

This letter is a courtesy translation of its original version that was sent to the Dutch parliament.

Letter of 28 March 2025 from the Minister of Foreign Affairs, Caspar Veldkamp, and the Minister of Finance, Eelco Heinen, to the House of Representatives setting out the main points of the government's position as it prepares for the upcoming negotiations on the European Union's Multiannual Financial Framework for the period from 2028

1. Introduction

The European Commission is expected to present a proposal in July this year on the next Multiannual Financial Framework (MFF), which will cover the period from 2028, and possibly a new Own Resources Decision. On 12 February this year the Commission presented a Communication entitled 'The road to the next multiannual financial framework'¹ in the context of the MFF negotiations, sketching the contours of its upcoming proposal. The negotiations on the MFF and the Own Resources Decision will in large part determine the overall amount and distribution of European Union expenditure and revenue for the coming years. The EU faces a large number of political, geopolitical, societal, economic and financial challenges in both the near and long term. In the government's view, the MFF should be shaped by the EU's political priorities. The design of the next MFF provides an opportunity for the EU to address current and future challenges and to continue to deliver tangible results for its citizens and businesses. The EU is important for the Netherlands' prosperity and security, especially at this point in time. The modernisation of the EU budget contributes to this.

The EU single market and the MFF contribute to the Netherlands' earning capacity in various ways. They add value to the Dutch economy both directly and indirectly and this is an important factor in the country's growth, employment levels and stability. The single market promotes the earnings capacity of Dutch businesses and the broader economy.² In addition, the MFF contributes to the economic growth and competitiveness of the Netherlands and the EU. For example, a study conducted by the Netherlands Bureau for Economic Policy Analysis (CPB) in 2022 showed that the EU's beneficial impact on trade pushed up Dutch gross domestic product (GDP) by 3.1% on a structural basis making the Netherlands one of the biggest beneficiaries of increased trade due to the EU. In this way the MFF keeps the Netherlands, as an open economy, well positioned in the European and global economies.

The European Council developed an ambitious strategic agenda³ for the period 2024-2029 in response to the major challenges faced by the EU. The challenges identified in this agenda are also addressed in 'Europe's Choice',⁴ the current European Commission's political guidelines, which steer the work of the Commission. In February this year the Commission also presented its work programme for 2025 'Moving forward together: A Bolder, Simpler, Faster Union'⁵ with forthcoming proposals, including the next MFF. In the light of the changing global landscape and increasing geopolitical instability, the strategic agenda is focused on creating a strong Europe. The agenda makes a distinction between three central pillars: a free and democratic Europe, a strong and secure Europe, and a prosperous and competitive Europe. These pillars align with the Netherlands' position on the EU as set out in the government programme.⁶ It is important in this connection that member states pursue sound financial and economic policies, which include reducing high levels of government debt. The government is not in favour of the issuance of common debt for new European instruments.

In this letter the government outlines the Netherlands' position on the next MFF. In part two of this letter, the government describes the decision-making process with regard to the next MFF and the Own Resources Decision. In part three, the government summarises its position on key budgetary issues. In part four, the government addresses substantive objectives aimed at ensuring a modern and future-proof budget. In part five, the government discusses possible improvements to existing policy. Part six examines the modernisation of the EU budgetary architecture and finally, in part seven, the government outlines the next steps. It is important to note that the Commission's

¹ European Commission, COM(2025) 46, 'The road to the next multiannual financial framework'.

² CPB (2022), *Handelsbaten van de EU en de interne markt* (Trade Benefits of the EU and the Internal Market).

³ European Council (2024), EUCO 15/24 – European Council conclusions 27 June 2024.

⁴ Ursula von der Leyen (2025), 'Europe's Choice. Political Guideline for the Next European Commission 2024-2029'.

⁵ European Commission, COM(2025), Commission work programme 'Moving forward together: A Bolder, Simpler, Faster Union'

⁶ Central government (2024), Government programme of the Schoof government.

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proposals will only be presented later this year and are therefore not yet known. Once the Commission has published its proposals the government will, in line with usual practice, present its assessment to the House.

2. Decision-making on the MFF and the Own Resources Decision

The MFF regulation lays down the framework for the expenditure side of the EU budget. Pursuant to the Treaty on the Functioning of the European Union, the MFF is established for a period of at least five years. To date, it has been customary for the MFF to cover seven years. The MFF regulation establishes annual ceilings for each policy area. An annual EU budget is established each year within this framework.

