

KEY QUESTIONS

the big six

3



How does the EU spend its ODA?

The EU has a strong preference for bilateral financing

The EU shows a strong preference for bilateral financing, providing 98% of its ODA as bilateral funds to partner countries (2017). A preferred channel is budget support, which according to the European Commission (Commission) promotes country ownership and aligns EU funding with national development strategies. Though the EU does not provide much core funding to multilaterals, a quarter of the EU's bilateral ODA is earmarked for programs implemented by other multilaterals organizations.

Bilateral funding focuses on government and civil society, humanitarian assistance, and infrastructure projects

The largest share of the EU's bilateral ODA supports the sector 'government and civil society' (12%). This sector received US\$2.2 billion in 2017, a significant increase of 31% compared to 2016. This includes e.g., funding for public sector policy and administrative management, decentralization, and anti-corruption (which increased by 88%). The EU's second-largest sector of bilateral funding is humanitarian assistance, amounting to US\$2.1 billion in 2017 (11%). Following significant increases between 2015 and 2016 (and peaking at US\$2.4 billion in 2016), humanitarian assistance declined 15% in 2017 but remains at high levels. Infrastructure and energy receive significant shares of EU bilateral financing, US\$2.0 billion (11%) and US\$1.6 billion (9%) respectively.

EU ODA is largely grant-based. Three-quarters, or 73%, of the EU's bilateral ODA in 2017 was provided in the form of grants (average amongst the members of the OECD Development Assistance Committee, DAC: 91%). One of the Commission's key instruments for the delivery of grants is budget support; in 2017, budget support accounted for 12% of bilateral ODA (US\$2.2 billion), a much higher share than the 2% DAC average.

The EU provides the remaining quarter of its bilateral ODA as loans and equity investments (27% in 2017). This is much higher than the average amongst DAC donors (9%). The European Investment Bank (EIB) Group provides the EU's loans. While 82% of the EIB's loans support activities within Europe, the rest supports the EU's external action. EIB loans to ODA recipient countries focus on middle-income countries (MICs, 63% in 2018), while only 11% went to low-income countries (LICs; the rest is not al-

located by country). A change in OECD reporting rules for ODA loans may considerably decrease the amount of loans reported as ODA by the EU, because data from 2018 onwards will only count the grant element of loans as ODA, while currently the full face-value of loans is counted.

In 2016, the Commission established the European External Investment Plan (EIP). The EIP includes a European Fund for Sustainable Development (EFSD), endorsed by the EU with US\$4.6 billion (€4.1 billion). This fund is intended to scale up investment in the European Neighborhood and Africa through two investment windows that aim to address socio-economic causes of migration. Focus sectors are transport and energy, environment, agriculture, urban development, and improved financial access for local micro, small, and medium enterprises (MSMEs). In addition, it includes an EFSD guarantee that will be used to balance risks. The EIP also includes technical assistance to support local authorities and companies in developing projects and making regulatory improvements.

EU's key instruments for bilateral ODA differ in geographic focus

Among the various EU instruments that provide ODA, the European Development Fund (EDF) and Development Cooperation Instrument (DCI) have the strongest focus on developing countries and poverty alleviation.

- **EDF recipients:** The EDF focuses on providing development assistance to African, Caribbean, and Pacific states (ACP). Given that the vast majority are in sub-Saharan Africa (48 out of 79 ACP states), most EDF funding is allocated to countries in the region (91% of total EDF funding in 2016 goes to Africa). Funding is also directed towards LICs: of the top 10 recipients of EDF funding in 2016, eight are LICs, according to the Commission's Annual report on the implementation of the EU's instruments of 2017.

- **DCI recipients:** When considering both geographic and thematic programs, countries in Asia receive the largest share of DCI funding (43% of total funding in 2016). DCI's geographic programs focus on Asia (70%) and Latin America (26%). The thematic fund, however, is more focused on Africa, with 40% of the funds in 2016 going to countries in this region. Of the top 10 recipients of the DCI, half are MICs, half are LICs.

Along with other OECD donors, the EU is committed to spending 0.15-0.2% ODA/GNI in LICs; however, EU fund-

ing for LICs has not increased, remaining stable at 25% of total bilateral ODA in 2017.

Given that a large share of EU ODA is provided to neighboring countries through the European Neighborhood Instrument (ENI) and the Instrument for Pre-accession Assistance (IPA, see Question 5: ‘How is the EU’s ODA budget structured?’), much of the EU’s total ODA goes to MICs. MICs received 58% of the EU’s bilateral ODA between 2015 and 2017 (DAC average: 33%), while LICs were allocated 24%, according to OECD data. Top recipients are Turkey, Morocco, Serbia, and Tunisia, all MICs.

For a deeper understanding of EU funding at the recipient level, please consult data from the International Aid Transparency Initiative (IATI). IATI is a reporting standard and platform on which organizations and governments voluntarily publish data on their development cooperation, including more recent activity than is available through OECD data. Data can be searched by recipient country, the ‘publisher’ (including funders that do not report to the OECD), and other filters. Click here for more information on IATI’s data. Click here to go directly to IATI’s ‘d-portal’, a user-friendly interface for data searches.

