SPECIAL REPORT 27/2026 **EN**

EU development funding through the United Nations and member state organisations

A partnership based on trust, but accountability and value for money not sufficiently considered



EUROPEAN COURT OF AUDITORS

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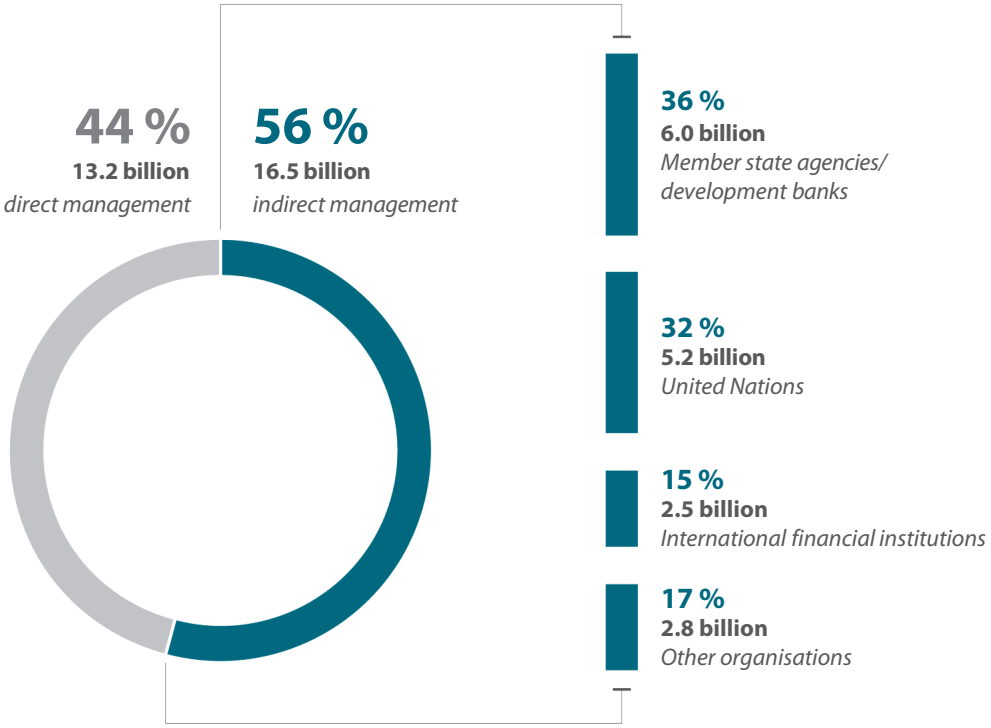
Audit team

01 Main messages

Why this area is important

01 The European Union implements a significant share of its development projects through indirect management, by entrusting the implementation of EU-funded actions to partners ("entrusted entities") such as the United Nations, other international organisations and member state agencies (see ***Figure 1***). This allows the Commission to draw on partners' expertise, operational capacity and presence on the ground, particularly in complex or fragile contexts. As a result, entrusted entities play a central role in implementing EU development funding.

Figure 1 | Contracted amounts related to development actions managed by the Directorate-General for International Partnerships (DG INTPA) under the 2021-2027 multiannual financial framework (amounts in euros)



Source: ECA, based on data of 31.12.2025 from DG INTPA's statistical dashboard.

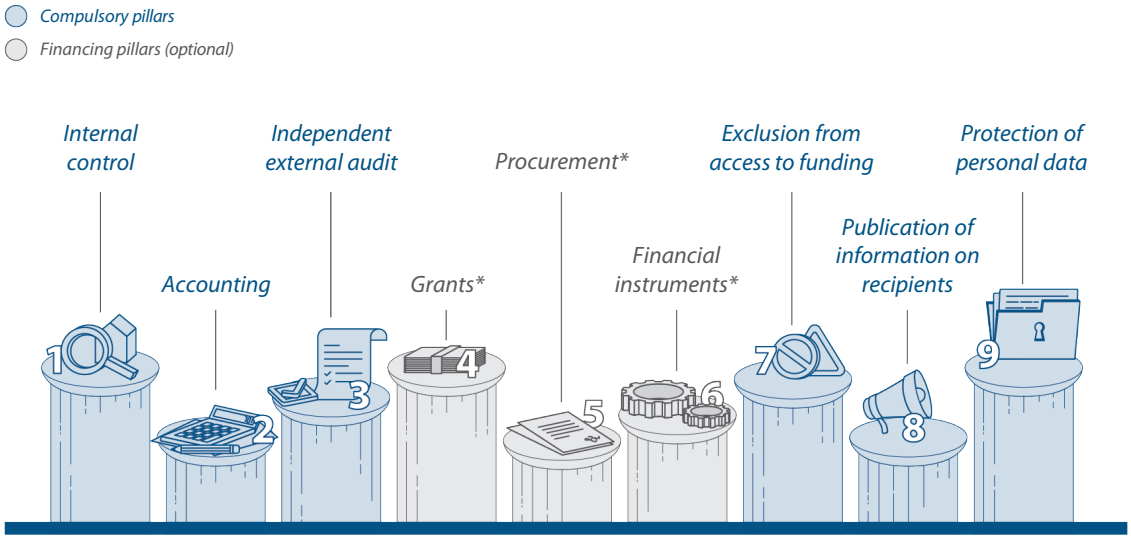
02 Although the Commission entrusts its partners with project implementation, it remains accountable to the European Parliament and the Council for the proper use of EU funds. The Commission must also ensure that the level of protection of the Union's financial interests is equivalent to that under direct management[1], where the Commission manages the funds itself.

03 As a means of doing so, before entrusting EU funds to a partner, the Commission assesses whether the entities' systems meet EU requirements in key areas or "pillars" such as accounting, internal control and reporting (see ***Figure 2***). Entities that pass this "pillar assessment" may then implement EU-funded actions across multiple programmes and policy areas. A pillar assessment is done once per entity, and should be updated only if changes in the entity or in the pillar-assessment framework require reassessment of existing pillars or assessment of additional pillars. The Commission therefore needs to

[1] Article 157(3) of the Financial Regulation.

monitor the entity to ensure that the assessment remains valid and that the entity can continue to implement actions.

Figure 2 | Pillar assessment - Compulsory and financing pillars



** The external auditor assesses whether the entrusted entity applies appropriate rules and procedures for providing financing from EU funds through grants, procurement of contracts or financial instruments (incl. budgetary guarantees).*

Source: ECA, based on Commission Decision 2019/C 191/02.

04 To set overarching conditions for long-term cooperation, the Commission has signed Financial Framework Partnership Agreements with entrusted entities. At project level, after an entrusted entity has been selected to implement a project, the Commission and the entity sign a contract that includes a description of the planned activities, a budget defining the respective costs, and a logical framework presenting the expected results. The entity is required to report regularly to the Commission on progress, and the costs incurred are reimbursed accordingly.

05 Despite entrusting a partner with implementation, the Commission's own checks need to be sufficiently robust to corroborate the progress reported by the entity. It must also steer the action in the event of deviations, for example by requesting an external monitoring mission to identify the causes of underperformance and to propose ways forward (see paragraph ***70***). The Commission also reports on the consolidated results achieved with the funds, which requires the reporting framework to be coherent.

06 In our audits, we frequently examine projects implemented in partner countries by pillar-assessed entities, primarily international organisations. Our financial and compliance

audit work reveals that a significant share of errors concerns these transactions[2]. Against this background, the audit examined whether the Commission is effective at managing EU development funding implemented through entrusted entities. In particular, we assessed whether the Commission ensures the continuous validity of pillar assessments, justifies its choice of entrusted entities, monitors project implementation adequately, and reports in a way that allows the Commission to demonstrate how EU funds were used in the field of international partnerships and what they achieved.

07 The share of EU funding implemented through indirect management with pillar-assessed entities is material (see ***Figure 1***), cross-cutting and covers all thematic sectors. Entrusted entities remain relevant also in the next multiannual financial framework and are clearly linked to the Commission's strategic choices such as the Global Gateway and the Team Europe approach. Through our report, we aim to contribute to improving the effectiveness of ongoing and future funding by strengthening the sound financial management of EU development actions. More background information and details on our audit scope and approach can be found in ***Annex I***.

What we found and recommend

08 Under indirect management, the Commission has put in place a comprehensive framework for managing EU development funding implemented through entrusted entities. While the framework reflects the need to rely on partners' systems and reporting, we found that accountability and value for money were not sufficiently considered and that the balance between reliance on entrusted entities and the Commission's own oversight is not optimal. We identified weaknesses in the Commission's management of pillar assessments, its contractual arrangements, the consistency of its monitoring practices, and the way it collects and uses information on results.

09 As the Commission is responsible for managing the pillar assessments and ensuring their continuous validity, it has put in place an internal information sharing system – the Pillar Assessment Automated Workflow. This system is intended to provide Commission staff with up-to-date information when managing contracts with pillar-assessed entities (see paragraphs ***17***-***20***).