The Commission is also expected to propose a new Own Resources Decision. The Own Resources Decision lays down the financing side of the EU budget and hence determines the national contributions. Pursuant to the Treaty on the Functioning of the European Union,⁷ revenue and expenditure in the budget must be in balance.

The European Council adopts conclusions on the MFF and the Own Resources Decision by consensus. The Council of the European Union decides unanimously on the MFF regulation after obtaining the consent of the European Parliament. The Council of the European Union also decides unanimously on the Own Resources Decision after consulting the European Parliament. The Own Resources Decision only enters into force once it has been ratified by national parliaments.

Besides a proposal on the new overarching MFF regulation and possibly a new Own Resources Decision, the Commission will also make sectoral legislative proposals. These legislative proposals are negotiated by the Commission, the Council and the European Parliament. The sectoral regulations relate to specific policy areas. The following sectors and accompanying regulations among others fall under the current MFF: cohesion policy and regional development, agriculture, rural development and fisheries, asylum and migration, research and innovation (Horizon Europe), security and defence, climate and the environment, education, youth and culture, digital transformation and innovation, health, human rights and foreign policy. The European Union is also important to the Caribbean parts of the Kingdom as a strategic partner. The regulations provide the legal basis for the funding of policy objectives and initiatives by the EU. These regulations are adopted by the Council by qualified majority voting in negotiation with the European Parliament, within the parameters set by the European Council in its conclusions on the MFF as a whole.

3. Key budgetary issues

The Netherlands is and will remain a constructive partner within the European Union. The Dutch government believes that the EU budget must be modernised with a stronger focus on strategic priorities. In line with the budgetary agreements in the framework coalition agreement, the government aims to limit the increase in the Netherlands' contributions to the EU. Here the government outlines the central principles underlying a modern EU budget.

In the light of the current geopolitical tensions it is vital for our security and prosperity that Europe is resilient, including in financial terms, with a strong currency and a strong economy. The proposals for the new MFF and possibly a new Own Resources Decision come at a time when many member states face fiscal challenges due to high debt levels and rising budget deficits. This means that member states are having to make difficult choices in order to balance their national budgets. The fiscal situation in member states and the substantial challenges on the horizon necessitate a reordering of priorities and critical reflection on how European public funds are spent. The government believes that the EU must therefore also make clear choices when preparing its budget.

A realistic, efficient and effective budget for the future

As set out in the framework coalition agreement, the Netherlands seeks to ensure both that the proportions of the MFF are acceptable and that its share of the national contributions made under the Own Resources Decision is acceptable. The multiannual estimate of the Netherlands'

⁷ Official Journal of the European Union (2016), Treaty on the Functioning of the European Union, Article 310, p. 180.

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contributions to the EU as included in the budget of the Ministry of Foreign Affairs serves as a starting point in this regard. This estimate already incorporates the savings on EU contributions envisaged in the framework coalition agreement.⁸ The government believes that ambitious European policy is possible within these budgetary parameters. As previously stated, in order to address new policy challenges it is necessary in the government's view to look not only at financial resources but also at what the EU can do less of, or do more efficiently.

In order to be able to meet the major societal and geopolitical challenges we face, it will therefore also be necessary to look at reordering the priorities of the current budget. The funds that make up the EU budget should be spent where they provide the most added value for the EU as a whole. The government sees the most important priorities for the MFF as strengthening European competitiveness with a strong single market and a focus on research and innovation as a firm foundation, a strong migration and asylum policy, security and defence. The government will seek to ensure that the funds made available for these priorities in the new MFF are commensurate with the ambitious objectives. Part four of this letter is about these challenges and part five specifically addresses improvements to existing policy, including the two largest elements of the current MFF, the common agricultural policy (CAP) and the funds for cohesion policy.

