

EU Trust Funds – Shaping more comprehensive external action?

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Key messages

EU Trust Funds can provide opportunities for the EU and its Member States to deliver more flexible, comprehensive and effective joint support in response to emergencies, fragility and its thematic priorities. As such, they can help increase the EU's global visibility and allow it to speak with one voice in both a political and operational manner in very different contexts and regions.

The three Funds set up to date (Bêkou, Madad and the Africa Trust Fund) differ substantially in their scope and volumes of funding. Positive experiences in the initial implementation of Bêkou cannot be taken for granted. The success of the Trust Funds depends substantially on the willingness of EU Member States' to contribute to an instrument that allows the EC to exercise more weight in external action.

Political pressures to react and show quick results within a short space of time entails the risk that valuable lessons of international cooperation are forgotten. In particular, for the new and very broad Africa Trust Fund, guidance is needed to ensure decisions are based on solid analysis, and are aligned with existing regional and country strategies. This safeguards ownership, ensures complementarity and balances long-term and short-term objectives.

1. Introduction

EU Trust Funds (EUTFs) are a young add-on to the EU's external action instruments. Their creation responds to the EU's will to deliver more flexible, comprehensive and effective joint EU support, and increase the EU's global visibility and political weight, particularly in challenging contexts. So far, the EU has been extremely swift in setting up Trust Funds, building a momentum for change that European diplomats have qualified in the corridors as 'unrivalled in the history of EU external action'. Currently, the EU counts three EUTFs²: the EU's Bêkou Trust Fund for the Central African Republic, set up in July 2014; the EU Regional Trust Fund for Syria (Madad Fund), established in December 2014; and the EU Emergency Trust Fund for Africa ('the Africa Trust Fund') set up at a record speed and signed in November 2015. These Trust Funds are very different in nature, but raise a number of generic issues relevant to this new EU instrument. The extent to which these Trust Funds will deliver the expected results in terms of addressing the root causes of conflict and sudden migration, and assisting the transition of conflict prone countries' towards resilience and development remains an open question. Despite EUTFs potential for more flexibility, rapid action and coherence, channelling EU funds through EU Trust Funds in fragile, crisis and post-crisis contexts brings a number of political and operational challenges.

¹ The authors thank Annabelle Laferrere for background research and substantive inputs to this Briefing Note, Greta Galeazzi, Andrew Sherriff and Damien Helly for valuable comments as well as Joyce Olders for layout support.

² A fourth Trust Fund for Colombia is in preparation and is expected to be launched during the coming months.

This Briefing Note aims to facilitate a better understanding of how EUTFs are created, how they operate and what the specificities of the three existing Funds (Section 2) are. It will then explore the key political and operational challenges that result from the creation of EUTFs, and discuss the implications of EUTFs for the wider functioning of EU external action in complex and fragile environments (Section 3), before concluding.

2. What are EUTFs and how do they work?

European Trust Funds: a new kid on the block

Development trust funds are aid instruments that allow the pooling of huge volumes of aid from different sources. A trust fund can be country-specific, regional, or global in its geographic scope, and respond to different thematic priorities. Trust funds are governed by a specific legal arrangement between donors, which specifies governance procedures, financial and operational reporting requirements, and spending priorities. Multi-donor Trust Funds have been used since the 1980s and have strongly proliferated³ over the last two decades. They are regarded as a key component of aid effectiveness and have recently become the standard financing modality for delivering aid in coordinated international responses in fragile and post-conflict environments and complex emergencies⁴.

Until 2013, the European Commission (EC) could only pool funds with other donors by signing a Contribution or Delegation Agreement with a third entity that would act as a Trustee (generally a UN agency or the World Bank). To date, the European Union (EU) has channelled EU aid through 81 Multi-donor Trust Funds.⁵ Another option to pool funding was for the EC to manage assigned funding by other donors through its own rules and regulations.⁶ Yet, this prevented other donors from participating in decision-making in the governance bodies and EC procedures proved inflexible in volatile contexts. It was thus not the preferred option.

Amidst pressure to reinforce the EU's political visibility, show leadership and added value, and improve the EU's flexibility to deliver high impact aid in fragile situations, the European Union reviewed its Financial Regulations in 2013 in order to allow the EC to create and manage its own Trust Funds.

EUTFs are mainly designed to leverage the contributions of EU Member States, and to increase the global visibility of European efforts, but they are also open to contributions from non-EU donors, and private entities.⁷ EU Trust Funds can serve either thematic priorities or be set for specific emergency crisis and post-crisis situations. They also need to fulfil a number of conditions and respond to certain governance principles (as explained in Box 1).

³ For example at the World Bank, the number of active Trust Funds in 2013 was more than 900; see Reinsberg, Michaelowa and Eichenauer, 2014.

⁴ Examples are the Haiti Reconstruction Fund following the January 2010 earthquake, led by the International Development Association of the World Bank Group (see Haiti Reconstruction Fund, 1 January 2015) or the UNESCAP Trust Fund for Tsunami, Disaster and Climate Preparedness created in response to the destructive Indian Ocean tsunami of December 2004 (see United Nations Economic and Social Committee for Asia and the Pacific, March 2014).

⁵ For more background on EU contributions to non-EU MDTFs, see European Commission, 31st March 2015.

⁶ Donors (either EU member states or external donors) would assign revenues through transfer agreements to the EC to manage implementation.

⁷ With approval of the Trust Fund Board.

Box 1: Setting up a European Trust Fund: principles and process

The legal basis for EU Trust Funds is laid out in Article 187 of the Financial Regulation (FR) of the EU Budget⁸ and in Article 259 of the Rules of Application (RAP) of the new Financial Regulation.⁹ Article 187 is also referenced in the 11th EDF Internal Agreement,¹⁰ article 42. The creation of a Trust Fund should fulfil four conditions:

It should stem from a joint initiative between the EC, in cooperation with the European External Action Service (EEAS), and at least one EU Member State, acting as founding partner;

It should bring added value to existing EU interventions;

It should contribute to increasing the EU's global visibility and political weight; and

It should ensure 'additionality' in order not to duplicate other donors' funds.

Once these conditions are met, the EC and founding partner(s) can proceed to draft a Constitutive Agreement, which defines the specific objectives of the Trust Fund and the rules applying to its management and governance.¹¹ In parallel, the EC prepares a Financing decision defining the instruments from which the EC will draw its contribution and the amounts, and submits it to the relevant Committee governing the EU funding instrument (e.g., ENI, DCI, EDF, ECHO) for approval.

The Trust Fund must have a limited time-span, although there is a possibility for extension. The preferred modality for implementation is direct management, meaning that the EC performs the implementation.¹² Indirect management can only be used for the emergency trust funds, which delegate budget implementation to third parties, such as partner countries, international organisations or development agencies of EU member states. Like other EU funds, the EUTFs must abide by the principles of sound financial management, transparency and proportionality, non-discrimination and equal treatment.

