

INSIDE EU'S FINANCIAL ASSISTANCE

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How the European Union
allocates funds to Lebanon, Syria
and the Palestinian Territories.

ABOUT EU WATCH

EU Watch is an independent watchdog organization that monitors EU policies, promotes transparency, and ensures accountability. Its mission is to uphold the values and principles of the European Union, analyze EU policy-making with respect to effectiveness, transparency, and fairness, and scrutinize key EU actions, notably in the fields of foreign affairs, migration, good governance, and respect for fundamental rights. Furthermore, it aims to foster better communication between citizens and EU institutions, thereby bringing the EU closer to its citizens.

The European Union's development and humanitarian funds play a crucial role in promoting stability, fostering growth, and addressing urgent humanitarian needs worldwide. These funds enable the EU to respond to crises, support sustainable development, and uphold its core values of human rights, democracy, and peace. In regions like Lebanon, Syria, and the Palestinian territories—where conflicts, displacement, and economic challenges persist—EU assistance provides essential resources to support vulnerable populations, build resilient communities, and strengthen local governance structures.

While EU funds provide essential support to regions in crisis, questions persist about the adequacy of oversight, transparency, and the effectiveness of these resources. Although the EU has established a comprehensive decision-making process with structured funding mechanisms and accountability checks, challenges remain in ensuring that every Euro reaches those in need and achieves intended outcomes.

With EU taxpayers footing the bill for these significant contributions - €79.5 billion under the NDICI-Global Europe program (2021-2027) - citizens have every reason to ask decision-makers whether EU funds have been effectively used. This review aims to provide a glimpse into the European Union's complex funding mechanisms, offering the public essential insights into how EU funds are allocated, managed, and monitored.

To that purpose, we would also like to highlight some of our key recommendations:

The European Court of Auditors (ECA) is an invaluable institution of the European Union that audits the EU's finances and provides vital insights into the effectiveness and accountability of EU funding. The ECA's reports highlight potential gaps in oversight and offer actionable recommendations to ensure that funds are being spent as intended. The EU's top priority should be to implement the recommendations of the ECA.

Non-governmental organizations (NGOs) have, for years, monitored the EU's financial assistance to third countries and local actors, providing arguments for more robust measures to safeguard the integrity of the EU's finances. Deeper collaboration between EU actors and non-governmental organizations (NGOs) is needed to enhance transparency and accountability.

As a final point, the delegations of the European Union and their staff on the ground - particularly in countries with extremely volatile security situations - should focus on identifying local actors (NGOs, private companies etc.) closely affiliated with EU-designated terrorist groups and provide regular feedback to headquarters in Brussels. Implementing these recommendations will not only ensure that EU funds are used effectively but will also reinforce public trust in the EU's commitment to transparency and accountability.

EU funds allocation structure

The Financial Regulation is central to the EU's funding structure. It outlines how funds are allocated, disbursed, and monitored and establishes the rules for budget preparation, financial control, and audits, ensuring that all EU funding adheres to principles of transparency, accountability, and efficiency. Then, EU funds allocation involves several core structures that oversee different stages of the process, from funding decisions to project implementation and monitoring:

European External Action Service (EEAS): The EU's diplomatic arm coordinates the EU's external actions, including foreign policy and development assistance, in collaboration with the European Commission.

European Commission (Directorate-General for Neighbourhood and Enlargement Negotiations - DG NEAR and Directorate-General for International Partnerships - DG INTPA):

The mission of DG NEAR is to take forward the EU's Neighbourhood and Enlargement policies, while DG INTPA manages development policy, focusing on sustainable development and poverty reduction.

Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO): DG ECHO provides humanitarian assistance based on need, assessing the severity of crises, and the recipient's capacity to manage resources.

European Parliament and the Council of the EU: These institutions approve and amend budgetary allocations for development and humanitarian aid. They ensure that assistance aligns with EU values, foreign policy, and human rights priorities.

Delegations of the European Unions: EU delegations on the ground assess the needs, coordinate with local and international partners, and implement EU-funded programs.