10 Our assessment of a sample of entities identified incorrect data reported in the Pillar Assessment Automated Workflow for several of them. The procedures for updating and

[2] Annual report on the implementation of the EU budget for the 2024 financial year, paragraph 9.14, and 2024 Annual report on the activities funded by the 9th, 10th and 11th European Development Funds for the 2024 financial year, paragraph 25.

inputting information in the system are lengthy, and so affect the timeliness of the data. In addition, the internal validations in the system had not prevented manual errors from occurring (see paragraphs ***21***-***23***).

11 Continuous Commission oversight of the pillar assessments is important, as assessments can become outdated if a substantive change is introduced in the entity's systems or procedures. A substantive change is any modification that could affect the validity of its pillar assessment. We found that the Commission's oversight of changes relies mostly on the entities' self-declarations. Also, as the term "substantive" is only loosely defined in the Commission's guidance, similar changes may be treated differently by directorates-general (DGs) and entities themselves. Furthermore, the Commission does not analyse the cumulative effect of changes, nor does it consolidate findings identified through other oversight tools. While individual changes may appear insignificant, their combined effect over time can become substantive (see paragraphs ***24***-***33***).

Recommendation 1

Ensure the continuous validity of entrusted entities' pillar assessments

The Commission should:

(a) improve the quality and timeliness of information in the Pillar Assessment Automated Workflow by addressing data-quality issues and delays in updating information;

(b) establish a risk-based mechanism to collect and assess systemic issues identified through e.g. *ex post* verifications or audits performed, in order to determine whether their cumulative effect has an impact on the continued validity of entrusted entities' pillar assessments.

Target implementation date: end of 2027

12 We found that the Financial Framework Partnership Agreements signed by the Commission provide a common basis for cooperation, but their continued relevance has not yet been assessed as foreseen in the Financial Regulation[3]. Certain long-standing provisions of the agreement signed with the UN restrict how the Commission can exercise its oversight, including the depth and scope of verifications it can carry out. These constraints hamper the Commission's assurance on the use of EU funds and, when

[3] Article 131(1) of the Financial Regulation.

combined with the use of the notional approach, limit the recovery of ineligible costs and reduce the effectiveness of the contractual framework (see paragraphs *34*-*39* and *53*-*54*).

Recommendation 2

Engage in discussions for, and where required initiate, the renegotiation of arrangements with pillar-assessed organisations

The Commission should engage in discussions for, and where required initiate, the renegotiation of arrangements concluded with pillar-assessed organisations in case they contain provisions restricting effective controls, such as the Financial and Administrative Framework Agreement and the Common Understanding signed with the United Nations.

Target implementation date: end of 2027

13 We also found that the level of detail in contracts is not always sufficient to assess whether the projects are designed in an economical and efficient manner. Although contracts define activities and costs, they often do not present information in a way that allows expenditure to be clearly related to what is to be delivered and achieved. In the absence of clear guidance on the level of detail of contractual documents for entrusted entities and structured guidance for staff on how budgeted costs should be examined before contracts are signed, assessments of value for money rely largely on individual judgment and may be based on incomplete information. This limits the extent to which value-for-money considerations can effectively inform decisions when selecting and designing projects, in a context where the limited number of implementing entities already restricts competition (see paragraphs *40*-*60*).

Recommendation 3

Strengthen the focus on value for money in international partnership contracts concluded with entrusted entities

The Commission should:

(a) define clear requirements (e.g. in the contract manual) so that the description of the action, the budget and the logical framework are coherently linked to each other through a sufficient level of detail;

(b) take appropriate measures, for example by providing guidance to staff, to ensure that such details are used effectively when assessing the value for money of proposed projects, including by defining the key cost elements to be assessed, such as the cumulative effect of indirect costs.

Target implementation date: end of 2027

14 We found that the Commission's monitoring approach relies on the entrusted entities' self-reported information, while its own capacity to corroborate progress, results and expenditure remains limited. Monitoring practices vary in depth, frequency and focus, and the guidance does not provide a consistent basis for staff to assess project performance or budget execution during implementation (see paragraphs *61*-*66*). Furthermore, the Commission does not use structured risk assessments to differentiate its monitoring approach according to the size, complexity or risk profile of projects (see paragraphs *76*-*80*).

15 These weaknesses are compounded by limited on-the-spot visits. The Commission has not defined clear expectations for the scope of field monitoring, and the extent of visits depends on individual judgment and practical constraints. As a result, the Commission's ability to verify implementation on the ground and reinforce EU visibility through its own presence is uneven (see paragraphs *67*-*75*).

Recommendation 4

Apply a risk-based monitoring approach that balances Commission oversight with its reliance on entrusted entities

The Commission should strengthen and clarify existing guidance for international partnership performance monitoring, specifying how checks should be proportionate to the size and risk profile of the action. The guidance should require staff to verify project advancement reported by entrusted entities, for example by requesting additional information on individual results on a sample basis, and by conducting on-the-spot visits.

Target implementation date: end of 2027

16 Currently, the Commission does not have the performance data it needs to assess results across its international partnerships portfolio. Although programming documents set out objectives and indicators, these elements are not systematically carried through into project-level logical frameworks. Diverse project indicators prevent meaningful consolidation of results, while the absence of links between spending and results means that the value for money of actions cannot be assessed. Consequently, the Commission cannot comprehensively analyse the results or determine which delivery channels are the most cost-effective (see paragraphs ***81***-***86***).

Recommendation 5

Enable the aggregation and analysis of results achieved through international partnership funding

The Commission should:

(a) reinforce the application of existing guidance that requires common indicators defined at programming level, including those of the Global Europe Results Framework, to be incorporated into project-level logical frameworks, so that results from individual projects can be aggregated;

(b) integrate spending and performance information for reporting purposes, allowing a value-for-money assessment at global level.

Target implementation date: end of 2027

02

A closer look at our observations

The Commission does not regularly reassess and confirm the validity of pillar assessments

17 Once an entrusted entity has successfully passed a pillar assessment (see ***Annex I***, paragraphs ***06***-***11***), it is approved to implement EU funds under indirect management. However, the Commission must maintain oversight of the entities, and ensure that the pillar assessments remain valid over time. A directorate-general (DG) is named to be responsible for the monitoring (the "lead DG").

18 We examined whether:

- the Commission's internal information-sharing and the related IT tools allow for adequate oversight of the continuous validity of the pillar assessment; and
- the Commission has put in place robust procedures to ensure that entrusted entities' systems remain equivalent to those that were originally assessed, and thus continue to provide an adequate level of protection of the EU's financial interests.

Shortcomings in the Commission's internal information management affect oversight of the pillar assessments' continuous validity

19 As contracts should be signed only with entities holding a valid pillar assessment, Commission DGs rely on shared data to verify an entity's pillar-assessment status. Reliable internal information is therefore essential for effective oversight.

20 Pillar Assessment Automated Workflow (PAAW) is the Commission's central IT tool for storing information on pillar-assessed entities. It is intended to provide Commission staff with up-to-date information when preparing or managing contracts.

21 Our audit found incorrect data in PAAW for 8 out of the 12 entrusted entities in our sample (see ***Box 1***). In addition, due to the technical limitations of the system, the dates of the assessments were not correct for any of the 12 entities.

Box 1

Example of incorrect data in the pillar assessment information repository

For one entrusted entity in our sample, the information displayed in the Pillar Assessment Automated Workflow was inaccurate:

— the date of the assessment was automatically logged as 1991, when the actual assessment year was 2014;

— the assessment results of several pillars were wrongly reported: pillars were marked as not assessed despite having a positive pillar assessment and pillars with assessment findings were marked as having none;

— a safeguard that had been put in place to mitigate a pillar assessment finding was shown as active, despite it already having been lifted.

As a result, Commission staff consulting the Pillar Assessment Automated Workflow did not obtain a correct and up-to-date overview of the entity's pillar-assessment status.

22 The process for entering and updating pillar-assessment information in PAAW involves several consecutive steps. The lead DG responsible for the pillar assessment in question inputs the information, after which the Directorate-General for Budget (DG BUDG) must validate it before the process can move back to the lead DG for the next step. These interim validations act as an internal check, but there are no deadlines for completing each step and, as observed from our sample (see ***Box 1***), they have not prevented manual errors. As there can be lengthy intervals before updated information appears in PAAW, the data in the system may not reflect recent changes in the entities' pillar assessments.

23 When assessing PAAW access and validation rights, we found that access is not limited to those who need it, users have broader privileges than required, and the activity logs are not accurate (see ***Box 2***).

Box 2

Weaknesses in the management of information repository access and validation rights for pillar assessment

We based our work on the security standards applying to all European Commission information systems, and specifically on the IT security standard. Our observations show that the management of PAAW access rights does not follow the standard's requirements.

(1) Two users have been assigned access to all groups and roles of PAAW. While the Commission indicated that these were required for specific validation activities, such extensive privileges may reduce the effectiveness of segregation of duties controls, as they allow the same user to perform functions that should be assigned to different roles.