The three EU Trust Funds

The EU has so far used its new opportunity to create Trust Funds on three occasions. Yet, as explored in more depth below, the three EUTFs are indeed quite different in scope, objectives, funding and governance arrangements, and in quality.

The Békou Trust Fund for the Central African Republic

The Békou Trust Fund¹³ was initiated in mid-2014 by the EC together with France to fill a gap in the EU's crisis response toolbox in the Central African Republic (CAR). Other donors, not present in the CAR saw an opportunity to enhance this initiative by pooling resources. This was motivated by the wish to (a) strengthen existing French efforts in support of a former 'aid orphan' country, (b) avoid overburdening scarce local capacities in dealing with diverse European actors, (c) put in place a real joint organisation of resources, expertise and implementation capacity, and streamline implementation, and (d) increase the EU's political clout in CAR's difficult political and transition-related future. The Békou Trust Fund aims at funding post-conflict and transition-related support activities (cf. employment generation, health, Water, Sanitation and Health (WASH) and refugee support). It can also fund activities in CAR's neighbouring countries. It follows the concept of linking relief, rehabilitation and development (LRRD),¹⁴ which is also the overarching guiding principle intended to govern the implementation of the other two Trust Funds.

The Fund's ability to provide rapid assistance in the specific context of the CAR was praised by the Minister of Economy and Planning of the transitional government. One year after implementation, first positive results could be reported in the medical field, in agriculture and for employment creation, which is a record speed for EU supported projects. New domains will be added to the assistance in relation to gender, urban rehabilitation, reconciliation and support to the eco-system thereby underpinning the approach to go beyond emergency programming only.¹⁵

With an initial budget of €64 million, the Békou Fund has been increased and currently pools together a around €100 million, pledged by the EU and contributing donors. The EC contributes in total €75 million, with €50 million from EDF, €10 million from the Food Security Thematic Programme of the Development

⁸ European Commission, 2013.

⁹ European Commission, 19 November 2012.

¹⁰ European Union, 6 August 2013.

¹¹ Annex I indicates the objectives and purpose of the EUTF; the other Annexes include templates for programming the funds and donors' contribution certificates.

¹² This can happen either through Headquarter departments, EU Delegations, or EU operational agencies.

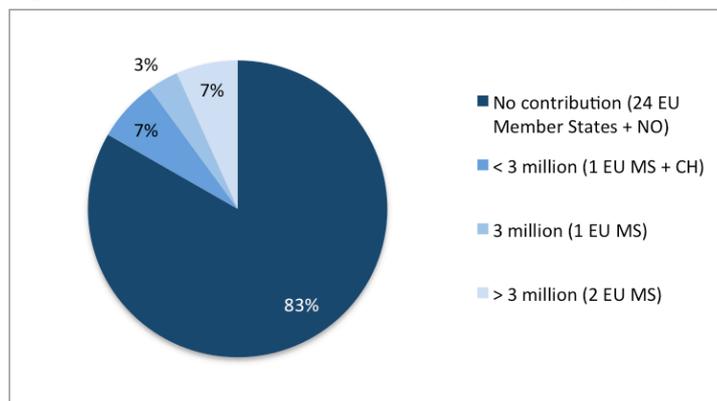
¹³ European Commission, 'Békou Trust Fund'.

¹⁴ LRRD was conceived as a response to the funding gap that has been identified between relief operations and longer-term development operations following emergencies or disasters.

¹⁵ Press release, 19 November 2015 – Second Békou Trust Fund Board Meeting, 18 November 2015

Cooperation Instrument (DCI), €12 million from the Non State Actors/Local Authorities Thematic Programme and €3 million from the Humanitarian Aid budget ECHO.¹⁶ This is complemented with the following contributions from EU Member States: France (€10 million), Germany (€10 million), the Netherlands (€3 million), Italy (€1 million) and Switzerland (CHF 1 million).¹⁷ The Bêkou Fund lifespan is framed for an initial five-year period, running until the 15 July 2019.¹⁸ Recently, the Board has adopted 4 new projects for €27 million, on top of an already committed budget of €47 million for 6 projects, making it a total of €74 million of committed projects.¹⁹

Figure 1: Level of contributions to Bêkou Fund (Voting rights ≥ 3MEUR)



Source: Own calculations based on reported European Commission figures

The Madad Trust Fund for Syria

The EU Regional Trust Fund for Syria (Madad Fund)²⁰ was established in December 2014²¹ to provide a coherent, comprehensive and joint aid regional response to the Syrian crisis, with a focus on stabilisation, resilience and recovery needs of refugees from Syria in neighbouring countries, and host communities and administrations. The Madad Fund aims at responding to EU political priorities in the region, and linking with the EU's regional strategy for Syria and Iraq, as well as providing a framework that could support joint EU programming in Syria, Iraq, Jordan, Lebanon and Turkey. It is designed to improve efficiency and coherence through financing multi-partner, multi-country and multi-year actions, with a preference for large actions that minimise contract management costs and a focus on leveraging European capacities and knowledge available in the field. It also aims at increasing flexibility, notably by using a wide range of funding modalities,²² making use of flexible crisis procedures authorised by the Financial regulation. With the agreement of the Trust Fund Board, ring-fencing is allowed, and funding can shift between and among countries, in a much more flexible manner than with pre-programmed EU instruments. These options include speedy delivery mechanisms that allow fast track contracting and disbursement, leaving behind lengthy and cumbersome procurement and calls for proposals. In terms of complementarity, the Madad Fund ensures links with ongoing programmes²³ and aligns its decisions with the orientations provided by multilateral frameworks.²⁴

According to recent data, current contributions and pledges to the Madad Fund will reach more than €500 million.²⁵ Initially, the EC has made start-up contributions of €38 million but has recently pledged²⁶ to increase the European Neighbourhood Instrument (ENI) in 2015 by €300 million to allow an increase of the EU Madad Fund, together with a reorientation of funds from the Instrument for Pre-Accession (IPA) of €200

¹⁶ European Commission, ECHO factsheet, October 2015.

¹⁷ Mimica, N, 26 May 2015.

¹⁸ This information is based on consolidated public information about the Bêkou Trust Fund according to the resources mentioned above.

¹⁹ European Commission (19 November 2015).

²⁰ European Commission, 'Madad Trust Fund'.

²¹ Commission decision on the 10 December and signature of Constitutive agreement on 15 December 2014.

²² Including grants, budget support, delegated cooperation, the latter will be used if it is cost effective and increases EU visibility.

²³ Such as Tahdir, the KfW Syria Recovery Trust Fund, the World Bank Trust Fund for Lebanon and World Bank and UN interventions in Jordan.

