

# Transparency and accountability of EU funding for NGOs active in EU policy areas within EU territory

## Abstract

This study has been prepared for the Committee on Budgetary Control. It assesses recent developments in the transparency and accountability of EU NGO funding. The Commission has transitioned all programmes to a single, centralised grant management system that can potentially enhance the public transparency of grant funding significantly. Nevertheless, overall public transparency remains limited. The study recommends a more comprehensive, systematic approach to public transparency involving the Parliament, Commission, and NGOs.

In this study, the term 'NGO' refers both to non-governmental organisations (NGO) and not for profit organisations (NFPO). NGOs inside and outside the European Union (EU) receive EU grants directly from the European Commission (EC) and EU executive agencies, and from intermediate bodies, such as Member State agencies and United Nations (UN) agencies, that award grants with EU funding transferred to them by the EC. Grants awarded to NGOs directly by the EC or EU executive agencies are under **direct management**. Grants awarded by intermediate bodies are under **indirect management**. Analysis of Financial Transparency System (FTS) data from 2020 to 2022 shows that the EC and EU executive agencies awarded grants to NGOs amounting to approximately EUR 17.5 billion under direct management across all EU budget programmes and funds included in the FTS. This accounted for approximately 4.6% of all EU budget commitments during this period. Of this, the three programmes that are the focus of this study provided approximately EUR 1 billion to NGOs under direct management, which equates to 5.8% of all grant funding to NGOs under direct management across all EU budget funds and programmes.

## The main objectives of the study are to:

- Provide Members of the European Parliament (EP) with an assessment of the transparency of EU grant funds awarded to NGOs, and an overview of the internal governance and management structures of grant-funded NGOs;
- Make recommendations to the EU institutions and NGOs on how to improve the transparency and accountability of EU grant funding.
- Make recommendations to the EP on how the EP as legislator and budgetary authority can better follow up on this topic and through what legislative and parliamentary control actions.

The study focuses exclusively on EU funding programmes that provide support within the EU, specifically the Asylum, Migration and Integration Fund (AMIF), the EU programme for education, training, youth and sport (Erasmus+), and the Programme for Environment and Climate Action (LIFE). These are referred to as the case study programmes.

## What is transparency?

Public transparency is essential for accountability. In the context of this study, transparency is the extent to which it is possible to understand how EU grant funding is used, by whom, for what purposes, on what basis (justification), and what is being achieved (results, impact, and sustainability). Both the EC and EU-funded NGOs have important roles to play in ensuring public transparency.

Key features of transparency are:

- Details of all EU-funded grants to NGOs are publicly available at EU level;
- The necessary information is up to date, and easy to find and make sense of. It can be easily reconciled, downloaded, merged, aggregated, and analysed to provide a clear picture of EU NGO grant funding at multiple levels;
- NGOs disclose their full funding basis and its purposes over a number of years to allow assessment of their independence.

## Findings

Rules on the transparency of EU grant funding, addressing the EC and grant recipients are specified in regulations

The [Financial Regulation](#) is the key overarching regulation. Specific regulations covering each of the case study programmes are the [AMIF regulation](#), the [Erasmus+ regulation](#), and the [LIFE regulation](#). AMIF transparency is also covered by the [common provisions regulation](#). Additional transparency requirements and guidance are provided for grant recipients in [model grant agreements and other programme guidance documents](#).

In practice, transparency provisions are generally very limited and highly specific. There is no explanation of the principles or purpose of public transparency and there is no requirement for the EC or grant beneficiaries to maximise public transparency. Compliance with requirements by the EC and grant beneficiaries does not ensure public transparency. The EC's proposed revision of the Financial Regulation does not include significant changes regarding public transparency.

The eGrants system is the EC's single centralised system for managing grants under direct management. The EC publishes details of grants awarded to NGOs in the FTS

The eGrants system replaces other standalone grant management systems previously used by different departments within the EC. This is improving the quality and uniformity of grant management data. This has been accompanied by the harmonisation of rules and guidance across programmes. The quality of grant funding data in the FTS has improved, but the FTS does not yet provide details of grants awarded to NGOs by intermediate bodies under indirect management. Different departments of the EC maintain standalone project databases and portals. Information is fragmented and inconsistently presented, making it difficult to reconcile information from different sources.

Transparency of EU grant funding is supported by project websites and information on NGOs' own websites

The quality of information on EU-funded project and NGO websites is variable and they are not systematically linked to each other, so that information about EU funding can be harder to find on organisational websites. While EU and other support is acknowledged, there are few details about the amount and purpose of funding received.

NGOs work with a range of governance and management approaches from different sectors including corporate business and public administration

It is therefore difficult to define, or establish compliance with, a firm set of 'minimum standards' for NGO governance and management, given the diversity in organisational purposes and civil society history and culture in EU Member States.

Other significant donors tend to engage directly with fewer grantees, and they provide larger grants with a limited range of values covering several years

In contrast, the EC engages directly with thousands of NGOs and provides grants covering a wide range of values, and these are all managed in the same way. For NGO grants under direct management, there is a heavy emphasis on financial accountability. Other major grant giving bodies tend to focus more on impact and sustainability.

Terminology used to describe civil society organisations in one country sometimes does not have an adequate translation in another language, or very similar terms have very different meanings legally, or in public perception

The current focus on legal form at the point of national registration therefore fails to capture the varied nature of NGOs. The EC has proposed the following definition of 'NGO': 'a voluntary, independent from government, non-profit organisation, which is not a political party or a trade union'. The exclusion of trade unions is different from the concept adopted by the [Council of Europe in 2007](#).

## The way forward

A collaborative approach to transparency in EU NGO funding involving the European Parliament, the EC, and the NGO sector

Regulation on public transparency needs to be flexible in order not to be left behind by the constantly evolving NGO sector and operating environment:

- While regulations should provide the transparency framework and identify specific critical requirements, **detailed guidelines for both the EC and EU-funded NGOs should be collaboratively developed, monitored, and periodically updated. Development and application of these guidelines can be introduced as a requirement in the Financial Regulation.**

Important gaps can be addressed with the following adjustments to the Financial Regulation:

- **A general overarching obligation on the part of the EC and EU-funded NGOs to maximise public transparency;**

- **Inclusion in the FTS of details of EU grants awarded to NGOs under indirect management. If already envisaged, this should be stated explicitly and unambiguously in the Financial Regulation;**
- **Reducing the time between the award of grants and publication in the FTS;**
- **Systematic publication by EU-funded NGOs of details of funding received from the EU and other sources over a five year period.**

#### A co-regulation approach to strategic regulation of EU-funded NGOs

There are **diverse NGO regulatory mechanisms** across the 27 EU Member States. **Top-down** national regulation involves the **risk** of politically driven control of NGOs. There is currently great **emphasis in EU grant funding** to NGOs on the **verification** of proper use of EU funding, but less on impact and sustainability. These challenges could be addressed by:

- Adopting a **co-regulation approach to NGOs**, which builds on a self-regulation approach agreed between the EC and the European NGO sector, but with added **independent third-party verification** of compliance and an EU level **ombuds system** to handle complaints;
- A common EU **definition of 'NGO'** should focus **less on the legal form** of an NGO at the point of national registration, and **more on what it does** and its interactions with the EU. This should include a formalised **status independent of national registration** to reflect the increasing levels of cross-border activities of NGOs.

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