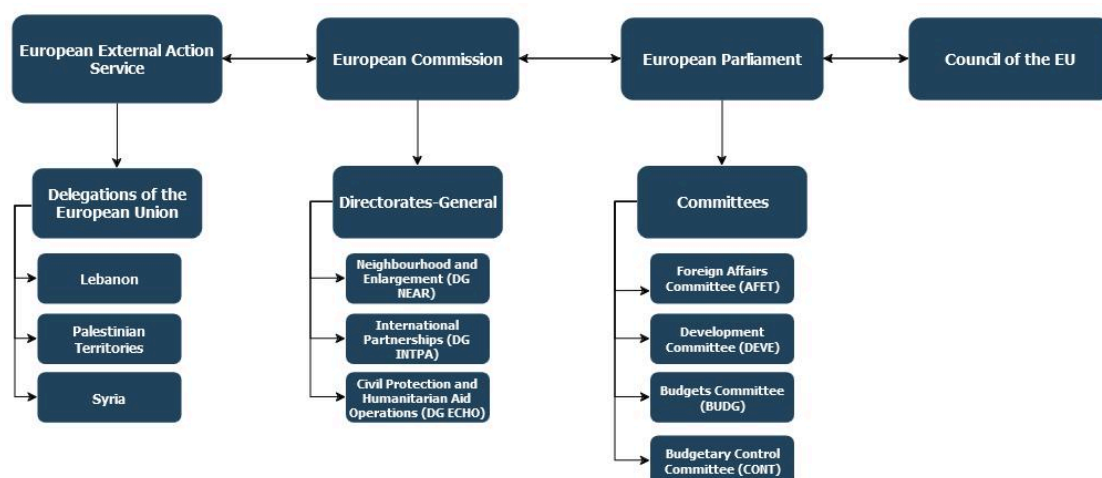


Chart: EU Watch.

How does the decision-making process work?

The EU decision-making process for EU funds allocation follows a multi-stage approach, designed to ensure transparency, efficiency, and alignment with EU strategic goals.

- 1. Needs assessment and policy alignment:** EU delegations and local experts conduct assessments in regions facing crises or in need of long-term development support. These assessments identify specific needs and align them with the EU's external policy objectives.
- 2. Budget Approval:** The European Commission proposes budget allocations for specific programs. These proposals go to the European Parliament and the Council of the EU for review, adjustments, and final approval.
- 3. Programming and Project Selection:** Projects are selected through calls for proposals. The EU works with governments, NGOs, and international organizations to propose and develop projects that meet the identified needs. These proposals are supposed to undergo rigorous screening to ensure accountability and transparency.
- 4. Implementation and Monitoring:** Selected projects are implemented through EU delegations in cooperation with local partners. Monitoring frameworks track progress, and funding is released in stages based on performance.
- 5. Evaluation and Reporting:** The EU regularly evaluates and reports on the effectiveness of its aid programs, adjusting strategies based on outcomes and recommendations from independent evaluations.

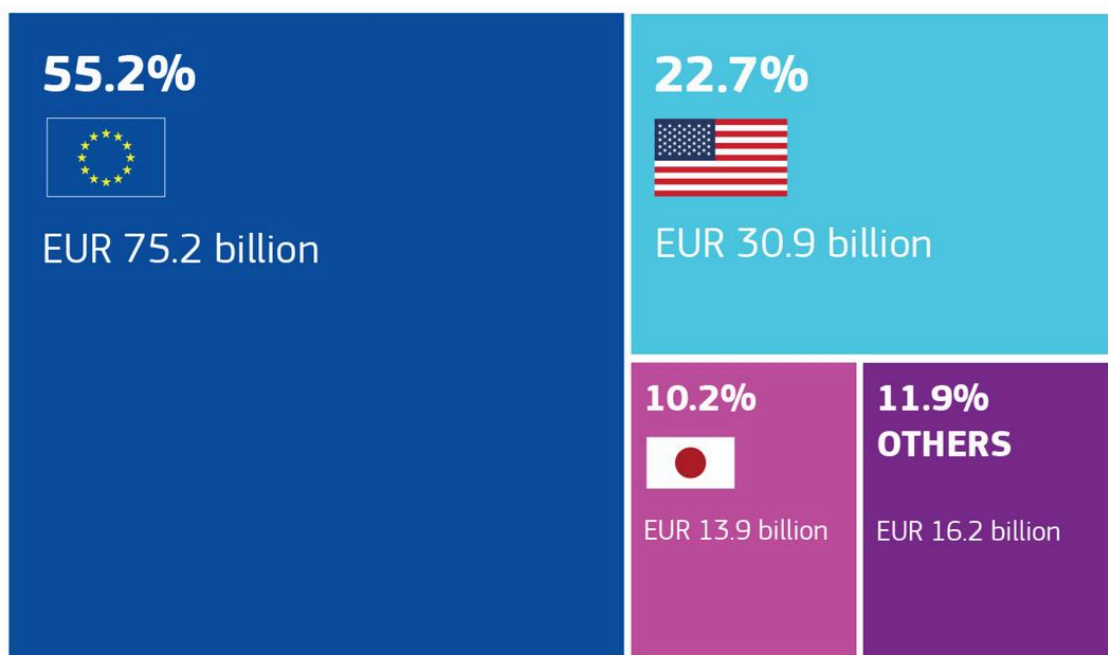
External action instruments: NDICI – ‘Global Europe’ (2021-2027)