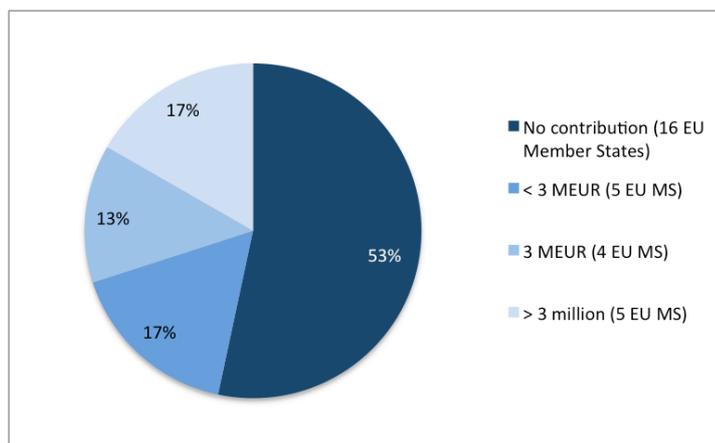
²⁴ Such as the UN Regional Refugee and Resilience Plan, G7 conferences etc.

²⁵ European Commission, 29 September 2015.

²⁶ European Commission, 23 September 2015.

million.²⁷ The EC has asked EU member states to match the EU funding so that the Fund will reach a total of €1 billion. Despite the EC's planned budgetary changes, there reportedly remain cash-flow problems in responding to the crisis in and around Syria. In October 2015, the Commission exerted pressure on EU Member States to assume responsibility and increase their contributions to the Regional Trust Fund.²⁸ While contributions have only slowly been forthcoming (in October contributions of EU Member States stood at around €20 million), now 14 EU Member States have pledged contributions of almost €50 million, with a total of €48.98 million, which is still far from what has been envisaged by the EC.²⁹ So far, the Madad Fund has however only committed few projects.³⁰

Figure 2: Level of contributions to Madad Fund (Voting rights ≥ 3 MEUR)



Source: Own calculations based on reported European Commission figures

The Emergency Trust Fund for Africa

On 9 September 2015, the President of the European Union, Jean-Claude Juncker, delivered his State of the Union speech and called for a 'bold, determined and concerted'³¹ European response to the current refugee crisis. He also announced the creation of a Trust Fund aimed at bringing stability and addressing the root causes of destabilisation, displacement and irregular migration. The Emergency Trust Fund for Africa became one of the flagship deliverables of the Valletta Summit held on the 11 and 12 of November 2015,³² when EU and African leaders signed a political declaration and adopted an Action Plan to jointly address the challenges and opportunities of migration.

The Africa Trust Fund covers three vast and very different regions: the Horn of Africa,³³ the Sahel and Lake Chad,³⁴ and North Africa.³⁵ The primary aim is to foster stability and contribute to better migration management. It will tackle the 'causes of destabilisation, forced displacement and irregular migration [...] by promoting resilience, economic and equal opportunities, security and development and addressing human rights abuses'³⁶. Four types of broad activities will be funded to achieve these objectives:

²⁷ The necessary budget amendment for the ENI replenishment was adopted by the European Council on 9 October 2015 (Council of the European Union, 8-9 October 2015) and endorsed by the European Parliament on 12 October in a fast-track procedure. The contributions of the EU Commission are drawn from the EU budget, (Heading 4: Global Europe), and more specifically from the European Neighbourhood Instrument (ENI) for South countries, under the budget line 'Mediterranean countries: confidence building, security and the prevention and settlement of conflicts' (21 03 01 03) (European Commission, 30 September 2015). On 12 November 2015, the EU offered 3 billion to Turkey to help the country stem the flow of refugees from the Middle East.

²⁸ European Commission, 21 October 2015, p.15.

²⁹ Austria (€11.5 million), Bulgaria (€0.1 million), Czech Republic (€5 million), Denmark (€10 million), Estonia (€0.15 million), Finland (€3 million), Germany (€5 million), Hungary (€3 million), Italy (€5 million), Latvia (€0.05 million), Lithuania (€0.1 million), Romania (€0.08 million), Slovakia (€3 million), Sweden (€3 million), Source: European Commission, 13 November 2015.

³⁰ Interview, EEAS Officials, November 2015.

³¹ Juncker J.-C., 9 September 2015.

³² Council of the European Union, 11-12 November 2015.

³³ Beneficiary countries are Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, Tanzania, Uganda.

³⁴ Beneficiary countries are Burkina Faso, Cameroon, Chad, the Gambia, Mali, Mauritania, Niger, Nigeria and Senegal.

³⁵ Beneficiary countries are Algeria, Egypt, Libya, Morocco, Tunisia.

³⁶ European Commission/European Union, 20 October 2015, 'Constitutive Agreement' for Africa Trust Fund, p.6.

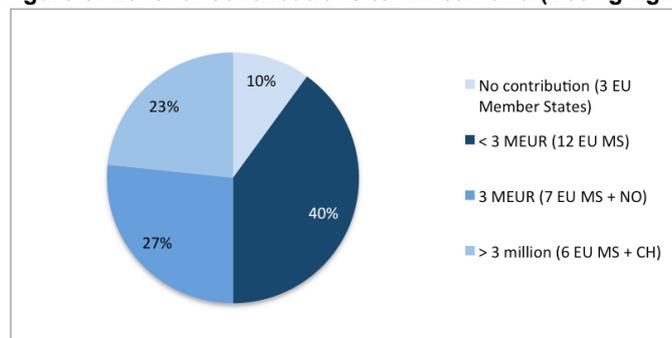
1. Programmes for creating employment opportunities, especially for young people and women in local communities, some of which contribute to the reintegration of returnees;
2. Activities supporting resilience in terms of food security and the wider economy, including services for local communities and refugees;
3. Improving migration management (including the fight against irregular migration and smuggling, return, readmission, international protection as well as legal migration);
4. Programmes to support improvement of overall governance, rule of law, security and development (including border management) and conflict-prevention systems.

Due to the fact that the challenges and realities are very different in the three regions, the EU aims for a different approach in managing this Trust Fund compared to Bêkou and Madad. The Fund will have three separate windows to cater to the needs of different regions. As currently envisaged, in addition to meetings in plenary, the Trust Fund Board will meet separately under each window and invite eligible countries and regional organisations.

The EC has pooled together a large amount of money for the Trust Fund by drawing massively from the reserve of the 11th EDF (€1 billion from funds pre-earmarked to the Performance Based Mechanism), the 11th EDF Regional Indicative Programmes (West Africa, Central Africa and Eastern Africa, Southern Africa and the Indian Ocean) and National Indicative Programmes (Horn of Africa, South Sudan) (all together €395 million). Additional funds are added through the European Neighbourhood Instrument (€200 million), the Development Cooperation Instrument (€125 million), a DG HOME budget line (€20 million), from humanitarian aid and disaster preparedness (€50 million) and €10 million foreseen from the Instrument for Stability and Peace. Spain has been the first EU Member State to sign up, acting as founding partner to establish the fund with a contribution of €3 million.