(2) Five users had access to the system without the Commission providing valid business justification and specifying the purpose(s) for which they needed the information. Access should be granted only on a strict and granular need-to-know basis.

(3) The system does not record user activity logs that clearly identify the user who has performed an action, which limits the ability to trace user actions and investigate incidents. While additional log entries are automatically generated and recorded as part of the workflow design, this may affect the reliability of the audit trail. This does not comply with security rules, which require systems to record sufficient and reliable logs of user activities to ensure accountability and effective monitoring.

24 We also identified limitations in how information on potential substantive changes reported by entrusted entities is shared within the Commission. A substantive change is any modification to an entity's systems, rules or procedures that could affect the validity of its pillar assessment. Until the lead DG has finished assessing the change, a process which can take months, there is no indication in PAAW for staff or for the other DGs that the entity is undergoing a review of its systems.

25 Furthermore, PAAW is designed for information sharing, not as a monitoring tool. It therefore does not provide the level of accuracy, detail or analytical functions needed for comprehensive monitoring, and DGs must keep parallel monitoring files for the pillar-assessed entities for which they are responsible.

26 Taken together, our observations show that although PAAW is an important step towards centralising information on pillar-assessed entities, it does not yet operate as a complete and timely source of data for all departments involved.

The Commission's oversight of pillar assessments lacks standardisation in some areas, and relies largely on self-declarations by entrusted entities

27 Commission oversight of pillar assessments is particularly important, because the assessments can become outdated if an entity's systems or procedures change. If a substantive change (see paragraph *24*) is identified, a full or partial reassessment is required. For key pillars 1-3 (internal controls, accounting, external audit), the Commission currently relies largely on assessments completed more than a decade ago: in our sample, 7 out of the 12 entities had these pillars assessed in 2016 or before.

28 The pillar assessment monitoring framework is set out in guidance issued by DG BUDG and implemented by lead DGs. This guidance provides a structured basis for monitoring the continuous validity of pillar assessments, and clarifies the key responsibilities of the departments concerned. However, the guidance leaves room for interpretation as to what constitutes a substantive change.

29 In practice, the Commission's oversight of substantive changes depends on the entrusted entities self-declaring the changes they consider substantive. We noted that only 6 of the 12 entities in our sample had reported a potentially substantive change within the past 10 years (with most of these having reported only one such change). Given the size and complexity of these organisations, the low number of notifications points to a risk that not all relevant changes are reported. There are also no consequences for the entities if they fail to declare potential changes. *Box 3* presents an example of a change that was not reported by the entity concerned.

Box 3

Substantive changes not reported

For one of our sampled entities, we identified a potential substantive change during our statement of assurance work in 2023. The change concerned the full replacement of the entity's system used to manage areas such as human resources, finance or projects.

This change of system could potentially impact both pillar 1 (internal control systems) and pillar 2 (accounting system) of the entity's pillar assessment. The change was fully implemented in January 2023, and by December of the same year it had still not been reported by the entrusted entity, or been detected by the Commission.

30 The concept of "substantive change" (see paragraph *24*) is defined only loosely in the guidance. While this gives lead DGs flexibility when assessing reported changes, it also

allows for differing interpretations across DGs and between entrusted entities. When a lead DG concludes that a reported change is not substantive, neither DG BUDG nor other DGs are informed of the report, or of the reasoning behind this conclusion. In the absence of more specific guidance both to Commission DGs and to the entrusted entities about the types of change that could affect pillar-assessment validity, similar changes may be treated differently, and developments with a potential impact might not be brought to the Commission's attention.

31 Furthermore, the Commission does not systematically analyse the cumulative effect of reported changes. Also, it does not consolidate recurrent findings identified through other oversight tools, such as audits (including the ECA's audits) and Commission internal checks. In the absence of a consolidated overview, the Commission cannot identify when an entity's overall control environment has evolved to an extent that requires reassessment.

32 ***Annex II*** presents our assessment of how the Commission managed the continuous validity of pillar assessments for the 12 entities we sampled. We concluded that the Commission's monitoring was satisfactory for five entities, displayed some weaknesses for six others, and was unsatisfactory for one entity.

33 The weaknesses described above increase the risk that the Commission does not have a comprehensive overview of how entities' systems have evolved over time, and that the pillar assessments may not fully reflect the entrusted entities' current control environments.

The contractual framework facilitates cooperation with entrusted entities, but also limits the Commission's ability to ensure value for money and its oversight

34 The Commission has concluded Financial Framework Partnership Agreements (FFPAs) with the UN[4] and member state organisations[5] to define a long-term basis for cooperation. These agreements set out the overarching conditions under which project-level contracts are signed (see ***Annex I***, paragraphs ***12-14***). For individual projects, the Commission uses a

[4] Financial and Administrative Framework Agreement and Common Understanding.

[5] Financial Framework Partnership Agreement between the Commission and the EU member state development agencies and banks is not available online.

standard contract template setting out the general conditions, alternatives for special conditions, and a list of annexes to be included.

35 For this section, we examined whether:

- the contractual framework supports the Commission's responsibility for ensuring that EU funds are used properly;
- the Commission placed sufficient focus on value for money in the contracts it signed with entrusted entities; and
- the Commission ensured that the selection of entrusted entities implementing the projects was justified and transparent.

Although framework agreements establish a common basis for cooperation, the contractual provisions restrict the Commission's oversight of the use of EU funds

36 Having a structured contractual framework through the FFPAs and the project-level contract template provides the Commission with a clear basis for working with entrusted entities under indirect management. The documents stipulate common rules, define key responsibilities, and set out the procedural environment in which cooperation takes place. This helps to ensure predictability for both parties, supports comparability across interventions, and reduces the need to negotiate basic conditions for each new project.

37 The Financial Regulation[6] requires FFPAs to be reviewed at least once per multiannual financial framework (MFF). However, despite their strategic importance, we found that the Commission has not formally assessed the added value or continued relevance of the FFPAs since they were signed.

38 The FFPA and its accompanying document that the Commission has signed with the UN include provisions that limit the Commission's ability to exercise its monitoring and oversight responsibilities effectively. Under this framework, the Commission cannot carry out project audits to gain assurance that the reported project costs are free from material error. Instead, it relies on expenditure verifications, in which the nature, extent and sampling of checks are largely predefined.

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[6] Article 131(1).

39 For example, sampling is restricted to a maximum of 40 transactions, and cannot be more than 20 % of reported costs. Where projects include sub-contracting, only five expenditure items can be selected per sub-contracted partner, with the overall size of the sub-level sample not exceeding 20 expenditure items. These restrictions apply regardless of the size or complexity of the action. By contrast, in an audit engagement the auditor determines the sample (both in terms of composition and size) on the basis of risk and professional judgment, and conducts sufficient testing to obtain evidence for an opinion on the total reported costs.

40 At project level, the Commission signs a contract with an entrusted entity to implement the action. While the general conditions are standardised, pillar-assessed entities may use their own templates to describe the action, budget and results framework, provided these contain a sufficient level of detail.

41 As the Commission has not defined minimum requirements for the annexes of the project-level contract, the level of detail must be negotiated separately for each project. Ultimately, the person signing the contract decides what is considered sufficient information when entrusting an entity with the implementation of EU funds. This is linked to the Commission's decentralised management structure, where contracts are signed by each EU delegation's Authorising Officer by Sub-Delegation, who bears operational and financial responsibility for the contracts under their remit.

42 We found that negotiating individually for each contract requires substantial effort from the Commission. Two elements are particularly important: the level of budget granularity, and the extent to which costs can be linked to activities and expected results.

43 The budget templates that the entrusted entities use may provide limited granularity of costs, or not allow costs to be linked to specific activities or indicators (see examples in ***Box 4***). Once the Commission accepts a budget with insufficient detail at the negotiation phase of the action, it will also be used as the basis for project reporting, which may constrain Commission monitoring at a later stage.

Box 4

Examples of limited budget details in a contract

In our sample, we encountered projects with different levels of detail presented in the contracts. For example:

For an infrastructure project in Uganda, the EU funded the expansion and rehabilitation of a water supply network. The project used an activity-based budget

consisting of six budget lines, none of which provided a breakdown of the underlying costs. For example, the rehabilitation of an existing water supply network was presented as a single line without further detail. At the same time, the project will report expenditure based on actual costs rather than on outputs. As there was no cost breakdown per activity, the Commission's ability to assess the reasonableness of the reported expenditure is restricted.

For a nutrition project in Côte d'Ivoire, supporting the creation of a centralised nutrition-data dashboard and government capacity-building, the budget had over 38 budget lines. However, it did not provide details of the cost of each activity. The budget lines were presented by category, such as staff, office furniture, consultants, and travel. It was not possible to assess the total cost of creating the dashboard, or how much was spent on capacity-building activities.

44 We noted a best practice example of combining cost-based budgets with activity-based budgets, and linking the expected results with individual activities. This approach facilitates clearer connections between activities, costs, and results (see ***Box 5***).

