



# **EU TRUST FUNDS: An overview of the basic principles and rules**

**Presentation Seminar "Delivering EU  
development assistance on fragile/crisis  
situation**

**08/07/2015**

*Development and  
Cooperation –  
EuropeAid*

# I. What is a Trust Fund?

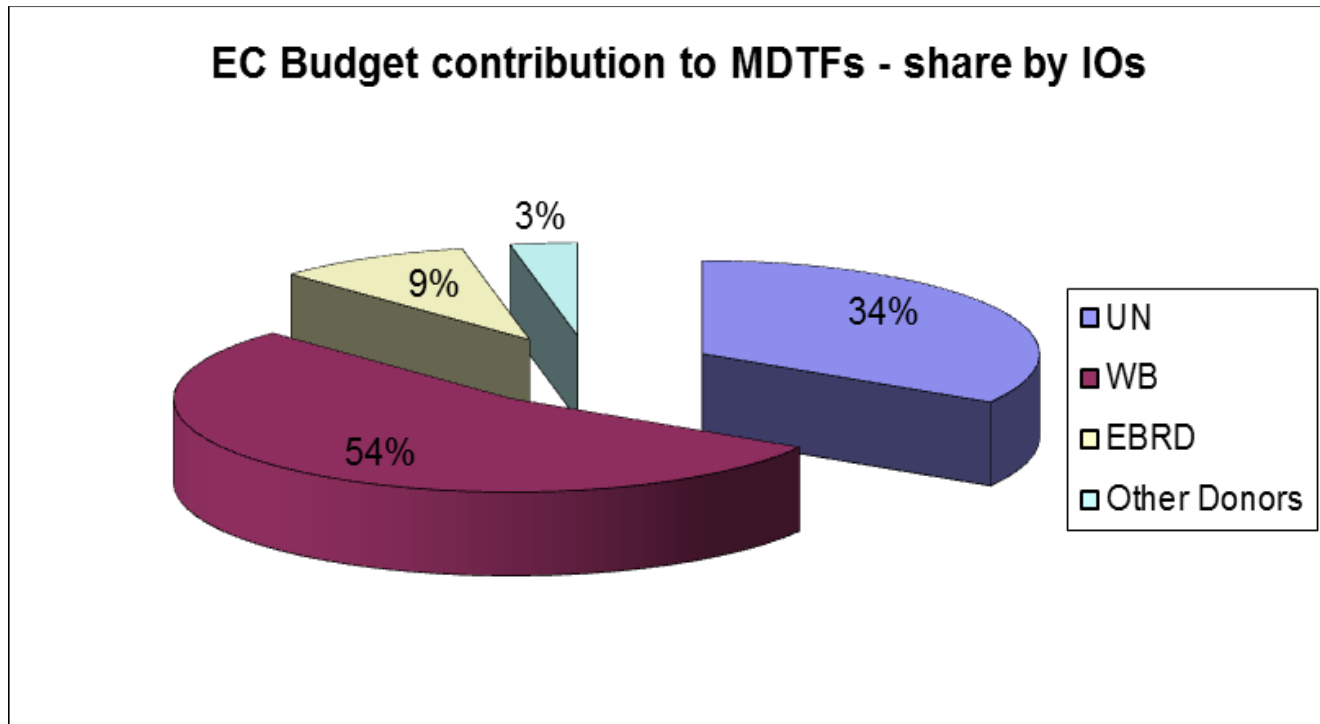
## 1. Definition:

*"Fund established for a **specific purpose** with financial contributions from **one or more donors** and administered by an administrative agent, the **Trustee**".*

