



Committee on Budgetary Control

19.12.2017

WORKING DOCUMENT

on the European Court of Auditors' Special Report No 11/2017 (2016 Discharge): "The Bêkou EU trust fund for the Central African Republic: a hopeful beginning despite some shortcomings"

Committee on Budgetary Control

Rapporteur: Benedek Jávor

Summary

The Bêkou EU trust fund for the Central African Republic, the first of its kind managed by the European Commission, was launched in 2014, to aid one of the world's least developed countries. Its donors are the European Union, France, Germany, the Netherlands, Italy and Switzerland, who have provided a total of 146 million euro to support the country's exit from crisis and its reconstruction.

For many decades, the Central African Republic has experienced poor governance, high poverty and conflict. It is one of the world's least developed and poorest countries, ranking last on the UNDP's Human Development Index in 2016.

This performance audit examined the European Commission's first experience with using its own trust fund as an aid vehicle. The Court assessed whether the establishment of the fund had been justified, how well it was being managed and whether it had achieved its objectives to date. The audit focused on the fund from its inception in 2014 to the end of 2016. The Court examined all of its eleven projects and their 31 respective contracts financed and various documents on the establishment of the fund and the design of projects, the procedures for selecting implementing organisations and the monitoring and evaluation of projects (intermediate reports and external evaluation reports). The Court also carried out on-the-spot visits to the CAR and to the headquarters of three of the donors to the fund. These allowed us to hold interviews with various stakeholders and to visit three projects.

Despite some shortcomings, the Court found that the choice to set up the fund and its design were appropriate in the given circumstances, even though there was neither a formal assessment of the choice of funding vehicle nor a comprehensive needs analysis.

However, the Court stated that the management of the fund has not yet reached its full potential in three respects: the Bêkou trust fund has had limited influence on coordination amongst stakeholders; procedures could be more transparent, rapid and cost-effective; also, monitoring and evaluation mechanisms remain to be fully developed.

The Bêkou trust fund has, overall, had positive achievements to date. While it has attracted aid and most of its projects have delivered their expected outputs, few additional donors have come forward. The fund also provided enhanced visibility to the EU in the region.

To help the Commission improve the design and management of the Bêkou fund and other EU trust funds in the future, the Court recommended that the European Commission should:

1. Develop further guidance for the choice of aid vehicle and for needs analyses, in order to define the scope of trust funds.

The Commission should refine its guidelines on EU trust funds by:

- developing an analytical framework with guiding principles for carrying out a concise and structured assessment of the comparative advantages of trust funds relative to other aid vehicles;
- introducing methods for carrying out needs analyses to demonstrate that the intervention scope of an intended trust fund is appropriate, and to show which specific gaps it fills.

This guidance should be devised so as to not unnecessarily lengthen the process of creating trust funds or to limit their flexibility.

2. Improve donor coordination, selection procedures and performance measurement, and optimise administrative costs, in particular:
 - coordinate aid provided through the Bêkou trust fund more systematically with other bilateral aid provided by its donors;
 - ensure that when applying the Commission's rules and procedures to select implementing organisations, any exception made to those rules is clearly reported and that provisions on how to avoid conflicts of interest are introduced, and explore ways of increasing the speed of selection procedures, in particular at the project content discussion phase;
 - calculate the full management costs of the Bêkou trust fund and find ways to maximise the amount of aid that goes to the final beneficiaries;
 - set SMART objectives for the Bêkou trust fund with corresponding indicators, in order to be able to monitor and demonstrate the advantages it delivers, and introduce a lessons-learned process into its guidelines on EU trust funds.

Recommendations by the Rapporteur

The European Parliament:

1. Welcomes the Court's report, and endorses its remarks and recommendations;
2. Welcomes the establishment of the Bêkou European Trust Fund and its contribution to the international response to the crisis in the Central African Republic; recognizes that this first trust fund can be considered as a major pilot project in a number of ways and that it is necessary to develop more precise guidance on the systemic issue of donor coordination, monitoring and evaluation according to a more systemic to obtain guarantees;
3. Notes that trust funds were part of an ad hoc response in a context of lack of resources and flexibility needed for a rapid and comprehensive approach to major crises; believes that more time is needed to prove its effectiveness and to further learn from operational implementation;
4. Considers also that particular attention should be paid to the effectiveness and political governance of trust funds as well as to a lack of guarantees and oversight of the final use of the allocated funds;
5. Believes that Court's observations referring to the Fund's limited influence on coordination amongst stakeholders should be given special attention and the Commission should do everything in its power to use already gained experiences in the activities of the European Development Fund in areas such as implementation and coordination of the multi-parties investments and results-ownership management;

6. Stresses that any new financial instruments and blended financial instruments should remain in line with the overarching objectives of Union development policy and focus on areas where added value and strategic impact are the highest;
7. Notes that Member States' contributions to the trust fund have, to date, been relatively low; calls for Member States to become more involved in order to ensure that this fund delivers the expected policy objectives;
8. Believes that due care should be devoted to the management and administrative costs against total contributions; is of the opinion that the coherence and complementarity of such new development tools with the EDFs strategy and policy goals;
9. Calls on the Commission to implement comprehensive control mechanisms to ensure political scrutiny from Parliament, on the governance, management and implementation of these new instruments in the context of the discharge procedure; considers it to be important to develop specific supervision strategies for those instruments, with specific objectives, targets and reviews.