Box 5

Linking activities, costs, and results at project level

For one of the projects in our sample, we performed an on-the-spot visit to a refugee settlement in Uganda. The project was split into different activities, such as rehabilitation of reception facilities, building a concrete reservoir, providing scholarships to students, and providing energy-efficient cooking stoves.

The description of the action provided details of the contents of each activity and its implementation timeline.

The budget for the action was broken down per activity. This allowed Commission staff to know the specific cost of each, and how much expenditure had been incurred. Administrative costs for staff, such as technical staff and project managers, were presented in a separate section by categories.

The logical framework presented outputs linked with activities, showing the direct impact of each activity and how the outputs contribute to the overall objectives of the project.

The same structure was used in the annual narrative and financial reports provided to the Commission, thus facilitating oversight.

45 ***Annex II*** presents our assessment of whether the contractual documents for the 14 projects in our sample contained a sufficient level of detail, allowing the Commission to link costs to activities and results, and therefore also to carry out proper monitoring. We

concluded that the level of detail was satisfactory for four projects, but displayed weaknesses for 10 others.

46 In 2025, the Commission initiated a pilot approach of negotiating a standardised budget template with an entrusted entity, including the necessary level of structure and detail acceptable to both. The agreed budget template can then be used consistently across projects implemented by the entity in question. This successful best practice demonstrates that clearer and more coherent budget structures are achievable.

47 Overall, the framework provides a stable basis for cooperation with entrusted entities. However, the limitations we have identified constrain the Commission's ability to obtain sufficient detail of and assurance on costs, activities and results, affecting its ability to oversee implementation.

There are weaknesses in the Commission's assessment of project costs and recovery of ineligible expenditure

48 The Financial Regulation[7] requires EU funds implemented by entrusted entities to respect the principles of sound financial management, including economy and efficiency. In this context, the Commission reviews the budgets and activities proposed by the entrusted entities before it signs the contract. This review, as well as the Commission's monitoring during implementation, are key steps for ensuring that resources are used in line with these principles.

Lack of standard practices for assessing value for money before a contract is signed

49 Where contractual documents do not clearly link activities, costs and results (see paragraphs ***41***-***44***), the Commission's ability to assess whether a project provides value for money is significantly reduced. Although staff negotiate the level of detail during contract preparation, we found that the Commission has not established clear guidance or standard practices for assessing value for money before it signs contracts with entrusted entities. The internal instructions do not explain how staff should assess whether the proposed costs are reasonable and justified in relation to what the project is expected to deliver. They also lack practical tools for examining proposed budgets, such as benchmarks, reference cost ranges, or methods for conducting cost comparisons.

[7] Article 157.

50 While setting precise benchmarks is difficult for development actions implemented in diverse national contexts, the existing guidance provides only limited direction on what aspects of a budget should be examined. As a result, cost assessments rely heavily on the professional judgment of individual staff, leading to variations in the depth and nature of the budget review.

Insufficient focus on limiting project indirect costs

51 Entities are entitled to remuneration of up to 7 % of a project's eligible direct costs[8]. This remuneration is paid in addition to the direct costs of the action, such as staff salaries, equipment, and other project-specific expenditure. Although 7 % is set as the ceiling, the Commission does not clearly state in its guidance whether staff are expected to negotiate the remuneration rate for indirect costs when contracts are being prepared. In practice, entrusted entities systematically request the maximum rate allowed by the project-level contract template, and the Commission generally accepts this without documentary evidence. This pattern is reflected in our sample: out of 12 projects where remuneration was defined as a percentage, 11 applied an indirect cost rate of 7 %, while one applied a rate of 6.5 %.

52 In addition, project-level contractual conditions permit sub-granted partners' indirect costs to be charged as the direct costs of an action[9]. This creates a cascade of indirect costs, decreasing the share of funding that reaches final beneficiaries. ECA performance audits[10] have come across such practices, and the ECA annual report for 2024 reported an observation[11] where a sub-granted partner's costs significantly increased the total rate of indirect costs (see ***Box 6***).

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[8] Contribution agreement manual (October 2025), Article 16(4).

[9] Ibid., Article 16(3).

[10] E.g. special report 21/2023 on the Spotlight Initiative to end violence against women and girls and special report 18/2024 on EU financial support for health systems in selected partner countries.

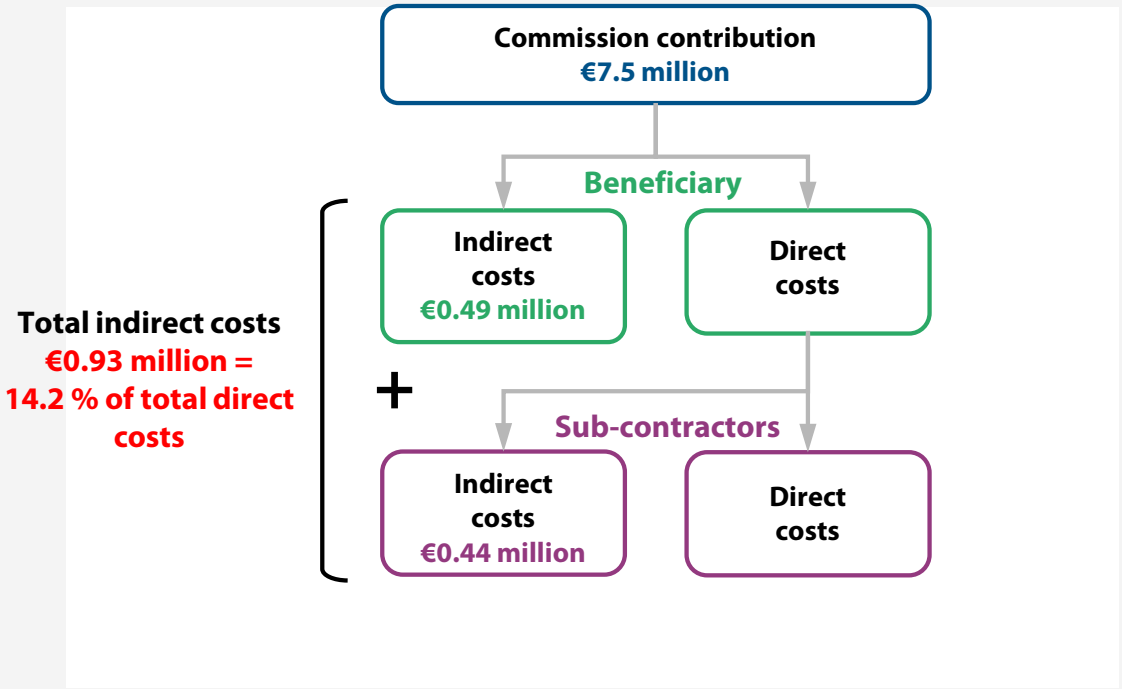
[11] 2024 annual report, Box 9.1.

Box 6

Cost cascading leads to higher indirect costs

The ECA's statement of assurance audited a financial report for a project implemented by an entrusted entity. The contract stated a maximum indirect cost rate of 6.95 % of direct costs.

However, the audit found "cascading" of indirect costs. The entrusted entity had subcontracted the implementation of the project to other organisations, and included those organisations' indirect costs in its reported direct costs. This resulted in indirect costs totalling 14.2 % of direct costs being charged to the project.



Source: ECA 2024 annual report, Box 9.1.

Applying the notional approach limits the Commission's capacity to recover ineligible costs

53 The Financial Regulation[12] allows the use of the "notional approach" in jointly financed actions. Under this approach, EU funds are pooled with those of other donors and are not earmarked for specific expenditure. Consequently, EU cost eligibility requirements are considered to be met if there is sufficient funding from other donors to cover the costs that are ineligible under EU rules.

[12] Article 157(6).

54 Applying the notional approach therefore simplifies EU participation in multi-donor actions. In practice, however, it can significantly limit the recovery of ineligible expenditure. According to the Commission guidelines[13], detected errors do not lead to any recovery of EU funds where the total error amount identified does not exceed other donors' contributions, provided that such costs are covered by them. This is applied irrespective of the EU's share in the financing of the action, and the other donor can also be the entity itself. The effect is exacerbated by the small sample sizes applied in expenditure verifications (see paragraphs ***38***-***39***), which reduce the Commission's capacity to detect ineligible costs and result in a lower value of identified errors. See ***Box 7*** for an example of the notional approach being applied and preventing the Commission from recovering EU funds.

Box 7

Applying the notional approach led to ineligible costs not being recovered

In our sample, a project implemented by an entrusted entity was initially fully financed by the EU. It was subsequently converted into a nominally multi-donor project by adding a 1 % contribution from the entrusted entity itself. This meant that the project was treated as jointly financed, even though the non-EU contribution was minimal. At the end of the action, when checks identified ineligible expenditure, the Commission applied the notional approach and reduced the entrusted entity's own contribution from the amount to be recovered. As a result, most of the ineligible costs were not recovered.

55 Overall, the Commission's current practices do not fully ensure that agreements with entrusted entities deliver value for money, thus they may affect the economic and efficient use of EU funds.