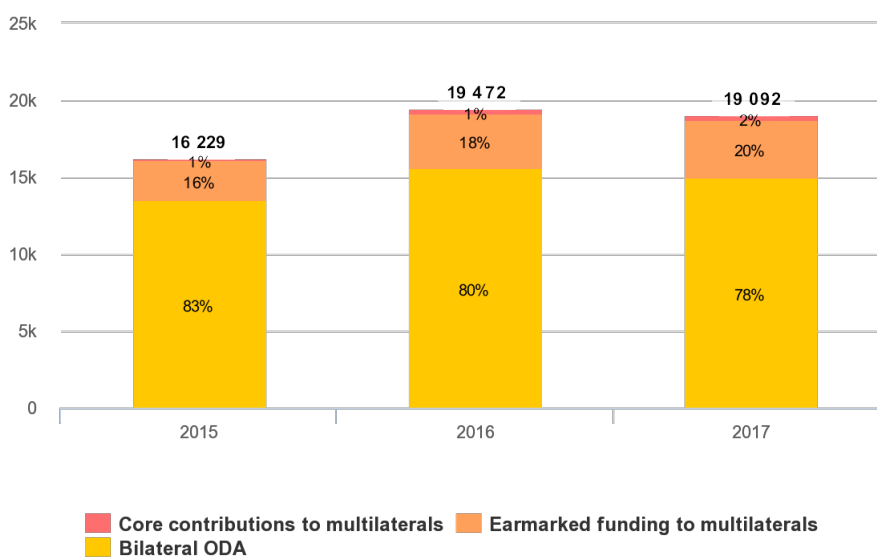
Quarter of bilateral aid is earmarked for multilateral organizations

While the EU reports virtually all its ODA as bilateral ODA, it funds other multilateral organizations through contributions that are earmarked for specific thematic or geographic priorities and is thus reported as bilateral ODA. In 2017, the EU channeled a fifth of its ODA (20%), or US\$3.8 billion, to multilateral organizations (the DAC average is 13%). Major recipients of this earmarked funding are UN agencies, which collectively received US\$2.0 billion earmarked funds in 2017; largest contributions went to the UN Children’s Fund (UNICEF, US\$340 million in 2017) and the UN Development Programme (UNDP, US\$292 million). Other multilateral organizations receiving earmarked ODA from the EU include the World Food Programme (WFP, US\$430 million) and regional development banks (US\$246 million). Earmarked multilateral funding decreased almost threefold between 2014 and 2015, which is explained by changed reporting procedures for loans provided by the EIB: Until 2014 loans were reported as ‘earmarked funding’, but they moved to the ‘bilateral ODA’ category in 2015.

Only a small share of EU ODA is channeled in the form of core contributions to other multilateral organizations (2% or US\$352 million in 2017), including US\$229 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria, and US\$115 million to the UN Relief and Works Agency for Palestine Refugees (UNRWA).

THE EU'S BILATERAL AND MULTILATERAL ODA

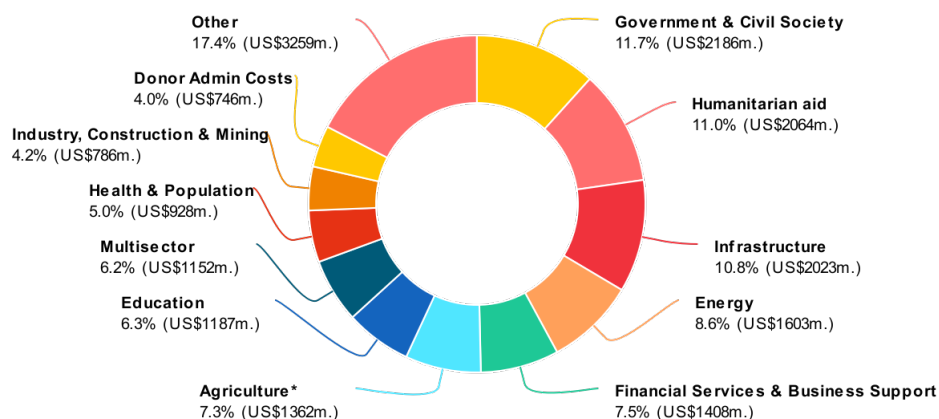
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2017 prices.

