

KEY QUESTIONS

the big six

2

What are the EU's strategic priorities for development?

Increased emphasis on migration and security-related issues

The EU's development strategy is outlined in the European Consensus on Development, signed by the three main EU institutions (the European Commission, the European Parliament, and the Council of the European Union) in June 2017. Its overarching objectives are poverty reduction and alignment with the Sustainable Development Goals (SDGs). The objectives have been translated into four frameworks for action:

- **'People** – human development and dignity', which includes education, nutrition, access to water, health, decent work, environment, and human rights (particularly rights of the disabled, youth, women and girls, and displaced persons);
- **'Planet** – protecting the environment, managing natural resources, and tackling climate change';
- **'Prosperity** – inclusive and sustainable growth and jobs', which includes a focus on investment and trade, green business models and sustainable agriculture, tax evasion and illicit financial flows, and innovation;
- **'Peace** – peaceful and inclusive societies, democracy, effective and accountable institutions, rule of law, and human rights for all', which includes a focus on humanitarian assistance.

The Consensus highlights the EU's commitment to strengthen interlinkages between different sectors, such as development, peace and security, and humanitarian aid, as well as between cross-cutting elements such as youth, gender, and migration. It also underlines the intention to combine traditional development assistance with other resources, including private-sector investments and domestic resource mobilization. Finally, the Consensus aims to create better-tailored partnerships with the partner countries, including civil society and other stakeholders.

In 2012, the Agenda for Change was adopted, which outlines policy guidelines that complement the Consensus. The main objective of the Agenda for Change is to improve the effectiveness of EU development policy; it prioritizes general budget support with stricter aid conditionality, and highlights the use of innovative financing

mechanisms, such as the blending of grants and loans. The Cotonou Agreement, a partnership framework signed in 2000, governs relations between the EU and African, Caribbean, and Pacific (ACP) countries; It is the framework for the European Development Fund (EDF). The Cotonou Agreement is set to expire in February 2020. Negotiations to renew the terms after 2020 officially begin by September 2018. In practice, discussions are already underway. In December 2017, the European Commission (Commission) published recommendations, suggesting an umbrella agreement defining common values and interests, followed by three distinct agreements with, respectively, African, Caribbean, and Pacific countries. Throughout the first semester of 2018, EU member state foreign ministers will discuss the negotiating mandate and directives for the Commission. In the second quarter of 2018, the Commission plans to seek approval for its proposal.

In 2018 and early 2019, the EU institutions will agree on the priorities, structure, and budgets for the next multiannual financing framework (MFF 2021-2027). According to the Commission, the next MFF will have to 'fund more with less' at a time when the EU's budget is shrinking due to 'Brexit' but pressure is mounting to do more to, among other things, manage migration flows into the EU and tackle climate change. EU member states must decide how much they are willing to commit to the next EU budget and what the spending priorities and limits should be. These discussions, running in parallel with Brexit negotiations, could significantly change the structure of EU ODA.

Under discussion is a merging of all EU development cooperation funding into a single instrument, including the EDF. This would mean that the EDF would be incorporated into the EU budget for the first time. The Commission's Directorate General for International Cooperation and Development (DG DEVCO) has indicated that the design of the new development financing instruments in the new MFF should address the growing number of fragile and conflict-affected regions, expanding geopolitical uncertainties and security threats, impact of climate change, and increased migration flows. In May 2018, the Commission will present a first proposal for the MFF 2021-2027, to which the other EU institutions will respond; the process is unlikely to be finalized before 2019.

The EU disburses nearly all its ODA bilaterally; focus is on humanitarian aid, infrastructure projects, and financial services

The EU is a multilateral institution that receives funding from its member states. At the same time, it is a donor that channels ODA itself; it provides the vast share directly to countries as bilateral ODA (99% in 2016). Multilateral contributions amounted to only US\$274 million in 2016.