Despite the Commission's efforts, the selection of entrusted entities is often limited by a small number of potential partners

56 The Commission selects entrusted entities in a complex environment shaped by external constraints and policy priorities. In many countries, only a limited number of organisations have the mandate, presence or capacity to implement EU-funded actions. Strategic

[13] Contribution agreement manual (October 2025) – Definitions and Article 17(1).

orientations – such as the preference for EU member state implementing partners[14] through the Team Europe approach – further influence partner identification. As a result, the Commission's room for comparing multiple candidates varies significantly between regions and sectors.

57 The Commission has established clear guidelines to support the selection process, requiring staff to document the rationale for selecting an entrusted entity and to assess its added value compared to alternatives. Our review of 14 projects (see ***Annex II***) found satisfactory documentation for 10 projects, and some weaknesses for one project. For three projects, the selection took place more than 10 years ago under previous guidelines and therefore they were not included in our assessment.

58 The low number of potential implementing entities weakens the Commission's negotiation position, as the entities face a limited competitive incentive to improve project design or reduce costs. Negotiations are further constrained in cases where no financing agreement exists with the partner country, as the Commission's short internal contracting deadlines limit the time available to finalise agreements. Delays in the process increase pressure on the Commission to sign contracts within the available time frame, thus reducing the scope for improving value for money or seeking additional details in the contract (see paragraphs ***41***-***42***).

59 We identified examples of best practices that had been used to address the issue of limited competition. For example, delegations have organised calls for expressions of interest to identify a wider pool of entrusted entities. Others, such as Uganda in our audit sample, have fostered cooperation between smaller and larger entities to broaden the portfolio of potential partners. These initiatives have the potential to strengthen competition and support partner selection.

60 The Commission is developing a risk-profiling dashboard that consolidates data on entrusted entities' past performance and related risk levels in project implementation. This represents an important strategic shift towards a more evidence-based approach to selecting partners, as the tool will bring together information that is currently fragmented. The Commission expects that the dashboard will be operational by the end of 2026, the

[14] COM(2025) 551 Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe, Article 23(7): "7. Implementation of actions in indirect management, including through financial instruments, budgetary guarantees and blending operations under the Instrument shall be entrusted whenever possible (…), to the EIB, the EBRD, or a member state organisation (…)."

intention being to support decision-making by enabling more structured comparisons of potential partners for future actions.

The Commission relies extensively on reporting by entrusted entities, and does not have an overview of the results achieved with the funding

61 Effective monitoring and reporting are central to the Commission's oversight of actions implemented under indirect management. Monitoring provides the Commission with information on how projects are progressing, and whether funds are being managed in line with sound financial management principles. A well-functioning reporting framework also enables results not only to be captured consistently at project level, but also aggregated to reflect achievements across multiple actions (see ***Annex I***, paragraphs ***15***-***18***).

62 We assessed whether:

- the Commission's oversight arrangements enabled it to monitor project activities and budget execution effectively; and
- project results are measured and reported reliably, both for individual projects and overall.

The Commission's monitoring approach does not effectively support systematic assessment of project performance

63 The Commission's internal control framework includes several layers, such as pillar assessment, *ex ante* checks prior to accepting payments, and *ex post* checks afterwards. Preventive and corrective checks are combined to support sound financial management. The Commission is also continuously improving its oversight strategy, as shown by the introduction of the risk-profiling dashboard (see paragraph ***60***).

64 However, our audit shows room for improvement in setting a consistent basis for assessing project performance and budget execution during implementation. Although staff undertake various monitoring activities, the depth, frequency and focus of this can vary between Commission staff. ***Annex II*** presents our assessment of how the Commission monitored the 14 projects in our sample. We concluded that monitoring was satisfactory for five projects, displayed weaknesses for eight others, and was unsatisfactory for one project.

The Commission relies heavily on entrusted entities' reporting for performance and financial information

65 The Commission receives annual performance and financial information from entrusted entities in the form of project reports, which describe the progress made on implementing the projects. Although the Commission has developed standard checklists for its staff to fill in before accepting project reports, these checklists focus on compliance, such as confirming that a progress report has been provided or that correct exchange rates have been applied. They do not prompt staff to examine how the project is advancing, or whether the expenditure is reasonable.

66 When entrusting implementation, the Commission relies on the monitoring and reporting systems of pillar-assessed entities to provide reliable information. In practice, Commission staff review the project reports, but are not required to request supporting documentation for individual indicator values or expenditure items. As a result, the Commission has limited direct confirmation of whether reported outputs and costs correspond to actual implementation on the ground. During our on-the-spot visits, we identified differences between the progress reports provided by the entity and the situation on the ground (see ***Box 8***).

Box 8

Differences between reported and observed project results

For a civil society project in Uganda, one of the activities aimed to provide refugees and host communities with communal and household energy-efficient cooking stoves.

The progress report submitted by the entrusted entity to the Commission stated that the cooking stoves installed had benefited 185 individuals.

However, during our on-the-spot visit, the implementing partner confirmed that the stoves had a maximum capacity to produce meals for 150 beneficiaries, and were operating at only around half of that capacity. In practice, this meant that the facilities were providing no more than 80 meals per day.

67 The Commission has limited its own access to supporting documents during monitoring. According to the contract manual[15], it may request clarifications from an entrusted entity, outside of expenditure verifications, only if it provides a reasoned request. However, what constitutes a reasoned request is not spelled out, thus contributing to differing interpretations by EU staff and the entrusted entities, which can view requests for further details to be outside the agreed framework. In practice, this can lead to delays or incomplete responses when staff seek clarification.

68 Although the Commission has introduced minimum requirements for its own compliance monitoring (see paragraph ***65***), there are no clear minimum expectations for monitoring performance-related aspects and value for money. The Commission's guidance on monitoring remains high-level, and staff apply their own discretion when deciding what information to request and how frequently to engage with entrusted entities. The absence of a harmonised, risk-based approach may lead to differences for example in the extent to which detailed checks are carried out on expenditure and reported results, particularly as the current guidance does not require such checks.

69 The type of monitoring applied therefore varies depending on individual practices, but we also noted justified variations due to the nature of the project. We identified an example of best practice, where the Commission asked the entrusted entity to provide quarterly reporting to maintain better oversight (see ***Box 9***).

Box 9

Adapting monitoring arrangements to the nature of the project

For a civil society project in Uganda, we noted a best practice example of tailoring monitoring arrangements to the characteristics of the action. As the project focuses on capacity-building and civil-society engagement, areas where outputs are less tangible and progress can be harder to observe, the EU delegation agreed with the entrusted entity that narrative information would be provided quarterly rather than only once a year. These short, activity-focused updates enabled the project manager to follow developments more closely and maintain regular contact with the implementing team. Combined with several on-the-spot visits, this approach strengthened oversight and provided a more up-to-date picture of implementation progress.

70 Until it was suspended in February 2025 due to unavailability of funding, results-oriented monitoring (ROM) played a key role in filling monitoring gaps, particularly where staff

[15] Article 3.5.

resources were limited. ROM missions were carried out by external experts, including stakeholder interviews and verification of outputs and results. They took place at different stages of implementation and provided independent performance information, supporting potential corrective actions. The suspension of ROM removed an important external monitoring system, making Commission staff even more dependent on the information provided by entrusted entities.

Limited field presence weakens on-the-ground checks and EU visibility

71 Project visits are an important tool for verifying activities on the ground. However, the only formal monitoring requirement the Commission has set for staff is one such visit per year. This can be fulfilled by participating in a steering committee meeting, which is a project governance activity and does not require visits to project locations. No further guidance exists on the frequency or scope of on-the-spot checks, or on how field monitoring should be adapted to the nature and risk level of the project.

72 While the Commission consistently attended steering committee meetings for the projects in our sample, we did not receive information on field visits for all projects. Where such information was available, we identified variations in the frequency of field visits, ranging from none in some years to several in others. This reflects not only the characteristics of the projects, but also time or security constraints and the judgment of individual project managers.

73 The Commission is currently restructuring its network of EU delegations. The reform envisages merging the finance and operations sections into a single section, and aims to centralise tasks in regional hubs. These changes will affect the staff's proximity to the implemented projects, especially when stationed in a different country.

74 In addition to restricting on-the-ground checks, limited field visits reduce the Commission's ability to verify whether EU participation is clearly displayed and to reinforce EU visibility through its own presence. During our on-the-spot visits, we observed a case where EU co-financing was not clearly displayed on the project site. In multi-donor contexts, the EU competed with numerous other donors for visibility, making the EU contribution less apparent even when the EU was the main donor. At the same time, as beneficiaries mainly interact with the entities delivering the support, they may perceive those entities as being the donor rather than the EU, which we also observed during our visits.

75 The Commission has recently updated its visibility approach with the aim of ensuring that EU communication is more consistent and recognisable across external actions. Under the new approach, visibility no longer focuses on individual projects, but on high-level visibility

elements. During our on-the-spot visits, we observed the new visibility approach implemented in practice (see ***Picture 1***).