Most of the external action instruments of the European Union have been merged into the **Neighbourhood, Development and International Cooperation Instrument (NDICI)** also called the ‘Global Europe’ instrument as part of the Multiannual financial framework (MFF 2021-2027), which sets out the annual ceilings of expenditure that can be spent on various policy areas. The largest tranche of budgetary money goes to NDICI - roughly €79,5 billion or 71.9%. The general objective of the NDICI instrument is to:

1. uphold and promote the Union’s values, principles and fundamental interests worldwide,
2. contribute to the promotion of multilateralism and achieve international commitments under the UN 2030 agenda and the Paris Agreement
3. promote stronger partnerships with third countries in order to foster stabilisation, good governance and building resilience

The department/commissioner in the European Commission that is responsible for NDICI is the Directorate General for Neighbourhood & Enlargement Negotiations (DG-NEAR), represented by Marta Kos and the Directorate General for International Partnerships (DG INTPA), represented by Jozef Síkela.

Official Development Assistance: the EU is the world’s biggest donor



Source: European Commission.

Every year, the European Commission agrees on the financing of an annual action plan. This document specifies the budget, summary of the action, context, strategic pillars, description of the action, risk management, and more importantly, how and what project will be funded.

The management of the fund is done either through direct management or indirect management.

- **Direct management:** the European Commission is responsible for all the steps of the procedure such as launching the calls for proposals, evaluating submitted proposals, signing grant agreements; monitoring project implementation; assessing the results, and making payments.
- **Indirect management:** the Commission delegates the budget execution tasks to different partners or a consortium of entities such as International organisations, the European Investment Bank (EIB) and the European Investment Fund (EIF).

EU Financial Assistance to Palestinian Territories

The European Union has been the largest provider of external assistance to the Palestinian people for many years. Between 2014 and 2020, the EU allocated €2.2 billion in bilateral assistance to the Palestinians. EU assistance to the Palestinians through the European Joint Strategy 2021-2024 is indicatively set at €1.18 billion.

EU financial assistance consists of different financial tools. The largest part of the assistance falls under the Neighbourhood, Development and International Cooperation Instrument (NDICI) – 'Global Europe' for 2021-2027.

This includes supporting the establishment of an administrative structure, building new infrastructure and support to civil society. According to the European Commission, €681 million of the €1.18 billion planned overall for 2021 to 2024 has already been approved since 2021, of which €218 million has not yet been spent.

“The European Union has provided more than **€5,6 billion** in assistance to the Palestinian people since 1994 to support its overall objective of helping bring about a two-state solution to end the Israeli–Palestinian conflict.”

Since 2008, its largest programme has been PEGASE direct financial support (DFS), which provided approximately €1 billion in funding from 2008 to 2012. Pegase DFS seeks to help the Palestinian Authority (PA) meet its obligations to civil servants, pensioners and vulnerable families, maintain essential public services and improve public finances.

After the introduction of the European Neighbourhood Policy Instrument (ENPI) in 2007 (now succeeded by NDICI), funding was further significantly increased: between 2007 and 2012 some €2,9 billion in assistance was committed from the EU general budget. Approximately 20 % of the ENPI budget for all beneficiary countries was allocated to the Palestinian Territories.

