



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

on transparency of EU funding granted to NGOs

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This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 265 of the [Financial Regulation](#) and to be published together with the Special Report.

I. THE COMMISSION REPLIES IN BRIEF

Involvement of the civil society in the development, implementation, monitoring and enforcement of EU legislation and policies is a specific funding objective of several EU programmes. Non-governmental organisations (NGOs) represent the inherent diversity of civil society and contribute to defending and safeguarding EU values. The Commission attaches great importance to the existence of a pluralistic and vibrant civil society and is supporting it through its programmes and funding opportunities.

When it comes to receiving EU funding, NGOs are no different from other applicants. They are subject to fulfilling the necessary eligibility requirements – the mere fulfilment of the NGO status does not entail any preferential treatment, nor is it an eligibility criterion in itself, aside from a few, very specific cases. The Commission has no indications that the NGO status would correlate to a specific (or higher) risk for the Union budget, compared to other types of recipients of EU funding.

Transparency, in line with existing legal requirements, remains the guiding principle in the management of the Union budget. The Financial Regulation¹ requires the Commission to publish information about recipients of EU funding in direct management, including when these recipients are qualified as NGOs. This information is publicly available on the Commission's [Financial Transparency System \(FTS\) website](#). Furthermore, the recent revision of the Financial Regulation introduced more ambitious transparency provisions, as from the post-2027 Multiannual Financial Framework. The Financial Transparency System is set to become a central point of reference – with information published on recipients in all management modes. In particular, information on recipients under shared management funding will be added from 2028 onwards.

The European Court of Auditors acknowledged the improvements made by the Commission in regard to transparency of Union funding to NGOs since the publication of its previous special report on the matter² – an assertion welcomed by the Commission³.

The Financial Regulation, as modified in 2024, introduced the definition of NGOs that must now be applied by the Commission. The Financial Regulation also introduces the need to indicate in the direct management grant applicant's information whether the entity is an NGO. This definition and obligation will now have to be applied in practice. In the light of such practice and the recommendation of the ECA, the Commission will explore whether this recent definition of an NGO should and could be further clarified.

In light of the simplification agenda, as pledged by stakeholders and the co-legislators, the Commission will also assess the benefits of such a potential clarification against the risk of increasing the administrative burden on EU funding applicants or on the Commission services. Additionally, this clarification should not be understood as a tentative to align how different Member States define NGOs in their jurisdictions. Similarly, for indirect management, the systems, rules and procedures of implementing entities remain applicable once the Commission has verified that these rules and

¹ Article 38 of the [Financial Regulation, i.e. Regulation \(EU, Euratom\) 2024/2509](#) of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast). ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>

² ECA Special Report 35/2018: *Transparency of EU funds implemented by NGOs*.

³ See ECA observation in Paragraph 07.

procedures ensure a level of protection of the financial interests of the Union equivalent to the one that is provided when the Commission implements the budget in direct management.

As per the Court's recommendation, the Commission will explore further the feasibility of increasing the frequency of updates in the Financial Transparency System within the scope of contractual relationships and commitments defined by the applicable legal framework.

The European Commission actively uses its data and tools, such as the Early Detection and Exclusion System (EDES)⁴ and Arachne⁵, to manage risks and prevent financial irregularities in its contracts and grants. These systems ensure thorough checks before and during contractual relationships. The Commission will consider further development of tools for assessing possible breaches of EU values, using risk indicators that are reliable, objective and proportionate.

Finally, in accordance with the Political Guidelines of President von der Leyen for the 2024-2029 mandate, and the recent Communication on a Competitiveness Compass⁶ for the EU, the Commission aims to foster a regulatory system grounded in trust and incentives, as it will prioritize flexibility and simplification for its partners, applicants and beneficiaries. The Commission appreciates and will consider the recommendations formulated in this Special Report to the fullest possible extent. However, the Commission will stay committed to measures which minimise administrative burden and are proportionate.

II. REPLIES TO THE RECOMMENDATIONS

Recommendation 1 – Improve guidance on classifying non-governmental organisations

The Commission should facilitate consistent understanding and application of the definition of non-governmental organisations across all management modes, by issuing guidance to clarify the criteria for:

- ***a. “independence from government” beyond a prerequisite of being a private entity; and***
- ***b. NGO status when an entity is pursuing its members’ commercial interests.***

(Target implementation date: 2025)

⁴ Early Detection and Exclusion System (EDES) - The purpose of the EDES is the protection of the Union's financial interests against unreliable persons and entities applying for EU funds or having concluded legal commitments with the Commission, other Union Institutions, bodies, offices or agencies. See: Title V, Chapter 2, Section 2 of Regulation (EU, Euratom) 2024/2509 previously mentioned.

