

KEY QUESTIONS

the big six

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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\$33.7 billion, for 2014 to 2020) and the EU's general budget's Heading 4, 'Global Europe', which includes various external funding instruments (in total US\$57.4 billion or €51.9 billion). Within the heading, the Development Cooperation Instrument (DCI) is the funding source that places the strongest focus on developing countries; therefore, the section focuses on this funding source, together with the EDF. The EDF and DCI together account for 61% of the EU's ODA (US\$55.5 billion, between 2014 and 2020).

The EU budget's Heading 4 is part of the multiannual financial framework (MFF), which sets political priorities and provides a framework for financial programming from 2014 to 2020. The heading 'Global Europe' includes the following external funding instruments:

- The Development Cooperation Instrument (DCI, see above) (€19.6 billion, or US\$21.7 billion, for 2014 to 2020), whose prime objective is the reduction of poverty
- The European Neighborhood Instrument (ENI) (€15.4 billion, or US\$17 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, or US\$12.9 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
- Smaller instruments such as the Instrument contributing to Stability and Peace and the European Instrument for Democracy and Human Rights.

EDF and DCI spending commitments 2014-2020	billions €	billions US\$
EDF programs	30.5	33.7
Support to ACP countries	29.1	32.2
Country and regional programs	24.4	27.0
Intra-ACP funds	3.5	3.9
ACP Investment Facility (managed by EIB)	1.2	1.3
Support to overseas countries and territories	0.4	0.4
Administrative expenditure	1.1	1.2
DCI programs	19.6	21.7
Geographic programs	11.8	13.1
Thematic programs	7.0	7.7
Global Public Goods and Challenges	5.1	5.6
CSO and local authorities	1.9	2.1
Pan-African program	0.8	0.9
Total EDF and DCI spending	50.2	55.5

The DCI accounts for 38% of Heading 4 'Global Europe'. 5% of its total funding between 2014 and 2020 (US\$1.1 billion) is 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 US\$5.6 billion for the period 2014 to 2020, of which US\$1.5 billion will be allocated to food and nutrition security and sustainable agriculture, and at least US\$1.1 billion to health. Within the GPGC, the Commission finances 'EU flagship programmes' that address global challenges through multi-sectoral or cross-cutting approaches. No concrete funding amounts are earmarked for these programs, given that the flagship initiatives are a programming tool rather than a funding delivery mechanism. Moreover, the DCI's US\$935 million '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 EDF is outside of the EU's general budget and is financed by direct contributions from EU member states. 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). The largest contributors to the EDF are Germany (21% in 2016), France (20%), the United Kingdom (15%), and Italy (13%). 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'. For example, US\$1.7 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 US\$3.8 billion from country programs and US\$561 million from intra-ACP funds.

The Commission is set to present a proposal for the priorities and budget of the next MFF for 2021-2027 by May 2018. Until then, the EU member states must decide how much they will commit to the next EU budget and how much will be dedicated to ODA.