TOTAL AID ALLOCATIONS TO PALESTINE FROM THE EU GENERAL BUDGET 2007–12 (MILLION EURO)

Priority areas	2007	2008	2009	2010	2011	2012	Total
Total from EU general budget	563,3	501,5	525,2	446,8	452,7	451,7	2 941,1
— of which ENPI	456,1	392,0	357,5	380,2	323,3	356,1	2 265,2
DFS ¹	370,0	258,0	219,1	237,7	145,0	166,0	1 395,8
Support for UNRWA ²	100,6	120,0	175,9	104,6	142,9	146,0	789,9
— of which ENPI	73,4	76,0	81,5	88,0	96,7	117,8	533,3
Other support (humanitarian and food aid, infrastructure, rule of law) ³	92,7	123,5	130,2	104,6	164,8	139,6	755,4
— of which ENPI	12,7	58,0	57,0	54,5	81,7	72,3	336,1

Source: *Special Report No14: European Union Direct Financial Support to the Palestinian Authority (2013), European Court of Auditors (ECA).*

PEGASE DFS COMPONENTS

(a) PA civil servants and pensioners (CSP) civil servants and pensioners on the PA's payroll who are considered to be eligible are paid directly from a sub-account of the PA's single treasury account where all donor contributions to Pegase are pooled.

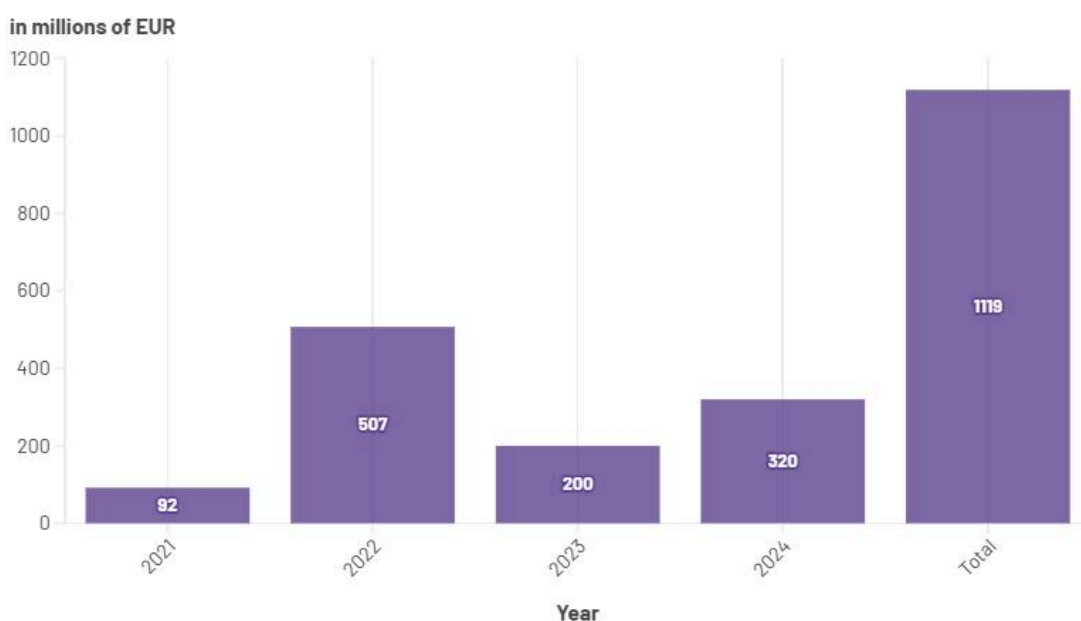
(b) Vulnerable Palestinian families (VPF) (ongoing): Pegase DFS is given to support the PA in providing cash assistance to individuals living in extreme poverty in the West Bank and Gaza.

(c) Support for essential public services (SEPS) — provision of fuel to the Gaza power plant (suspended at the end of 2010): the SEPS provided fuel to ensure the continued provision of electricity to people living in Gaza. The component was suspended at the end of 2010 and replaced by a development project in the electricity sector.

(d) Private sector arrears : through this scheme, the Commission pays unpaid bills accumulated by the PA towards private businesses.

(e) Private sector reconstruction in Gaza (PSRG) (since December 2009): this component provides financial support for businesses destroyed or damaged during the Israeli 'Operation Cast Lead' offensive of 2008. It typically pays for items such as machinery, office furniture and equipment and buildings

EU financial assistance to the Palestinian Authority and UNRWA for the period 2021-2024.