The EC has strongly encouraged EU Member States to match the €1.8 billion in funding with an additional €1.8 billion.³⁷ As of 13 November 2015, however, only €81.27 million had been pledged by European states,³⁸ and EU Member States have been slow to sign up (as of mid-October 2015 only six had effectively contributed to the EUTF). Before the Valletta Summit, there had been a shortfall of €1.768 billion to the envisaged €3.6 billion, which had led Donald Tusk and Jean-Claude Juncker to point out this rather stark discrepancy and to urge EU Heads of States to reconsider their pledges, so that ‘the national effort comes closer to the EU funding’.³⁹ At the Valletta Summit itself some Member States signed up and others increased their pledges to the current commitments.

Figure 3: Level of contributions to Africa Fund (Voting rights ≥ 3 MEUR)



Source: Own calculations based on reported European Commission figures

The reason why ‘matching actions to commitments’ and ‘deliver promises’⁴⁰ is important for the EU is that the Africa Trust Fund is used as leverage for cooperation with African countries on issues of mutual interest

³⁷ Tusk, D., Bettel X., and Juncker, J.-C., 30 October 2015.

³⁸ Twenty-five of the 28 EU member states (all but Croatia, Cyprus and Greece) and 2 non-EU donors (Norway and Switzerland) have pledged: Austria (€3 million), Belgium (€10 million), Bulgaria (€0.05 million), Czech Republic (€0.6 million), Denmark (€6 million), Estonia (€0.15 million), Finland (€5 million), France (€3 million), Germany (€3 million), Hungary (€0.5 million), Ireland (€3 million), Italy (€10 million), Latvia (€0.05 million), Lithuania (€0.05 million), Luxembourg (€3.1 million), Malta (€0.25 million), Netherlands (€15 million), Norway (€3 million), Poland (€1 million), Portugal (€0.25 million), Romania (€0.1 million), Slovakia (€0.5 million), Slovenia (€0.05 million), Spain (€3 million), Sweden (€3 million), Switzerland (€4.6 million) and the UK (€3 million). Source: European Commission, 13 November 2015.

³⁹ Tusk, D., Bettel X. and Juncker, J.-C., 30 October 2015.

⁴⁰ Tusk, D., Bettel X. and Juncker, J.-C., 30 October 2015.

in and to implement the agenda agreed upon as part of the Valletta Summit⁴¹ on the 11th and 12th November 2015.⁴²

Box 2: How the Trust Funds are governed and managed

The legal basis of the EU Trust Fund instrument allows for faster decision-making, as the funds, once they are part of the Trust Fund, are managed outside the EU budget or the EDF procedures. Some of the decision-making procedures are specific to each Trust Fund, yet all Trust Funds are governed at two levels: (1) The Trust Fund Board and (2) The Operational Board. The day-to-day work of the Trust Fund is in the hands of the Trust Fund Managers.

The Trust Fund Board

The Trust Fund Board is chaired by the EC and brings together (a) contributing donors with voting rights, provided they contribute a minimum amount (for the three existing Trust Funds to date the minimum contribution has been set at €3 million⁴³) and (b) observers, which includes EU Member States that are not members of the Operational Board and any other relevant stakeholder, including beneficiaries. The EEAS is part of the Delegation of the Commission to the Trust Fund Board. The aim of the Trust Fund Board is to work on the basis of consensus. If it comes to a vote, each donor has one vote, and decisions are taken by simple majority. The Chair is in practice the European Commission (DG DEVCO for Bêkou and the Africa Trust Fund and DG NEAR for the Madad Trust Fund), and has a veto right. The Trust Fund Board meets as often as necessary but at least once a year.

The invitation of beneficiaries and other organisations to the Trust Fund Board is to be approved by the Board on a case-by-case basis. It is worth noting that the CAR government is a member of the Bêkou Trust Fund Board and has been part of the strategic discussions from the very beginning. The Board of the Madad Fund also includes, as observers, a representative of the KfW's Syria Recovery Trust Fund, under the condition of reciprocity⁴⁴ and allows for other observers to be invited on an ad-hoc basis - yet without specifically mentioning beneficiary countries. In the Trust Fund for Africa, beneficiary countries and regional organisations can be invited as observers to discuss strategies for the specific geographic windows.

The Operational Committee

The Operational Committee is tasked with examining, approving and supervising implementation of actions financed by the Trust Fund as well as ensuring visibility and approving the annual reports. It is chaired by a representative of the Commission⁴⁵ and includes the representatives of each donor⁴⁶. The Operational Committee seeks to work on the basis of consensus, and when consensus is not possible, it votes by a simple majority. The Chair keeps its right to block decisions and invite observers. In the Madad and the Bêkou Fund, the number of votes awarded to each donor, depends on their contribution to the Fund.⁴⁷ For the Africa Trust Fund, this is not the case, and donors are awarded one vote, provided they reach the minimum contribution. The Operational Committee can also include observers, which can be non-contributing EU Member States, as well as beneficiary countries or regional organisations. The Committee holds several meetings a year, as often as is necessary.

The Trust Fund manager(s), day-to-day management and administration fees

On a day-to-day basis the fund is managed by a designated Commission official who also acts as Secretariat of the Trust Fund⁴⁸. The Trust Fund Manager is also part of the Operational Committee and oversees the implementation of activities, is responsible for the financial management and prepares the Annual Report. For the Africa Trust Fund, due to the different geographic windows, one Manager per window is appointed. Moreover, the Manager has a network of focal points in EU Delegations.

⁴¹ Council of the European Union, 11-12 November 2015.

⁴² It is at the Valletta Summit that the Trust Fund has been formally set up through the signing ceremony of the Trust Fund's Constitutive Agreement.

⁴³ It is possible to pay the contribution in different installments. However, for the Bêkou and Madad Funds, contributions of more than €5 million cannot be paid in more than three annual instalments. For the Africa Fund, contributions cannot be paid in more than five annual instalments (Articles 3.3 of Constitutive Agreements of Bêkou, Madad and Africa Trust Funds).

⁴⁴ The Syria Recovery Trust Fund is managed by the KfW and includes the National Coalition represented by the Syrian Interim Government, Germany, The United Arab Emirates, the USA, the group of Nordic countries, Japan, France, Kuwait, Turkey and Jordan in its Steering Board.

⁴⁵ The EEAS is part of the Commission representation.

⁴⁶ Including their advisors.