Picture 1 | Example of the Commission's new visibility approach in Côte d'Ivoire



Source: ECA.

The Commission does not use structured risk assessments to differentiate project monitoring

76 Cross-regional projects account for 18 % of the EU funding implemented by entrusted entities under the 2021-2027 MFF (see ***Figure 1*** of ***Annex I***), with projects managed from headquarters or by the EU delegations. An additional 31 % are multi-country projects taking place within a specific region.

77 In one regional project in our sample, EU delegations had limited visibility of the budget allocated to their country and of the activities carried out there. This reflected the project's management set-up: coordination was led by Commission headquarters in Brussels, which maintained active contact with the implementing entity and monitored the overall progress of the project. Country-level financial and results information was not routinely shared by the entrusted entity, and country-level oversight remained limited.

78 By contrast, in another regional project in our sample, delegations retained ownership of activities in their countries through the policy dialogue attached to the theme, despite not managing the project formally. In both projects, contractual documents did not include country-level financial allocations, as the projects were designed with flexible, non-earmarked budgets. While the flexibility facilitated implementation, the absence of

earmarked amounts in contracts limited the country-level information the entities made available during implementation (see paragraph ***43***).

79 In the regional projects we examined, monitoring was carried out with less operational and financial detail than was the case for the smaller, single-country projects in our sample. The Commission has not defined differentiated monitoring approaches that reflect the size, complexity or risk profile of the projects, nor does it distinguish between projects managed close to the place of implementation and those overseen from another region or headquarters.

80 Overall, the combination of reliance on self-reported information, high-level monitoring guidance, limited field presence, and a lack of risk-based assessments weakens the Commission's oversight of implementation. The pillar assessment confirms the robustness of entities' systems at a given point in time, but does not replace project-level monitoring, nor does it ensure that individual actions comply with EU rules, as has repeatedly been shown by the regularity errors identified in our annual report[16].

Gaps in performance data prevent a comprehensive assessment of results

81 At programming level, the Commission defines the objectives that EU external actions are expected to achieve, and provides guidance on the indicators to be used for monitoring them. These objectives should be incorporated into project-level design, thus helping to ensure that activities, outputs and results contribute to the priorities set in the multiannual programming documents. The Commission has also developed the Global Europe Results Framework (GERF), a set of key indicators to be used across individual projects to enable consolidation of results.

82 We found that the objectives presented in action documents are subject to a comprehensive quality review. However, there are no obligatory checks to ensure that these objectives – including the relevant GERF indicators – flow into the project-level logical frameworks. ***Box 10*** presents an example illustrating the role of GERF indicators in enabling results consolidation.

[16] 2024 annual report, paragraph 9.14: "As in previous years, a large proportion of the errors we identified concerned contracts implemented by pillar-assessed organisations".

Box 10

The fact that Global Europe Results Framework indicators were not identified in the project-level logical framework prevented the consolidation of results

A project in our sample aims to contribute to the protection and reintegration of migrants in sub-Saharan Africa.

The action document included the indicator "Number of migrants, or individuals from host communities protected or assisted with EU support, disaggregated by sex", which corresponds to a GERF indicator used by the Commission for consolidated reporting.

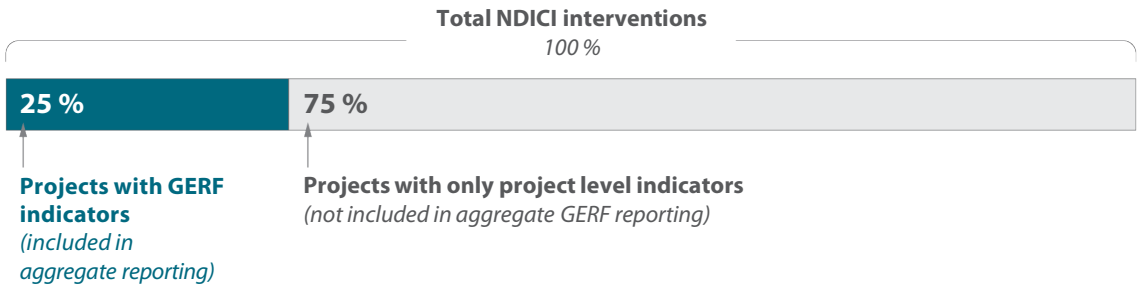
At project level, the logical framework contains a similarly worded indicator. However, the indicator was not identified in the logical framework and in the results reporting system as a GERF indicator. Consequently, although the project reports results against this indicator and had supported over 55 000 migrants by mid-2025, these results have not contributed to the Commission's aggregated reporting.

83 Entrusted entities design the project-level logical frameworks and select the related indicators. These are reviewed by Commission staff to the extent they deem necessary prior to approval. Although the Commission has developed detailed guidance to support staff in assessing and improving the quality of project logical frameworks, we observed that the guidance is not well known and therefore not consistently used in practice. As a result, its potential to improve the consistency and robustness of project logical frameworks is not fully realised.

84 ***Annex II*** presents our assessment of the robustness and completeness of the results reporting for the 14 projects in our sample. We concluded that the results reporting was satisfactory for two projects, displayed some weaknesses for 11 others, and was unsatisfactory for one project.

85 Due to the lack of harmonised indicators across projects, the Commission is unable to consolidate results in a meaningful and reliable way. The uptake of GERF indicators remains low: only around a quarter of Neighbourhood, Development and International Cooperation (NDICI-Global Europe) instrument interventions, under both direct and indirect management, include any GERF indicators in their logical framework (see ***Figure 3***).

Figure 3 | Global Europe Results Framework adoption



Source: ECA, based on DG INTPA data.

86 The available performance data therefore contain significant gaps. At the same time, the Commission's annual reporting on the NDICI-Global Europe instrument[17] focuses primarily on spending. When the reporting does not systematically combine information on spending with results, the Commission's ability to demonstrate what has been achieved with EU funding across countries, sectors and implementation modes is limited. Moreover, the lack of comparable results data prevents analysis of which management mode (direct or indirect) or types of entrusted entity (e.g. international organisations or member state agencies) deliver the best results or value for money.

This report was adopted by Chamber III, headed by Mr George-Marius Hyzler, Member of the Court of Auditors, in Luxembourg at its meeting of 29 September 2026.

For the Court of Auditors

Tony Murphy
President

[17] See, for example, 2025 annual report on the implementation of the European Union's external action instruments in 2024.

Annexes

Annex I – About the audit

EU development funding implemented through entrusted entities

01 In line with the Financial Regulation[1], EU actions can be implemented under direct, shared or indirect management. In the case of indirect management, the Commission delegates the implementation of an EU-funded project to an entrusted entity.

02 Indirect management is used by the Directorate-General for International Partnerships (DG INTPA) and other external action DGs and departments, such as the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO), the Directorate-General for Enlargement and Eastern Neighbourhood, the Directorate-General for the Middle East, North Africa and the Gulf, and the Service for Foreign Policy Instruments.

03 Under the current 2021-2027 multiannual financial framework (MFF), indirect management accounts for 56 % (€12.4 billion) of the total amount contracted by DG INTPA until 31.12.2025 (see ***Figure 1*** of ***Main messages***).

04 Entrusted entities differ in nature and mandate. They can, for example, be international organisations or EU member state development agencies or development banks[2]. EU member state development agencies/banks implement the largest share of development funding under indirect management by DG INTPA. The second largest category of entrusted entities consists of UN organisations, followed by international financial institutions and other international organisations.

05 Geographically, 59 % of the actions implemented by entrusted entities under the 2021-2027 MFF take place in Sub-Saharan Africa (see ***Figure 1***). A significant share of

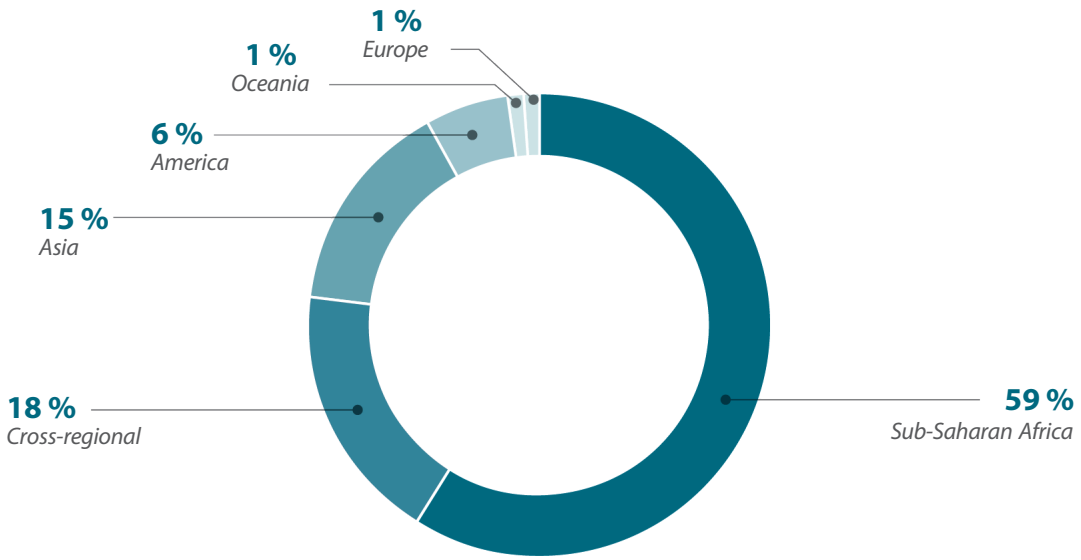
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1 Article 62.