Own resources

For some time, there have been proposals for new own resources which were made by the Commission further to the meeting of the European Council of July 2020⁹ and the Interinstitutional Agreement between the Council of the European Union, the European Parliament and the European Commission of December 2020.¹⁰ The government cannot endorse new own resources in advance and will assess proposals for them on their merits, including their impact on the Netherlands' contributions. If they are designed intelligently they can also yield benefits for the Netherlands. The government is open to the possibility of new own resources based on the carbon border adjustment mechanism (CBAM) and the emissions trading system (ETS). These proposals are financially advantageous for the Netherlands relative to the gross national income (GNI) distribution key.¹¹

4. A modern and future-oriented EU budget

The government is committed to ensuring that the EU budget is modern and future-proof. As indicated above, in substantive terms this means that the new budget must be directed more towards boosting European competitiveness and founded on a strong single market, and focus on research and innovation, a strong asylum and migration policy, and security and defence. The government will, apart from aforementioned priorities, also pay attention to food security and its importance for the resilience of the EU.

This also means that resources from the various existing EU programmes must contribute more to these priorities. The government is aware that the MFF is broader than these policy areas alone. The Netherlands also needs to make its case with regard to other subjects within the MFF, but the government is confining itself in this letter to the key priorities. Besides the above-mentioned priorities for the MFF, the government will pay special attention to food security and its importance to the EU's resilience. Once the proposal has been published, the House will be kept informed of developments concerning all policy areas that fall under the MFF by means of the customary processes, including BNC assessments and annotated agendas. In addition, the government has published separate position papers on various subjects.

Competitiveness

As the Draghi¹² and Letta¹³ reports have made clear, increasing Europe's competitiveness is vital to the EU's future. In this regard the government considers it important for the EU budget to

⁸ Framework coalition agreement (2024), Budgetary appendix, p. 8.

⁹ European Council (2020), EUCO 10/20 – Conclusions 21 July 2020.

¹⁰ European Commission (2020), Interinstitutional Agreement.

¹¹ Central government (2021), assessment by the Working Group for the Assessment of New Commission Proposals (BNC), document 9, reform of the EU Emissions Trading Scheme; and assessment by the BNC, document 13, regulation establishing a carbon border adjustment mechanism.

¹² Parliamentary Papers 21 501-30, no. 614, government assessment of the Draghi report.

¹³ Parliamentary Papers 21 501-30, no. 603, assessment of the Letta report 'Much more than a Market'.

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contribute to greater innovativeness and enhanced European economic security, in part by reducing high-risk strategic dependencies, among which medicines and medical products from outside the EU.¹⁴ Making Europe more competitive is emphatically a broader endeavour than the provision of public finance alone. It is important that the EU budget helps stimulate private investment. It is also about further deepening and strengthening the single market by means of high-quality digital and physical infrastructure, the capital markets union, the twin green and digital transitions, and human capital. Boosting competitiveness is therefore a cross-cutting theme in the budget.¹⁵ This means that the large-scale programmes under the cohesion policy and the common agricultural policy should also contribute more to efforts to strengthen competitiveness. The government believes that research, technology, innovation, skills and infrastructural projects are key to increasing competitiveness and is therefore in favour of embedding them more firmly in the MFF.¹⁶ The EU budget should also support the climate and energy transition and the decarbonisation of industry, because they underpin Europe's broader competitiveness and resilience. There is also a need to strengthen and encourage academic excellence and cross-border public-public and public-private research and innovation programmes, partly by means of a coherent framework programme for research and innovation that contributes to both short-term and long-term competitiveness.

The EU budget should also be organised more efficiently by increasing multiplier effects, for example by spending a larger portion of the budget via programmes like InvestEU. This is a way to contribute more to scaling up strategic technologies and sectors. Boosting competitiveness also involves securing the supply of critical raw materials and products, strengthening the defence industry, and supporting research and innovation in defence-related technologies. An EU with a strong basis in knowledge-based research and innovation, including in relation to technologies with both civil and military applications, is a precondition for EU competitiveness.

Asylum and migration

The government is committed to limiting the scale of migration to the Netherlands, both now and in the longer term. EU cooperation on protecting and strengthening external borders, applying strict admission rules, rapidly processing asylum applications that have little chance of success, and improving the return process is essential in this regard. The government believes that the EU needs to raise the level of its ambition when it comes to asylum, migration and border management. The EU migration pact, especially the accelerated asylum and return procedures at external borders, serves as an important basis for EU efforts in this area. Moreover, achieving migration objectives should be a key guiding principle when spending EU funds in countries outside the EU. The government is working with other EU member states and the European Commission to forge new – and strengthen existing – broad and equal European partnerships with third countries to limit irregular migration, promote return and protect migrants. In addition, the government emphasises the importance of developing innovative solutions for migration in the EU context and supporting countries in the region that are providing reception facilities for refugees.