THE EU'S BILATERAL ODA BY SECTOR, 2017

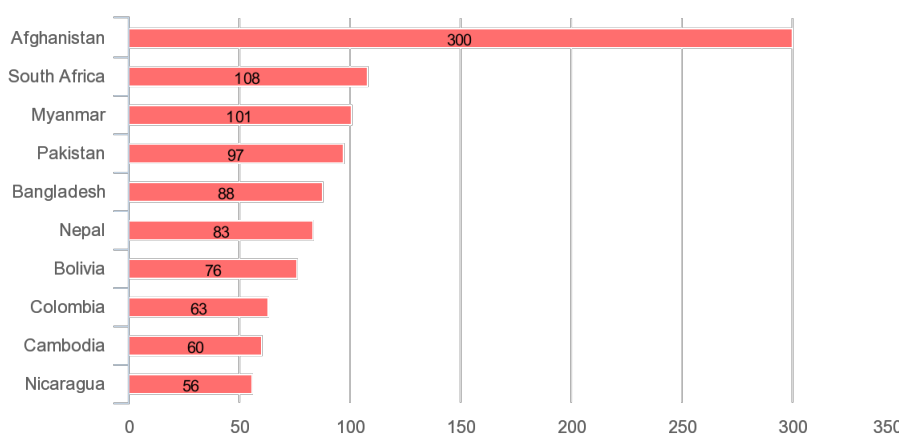
Total: US\$18,706 million



OECD CRS. Gross disbursements. *Includes agriculture, forestry, fishing, and rural development. In 2017 prices.

THE TOP 10 RECIPIENTS OF THE DCI, 2016

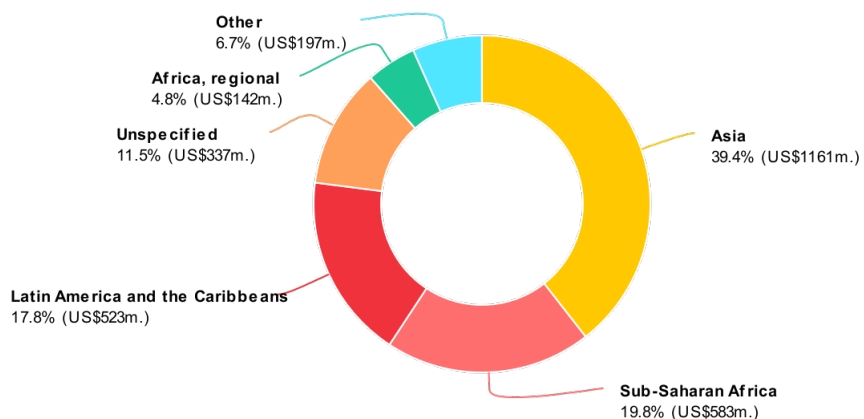
excluding debt relief, in US\$ millions



DEVCO annual report, 2017. In 2017 prices.

THE DCI BY REGION, 2016

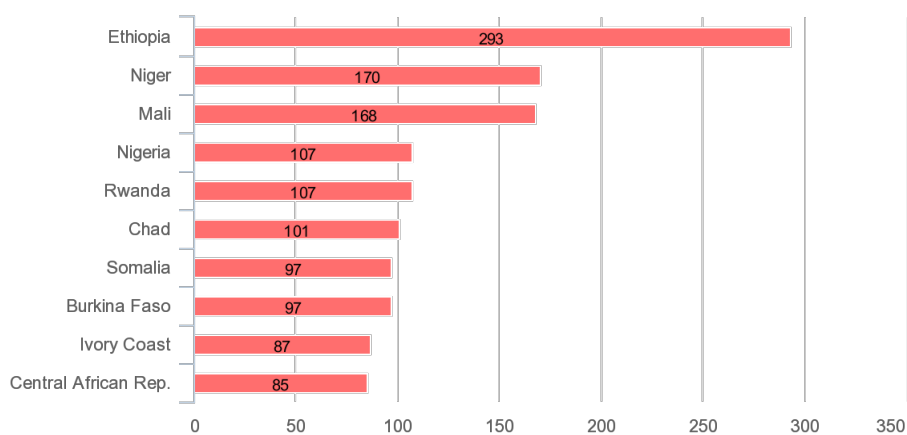
Total: US\$2.9 billion



Devco annual report, 2017. in 2017 prices.

THE TOP RECIPIENTS OF THE EDF, 2016

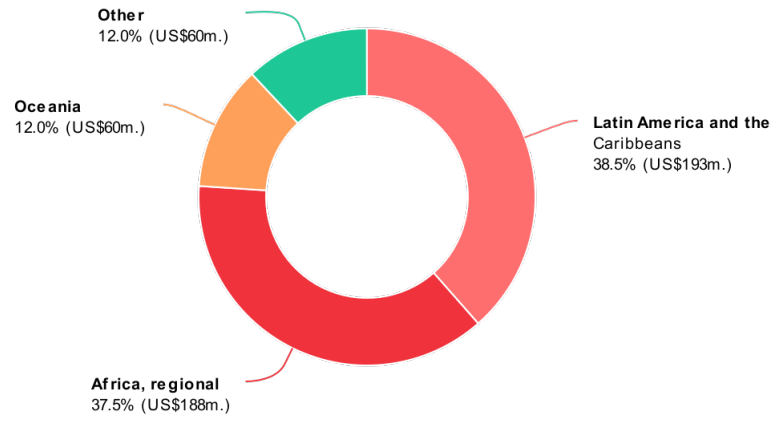
excluding debt relief, in US\$ millions



DEVCO annual report, 2017. In 2017 prices.

THE EDF BY REGION, 2016

Total: US\$3.0 billion



Devco annual report, 2017. in 2017 prices