Source: European Commission implementing decisions on the annual action programme in favour of Palestine 2021, 2022, 2023, 2024.

EU Financial Assistance to Lebanon

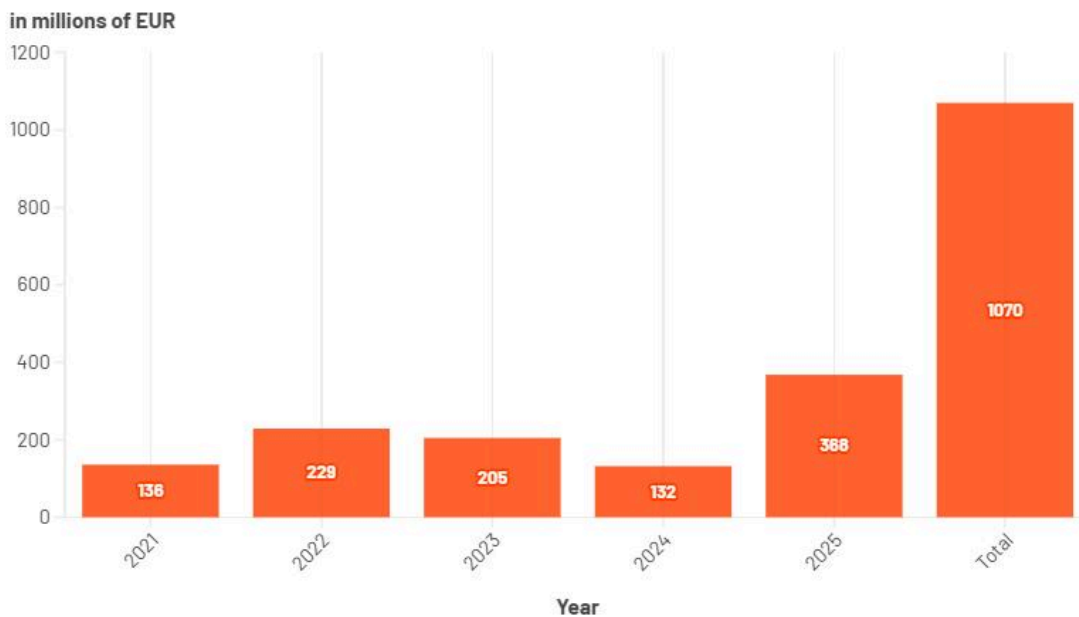
EU assistance to Lebanon is primarily funded through the Neighbourhood, Development and International Cooperation Instrument (NDICI) for the period 2021-2027. For the period 2021-2024, the EU is granting €190 million to Lebanon through the NDICI program. Priority areas for cooperation are: enhancing good governance and supporting reforms; strengthening an inclusive and resilient economy; and promoting a green and sustainable recovery.

The EU's total assistance to Lebanon since 2011 amounts to more than €3.5 billion, including:

- €695 million in bilateral assistance.
- €1 billion in resilience assistance channelled through the EU Regional Trust Fund in Response to the Syrian Crisis
- € 752 million via NDICI since 2021 to help Lebanon cope with the impact of the Syria crisis, support refugees from Syria; and more

Also, Lebanon hosts around 202,000 Palestinian refugees. The country benefits from EU contributions to the central budget of the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), which amounts to €261 million between 2021 and 2024.

EU financial assistance to Lebanon 2021-2025



Source: European Commission implementing decisions on the annual action programme of Lebanon 2021, 2022, 2023, 2024, 2025, including special measures to support refugees in Lebanon.

EU Financial Assistance to Syria

The European Union (EU) suspended all its bilateral cooperation with the Government of Syria in May 2011, following the escalation of violence into a civil war. However, the EU maintains direct support to the Syrian population, both inside Syria and in the neighbouring countries hosting Syrian refugees, such as Lebanon, Jordan, Iraq and Turkey via several instruments: NDICI – Global Europe, the EU Regional Trust Fund in Response to the Syrian Crisis (EUTF Syria) and the Facility for Refugees in Türkiye.

Since its establishment in December 2014, the EUTF Syria - Madad has mobilised €2,38 billion: this funding allowed for 129 crucial projects in the sectors of basic and higher education, livelihoods, health, water and sanitation, protection and social cohesion.