Security, resilience and European defence

Europe itself must take more responsibility for its own security and become more independent in the area of defence. The EU must contribute to this endeavour. National and European resilience, security and defence must be strengthened and the EU can play an important role in this regard as Sauli Niinistö underlines in his report on the EU's resilience.¹⁷ The EU must also take action on the various threats to the internal security of society and the stability of the democratic legal order, including hybrid threats, subversive organised crime, terrorism, cyber and public health threats, as well as on the protection of external borders, preparedness and crisis response.

The government believes that the significantly increased importance of and need for security, civil resilience and defence must be reflected in the MFF. It is clear that Europe must invest more in its

¹⁴ Parliamentary Papers 30 821, no. 244, update on the government's initiative to tackle high-risk strategic dependencies.

¹⁵ Parliamentary Papers, House of Representatives 2024/2025, 21 501, no. 30 622, paper 'Financing European Competitiveness'.

¹⁶ Parliamentary Papers, House of Representatives 2024/2025 33 009 no. 149, 'Vision paper on the future EU Framework Programme for Research and Innovation' ('FP10').

¹⁷ Parliamentary Papers 2024/2025 33 694, no. 70, government assessment of the Niinistö report.

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security and defence, and must create its own certainties in these uncertain times. Higher defence expenditure, including investment, will have to be funded chiefly through member states' national budgets. In addition, greater scope should be created within the MFF to contribute to European security and civil resilience. For the protection of our international security, political and military cooperation with both NATO and EU partners is paramount. The Netherlands is working within the EU with other member states to bring about more strategic independence and cross-border cooperation.

In the area of defence, the EU plays a role in strengthening the European defence industry, especially by stimulating investment in production capacity, security of supply, and research and innovation. The EU also plays a role in improving military mobility and strengthening defence cooperation between member states in connection with (dual-use) civil infrastructure. The government is aiming for a defence programme in the next MFF that brings together military mobility and the various elements involved in strengthening Europe's defence industry (research and development, procurement, industrialisation, production capacity and resilience).¹⁸¹⁹ In addition, other programmes can also make a contribution to European security and defence. The European Commission presented its white paper on European defence on 19 March this year and the European Preparedness Union Strategy²⁰ is expected on 26 March. The House will receive information about this via the usual channels.

The Netherlands will actively continue, both bilaterally and in European and other multilateral partnerships, to provide undiminished political, military, financial and moral support to Ukraine, in wartime and during recovery and reconstruction, for as long as it takes. It is also important that the EU as a whole continues its support.

5. Improving existing policy

The government is receptive to exploring the idea of a 'plan for each country'²¹ with reforms and investments, as described in the above-mentioned Commission communication on the MFF. It should be noted in this regard that the view ultimately taken on this by the government will depend on the precise details of the system envisaged by the Commission. Resources from EU programmes that fall under the plan must, where possible, contribute more to the substantive priorities mentioned above. Member states must be given the leeway to organise expenditure on the basis of their respective plan, within clear, jointly established parameters, taking into account the analysis of the impact and consequences for beneficiaries of the various funds.

It is also important that there is active support for the crucial preconditions for the proper functioning of the rule of law, the concomitant effective protection of fundamental rights, and the effective prevention and combating of fraud involving EU funding. In the government's view, it is vital that the future EU budget also contain strong safeguards for the rule of law and fundamental values. The government is also in favour of a strong and effective linkage between respect for the rule of law and the EU budget.

Future-oriented agriculture, fisheries, food security and nature

The government is committed to future-oriented, innovative agriculture and fisheries and a healthy natural environment, with ongoing attention for future prospects, earning capacity, food security and innovation. Efficiency and innovative food production, including fisheries, contributes to food security, a basic human necessity which the government wishes to safeguard. Comprehensive knowledge sharing and exchange at EU level are important in this regard. The government considers it desirable to explore possible further uses of CAP funds for contributions to society, modernisation, competitiveness and innovation, while bearing in mind the ramifications for the administrative burden. The government is also committed, in the context of the CAP and the common fisheries policy (CFP), to promoting innovation and the sustainability transition.

