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European official development assistance: dismantling under the radar?

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The announcements of the American administration regarding development assistance, in particular the brutal dismantling of USAID, are the focus of attention, but at the same time, some member countries of the European Union are also planning to cut their external budgets. For what reasons, and what implications for the international financial ecosystem?

When Europe was the world's leading multilateral provider

With an overall budget of 67 billion dollars, i.e. about 1/3 of global aid, the United States was, until 2023, the world's leading bilateral provider of official development assistance (ODA) in absolute amounts. However, according to the same [OECD data](#), the institutions of the European Union (EU) and its Member States collectively have a budget of 96 billion euros for 2023, which is a larger overall amount than that of the United States. Europe is therefore, in a broad sense, the world's leading multilateral donor of ODA. And its diversity of actors (multilateral, bilateral, private and public implementing agencies), instruments (grants, loans, guarantees, etc.) and geographical anchors is an asset to be mobilized in a coordinated manner.

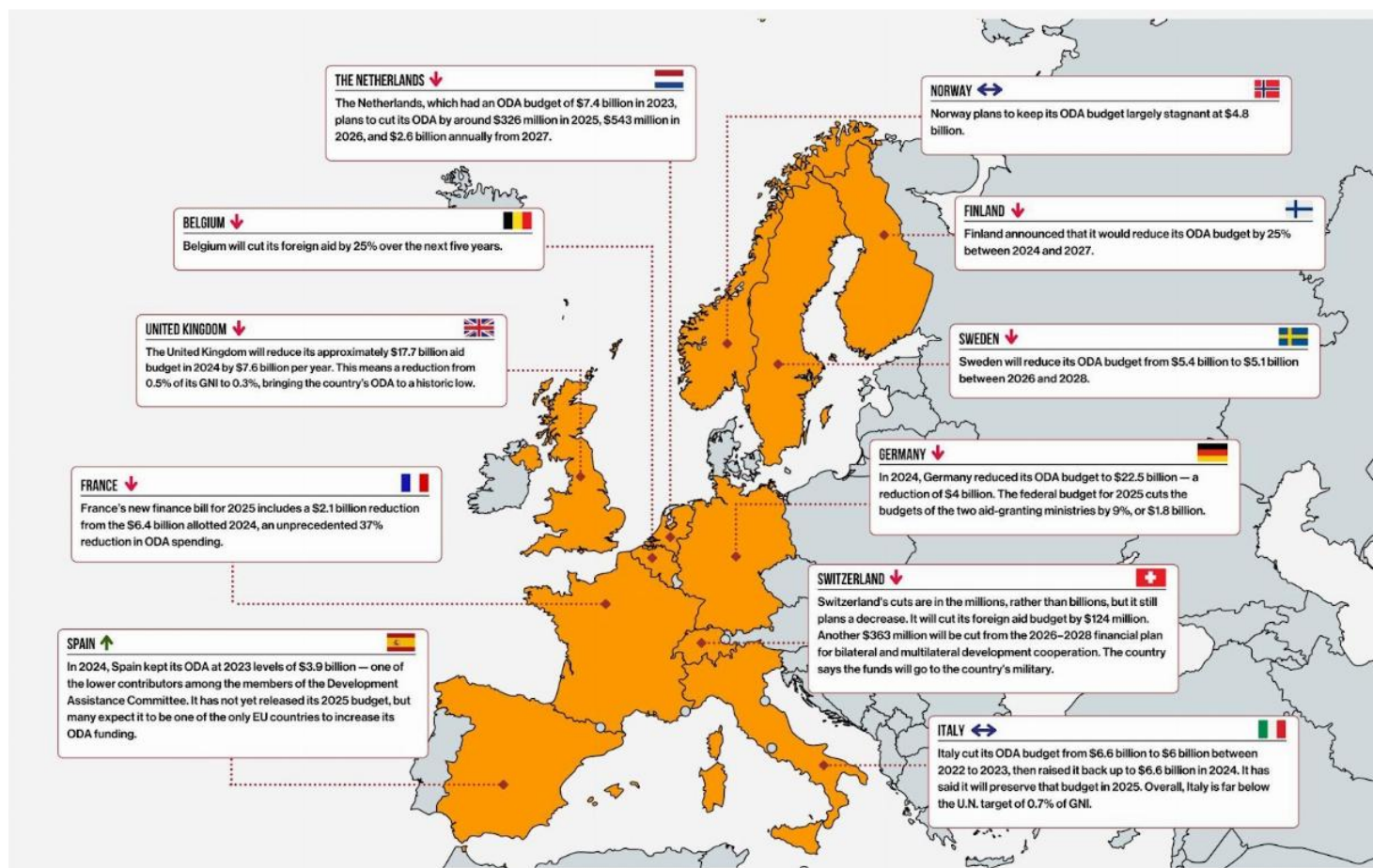
But it is precisely this apparatus that is now being undermined by announcements of budget cuts. While the speed with which the United States has dismantled its aid system is shocking, the trend in terms of volume is not radically the opposite in Europe, thus calling into question the future of aid and the true level of ambition of countries in this area. From an institutional point of view, while the American process is radically different in its brutality, lessons can nevertheless be learned from the British experience, with the dissolution in 2020 of the Department for International Development (DFID) as an independent development agency and its integration into the Foreign, Commonwealth and Development Office (FCDO); in the same vein, some [German government](#) actors are also considering abolishing their agency, just as the EU is considering a [merger of its instruments](#).