The EUTF Syria officially ended in December 2021, with projects running until June 2025.

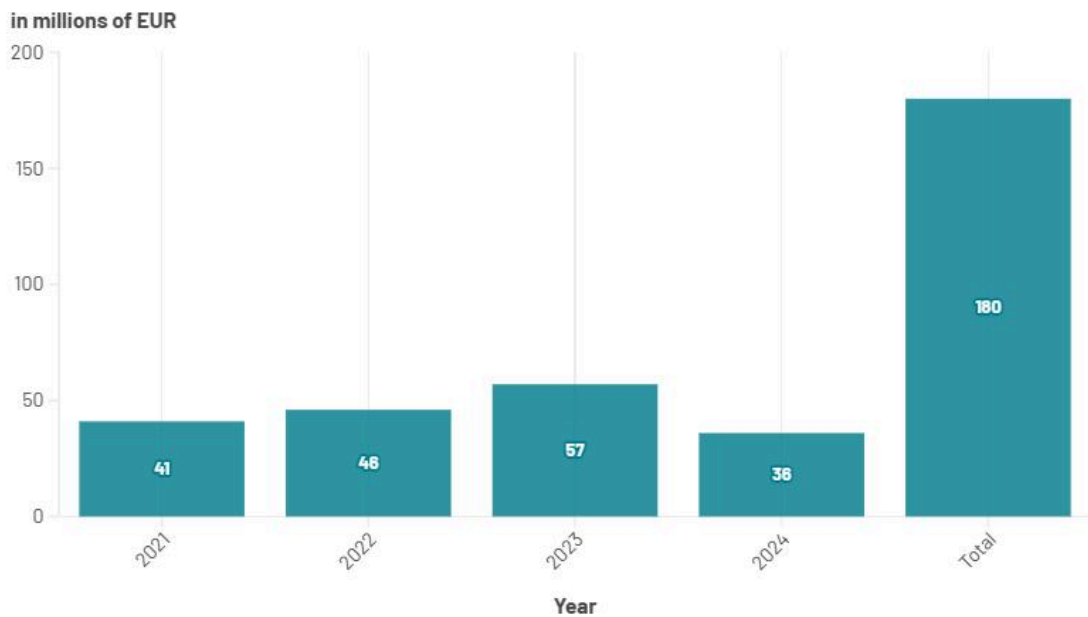
However, the EU response to the Syrian crisis is continuing under NDICI - Global Europe.

To support Syria, the EU, under the NDICI program, did not make any multi-annual indicative programmes (MIP) because the situation in the country is too volatile. Still, the EU adopted special measures under which it has disbursed at least €180 million euros to the local communities through third-country partners, NGOs, UN Agencies and the private sector.

This excludes humanitarian assistance figures, or the latest commitment of the EU of over €3 billion for Syrians displaced inside the country and in Turkey, Lebanon, Jordan and Iraq during the 2024 “Supporting the future of Syria and the region” conference.

In December 2024, Syria underwent a seismic political shift as rebel forces, led by Hayat Tahrir al-Sham (HTS), overthrew Bashar al-Assad's regime after more than a decade of civil war. The fall of Assad has left Syria in uncharted territory, as HTS is still designated a terrorist group by the United Nations. International observers have expressed concern over the future of human rights, particularly for women and minorities. The French and German foreign ministers visited Syria on 3 January 2025 to call for a peaceful political transition and a “new relationship with Syria.” The European Union should carefully monitor the internal developments in Syria – especially the new government’s promises to safeguard the rule of law and human rights - and refrain from making hasty decisions about resuming EU financial support for the new government in power.

EU financial assistance to Syria 2021-2024 (indirect management)



Source: European Commission special measures adopted for Syria 2021, 2022, 2023, 2024. These funds are mainly delivered through third-country government institutions, NGO, UN Agencies, and the private sector to the local communities in Syria.

Oversight and accountability

EU's Financial Regulation (FR)

The Financial Regulation of the European Union serves as the cornerstone for managing the EU's finances. It defines how funds are allocated, disbursed, and controlled across the various EU institutions, bodies, and programs. This legal framework sets the rules for how the EU's general budget is managed, particularly concerning the allocation of resources to EU policies, external aid, and projects involving Member States or third countries.