⁴⁷ For a contribution of up to €15 million, one vote is accorded for each tranche of €1 million. For a contribution of over €15 million, 15 votes are accorded for each additional tranche of €5 million up to the amount of €50 million. For a contribution of over €50 million, 21 votes are accorded, plus one vote for each additional tranche of €10 million (Articles 6.4.1 Constitutive Agreements of Bêkou and Madad Trust Funds).

⁴⁸ For the Africa Trust Fund, the team will consist of the Manager based in Brussels and staff in EU Delegations in the respective beneficiary countries.

3. Political and operational challenges

The introduction of EU Trust Funds brings along a rapid and massive shift of EU funding - from different EU budget lines and the European Development Fund - to a new instrument, with different management mechanisms and changing decision-making processes. EU institutions – including different European Commission services (cf. DG NEAR, ECHO, HOME and DEVCO) and the EEAS, EU Member states (falling in one of two categories: contributing donors, with a right to vote, and observers) – and EU's partners in Africa and the Middle-East, are confronted with new political and operational issues, not all of which had been anticipated.

EU Trust Funds are not seen as a panacea by all EU member states

So far, the buy-in of EU member states in the Madad and the Africa Trust Fund has not matched the EC's announced expectations: contributions are often around the minimum of €3 million for a voting-seat and mostly do not pass the €10 million mark. For the Madad Fund, EU Member states have initially taken a 'wait and see' approach.⁴⁹ In the current fiscal, economic and political context it is also difficult for EU Member States to match the EC's expectations.⁵⁰

Some Member States fear they will have fewer opportunities to steer decision making through these new management arrangements, as one representative of an EU Member State mentioned during an interview.⁵¹ The Africa Trust Fund, for example, draws massively from EDF reserve funds and regional indicative programmes; yet, it only provides voting rights to contributing donors.⁵² As a result, EU member states that sit in the EDF Committee but do not contribute a minimum of €3 million to the Trust Fund lose influence over EDF spending. Some EU Member states have thus argued that if resources from the EU general budget or non-budgetary instruments are used, the participation of all EU Member states in the Trust Fund's management should be guaranteed.⁵³ For the Africa Trust Fund EU Member states aimed to lower the minimum contribution to €1 million, yet after long discussions the €3 million threshold remained.⁵⁴

The creation of EUTFs may have also deepened a rift with those Member states that believe in the primacy of UN coordination efforts over EU joint action, particularly in emergency situations, and see more added value in channelling funds through UN managed trust funds. In the case of the Madad Fund, some EU Member states wanted to keep funding support through the UN rather than channelling it through a newly created EUTF, in order to avoid additional transaction costs and delays in processing the funding for urgent emergency responses.

The picture looks slightly different for the Bêkou Trust Fund, which had strong political sponsorship from France in setting it up. Pooling EU resources as well as funding from France, Germany, the Netherlands, Italy and Switzerland for the post-conflict and transition-related support in the CAR took place basically without any political hurdles, because the parties concerned wanted to act jointly in a country that needed flexible assistance quickly. Besides, the purpose was clearly defined in terms of spatial and thematic focus, and funding needs were considerably less.

Creating EUTFs has also led to tough negotiations between Member states and the EC about management fees, and the outcomes of negotiations vary from one Trust Fund to the other. The agreement for the Africa Trust Fund sets the EC's management fees at 2.75%, which is below the 3.45% agreed on in the 11th EDF Internal Agreement,⁵⁵ and way below what is authorised by the Madad Fund, where the EC can withdraw a maximum fee of 5% of funds pooled⁵⁶. This discussion takes place in the context of compulsory staff cuts (set at 5%) imposed by the European Council on all the EC services by 2017.⁵⁷ This explains also why the Africa Trust Fund has become a big Fund covering three separate

⁴⁹ Interview EU staff member, November 2015.

⁵⁰ Interview EEAS officials, November 2015.

⁵¹ 15 October 2015.

⁵² Initially, many EU member states were reportedly not in favour of setting up a Trust Fund to respond to the migration situation.

⁵³ Council of the European Union, 26 August 2015.

⁵⁴ Interview EEAS officials, November 2015.

⁵⁵ EC's initial proposal was to increase support expenditure from 2% under the 10th EDF to 5% under the 11th EDF.

⁵⁶ With a regressive system, according to the contributions

⁵⁷ Herrero A., Knoll A., Gregersen C. and W. Kokolo, September 2015, p. 9.

regions rather than setting-up separate Trust Funds: EU member states argued that it would increase management fees compared to one single Fund.⁵⁸

What role for the EEAS?

The EEAS has an institutional mandate – steered strongly by the Council with the High Representative who is also Vice-President of the Commission at its head - to define the EU's strategies for external action. It has no formal role (or added value) in managing EU funds, so although all EUTFs have strong political backing from the EEAS and respond to the EU's external action political priorities, EEAS' role in steering EUTFs may be more limited.⁵⁹

As per the different Constitutive Agreements, the EEAS features as an integral part of the Board and the Operational Committees, but does not seem to have an independent vote, rather a 'voice heard within the Delegation of the European Commission, whose position is decided based on upstream consultations with the EEAS'.⁶⁰ In practice, the EEAS will be present in all steps of the process, and Trust Fund Board decisions will be discussed and agreed internally through Inter-Service consultations. Since 2013, a governance arrangement exists that underpins EU 'traditional programming' (in EDF and DCI instruments), whereby the EEAS is in charge of instilling a strategic vision and ensuring inter-institutional coordination, while co-sharing the responsibility of programming aid and allocating funds with DG DEVCO. These may need to be adapted for the Trust Funds; particularly the Trust Fund for Africa will have separate working arrangements between EEAS, DEVCO and DG Near, which are currently being negotiated. These will specify roles and responsibilities between the EEAS and the Commission.

Originally, discussions on the new EUTF for Africa were limited to the Sahel region with the aim of financing the EU's Sahel Action Plan linked to its on-going strategy there⁶¹. As the migration crisis unfolded, the Trust Fund's focus became 'addressing the root causes of migration', while its geographic scope was also broadened to include also the Horn of Africa and North Africa. While the Trust Fund will be used to fund respective regional strategies exiting for the Sahel and the Horn of Africa, it blurs the lines between these and the EU's Agenda on Migration. According to an EEAS representative 'it makes it hard to finance something specific or tangible (on the Sahel) when you say that something funded through the migration trust fund can also be considered as part of the Sahel strategy'.⁶² The success of the Africa Trust Fund will therefore also depend on the coherence of its activities with existing EU and international strategies for the Sahel⁶³, the Gulf of Guinee, the Horn of Africa and the North of Africa. At the end of the day, impact and change is not only about how big the financial volumes mobilised are, but also about tailoring support to specific contexts and implementation, coordination and accountability modalities.⁶⁴

What implications for ownership?