2 Article 62(c).

indirect management actions are also implemented in Asia or in the form of cross-regional actions addressing regional challenges or cross-border issues.

Figure 1 | Geographical distribution of contracted amounts of projects implemented by entrusted entities under the 2021-2027 multiannual financial framework



Source: ECA, based on data of 31.12.2025 from DG INTPA's statistical dashboard.

The pillar assessment process and its continuous validity

06 The Commission uses "pillar assessment" to evaluate the eligibility and suitability of partner organisations to work with the EU under indirect management. The assessment starts with the Commission's preliminary screening of an entity's eligibility, after which an external pillar-assessment auditor examines the design and effectiveness of the entity's systems.

07 The external auditor uses the Commission's detailed Terms of Reference for the assessment, covering a maximum of nine "pillars" (see ***Figure 2*** of ***Main messages***). The resulting report, which includes scoring for each pillar, findings and the related corrective roadmap, forms the basis for the Commission's decision on whether to entrust implementation to the entity.

08 Six pillars are compulsory for all entities, as they cover core functions that the Commission must always rely on. By contrast, three of the pillars are optional and assessed only when the Commission intends to rely on the entity's rules and procedures for those specific

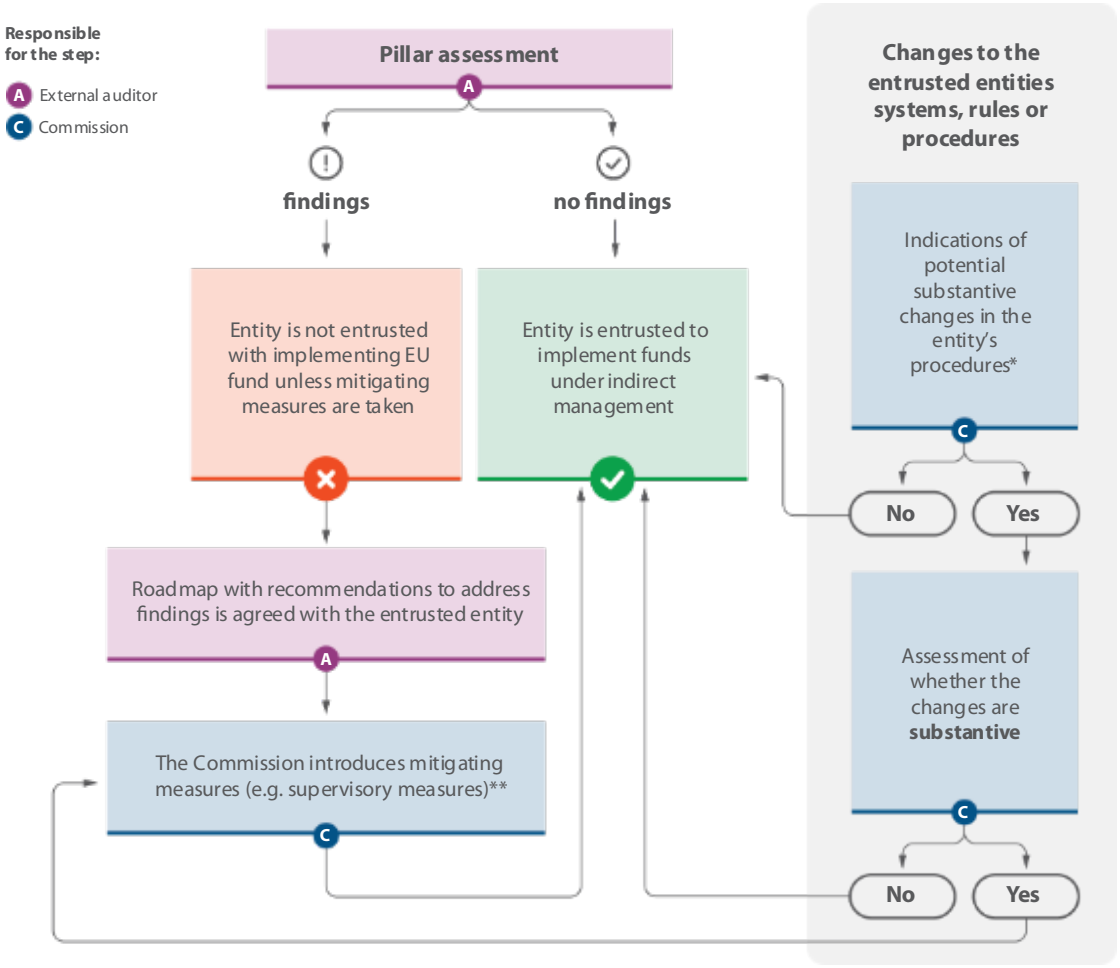
financing arrangements. If an entity will not implement a given arrangement – e.g. it will not sub-grant parts of the funding – the corresponding pillar does not need to be assessed.

09 Ensuring adequate protection of the EU's financial interests also requires the Commission to monitor the continuous validity of pillar assessment. ***Figure 2*** illustrates the different elements that lead DGs need to monitor in order to ensure the continuous validity of pillar assessments.

The Commission's monitoring consists of two parts:

- following up on the pillar-assessment auditors' recommendations; and
- confirming that no substantive changes have been made to the entity's systems or procedures.

Figure 2 | Continuous validity of the Pillar Assessment



** The entrusted entity is obliged to inform the Commission without undue delay of potential changes that may impact the reliability of the pillar assessment. Potential substantive changes can also be identified by the Commission during its cooperation with the entity, or through ex post controls.*

*** Supervisory measures, and/or other mitigating measures remain applicable until evidence is received that the weaknesses and/or deficiencies are remedied.*

Source: ECA, based on DG BUDG guidance on the pillar assessment.

10 The entity is contractually obliged to inform the Commission without undue delay of any changes which may impact the reliability of the pillar assessment. The Commission assesses whether it considers these changes substantive and, if this is the case, the pillars concerned may be reassessed (see paragraph ***11*** of ***Main messages***). While awaiting the reassessment, mitigating actions, such as supervisory measures, may be introduced to address any weakness or risk arising from the changes.

11 DG BUDG coordinates the overall pillar-assessment framework and manages the Pillar Assessment Automated Workflow (PAAW), a central IT tool intended to store information on all pillar-assessed entities. The individual pillar assessments are managed by lead DGs, which are responsible for ensuring the continuous validity of the pillar assessment in

question and for encoding the related information in PAAW. Associated DGs rely on the pillar assessments managed by the lead DGs (see ***Figure 3***). There are currently 151 pillar-assessed entities managed by external action DGs, with an additional 28 assessments ongoing.

Figure 3 | Roles and responsibilities in the pillar assessment



Source: ECA, based of DG BUDG guidance on pillar assessment.

The contractual framework

12 Financial Framework Partnership Agreements (FFPAs) define the contractual terms of long-term cooperation with entrusted entities. One of the key FFPAs is the Financial and Administrative Framework Agreement signed by the EU and the UN. The Commission has also signed a joint FFPA with 23 member state agencies/banks.

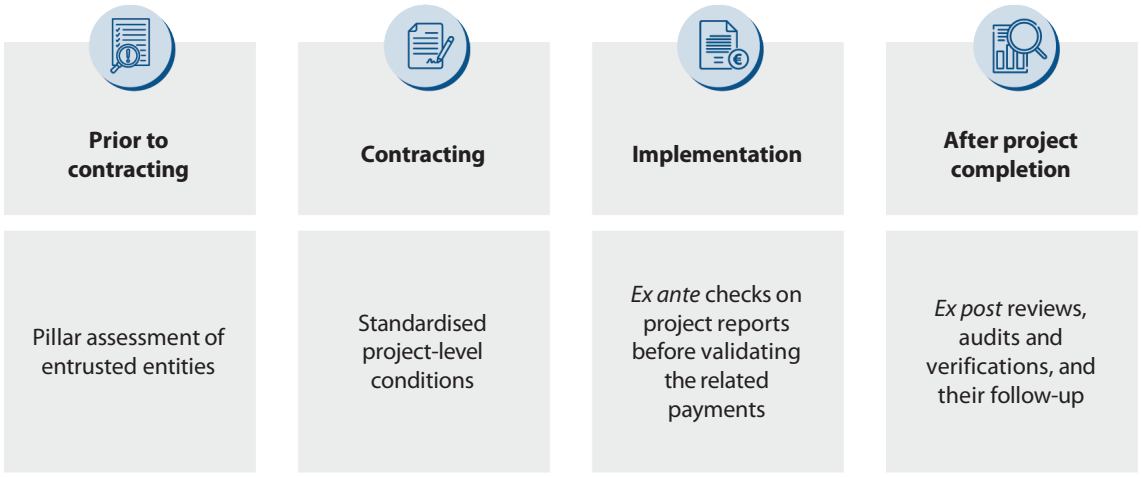
13 When an entrusted entity is selected to implement a project, the Commission and the entity sign a project-level contract that includes a description of the activities, a budget, a results logical framework, and the relevant contractual conditions. These conditions also include any specific arrangements stemming from the FFPA, and any applicable supervisory measures. If positively assessed for the relevant pillar, entities can sub-contract activities to their own implementing partners. The entity is entitled to the reimbursement of incurred project-specific direct costs as reported in its financial reports and to a flat-rate remuneration of up to 7 %, calculated on the basis of its direct costs.