Bilateral ODA from the EU increased significantly between 2015 and 2016, rising by 19% from US\$15.7 billion gross ODA in 2015 to US\$18.6 billion in 2016. This resulted largely from increased contributions from several member states as a response to the unprecedented arrivals of asylum seekers in Europe in 2015. The largest increases went to humanitarian assistance, which increased by 37% between 2015 (US\$1.7 billion) and 2016 (US\$2.4 billion) and which is now the largest sector for the EU's bilateral ODA. Agriculture also received a significant increase, growing by 58% from US\$1.1 billion in 2015 to US\$1.7 billion in 2016; agriculture was the fourth-largest sector in 2016, receiving 9% of EU bilateral ODA. Infrastructure also saw strong increases (+29%): while in 2015, US\$1.7 billion was allocated to infrastructure; in 2016 it was at US\$2.2 billion. A further priority sector in the EU's ODA is financial services and business support (11% in 2016, or US\$2.1 billion), in line with the EU's focus on economic development; this sector, however, saw a 5% decrease in funding compared to 2015.

Implications of the 'refugee crisis'

The 'refugee crisis' has had a major impact on the EU's external action and development policy. In response to the unprecedented levels of asylum seekers arriving in Europe in 2015, the EU increased ODA to partner countries. Most of the increases in 2016 have been channeled as humanitarian aid to fragile areas and within the EU. The EU budget has seen increased funding since 2015 to respond to the increased migratory challenges, reaching

Implications of 'Brexit' on the EU's ODA

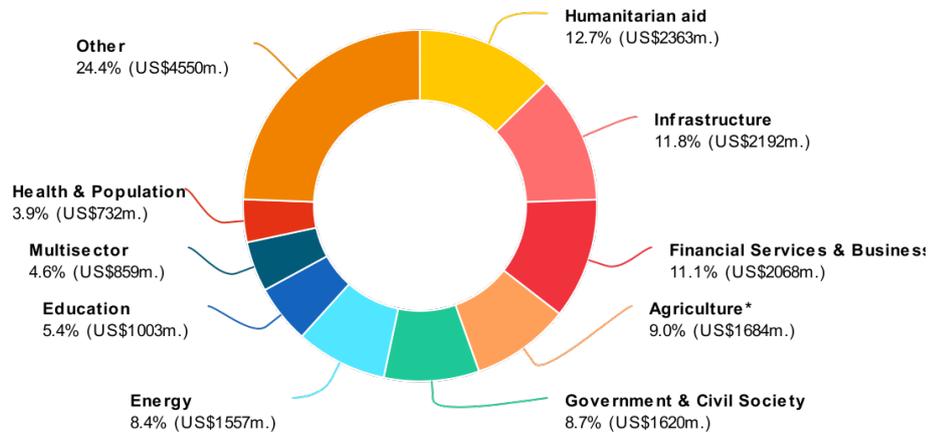
In June 2016, the British population voted in favor of the United Kingdom (UK) exiting the EU. While details on how this decision will affect EU development policy remain unclear, Brexit could impact the EU's development policy in the following ways:

- **Reduce financial resources for development programs:** The UK contributes around US\$1.8 billion per year (2014-2016 average) to EU development programs through the EU's general budget and the EDF; these may see cuts.
- **Create a leadership gap:** The UK has been a strong supporter of value for money, evidence-based policy, and a strong results agenda within EU development policy, placing emphasis on multilateral development assistance. It also provides significantly more development assistance for health than any other EU member state.
- **Reduce the focus on poorest countries:** The UK has advocated for a stronger focus on low-income countries and fragile states within the EU's development assistance programs.

a total of US\$24.3 billion (€22 billion) for the period between 2015 and 2018. This includes actions within the EU (US\$10.6 billion) and actions outside the EU, including the protection of the EU's external borders (US\$13.7 billion, though only some of this is counted as ODA). The latter includes the establishment of the 'Emergency Trust Fund for Africa' (to which the Commission has contributed US\$3.3 billion as of March 2018) and the 'EU Regional Trust Fund in Response to the Syrian Crisis' (to which the Commission has contributed US\$1.4 billion as of February 2018), both targeted at tackling the root causes of migration abroad.

THE EU'S BILATERAL ODA BY SECTOR, 2016

Total: US\$18,628 million



OECD CRS. Gross disbursements. *Includes agriculture, forestry, fishing, and rural development. In 2016 prices.