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OUTCOME OF PROCEEDINGS

From:	General Secretariat of the Council
On:	18 March 2019
To:	Delegations

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Subject:	Special Report No 35/2018 by the European Court of Auditors "Transparency of the EU funds implemented by NGOs: more effort needed" - Council conclusions
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Delegations will find attached Council conclusions on the Special Report No 35/2018 by the Court of Auditors "Transparency of EU funds implemented by NGOs: more effort needed", as adopted by the Council (Foreign Affairs) on 18 March 2019.

Council conclusions on Special Report 35/2018 by the European Court of Auditors**'Transparency of EU funds implemented by NGOs: more effort needed'**

1. The Council welcomes the Court of Auditors Special Report 35/2018 entitled 'Transparency of EU funds implemented by NGOs: more effort needed'¹. Non-governmental organisations (NGOs) are important partners in implementing EU funding programmes within the European Union, and key in delivering EU external assistance. Therefore, transparency regarding the funding chain of EU-funded projects and programmes is essential for the efficiency of the respective initiatives, and a central commitment of EU policies.
2. The Council welcomes the wide scope and the findings of the report, and the Commission's detailed response. The report focused on external action financing, the main area in which EU funds were allocated to NGOs for the period 2014-17. The Council is pleased that in this area the selection of NGO-led projects by the Commission was, in most cases, evaluated as transparent, and that the Commission's reporting on humanitarian and development aid was generally in accordance with international transparency standards.
3. With regard to recommendation 1, the Council is aware that there is no legal requirement to record the NGO status of grant applicants, and no EU-wide legal definition of what constitutes an NGO. As stated in the report, the Financial Regulation applicable to the EU budget does not distinguish beneficiaries with NGO status from other beneficiaries.
4. The Council welcomes recommendations 2 to 4 of the report on:
 - correct application of sub-granting rules;
 - collection of complete information on funds received by all beneficiaries contracted by the EU, not only the lead beneficiary;

¹ available from www.eca.europa.eu

– standardisation and improved accuracy of the information published.

5. *Compliance with sub-granting rules* – For projects under direct management, applying the new provisions of the 2018 Financial Regulation² should ensure consistent application of sub-granting rules across the Commission. For projects under indirect management, the Commission should ensure through its verifications that UN bodies correctly apply their rules and procedures when selecting their implementing partners and disclosing the contracts awarded with EU funding. All sub-granting must be made transparent. In the area of humanitarian assistance, full transparency of the sub-granting of EU funds will also provide better evidence regarding commitments taken under the Grand Bargain signed at the World Humanitarian Summit in May 2016 with the aim of improving the way humanitarian aid is delivered. However, the application of sub-granting rules should not impede or delay the provision of flexible and life-saving humanitarian funding and contributions to pooled funds, based on urgent needs.
6. *Collecting relevant data* – For projects implemented by several beneficiaries, the Commission must ensure transparency regarding the distribution of funding among all beneficiaries contracted by the EU. Where an external action project is implemented by a network of partners or a consortium having signed a contract with the Commission, the information held in the Commission's systems must fully reflect the network's actual setup, not only the lead organisation. For projects under indirect management via UN bodies, sufficient information should be provided on the indirect costs declared by all implementing partners. This should contribute to improving the traceability of funds in external action.

² Article 204 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

7. *Standardising and improving the accuracy of the information published* – All Commission services should publish the same types of information in the Financial Transparency System, enabling users to better identify the beneficiaries contracted by the EU and the amounts of funding they have been awarded. However, the Commission should retain the flexibility not to disclose such information in cases where this would put the beneficiaries at risk, including with regard to the safety, rights or freedom of the organisations or persons involved, especially in the field of humanitarian assistance. The Council welcomes the fact that the Commission started to publish IATI data on EU trust funds, as well as data on project results, in 2017. The Council calls on the Commission to continue enhancing its capacity to provide accurate information on EU funding.
8. The Council welcomes the fact that the Commission has accepted recommendations 2 to 4. The Council welcomes the Commission's commitment to implementing these recommendations, within a timeframe agreed with the Court of Auditors. The Council encourages the Commission to report back to the Council on the steps it has taken to this end.
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