Several interviewees, at both the level of Member States and the EEAS, seem wary of the role that partner countries play in the creation, steering and management of EUTFs.⁶⁵ Our research shows that ownership issues differ per EUTF.

In the case of Bêkou, the Trust Fund is seen as an essential instrument to help with the stabilisation of the country. The transitional government of the CAR was involved in the creation of the fund from the beginning. While CAR authorities have no formal voting rights in the Board, major decisions require close consultation with the government and in practice CAR officials have had a seat 'next to the TF Chair'.⁶⁶

⁵⁸ This is in addition to the political consideration of having a big Fund to present in Valletta preferred by Juncker according to interviewees for this Briefing Note.

⁵⁹ From a legal perspective, the EEAS cannot receive a greater role or co-chair the Funds as it is the EC that has to manage the EU Trust Funds as authorizing officer.

⁶⁰ Interview with EU staff member, November 2015.

⁶¹ The Sahel action plan was adopted in April 2015.

⁶² Interview with EEAS representative, October 2015.

⁶³ The EU operates in a crowded cooperation environment in the Sahel, aside a dozen of other African and international strategies. See Helly, D., Thérout-Bénoni, L., Galeazzi, G., Maïga, I., and Ouédraogo, F., Sahel strategies: why coordination is imperative, ECDPM/ISS Policy Brief 76, March 2015 and Helly, D. 2015. 'Development politics of the Sahel: The slow delivery of a promised integrated approach'. ECDPM Talking Points blog. 13 November 2015.

⁶⁴ Helly, D. 2015. 'Development politics of the Sahel: The slow delivery of a promised integrated approach'. ECDPM Talking Points blog. 13 November 2015.

⁶⁵ Interview EU official, October 2015.

⁶⁶ Interview, EEAS Officials, November 2015.

Due to the transition situation in this conflict-ridden country, with weak institutional structures and highly stretched capacity to fight a fall-back into full conflict, a dose of pragmatism rules this particular arrangement. The Madad fund has a regional orientation with no country representatives foreseen in the Board. Its focus on emergency operations, with no formal mechanisms to exchange with the governments of the region about programming and spending, has raised critical comments from some governments in the neighbourhood of Syria. They are concerned that support to long-term development processes will be affected because of more of a focus on short-term emergency operations.⁶⁷

Specifically for the Africa Trust Fund, there are questions regarding the extent to which the governance rules of the Trust Fund are compatible with the co-management spirit of the ACP-EU Cotonou Agreement. Despite the fact that official documents state that 'national and local authorities will be consulted, in advance, with priorities and projects submitted to the Strategic Board and the Operational Committee, in order to ensure local ownership',⁶⁸ many issues relating to the ownership remain to be sorted out, as little guidance is given on how to involve partners from the region. So far, there is little evidence that ACP countries or institutions, let alone civil society, have been involved in designing this Trust Fund or will have a say on the allocation of EDF funds.

Our research shows that also Regional Economic Communities in Africa also had little margin of manoeuvre to resist the European Union's decision to allocate EDF funds to the Africa Trust Fund, particularly funds from regional indicative programmes (RIPs). According to a REC representative 'the decision was an accomplished fact'. According to another interviewee, Regional Organisations were 'sent a letter by DEVCO stating that the transfer of funds was going to happen', without much consultation. This said, it appears that ECOWAS agreed on the allocation of RIP funds to the Trust Fund a while back when discussions focused on a Trust Fund for the Sahel, "as long as they go to funding projects as identified by the ECOWAS Sahel Strategy"⁶⁹. With the widened geographical scope, one consulted region expressed fears that funds from 'their Regional Indicative Programme will go to a different region' (cf. Horn of Africa)⁷⁰, benefit non-EDF beneficiary countries in North Africa, or be used for non-development activities such as EU border management operations. However, legal requirements prevent the EC to commit already programmed money, for example through RIPs or NIPs, to a different region and is required to follow the agreed programming document. Transferred money through the Trust Fund will thus not necessarily be spent on different objectives, but will not necessarily be channelled anymore through RECs or country governments.

According to one of our interviewees, the EC argued with the RECs that 'by putting EDF funds for RIPs into the Trust Fund, they will see the EU's contribution to their region double with Member States contributions'.⁷¹ This, however, is highly questionable given the fact that the EU Member States' contributions hardly match the envisaged additional €1.8 billion.

The participation of RECs in the governance and operational structures of the Africa Trust Fund was put on the table of the Valletta Summit negotiations in November 2015, with ECOWAS asking for voting entitlements, based on a lowered contribution that would match their financial capacity. From the information available so far, it appears that their request was not taken on board. The Constitutive Arrangement foresees that the Fund will engage political dialogue with partners,⁷² and that regional bodies will be invited as observers by the Board and the Operational Committee. Compared to the formal co-management rule underpinning the Cotonou Agreement and the EDF, the governance arrangement for the Africa Trust Fund allows for less oversight and a loss of formal control by partners, potentially with a loss of ownership on how these funds are spent. On the other hand, some local authorities also prefer the Trust Fund to cumbersome programming procedures as it makes accessing funds quicker and easier.⁷³

⁶⁷ Interview EU Member State Official, October 2015.

⁶⁸ European Commission, 2015 Valletta Summit on Migration.

⁶⁹ Interview with EEAS representative and REC representatives, October / November 2015.

⁷⁰ Interview with REC representative, November 2015.

⁷¹ Interview with EEAS representative, October 2015.

⁷² European Commission, 2015 Valletta Summit on Migration.

⁷³ Interview EEAS officials, November 2015.

The Africa Trust Fund - a trend towards more conditionality and less sustainability?

The mobilisation of €1.8 billion to implement the Action Plan adopted in the Valletta Summit made a very good political headline for the EU. However, there are concerns that some EU Member states are pushing for increased conditionality of aid to ensure cooperation on readmission and cooperation on irregular migration. They argue that countries that fail on their commitment to Article 13 on migration of the ACP-EU Cotonou Partnership Agreement should not receive EU aid.⁷⁴ Positive conditionality seems to have found its way through the Africa Trust Fund: reportedly, negotiations on Eritrea's aid through the National Indicative Programme (part of which is also channelled through the Trust Fund) have been linked to the government's announcements to reform its compulsory military service ahead of the Valletta Summit, in an attempt to address one of the main "push-factors" for Eritreans fleeing the country⁷⁵. The risk that development funds are linked to, or conditioned by agreements on readmission or stronger border management, rather than longer-term development priorities may be real – yet is not specific to the Trust Fund as such.⁷⁶

As some have pointed out 'the creation of the Africa Trust Fund responds to the EU's political appetite to use development funding for migration objectives and has opened a venue for the potential securitisation of development instruments'⁷⁷ and may erode commitments to align with partner-country priorities. The Commission's Vice President Timmermans has, for example, argued in favour of 'encouraging non-EU countries to draw up and implement an efficient return policy through the Union's development aid programmes'.⁷⁸ Another example is the possibility to use funds for projects that have close links with providing materials for civilian security forces at borders the so called 'Train & Equip', for instance in Niger or Mali, for instance as noted by observers of the EU.⁷⁹ While these risks are looming, some nuancing is required. Given that the Trust Fund is largely funded by aid instruments, the risk of using it for other purposes is low. It will need to comply with ODA reporting requirements. Furthermore, DG DEVCO retains a right to veto over decisions made by the Board.⁸⁰ Having said this, the Africa Trust Fund also pools money from non-aid budgets (including potential contributions by Member States) that do not have to comply with DAC rules. Spending of the Trust Fund should hence be closely monitored.