## 2. How this works in **development cooperation**:

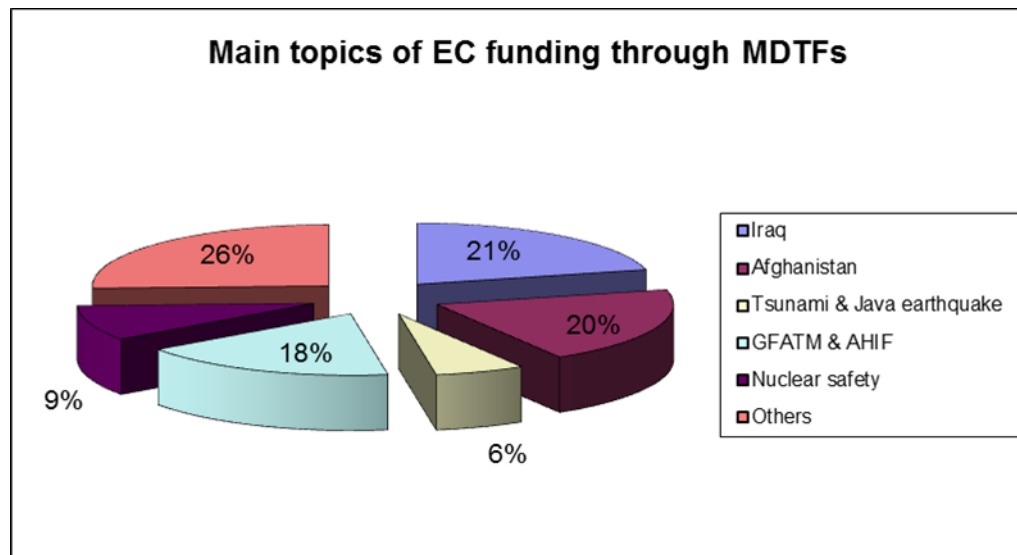
- funds are reserved for a specific purpose, such as a theme (e.g. a Global Public Good) or a partner country/region – budget is distinct and separate from that of the donors and the Trustee/Manager;
- Such funds often come from different donors (pool/multi-donor) – key for **Aid effectiveness**
- Use of the funds are decided by ad-hoc governing mechanisms where donors participate.

**3.** The EU budget & EDF contributes to **81 Multi-donor Trust Funds**, mostly managed by the **WB** (54%) and the **UN** (34%).



#### 4. **Topics:** 74% of these funds concentrate in the following topics:

- Iraq (21%)
- Afghanistan (20%)
- Diseases (18%)
- Chernobyl Shelter Fund (9%)
- Indonesia tsunami and Java Earthquake (6%)



## II. Why EUTF are needed?

1. The EU may **lead international initiatives**, where it can demonstrate its added-value, as other IO.
2. Increased **visibility** for EU + EU MS.
3. Reinforced **accountability/control/transparency**, particularly vis-à-vis the European control institutions.
4. Facilitate **donor coordination**, in particular EU + EU MS.
5. More **resources**, and more **flexible mechanisms**.

*In short.... More impact of the aid of EU (+ EU MS)*

## III. Legal Framework

### 1. Legal basis:

- **Art 187 FR** of EU Budget & 259 RAP (2013)
- **Art 42 FR** of the 11<sup>th</sup> EDF (2014), which refers to Art 187 FR

### 2. Guidelines & templates:

- **Adopted** by DG of DEVCO, as AOD, on 27/02/2014, in consultation with EEAS, ELARG, ECHO, TRADE, LS, SG, BUDG...
- **Purpose:** explain the main elements (principles, steps for their establishment, governance, management etc.).
- **Templates** to be used in annex, notably:
  - Establishment and financing decisions,
  - Constitutive Agreement

### 3. **Main elements** established in the legal framework:

- Two categories of EUTF: **crisis/post-crisis & thematic**
- **Faster Decision making**: the funds to be managed by Commission are **outside the EU budget** (or EDF): decision-making on the use of these funds is EUTF-specific.
- Donors and all EU MS participate in the **governing body** (Trust Fund Board).
- Same level of **assurance** than for the implementation of EU budget/EDF: same role for the internal auditor and Court of Auditors; annual report sent to the Council and EP.
- **Limited duration**

## 4. General principles

- Sound financial management
- Transparency & proportionality
- Non-discrimination & equal treatment

## 5. Conditions

- **Joint initiative**: the Commission cannot act alone;
- **Added-value** to the EU intervention (objectives better achieved at Union level than at national level);
- Should bring Union **political visibility** and **managerial advantages**;
- Better Union **control of risks and disbursements** and
- **"Additionality"** – no duplication of existing mechanisms.