Budget cuts and a question mark over ambition

While some have questioned whether the EU will fill the vacuum left by the United States, the EU has already indicated that this will not be the case.

The EU has already announced a €2 billion cut to its main development aid delivery instrument (the Neighborhood, Development and International Cooperation Instrument, NDICI) for the period 2025-2027. And it will also begin an important negotiation process to determine its next budget (the Multiannual Financial Framework) for the period 2028-2034; in this context, a 35% [reduction in](#) the budget allocated to development aid is already being considered.

Figure. Budgetary trends for development aid in Europe



Source: Devex, 25/03/2025

The Commissioner for International Partnerships, Jozef Sikela, has already [pointed out](#) that the EU will not be “the lender of last resort”, but rather “a partner of choice”. Following the example of Commission President Von der Leyen, who has indicated that she wants to make this Commission a “[Commission of investments](#)”, the EU wants to strengthen the strategic and transactional dimension of its development aid. This dimension is not entirely new, as it is a central element of the origins of development aid, and its strengthening had already been initiated by the establishment of the [Global Gateway](#). But the multiplicity of priorities in EU foreign policy makes it increasingly difficult to articulate its objectives in a coherent and ambitious manner. The conflicts in Ukraine and the Middle East have refocused attention on the Union's security policy, which is also driven by the concerns of Member States under pressure from new conservative electoral balances. And economic difficulties also weigh on these discussions, at a time when public finances are no longer sufficient to cover all the issues, and economic benefits and commercial stakes are being emphasized.

This de-prioritization of development issues is part of the current discussions on the necessary reforms of the international financial architecture, which does not respond to the needs of countries or to global issues, and does not appear to serve an agenda of rebalancing global powers or of gradually withdrawing aid from the most vulnerable countries, on the contrary highlighting a risk of increasing inequalities and a growing gap between the ambition displayed at the international level and its implementation.