The European Anti-Fraud Office (OLAF)

The European Anti-Fraud Office (OLAF) is responsible for investigating fraud, corruption, and other serious misuse of the EU budget. It plays an important role in protecting the EU's financial interests also through the development of a sound EU anti-fraud policy.

The European Court of Auditors (ECA)

The European Court of Auditors is the EU's independent external auditor, tasked with examining the financial management of the EU's budget and ensuring there is financial accountability in how EU resources are collected, spent and controlled through scrutinizing the EU.

The European Public Prosecutor's Office (EPPO) is a new body of the European Union (operational since 2021) that is dedicated to investigating, prosecuting, and bringing to justice those responsible for crimes affecting the EU's financial interests.

The Early Detection and Exclusion System (EDES) is a critical mechanism in the European Union's efforts to safeguard its financial interests. EDES provides a framework for identifying and excluding entities that pose a financial, ethical or legal risk to the EU's budget and prevents entities involved in irregularities from accessing EU funds.

Oversight and accountability of the EU's financial resources					
	OLAF	EPPO	ECA	EDES	FTS
What?	Investigates allegations of fraud/misuse of the EU budget and develops an Anti-Fraud policy	Prosecute offences that harm the financial interests of the EU	Audits the financial management and control systems	Identifies and excludes entities/individuals involved in financial misconduct from accessing EU funds	Access to detailed information to the public about recipients of EU funds
How?	Investigations, coordination and developing preventive measures	Investigating, cross-border prosecution and recovery of misused funds	Audit of the EU budget, annual reports, performance audits	Proactive early detection and exclusion mechanism based on evidence from EU bodies or national authorities	Online database with multifunction capabilities and regular data update
Why?	Protect the financial interest of the EU	Protect the financial interest of the EU and hold those responsible accountable	Ensures that EU funds are spent properly	Effective risk management, maintain EU's financial integrity	Increased public oversight and public trust

Conclusion

The European Union's financial assistance to Lebanon, Syria, and the Palestinian Territories has played a crucial role in addressing urgent humanitarian needs and supporting long-term stability in regions plagued by conflict and economic instability. However, significant concerns have persisted over the years regarding the effectiveness of these funds, especially in ensuring that they reach the intended beneficiaries and do not end up supporting projects/organizations linked to terrorist groups or other extremist groups, particularly in the Palestinian Territories. It is imperative that EU funds to the Palestinians undergo even stricter scrutiny, especially considering that Gaza is being governed by Hamas, designated as a terrorist organisation under EU laws.

While EU funding has undoubtedly contributed to essential infrastructure projects, civil society support, and vital services, questions still remain about whether the safeguards in place are fully effective in preventing misuse. Safeguards like independent evaluations, audits, and the Early Detection and Exclusion System (EDES) are important, but gaps in local accountability and monitoring still present challenges.

The EU has made efforts to refine these mechanisms, such as including a provision in 2019, in its contracts with Palestinian NGOs that “grant beneficiaries and contractors must ensure that there is no detection of subcontractors, natural persons, including participants to workshops and/or trainings and recipients of financial support to third parties, in the lists of EU restrictive measures.”

The same goes for Syria, Lebanon and the wider region – it is essential that robust mechanisms are in place to prevent them from falling into the hands of Hezbollah or other groups.

As a closing point to this review, it is necessary for the European Union to:

- *Listen to the concerns raised by the European Court of Auditors (ECA) as their audits provide vital insights into the effectiveness and accountability of EU funding. The ECA's reports highlight potential gaps in oversight and offer actionable recommendations to ensure that funds are being spent as intended. The EU's top priority should be to implement the recommendations of the ECA.*
- *Deepen its collaboration with non-governmental organizations (NGOs) that have raised legitimate concerns and proposed sound recommendations for years .*

As the EU continues to channel billions into these regions, questions remain: Has this financial assistance led to measurable improvements on the ground? Ultimately, the success of the EU's financial assistance will be measured not only by the funds disbursed but also by the lasting impact on the lives of those it aims to support and the stability it seeks to foster.

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Av. Louise 65

1050 Brussels, Belgium

office@euwatch.be

Design by Fanny Kleinmann

www.studiokleyn.com