## IV. Steps for the establishment of a EUTF

1. **Agreement with MS & donors** – in cooperation with the EEAS. Discussions on objectives, purpose and governance.
2. **Internal steps within the Commission** – establishment decision and financing decision(s). ***Possibility of mixing funds from different instruments (e.g. ENI, DCI, EDF, ECHO)***
3. **Establishment of the EUTF** – Signature of agreement/contribution certificates
  - **Donors** = EU MS, Third Countries and IOs (with Board approval)
  - **Other contributors:** private bodies, citizens can also contribute but they do not participate in Trust Fund Board

## V. Governance body – Trust Fund Board

(Article 5 CA)

- **Composition**

- Chair: representative of the Commission (on behalf of EU) + advisor; the EEAS is part of the Commission's representation;
- Representatives of the Donors (+ advisors);
- Representatives of EU non-contributing MS (as observers);
- Representative of the partner country (for (post-)crisis TF).

- **Competencies**

- Overall strategy of the TF;
- Opinions on the TF's management to the Operational Board and Manager;
- Receiving the Annual Report and the annual accounts;
- Accepting additional donors other than EU Member States + conditions.

- **Number of meetings**

As often as necessary and at least once a year

- **Voting mechanisms:**

- By consensus or vote
- Quorum: one third of the Donors and Chair is present
- Vote: Vote by a simple majority rule. Each Donor has one vote; the positive vote of the Chair is required

## VI. Management bodies

### 1. Operational Committee (Article 6 CA)

- **Composition**

- Chair : Representative of the Commission (on behalf of EU) + advisor; the EEAS is part of the Commission's representation;
- the Representatives of each Donor or a pool of Donors (+ advisors);
- Observers invited by the Chair, as appropriate;
- Manager participates and provides the secretariat.

- **Main competencies**

- Approving activities in accordance with the overall strategy decided by the Trust Fund Board;
- Approving the Annual Report and the annual accounts to be submitted to the Trust Fund Board.

- **Localisation** (principles): Thematic: Brussels; (Post-)crisis: on site

- **Number of meetings**

- Several times yearly and as often as necessary

- **Voting mechanisms**

- By consensus or vote
- Quorum: one third of the Members; one third of the total voting rights at the time of the meeting; and Chair is present
- Vote: Vote by a simple majority rule; voting right(s) on the basis of amount specified in the Contribution Certificate; the positive vote of the Chair is required

## 2. **Manager** (Article 7 CA)

- **Commission's official in charge of the daily management** of the EUTF, acting under the responsibility of the authorising officer by delegation (Director-General of DEVCO-EuropeAid)
- **Tasks:**
  - Implementation of the activities of the EUTF - same **"standard" rules** on e.g. procurement, grants, etc., applied by the Commission, with exceptions;
  - Financial management and providing the information needed for the establishment of the financial statements by the Accounting Officer of the TF (= Accounting Officer of the Commission);
  - Prepare the **Annual Report**, the annual accounts and the financial reporting.
  - Commission entitled to retain a **fee of maximum 5%** of the contributions to cover its management costs

### 3. Assurance

- **Audit etc**
  - Internal auditor and ECA exercise the same powers over the TF as they do in respect of the other actions carried out by the Commission;
  - TF is subject to an independent external audit every year;
  - OLAF exercises the same powers over the TF in its entirety as it does in respect of the other actions carried out by the Commission.
- **Information**
  - Manager keeps financial accounting documents and makes available to the Donors all relevant financial information;
  - EU institutions and bodies have access to such documents and information as are necessary to enable such bodies to perform their obligations under EU law;
  - Manager makes available the annual accounts and the Annual Report to EU MS (in Trust Fund Board), the Council and EP.
- **Contribution to Declaration of Assurance by Director-General of DEVCO-EuropeAid:** Included in the Annual Activity Report

## **VI. Established EUTF**

- **EUTF for RCA "Bakou"**

- Established in July 2014
- Participants EU, France, Germany and the Netherlands;
- Funds from EU = 51 MEUR;

- **EUTF for Syria "Madad"**

- Established in December 2014
- Participants: EU and Italy;
- Funds from EU; = 38 MEUR



# ***QUESTIONS & COMMENTS?***