From a perspective of aid impact, questions should be raised about the prioritisation of regions and countries under the Africa Trust Fund. The use of EDF funds to address challenges in countries that fall under major African migration routes might not necessarily be in alignment with the EU's commitment to target EU aid to where needs are greatest. The criteria for allocating EU aid have been specifically designed to concentrate more aid on Lower Income Countries and Least Developed Countries, but the Africa Trust Fund, because of its wide range of objectives with a strong focus on refugees and migration management, risks following different priorities that are informed by EU's internal political and securitisation agenda.

Pressures to react and show results within a short time frame may also lead to a programming bias in favour of infrastructure projects (which allow rapid disbursement of funds) that relegate concerns about longer-term development to the background. Interviewees have signalled that for interventions in Jordan.⁸¹ For the Africa Trust Fund it is too early to tell. A key question that needs to be addressed is: How, in situations of protracted crisis (where responses to humanitarian suffering, the migration crisis and stabilisation need to go in parallel to development processes), can safeguards be built that support long-term development trajectories without being undermined or losing resources in favour of short-term responses?

⁷⁴ Interview independent expert, November 2015.

⁷⁵ Africa Confidential, 25 September 2015.

⁷⁶ While better migration governance can also improve development and security in a given country, the entry points for combatting irregular migration may follow a different logic than longer-term development objectives.

⁷⁷ Interview with ECOWAS representative, November 2015.

⁷⁸ European Commission, 21 October 2015.

⁷⁹ Gros-Verheyde, N., 14 September 2015.

⁸⁰ The objectives in the Trust Fund regarding migration governance are linked to the GAMM, which portrays a broader understanding of also the positive impact of migration and less of the migration containment logic evident in the EU Council Conclusions of the last months. Nevertheless, it has yet to be seen which activities the Trust Fund money will be used for.

⁸¹ Interview Member State Official, October 2015

Will Trust Funds lead to better impact and comprehensiveness?

Each EUTF aims at bringing forward the EU's added value by applying the principles of subsidiarity, and complementarity. The Békou Fund appears to be the most focused, and after more than one year of operation, its added value is recognised in pulling EU resources, expertise and implementation capacity together in support of CAR's transition process, with reduced transaction costs for all parties.⁸² The Madad Fund is the only instrument to offer a coordinated EU response to a very fragmented region in terms of EU financial instruments (Accession Instrument, DCI, ENI) in a context where bilateral cooperation is limited in Syria and Iraq, although it is too early to assess whether this regional response is effective. Finally, the Africa Trust Fund presents itself as an innovative EU collective response to implementing the Action Plan adopted during the Valletta Summit. But with 18 times more funds than the Békou Trust Fund, covering such a wide range of countries in very different regions, and aiming to address humanitarian, security and development objectives, it raises questions about its compatibility with existing strategies and development programmes – which are, in effect, aiming to address the root causes of instability and displacement. How are these interventions complementary to EU aid at the national level? While some view the EUTFs as a concrete implementation of EU Joint Programming efforts, the relation to Joint Programming exercises and how they fit into the Trust Fund picture will require further thinking.

In all cases, the direct management and quick decision-making procedures of the EUTFs are designed to allow the EU to deliver swift, common, complementary, and flexible responses to emergency situations. However, flexibility and speed may not necessarily translate into greater impact. First, where local stakeholders are not part of the decision-making process, political pressures to commit and disburse funds quickly, may create the wrong incentives and lead to programming choices that respond more to EU political priorities than to local realities. Second, the impact of the activities financed through the Trust Funds will largely depend on whether their identification and implementation is informed by robust country and sector diagnosis. However, the Constitutive Agreements offer little insight on the extent to which sound political and conflict analysis⁸³ will drive decision-making in the Strategic and Operational boards. Questions should be raised as to what extent the EU will be able to factor in a well informed programming approach to Trust Funds, given its already highly restrained resources and poor track record with regard to the use of political economy and other analysis in programming processes, and reconciling the EU's political priorities with the commitment to country ownership⁸⁴. Third, top-down approaches may have a negative impact on ownership, alignment and sustainability, as discussed above, if not well managed through strong governance and management arrangements in Brussels and in EU Delegations situated in partner countries. The creation of specific management units at Headquarters in Brussels, combined with focal points at the level of the EU Delegations in partner countries is a good step, but needs to be well sourced with strong thematic expertise in the respective areas of work if this arrangement is to make a difference. The recruitment of experts able to work beyond their own area of specialisation will be crucial.

Finally, Trust Funds allow making efficiency gains because cumbersome EDF procedures do not have to be followed, as the Békou experience highlights. But, as some EU Member States comment with regard to the Madad Fund in particular, efficiency might be hampered on the other side through higher transaction costs and longer processing times for work that is implemented through third parties, like the UN. As the European Commission does not have direct implementation capacities itself in all areas, Trust Fund contributions from EU Member States might be transferred first to the EU pool and then channelled into the hands of other development agencies or specialised UN organisations, like UNICEF. For smaller EU Member States with limited capacity to channel funding effectively, this might be an advantage. But those EU Member States with strong implementation structures at headquarters and in partner countries might not see many advantages in proceeding through this 'middle-man' and would rather prefer to take the direct way.⁸⁵

⁸² European Commission, 26 May 2015.

⁸³ The EEAS and DEVCO in 2012 developed specific tools and capacity for conflict analysis.

⁸⁴ See Herrero, Knoll, Gregersen and Kokolo in DP 180.

⁸⁵ Interview EU Member State representatives, October and November 2015.