⁵ Currently, Arachne is an integrated IT tool for data-mining and risk-scoring developed by the European Commission. Its objective is to support Member States' authorities in their audit and control checks, to identify their most risky projects and contracts, and the potential risks linked to all their projects and contracts. It establishes a comprehensive database of projects implemented under the EU Structural Funds, covering European Regional Development Fund and European Social Fund, but also Recovery and Resilience Fund and funds managed by DG MARE, HOME and AGRI.

⁶ COM(2025) 30 final, '[A Competitiveness Compass for the EU](#)'; see notably section 2.1.

The Commission **partially accepts** both recommendations **1a and 1b**.

The notion of the “independence from government” is part of the definition introduced in the revision of the Financial Regulation in 2024 (Article 2 (49)), which must now be applied by the Commission in practice. In the light of such practice and the recommendation of the ECA, the Commission will explore how the notion of “independence from government” for a non-governmental organisation could be further clarified, keeping in mind that it should not lead to reduced accessibility of EU funds in some Member States where the NGOs definition might differ (as acknowledged by ECA⁷).

It is important to emphasise that the participation in EU award procedures is not dependent on fulfilling the NGO status in the majority of EU award procedures. Requiring additional supporting documents from the applicants to all EU award procedures would represent a significant administrative burden for them. In light of the simplification agenda for accessing EU funding, demanded by stakeholders, the Commission will aim at reducing red tape.

As regards sub-recommendation 1b, the Commission will explore how to take it in consideration.

Regarding the facilitation of consistent understanding and application of the definition of non-governmental organisations across all management modes, the Commission notes that in accordance with Article 199(1)(a) of the Financial Regulation only grant applicants are required to declare whether they are NGOs. As regards the shared management with the Member States, the Commission does not have the competence to align the definitions of non-governmental organisations which are subject to national laws. As for indirect management, NGOs may receive funding from implementing partners in line with the partners’ systems, rules and procedures, once these are assessed by the Commission as equivalent to the Commission’s own rules for the protection of the budget, as stated in the Financial Regulation.

Recommendation 2 – Improve the quality of information on EU spending in the Financial Transparency System

To ensure that the information disclosed in the Financial Transparency System is comparable and useful, the Commission should improve its completeness and timeliness by increasing the frequency of updates and covering second-level recipients of EU funds for direct and indirect management.

Target implementation date: 2029

The Commission **partially accepts** recommendation **2**.

The Commission will explore the feasibility of incrementally publishing annual data in the Financial Transparency System, and, therefore, to increase the frequency of updates.

The information pertaining to ‘second-level recipients’ of funds under the indirect management mode will be included into the Financial Transparency System for programmes adopted under and financed from the post-2027 Multiannual Financial Framework, and subject to availability of such data stored in the single data-mining and risk-scoring tool defined under Article 36(2), point (d) of the Financial Regulation. This is in line with Article 277(6) of the Financial Regulation.

As regards direct management, Article 38 of the Financial Regulation requires making available information on recipients of funds. ‘Second-level recipients’ are not considered ‘recipients’, as per the

⁷ See ECA observation in Paragraph 18, Box 2 and Figure 3.

legal definition provided by Article 2(59) of the Financial Regulation. The Commission does not have a contractual relationship with such ‘second-level recipients’. The Commission considers that recording this information in the FTS would add a significant additional burden to the beneficiaries of EU grants and would also counteract the Commission’s simplification agenda for access to EU funding.

Exceptions to the publication of information on recipients of EU funding awarded under all management modes are applicable in accordance with Article 38(3) of the Financial Regulation.

Recommendation 3 – Strengthen verification of compliance with EU values

The Commission should explore the feasibility of developing the current systems to include risk-based verification of the recipients’ (including NGOs’) compliance with EU values, in order to detect potential breaches.

(Target implementation date: 2028)

The Commission **accepts** recommendation 3.

In its verifications, the Commission does rely mainly on self-declarations⁸. The Commission continuously and actively uses the available data and tools at its disposal.

Currently, the risk-scoring tool that is at disposal of the Commission is Arachne. Its focus is not to verify the respect of EU values but to support the prevention, detection, correction and follow-up of irregularities including fraud, corruption, conflicts of interest and double funding. In addition, since the EU values concept is broad, the quality of data provided to the current system on a voluntary basis and risk indicators included in it cannot be used to sufficiently identify NGOs, nor link them directly to a potential breach of EU values.

The Financial Regulation provides for further development of this IT tool only as regards control and audit functions⁹. The Commission is open to explore the feasibility of introducing further risk indicators for the purpose of enhancing checks on compliance with EU values, provided this is confirmed as being technically possible and in line with the applicable rules (including on data protection). As any risk indicator must be reliable, objective and proportionate, the trustworthiness of relevant data sources (if any) will have to be assessed, as well as the possibility to interconnect such sources with Arachne.

Any such feasibility assessment could be carried out only following the assessment of the readiness of the further development of Arachne, which, as established by the Financial Regulation, is to be delivered by the end of 2027.

Furthermore, the Commission requires verification of the Early Detection and Exclusion System (EDES) Database at all stages of the procedures, including before the contract signature. This serves the

⁸ See ECA observation in Paragraph 14.

