and promoting sustainable development and policies of common interest
- the Instrument for Pre-accession Assistance (IPA; €11.7 billion for 2014 to 2020) is restricted to EU accession candidates and focuses on capacity-building, aiming to prepare EU candidates for the rights and obligations of EU membership.

The EDF – which is outside of the EU's general budget and financed by direct contributions from EU member states – and the DCI are the EU's funding instruments that place the strongest focus on developing countries (unlike the ENI and IPA). Together, they account for 54% of the EU's ODA (US\$65.8 billion between 2014 and 2020). For these reasons, the section focuses on these two funding sources. The European Commission manages funding from both instruments.

The EDF is the largest funding instrument. It provides assistance to the African, Caribbean, and Pacific Group of States (ACP countries) and focuses on low-income countries (LICs). Germany, France, the United Kingdom, and Italy are the largest contributors to the EDF. The EDF includes country and regional programs (US\$32.4 billion for 2014 to 2020), as well as intra-ACP funds (US\$4.6 billion for 2014 to 2020, increasing by 25% compared to the 2007-2013 period) that finance cooperation among ACP states. Intra-ACP funds are also used to finance contribu-

tions to multilateral institutions, including the Global Fund to fight AIDS, Tuberculosis and Malaria (Global Fund; €215 million between 2014 and 2020 will go to the Global Fund through intra-ACP funds), and Gavi, the Vaccine Alliance (€40 million between 2003 and 2012). An estimated €3.9 billion (US\$5.2 billion) of the EDF is kept as unallocated reserves to fund responses to 'unforeseen needs'. For example, €1 billion (US\$1.3 billion) has been sourced from EDF reserves to fund the Emergency Trust Fund for Africa, a funding facility set up in November 2015 to tackle root causes of migration in different African regions. Reserves include a total of €3.4 billion (US\$4.5 billion) from country programs and €507 million (US\$672 million) from intra-ACP funds.

The DCI includes €19.6 billion (US\$26 billion) for 2014 to 2020 (30% of Heading 4), of which up to 5% (US\$1.3 billion) is also kept as a reserve. The DCI covers country program support to EU partner countries in Asia and Latin America, as well as 'thematic programs' that are open to all developing countries. The 'Global Public Goods and Challenges' (GPGC) program comprises €5.1 billion (US\$6.8 billion) for the period 2014 to 2020, of which at least €980 million (US\$1.3 billion) will be allocated to health and €1.4 billion (US\$1.9 billion) to food and nutrition security and sustainable agriculture. Within the GPGC, the Commission finances 'EU flagship programmes' that will address global challenges through multi-sectoral or cross-cutting approaches. No concrete funding amounts are earmarked for these programs. Moreover, the DCI's €845 million (US\$1.1 billion) 'Pan-African Program' will support the Comprehensive Africa Agriculture Development Programme (CAADP) under the Joint Africa-EU Strategy, however, the exact amount is not yet known.

The current MFF is subject to a mid-term review in 2017: the Commission presented a review of the MFF in September 2016, taking full account of the economic situation at that time as well as the latest macroeconomic projections. In the review, the Commission put forward a package to free an additional €6.3 billion in financing by 2020 to foster economic growth and investment in Europe, to address migration and its root causes, and to increase the EU's responsiveness to unforeseen circumstances. The mid-term review will give the chance to the EU institutions to reassess general development priorities. The Commission is also set to present a proposal for the post-2020 MFF before the start of 2018; in a Communication in November 2016, the Commission mentions

that the new MFF will explore how EU budgets and future financial programmes can best continue to adequately contribute to the delivery of the 2030 Agenda and support member states in their efforts. In addition, the Commission will conduct mid-term reviews of the EDF and the DCI in 2017, after which it might revise their respective geographic and thematic allocations.

EDF and DCI spending commitments 2014-2020	billions €	billions US\$
EDF programs	30.5	40.5
Support to ACP countries	29.1	38.6
Country and regional programs	24.4	32.4
Intra-ACP Funds	3.5	4.6
ACP Investment Facility (managed by EIB)	1.2	1.6
Support to overseas countries and territories	0.4	0.5
Administrative expenditure	1.1	1.5
DCI programs	19.6	26
Geographic programs	11.8	15.6
Thematic programs	7	9.3
Global Public Goods and Challenges	5.1	6.8
CSO and local authorities	1.9	2.5
Pan-African Program	0.8	1.1
Total EDF and DCI spending	50.1	66.5