Need for a better framing of EUTF interventions

The change of the EU's Financial Regulations in 2013 allowed it to work differently through this new EUTF instrument, which was piloted through the Békou Trust Fund as of mid-2014, accompanied by close collaboration between an EU Member State, France, the EU and the transitional government of the CAR. Positive experiences were recognised by the EU leadership and several EU Member States, which led (under strong public and political pressures to address the humanitarian situation in Syria and the "root causes of irregular migration" in Africa) to a speedy multiplication of EUTFs as of December 2014. While the change in the Financial Regulations meant a major step in how the EU and its partners can act technically in a more cohesive manner, the process was not accompanied by enough reflection about how to better frame the EU's work through Trust Funds. The questions highlighted above, particularly with regard to the Africa Trust Fund, are evidence of this.

Functionaries from EU institutions also made this point also during interviews conducted for this research. More thinking is needed on how to govern these new Trust Funds strategically so that the opportunities to implement more comprehensive approaches that can deliver better results are well used. Such a framework, if it existed, should provide guidance on how to deal with partners, how to ensure alignment with existing EU regional strategies and Joint Framework Documents, how to balance long-term and short-term objectives and how to ensure complementarity. Finally, it will be important to work with results frameworks for the respective EUTFs, which allow an assessment of their effectiveness in delivering high-impact aid as a self-standing modality,⁸⁶ rather than looking individually at the results achieved by the different projects and activities financed.

4. Managing expectations

Politically and operationally, the EUTFs constitute a new quality of cooperation in the domain of EU external action. Looked at it from a distance, they have the potential to let the European Commission and the EU Member States work more closely together, give the Union more political clout internationally and allow funding from different sources to be merged, which – as many say – have been too dispersed and managed in a fragmented manner. A bit of a miracle cure, one might think, for an EU administration that has been criticised so often for inefficiency and insufficient effective external action.

A smart readjustment of the EU's Financial Regulations in 2013 paved the way for introducing this mechanism for financial pooling, which now comes in handy as an instrument to counter public and political pressures to take quick action in view of a mounting refugee and humanitarian crisis and growing fragility unfolding in the EU's immediate and more remote neighbourhood. The instrument has been successfully tested for the EU's support to the CAR's transition process towards stability and development as of mid-2014. It was deployed as of December 2014 to respond to the humanitarian crisis in Syria, and during the recently concluded Valletta Summit between the EU and Africa, a new EUTF was launched to cover a multi-purpose agenda in three huge and very different regions in Africa: the Sahel and Lake Chad Region, North Africa, and the Horn of Africa. Not surprisingly, expectations of what these EUTFs can achieve are very high.

In view of this momentum, managing expectations is seriously required. The EUTFs differ quite substantially from each other; implementation experiences from one Fund can't be taken for granted for another. Due to the young nature of the EUTFs and the absence of guiding frameworks on how to work with (and through) them, many strategic and operational issues have still not been sorted out. This is particularly the case for the Africa Trust Fund, which has been created in quite a rush to score political capital during the recently held Valletta Summit. Rather neglected in the process have been the issues of creating ownership, limiting the risk of conditionality and supporting sustainability, which were the principal lessons learned in the early 2000s from more than 30 years of international cooperation. Another issue has been the overall limited engagement of civil society in the discussions, conceptualisation and programming of this Trust Fund. It cannot be implemented without forging close partnerships with a wide range of civil society actors.

Trust Funds, due to their centralised management arrangements and absence of complex partner consultations and EDF procedures, can programme and finance actions flexibly and quickly. Yet, this risks

⁸⁶ Barakat, S., Rzeszut, K., and Martin, N., 2011.

forgetting about regional and country partners in the process resulting possibly in their limited preparedness to address urgently needed actions jointly with the EU. Ensuring ownership, despite a different way of work, will remain key. The critical comments recorded from development partners for this research and referred to above in relation to the Africa Trust Fund, provide some insights. This needs to be closely monitored and learning mechanisms need to be created and fully made use of to feed valuable lessons from implementation back into the EUTF management mechanisms. The research component integrated in the Africa Trust Fund is a first good step in this regard as there are good opportunities to create synergies through such an arrangement, which other instruments do not have.

Other expectations to be managed relate to the collaboration between the European Commission and the EU Member States. EUTFs are not always seen as a panacea by EU Member States as we have explained above. The Funds create a functional mechanism through which more operational, but also strategic weight, shifts from EU Member States to the EU Commission. While the Commission expects the Member States to massively co-fund these EUTFs, EU Members see the EUTFs primarily as a mechanism for the EU to bring together its rather fragmented financing mechanism under one managerial chapeau and circumvent cumbersome procedures. The rather modest EU Member States' co-funding for the Madad Trust Fund and the minimal response by EU Member States to match the €1.8 billion Africa Trust Fund with an additional €1.8 billion underpins this finding. Member States may also view with caution an increase in the EC's management costs against total contributions, in the context of a compulsory 5% staff cut.

EU Trust Funds are certainly no panacea for the mounting problems at the doorsteps of Europe and further away. But the urgency to react more swiftly in view of the problems at hand is evident, calling for more targeted and less fragmented action. The EUTFs clearly provide opportunities for more comprehensive action and for speaking politically with one voice in relation to EU conflict prevention, fragility response and irregular migration. But this can only succeed if EU Member States agree to, and fully support the EU Commission, the EEAS and its Delegations playing this role⁸⁷. Different ways of working need to be tested but can only succeed if appropriate and well-sourced implementation structures and management arrangements can be found to ensure effective programming and implementation. Moreover, the issue of ownership and engaging with regional decision-makers in a non-conditional manner will be indispensable. More guidance on how to work through and with EUTFs is needed to steer these interactions – a framework that is embedded within a wider approach on how the EU can function more effectively on external action. EU Trust Funds are part of a larger external action toolbox, which the EU institutions and Member States will use to fulfil their revisited European ambitions in the world as formulated in the upcoming 2016 EU Global Strategy.⁸⁸ The strategy is already complemented with thematic or geographical sub-strategies and action plans such as in the Sahel. Trust Funds will be able to link up to these political frameworks while expected to efficiently deliver to populations and to European constituencies.

⁸⁷ Helly, D., Galeazzi, G. 2014. Planting seeds and breaking eggs: EU Delegations dealing with peace and security - the Sahel case and beyond. (Briefing Note 70). Maastricht: ECDPM.

⁸⁸ Helly, D. 2015. EUGlobalStrategy 2016: A wider scope beyond security and closer to citizens?. ECDPM Talking Points blog. 16 October 2015.

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ECDPM Briefing Notes

ECDPM Briefing Notes present policy findings and advice, prepared and disseminated by Centre staff in response to specific requests by its partners. The aim is to stimulate broader reflection and debate on key policy questions relating to EU external action, with a focus on relations with countries in the South.

In addition to structural support by ECDPM's institutional partners: The Netherlands, Belgium, Finland, Ireland, Luxembourg, Portugal, Sweden, Switzerland, and Austria, this publication also benefits from funding from the Department of International Development (DFID), United Kingdom and specific additional ECDPM service delivery funds from Sweden.

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