The possibility of a shared vision to maintain influence

The EU has nevertheless demonstrated its ability in times of crisis (such as during the COVID-19 pandemic, for example) to stand united and to overcome national interests in order to preserve essential achievements at the international level. European countries, despite a certain level of competition that persists between them, also acknowledge the fact that they can no longer act in isolation. This moment of crisis therefore invites to rethink the opportunities that may arise. For example, it is useful to recall the potential collective weight of Europeans within multilateral governance institutions, such as the World Bank (EU Member States that are shareholders have almost a quarter of the voting rights), at a time when the United States is also rethinking its role in these forums. The European Investment Bank (EIB), whose overall volume of activities ([66.8 billion euros in 2024](#)) is close to that of the World Bank (104 billion euros), with a branch for growing non-EU action (8.4 billion euros in 2024), must also have a greater impact in this context, by intervening directly in response to the needs of countries or indirectly in support of other national development banks that are potentially willing to take more risks, for example.

Developing a shared vision in these multilateral spaces could make it possible to raise the level of ambition despite the economic and political context, in the light of anticipated rebalancing between multilateral and bilateral contributions. As for strategic orientations, a clearer targeting of countries and/or sectors in which the United States and other donors are pulling back could be considered. The negotiations on the future MFF represent a key opportunity to explore various options. Earmarking funding for the fight against climate change, health or the least developed countries, particularly in Africa, could be done in the very name of security, as invoked by some European states. The [Presidential Council](#) of 6 April, 2025, for example, renewed France's commitment to “devote at least 60% of its donations to the most vulnerable countries,” a commitment that will have to be monitored in its effective implementation in response to the countries' needs.

While responding to an agenda of so-called effectiveness, such reorientations would also make it possible not to completely renounce the collective international agreements achieved 10 years ago, namely the 2030 Agenda for Sustainable Development and the Paris Climate Agreement. Embracing this approach would finally make it possible

to better consider scenarios for phasing out development aid, as countries should not be expected to depend on it in the long term: in fact, in a context of scarce public funds, the search for new sources of funding from international taxation mechanisms or the mobilization of the private sector in the service of local development are once again being considered. The resumption of work begun in 2021 on the establishment of an African free trade area¹ based on the European model could also be part of this dynamic.

But the abrupt and unilateral decisions coming from certain donors do not allow for the transition period necessary to outline a longer-term vision that does not jeopardize the global economic and planetary balances.

Shaping the future together with the Global South

While the American and European announcements do clarify their political objectives, few countries of the Global South have spoken publicly. Those that have done so focus exclusively on the American withdrawal, revealing a certain invisibility of European action, but also some existing criticisms of the action taken to date. On the other hand, redesigning the future contours of international cooperation cannot be done without the active participation of those most directly concerned.

Among the public reactions, the President of Ghana has ordered publicly his Ministry of Finance to explore all possible sources of funding to fill the deficit of around 149 million euros created by the withdrawal of USAID, with a particular impact on the health and agriculture sectors.

Ngozi Okonjo-Iweala, Director-General of the World Trade Organization and former Finance Minister of Nigeria, has stated that, in her opinion, international aid must now become a thing of the past. Now more than ever, it is time to invest and mobilize domestic resources, thus echoing the discourse already held by a number of donors. While these dimensions do indeed make it possible to consider an end to aid, the system of aid dependency should not be replaced with another system of dependency based on a more commercial dimension; nor even, following the example of Kenya exploring financial agreements with the United Arab Emirates, to turn to partnerships whose contribution to global sustainable objectives is called into question.

Finally, other leaders, such as Abdoulaye Diop in Mali, have conversely welcomed the US cuts, emphasizing the sovereignty of their states, an argument already put forward in the Sahel to denounce the presence of Europeans in a deleterious security context—without clarifying the alternative model that would ensure, for example, improved access for populations to essential public services.

However, beyond these individual positions taken in the public arena, the relative absence of a broader debate at the regional or national level can also be explained by the desire not to attract too much attention and provoke disproportionate reactions (like certain exchanges concerning the imposition of new trade tariffs that also have an impact on Southern countries) and preferring political diplomacy in closed forums where speech can be freer. In any case, it is to be hoped that any outcome of these political repositionings will be reached with all the countries concerned, otherwise the same debates could reappear, under different guises.

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<https://au-afcfta.org/about/>

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