

KEY QUESTIONS

the big six

5

How is the EU's ODA budget structured?

EU ODA comes from the general budget and EDF

The multiannual financial framework (MFF) sets political priorities and provides a framework for financial programming for a period of five to seven years. The current MFF covers 2014 to 2020; the next one will cover 2021 to 2027. Within the 2014-2020 MFF, ODA comes from two main sources:

- The European Development Fund (EDF; €30.5 billion or US\$34.4 billion for 2014 to 2020), which is outside of the EU's general budget and is financed by direct contributions from EU member states according to a contribution key. The largest contributors are Germany, France, the UK, and Italy;
- The EU general budget's Heading 4, 'Global Europe', which includes 12 external funding instruments (in total €63.3 billion or US\$71.3 billion). The Development Cooperation Instrument (DCI, with €19.7 billion or US\$22.2 billion) is the funding source that places the strongest focus on developing countries.

This section focuses on the DCI, together with the EDF. Together they account for 53% of the EU's external action budget (US\$56.5 billion, between 2014 and 2020). Other external funding instruments covered by Heading 4 include:

- The European Neighborhood Instrument (ENI) (€15.4 billion, or US\$17.4 billion, for 2014 to 2020), which is accessible to the EU's neighbor countries and is focused on addressing the root causes of migration;
- The Instrument for Pre-accession Assistance (IPA) (€11.7 billion, or US\$13.2 billion, for 2014 to 2020), which is restricted to EU accession candidates and focuses on capacity-building to prepare candidates for the rights and obligations of EU membership;
- Smaller instruments such as the Instrument contributing to Stability and Peace and the European Instrument for Democracy and Human Rights.

The DCI accounts for 31% of Heading 4. The DCI covers geographic program support to EU partner countries in Asia and Latin America, as well as thematic programs that are open to all developing countries. Within the latter, the 'Global Public Goods and Challenges' (GPGC) program comprises US\$5.6 billion for the period 2014 to 2020, largely centered on food and nutrition security and

EDF and DCI spending commitments
2014-2020, in billions

	€	US\$
EDF programs	30.5	34.5
Support to ACP countries	29.1	32.8
Country and regional programs	24.4	27.5
Intra-ACP funds	3.6	3.9
ACP Investment Facility (managed by EIB)	1.1	1.4
Support to overseas countries and territories	0.4	0.5
Administrative expenditure	1.1	1.2
DCI programs	19.7	21.7
Geographic programs	11.8	13.3
Thematic programs	7.0	7.9
Global Public Goods and Challenges	5.1	5.7
CSO and local authorities	1.9	2.1
Pan-African program	0.8	0.9
Total EDF and DCI spending	50.2	56.5

sustainable agriculture (US\$1.5 billion) and to health (at least US\$1.1 billion). The DCI's 'Pan-African Program' (US\$935 million) supports the Comprehensive Africa Agriculture Development Programme (CAADP) under the Joint Africa-EU Strategy. Of DCI's funding between 2014 and 2020, 5% or US\$1.1 billion is kept as a reserve.

The EDF provides assistance to African, Caribbean, and Pacific (ACP) countries and focuses on low income countries (LICs). The EDF includes country and regional programs (US\$27 billion for 2014 to 2020), as well as intra-ACP funds (US\$3.9 billion for 2014 to 2020) that finance cooperation among ACP states. An estimated US\$4.1 billion of the EDF is kept as unallocated reserves to fund responses to unforeseen needs (US\$3.8 billion from country programs and US\$561 million from intra-ACP funds). In 2015, for example, the EU tapped into the EDF reserves to provide US\$1.7 billion to the Emergency Trust Fund for Africa.

The Commission's proposal for the next MFF 2021-2027 (presented in June 2018) suggests merging all external funding instruments, including the EDF, under the Neighborhood, Development and International Cooperation Instrument (NDICI), which will be part of the new Heading 6, 'Neighborhood and the World'. The Commission has suggested increasing the budget of Heading 6 to €89.2 billion (US\$100.6 billion) for MFF 2021-2027, with two-thirds (€68 billion, US\$76.7 billion) allocated to a geographic pillar focusing on the EU's neighborhood and Africa, €7 billion (or US\$7.9 billion) to a thematic pillar (which includes €3 billion, or US\$3.4 billion, for global

challenges), and €4 billion (or US\$4.5 billion) for a rapid response pillar. A further €10.2 billion (US\$11.5 billion) would go to an additional flexibility cushion for emerging challenges and priorities. The Commission's proposal

is currently being discussed and negotiated in the European Parliament and Council; a final budget is to be adopted by the end of 2019.