⁹ See recitals 29-32 and Article 36 of the Financial Regulation. See also the Joint statement of the European Parliament, the Council and the Commission on the single data-mining and risk-scoring tool provided for in Article 36 of the Financial Regulation on the occasion of the adoption of Regulation 2024/2509, OJ C, C/2024/5767, 26.9.2024, ELI: <http://data.europa.eu/eli/C/2024/5767/oj>.

purpose to check if the applicant has been excluded from Union funding in direct and indirect management following an EDES procedure or if it is flagged as an early detection. Ex-post checks – before any payments are made – are also ensured by means of blocking warnings in the Commission accounting system linked to the excluded entities. The accounting system will also warn authorising officers if an early detection was introduced in EDES. Thus, authorising officers can be made aware in the course of contract implementation of any EDES measure related to EU counterparties with whom they have an ongoing contractual relationship.

As for electronic grant management, which is now the default way of managing grants in the Commission, the EDES-related flags are already embedded and automatised in the system managing grant applications – eGrants. As a result, managers do not need to consult the EDES database themselves.

III. REPLIES TO OBSERVATIONS

1. Advocacy activities of NGOs which receive funding under Union programmes

Certain Union programmes, such as the LIFE programme, support, through operating grants (as defined in Article 183(2)b) of the Financial Regulation), the functioning of bodies, including NGOs, and their overall work programme. For example, as provided in Article 3 of the LIFE model grant agreement¹⁰, the grant is awarded to support the work programme of activities of the beneficiary and its general running costs for the financial year. For this purpose, NGOs independently propose their work programmes. If an NGO is successful and is awarded an operating grant, its work programme is annexed to the grant agreement. In early 2024, specifically detailed references to such advocacy activities in a number of work programmes submitted by NGOs and annexed to grant agreements were brought to the attention of the Commission. In May 2024, the Commission issued internal guidance to all Authorising Officers by delegation on funding for activities related to the development, implementation, monitoring and enforcement of Union legislation and policy, applicable to all spending programmes¹¹. This guidance clarified that funding agreements involving specifically detailed activities directed at EU institutions and some of their representatives, even if legally sound, may entail a reputational risk for the Union. The internal guidance is to be taken into account by the responsible authorising officers when drafting documents for Union award procedures, when assessing compliance with criteria under such procedures and when establishing relevant contractual arrangements involving Union financing. The guidance also indicates that work plans submitted by applicants should be carefully assessed to establish whether they could create reputational risks.

¹⁰ See: [LIFE model Grant Agreement for Operating Grants](#), or by going to [Funding&Tenders Portal](#), select: *Guidance and documents; Reference documents* -> choose the MFF and the programme -> *Grant agreements and contracts*.

¹¹ See ECA observation in Paragraph 13. See also: [Commission guidance on funding for activities related to the development, implementation, monitoring and enforcement of Union legislation and policy](#).

2. Disclosure of NGOs' advocacy activities financed through operating grants

The Commission acknowledges the observations made by the ECA regarding the disclosure of information on NGOs' advocacy activities financed through operating grants¹². The Commission would like to confirm that it adheres strictly to its transparency obligations as outlined in the Financial Regulation. Specifically, Article 38 thereof delineates the requirements for publishing information about recipients, and does not require the disclosure of advocacy activities funded through grant agreements. Despite the lack of a legal requirement to do so, the Commission however takes additional steps to promote transparency by proactively sharing the objectives and outcomes of funded projects on the EU Funding & Tenders Portal. Furthermore, interest representatives that register in the Transparency Register as not representing commercial interests, which would typically include NGOs, are required to report their lobbying activities and declare their main sources of funding as well as the amount of each contribution above EUR 10,000 exceeding 10% of their total budget and the name of the contributor in their registrations in the Transparency Register. The Commission appreciates the ECA's recognition that, based on their sample, interest representatives were correctly registered in the Transparency Register¹³. This reflects the Commission's commitment to transparency, as required by the relevant legal framework.

3. Respect for EU values and the public transparency

The Commission notes the ECA's attention to the respect of EU values when defining public transparency¹⁴. The Commission recalls the obligation to “respect the EU values” and to not incite discrimination, hatred or violence, as now also specifically set out in Article 138(1) of the Financial Regulation. This article provides the wrongful conducts against which the Commission may take administrative measures to protect the Union budget and it includes not only EU values breaches, but also corruption, fraud, irregularities, terrorist offences or activities, etc. This means that there is a requirement to refrain from all these conducts, and comprehensive measures addressing all forms of wrongful conduct are crucial for the effective safeguarding of the EU budget. Publication of information on such cases is subject to specific conditions and a specific procedure, as provided by Article 142 of the Financial Regulation.

¹² See ECA observation in Paragraph 13 and Box 6.

¹³ See ECA observation in Paragraph 50.

¹⁴ See Paragraph 2 and Figure 1.