14 Being able to entrust project implementation to other entities does not reduce the Commission's responsibility. Instead, it changes the nature of this responsibility, requiring the Commission to focus on the oversight and monitoring of projects. A pillar assessment is meant to confirm that an entrusted entity has robust internal controls and accounting systems in place. It does not, however, cover all systemic aspects of the legality and regularity of expenditure subject to EU rules for the individual project that is funded, and merely reflects that entity's status at a certain moment in time. This makes Commission oversight essential for ensuring the sound financial management and efficient and effective implementation of projects.

The Commission's monitoring and reporting of results

15 DG INTPA's control system for oversight of indirect management is divided into four stages (see ***Figure 4***).

Figure 4 | DG INTPA's oversight of indirect management



Source: ECA based on DG INTPA's annual activity report 2024.

16 Throughout these stages, DG INTPA relies on a combination of operational and financial monitoring. Operational monitoring is performed primarily by project managers, who review narrative reports, logical frameworks and progress indicators, and are in regular contact with the entity implementing the project. Financial monitoring is the responsibility of financial officers, who check budget execution and its compliance with contractual requirements. Monitoring can also include on-the-spot visits, evaluations and (when available) results-oriented monitoring carried out by external partners.

17 The Global Europe Results Framework (GERF) is the Commission's results framework, which aims to aggregate results of projects and measure their key achievements. It has a three-level structure: level 1 measures broader development impact through the Sustainable Development Goals and other third-party indicators; level 2 measures EU projects' outputs and outcomes; and level 3 tracks resources allocated to specific priorities.

18 GERF is used for reporting per instrument, Sustainable Development Goals and country. For example, the performance of the Neighbourhood, Development and International Cooperation (NDICI-Global Europe) instrument is monitored through 19 indicators. The values of these overall indicators are based on project-level results.

Audit scope and approach

19 We examined whether the Commission manages well EU development funds implemented through entrusted entities. We specifically assessed whether:

(a) the Commission regularly reassesses and confirms the validity of pillar assessments;

(b) the contractual framework facilitates cooperation with entrusted entities and the Commission's ability to ensure value for money and its oversight;

(c) the Commission has adequately monitored and reported on projects implemented by entrusted entities.

20 The audit focused on development assistance managed by DG INTPA under indirect management. The main auditees were DG INTPA and DG BUDG in its coordinating role for the pillar assessments. We also consulted DG ECHO and the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs as the other lead DGs for the pillar-assessed entities in our sample.

21 Within the population of entrusted entities, we focused on UN organisations and EU member state development agencies/banks, which together implement around 70 % of DG INTPA's indirect management portfolio (see ***Figure 1***). International financial institutions and other international organisations were not included in the scope of our audit.

22 We assessed the Commission's oversight systems at headquarters and in delegations through a combination of desk work, on-the-spot visits, analysis of documents and interviews with relevant stakeholders. Our audit work covered both the system level, where we examined DG INTPA's procedures and oversight arrangements, and the project level, where we reviewed a selection of actions to assess how the procedures were applied in practice.

23 At project level, we selected a sample of projects implemented in three countries: Côte d'Ivoire, Nigeria, and Uganda. The countries and projects were selected using several criteria such as materiality, representation of different entrusted entities, and recent coverage by other ECA audits. We drew our sample to ensure appropriate representation of implementing entities, covering the six UN organisations and six EU member state agencies implementing the most financially material amounts. We carried out missions on the spot in Uganda and Côte d'Ivoire, while for Nigeria we conducted remote interviews. The sample also included two regional projects managed by DG INTPA headquarters, the total sample size being 14 projects.

24 We examined ongoing as well as recently completed projects financed under both the current and the previous MFFs. This allowed us to assess the implementation of projects started during the final years of the 2014-2020 MFF and the results achieved, as well as the design and implementation to date of projects from the current 2021-2027 MFF. Our audit therefore included projects funded by the NDICI-Global Europe instrument, the 11th European Development Fund, and the Development Cooperation Instrument, covering a wide range of topics such as nutrition, migration and sustainable energy.

25 Our audit methodology complies with the international standards on auditing issued by the International Organization of Supreme Audit Institutions (INTOSAI).

Annex II – Performance assessment of Commission management for the sampled projects



* The entity was sampled twice, and the assessment for this repeating element is presented only once.
** The contract was signed more than 10 years ago, or the entity was selected jointly with the government of the partner country.

Abbreviations

Abbreviation	Definition/Explanation
DG BUDG	Directorate-General for Budget of the European Commission
DG ECHO	Directorate-General for European Civil Protection and Humanitarian Aid Operations
DG INTPA	Directorate-General for International Partnerships
FFPA	Financial Framework Partnership Agreement
GERF	Global Europe Results Framework
MFF	Multiannual financial framework
NDICI – Global Europe	Neighbourhood, Development and International Cooperation Instrument – Global Europe
PAAW	Pillar Assessment Automated Workflow
ROM	Results-Oriented Monitoring
UN	United Nations

Glossary

Term	Definition/Explanation
Continuous validity (of pillar assessment)	Ongoing assurance that an entrusted entity's systems, rules and procedures are still up to the same standard as those assessed during the original pillar assessment.
Indirect management	Method of implementing the EU budget whereby the Commission entrusts implementation tasks to other entities (such as non-EU countries and international organisations).
Logical framework	Detailed planning tool covering the implementation, management, monitoring and evaluation of a project.
Multiannual financial framework	The EU's spending plan setting priorities (based on policy objectives) and ceilings, generally for seven years. It provides the structure within which annual EU budgets are set, limiting spending for each category of expenditure.
Notional approach	Approach used by the Commission where EU contributions to multi-donor projects are pooled with those from other donors and not earmarked for specific items of expenditure.
Pillar assessment	Commission assessment of the rules and procedures applied under indirect management to ensure the EU's financial interests are protected to the same level as under direct management.
Residual error rate	Proportion of a population that is not deemed regular after taking into account the effect of all control procedures, recoveries and corrections.
Sound financial management	Management of resources in accordance with the principles of economy, efficiency and effectiveness.
Value for money	Relationship between resources used and results achieved, assessed through economy, efficiency and effectiveness.

The Commission’s replies

https://www.eca.europa.eu/en/publications/SR-2026-27

Timeline

https://www.eca.europa.eu/en/publications/SR-2026-27

Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber III – External action, security and justice, headed by ECA Member George-Marius Hyzler. The audit was led by ECA Member Bettina Jakobsen, supported by Katja Mattfolk, Head of Private Office and Paolo Rexha, Private Office Attaché; Cyril Messein, Principal Manager; Aino Rantanen, Head of Task; Emmanuel-Douglas Hellinakis and Luís Vicente, Auditors; Christos Aspris, IT Auditor. Zoe Amador Martínez provided linguistic support. Dunja Weibel provided graphical support.

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HTML	ISBN 978-92-849-8369-8	ISSN 10.2865/6576201	doi:10.2865/0019829	QJ-01-26-047-EN-Q
PDF	ISBN 978-92-849-8370-4	ISSN 10.2865/9331591	doi:10.2865/6235204	QJ-01-26-047-EN-N

HOW TO CITE

European Court of Auditors, special report 27/2026 “EU development funding through the United Nations and member state organisations - A partnership based on trust, but accountability and value for money not sufficiently considered”, Publications Office of the European Union, 2026.

The European Commission implements a significant share of EU development funding through entrusted entities, notably United Nations organisations and member state development agencies, drawing on their expertise and presence in partner countries. However, the Commission remains accountable for ensuring that EU funds are used properly and achieve the intended results. We examined whether it effectively manages development funding implemented through these partners. We found that, while the framework for indirect management is comprehensive, the balance between reliance on entrusted entities and the Commission's own oversight is not optimal. Accountability and value for money are not sufficiently considered. We recommend strengthening oversight of pillar assessments, improving contractual arrangements and value-for-money assessments, applying risk-based monitoring, and reinforcing result aggregation and reporting.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.

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