

The upcoming proposal and negotiations on the post-2020 Multiannual Financial Framework (MFF) offer a unique opportunity to align the next MFF with the ongoing work on the EU's future agenda. The next MFF should reflect the common challenges faced by the European Union in a sustainable manner. The Dutch government calls upon the European Commission and Member States to take the following principles into account for our future Multiannual Financial Framework.

- The new MFF should be future-proof, financially sustainable and flexible. New policy priorities and Brexit necessitate strict prioritisation/reprioritisation.
- Modernisation: EU funding should focus on policies that provide the most European added value. In concrete terms, this means focusing on (additional) economies of scale benefits, spillover effects, externalities and facilitating free market access. Public goods like peace, security and European values also generate European added value (see below).
- Expenditures: Brexit may hit the Netherlands twice. Firstly, Brexit will have a disproportionately adverse economic impact on the Netherlands and several other Member States. Secondly, the possibility of increasing Dutch gross contributions to the EU budget, as a result of Brexit, risks further exacerbating the Netherlands' position as one of the largest net contributors. Under these circumstances, the Netherlands cannot accept an increase in its gross contribution to the EU budget. A smaller EU implies a smaller EU budget and, as a consequence, the post-2020 MFF will have to be adjusted accordingly. In addition, new priorities will have to be financed from savings in existing programmes.
- Financing should be transparent, simplified and fair. The Dutch net position should be in line with countries that have a similar level of wealth. An excessive net contribution will need to be corrected and an increased tax burden for citizens and businesses should be avoided.
- A strong EU requires cooperation and solidarity. The Netherlands proposes to further increase the conditionality of EU funding, especially ESI funds. Such a measure is required in particular in the field of structural reforms stemming from country-specific recommendations and the Stability and Growth Pact, and should be explored in the fields of the rule of law and migration.

Modernisation proposals

- A stronger budget focus on **innovation and research** would promote growth within the EU. This should be reflected in a stronger future Framework Programme, based on excellence and impact. ESI funds should be targeted more at facilitating innovation and research. In addition, an extensive and innovative Trans-European Transport Network should focus more on sustainability and supporting the EU's climate agenda; it is a prerequisite for economic growth in the EU.
- **Climate and sustainability** should be consistently and substantially mainstreamed throughout the MFF and well above the current 20% target.
- Stronger focus is needed on **internal and external aspects of migration**, addressing the root causes of migration in EU external policies. Also, Member States need stronger support for migration management, the reception of asylum seekers, and border control.
- The Netherlands supports an ambitious **EU external policy**. The new MFF should reflect the importance of **internal and external security**, including a European Defence Fund. The European Development Fund and the EU Trust Fund for Africa should be placed within the MFF to increase the transparency of the EU budget.
- On **EMU**, the Netherlands supports the Commission's aim to encourage the implementation of structural reforms in Member States through more effective use of the EU budget.
- Major spending policies like the Common Agricultural Policy and the Cohesion Policy should be ambitiously reformed; these reforms should also yield the majority of the financial savings needed to compensate for Brexit and to finance new priorities.
- The **Common Agricultural Policy** should generate European added value and focus on addressing market failures. There should be less emphasis on direct payments, which should be targeted at public goods like food security, climate, the environment and food safety. Effectiveness and efficiency should be reinforced by enhancing subsidiarity, targeting support at national and regional needs and reducing implementation costs. The Netherlands takes the view that the level of support per hectare should continue to reflect economic circumstances including labour costs and land prices. With respect to cofinancing, this approach is consistent with the notion of enhanced subsidiarity and targeted payments addressing national and regional challenges, as well as with the need to achieve further savings.

- **Cohesion policy** should focus more on the least developed Member States and contribute to creating European added value (innovation, economic growth, interregional cooperation, human capital, climate and energy). A focus on fewer themes will increase effectiveness. Higher national cofinancing rates will contribute to further cost savings.
- **Administrative expenditures** cannot be exempted from budget adjustment. In order to control expenditures, the Netherlands calls upon the Commission to propose reforms, including reforms in the EU pension system. Measures should apply to all EU staff, including transition regimes.
- **Own resources:** the Netherlands is in favour of abolishing the VAT base since it has little value added and increases complexity. The Netherlands is reluctant to accept a new form of own resources and will evaluate any proposal against the need to ensure simplicity and transparency, while safeguarding national competencies.
- More **flexibility** in the next MFF is needed and can be achieved by committing less funding to national envelopes and increasing the scope for shifting resources between headings.