¹⁸ Non-paper (2025), Position on White Paper on the Future of European Defence.

¹⁹ Non-paper (2024), 'Financing European competitiveness'.

²⁰ European Commission (2025), EU white paper on defence.

²¹ European Commission, COM(2025) 46 final, 'The road to the next multiannual financial framework', p. 13.

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Objectives have been set on the basis of EU legislation in the area of climate policy, nature and the environment. Through the work of the ministerial committee on the economy and nature restoration, the government is actively developing ideas to advance EU objectives in the climate, nature and environmental policy fields. It is important in this regard to balance ambition, feasibility, implementation and administrative burdens.

Future-proof cohesion policy

Cohesion policy focuses on the promotion of economic, social and territorial convergence by strengthening regions where the standard of living lags behind the European average in socioeconomic terms.²² In this way cohesion policy helps strengthen the single market. The government believes the focus of cohesion policy should remain on these regions as much as possible, but all regions in the EU should in principle be able to continue to access the policy. The government also wishes to see a stronger focus within cohesion policy on boosting EU competitiveness, taking into account each region's specific characteristics and strengths. Substantively this means a focus on the three transitions – digital, social (labour market) and green – with research, innovation and the rollout of each transition as a cross-cutting theme. A sufficiently large and well-trained workforce is also essential in order to achieve these transitions. The government also considers it important in this regard to continue to encourage cooperation between European regions founded on cohesion policy.

The government is in favour of strong safeguards in cohesion policy, as in other areas, on the rule of law and fundamental values. The policy must therefore provide for effective mechanisms for compliance with the Charter of Fundamental Rights of the European Union and this should be a horizontal enabling condition for receiving funds under shared management.

6. Modernising the EU budgetary architecture

Flexibility

The current MFF is fixed for seven years. The allocation of over 60% of budgetary resources is fixed by means of national envelopes. A large share of the remaining resources is also pre-allocated. The current MFF therefore lacks flexibility on many points, which means the EU is not always fully able to respond to unforeseen circumstances. The government is in principle in favour of increasing the flexibility of the budget, but emphasises the importance of safeguarding the quality of expenditure and the Council's involvement as one of the arms of the EU's budget authority. It should also be noted that the MFF is an investment budget and that stability and predictability are important for investment programmes.

Flexibility must not have a negative impact on the predictability of member states' national contributions and the stability of the EU budget. It is therefore essential that the MFF ceilings continue to be binding and the system of own resources is respected at all times. The fundamental budgetary principles of equilibrium, unity and universality must be safeguarded.

Performance-based budgeting

The government is open to exploring the broader application of performance-based budgeting. This involves member states committing to make certain reforms and investments and subsequently being required to meet/deliver pre-determined conditions/outputs before resources are disbursed from EU funds. The government considers it important that member states implement reforms that strengthen their economies and by extension the EU as a whole. This method can contribute to this end, partly by attaching conditionalities to the allocation of public money. It is important to ensure that there is a strong and effective connection with the European Semester, and due regard for national discretion over policy and a proportionate relationship between the ambition of intended reforms and member states' receipts. The precise details of this method as apparently envisaged by the Commission for certain parts of the next MFF are currently unclear in many respects. While the Netherlands is in principle in favour of linking EU funding to reforms, it is also necessary to take account of the feasibility, effectiveness and applicability of such an approach to

²² Parliamentary Papers, House of Representatives 2024/2025, 21 501, no. 08 963, vision paper on cohesion policy from 2027.

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the various policy fields. The government considers it important to ensure sufficient involvement on the part of member states with a method of this kind and to implement EU policy and funds in partnership with regional and local authorities and stakeholders where appropriate. Points for attention also include the involvement of subnational authorities and partners, sufficient flexibility, and the avoidance of unnecessary and disproportionate administrative and control burdens. The lessons learned from the current MFF and the Recovery and Resilience Facility must be properly taken on board in this context.

Simplification and accountability

The government emphasises the importance of spending EU resources in a regular and transparent manner. This is necessary in view of the fact that the levels of error found annually by the European Court of Auditors are too high and continue to grow.²³ Improved accountability for and monitoring of expenditure is essential. The government emphasises that attention for implementation is necessary when it comes both to improving accountability and to simplifying rules. Too often, the administrative burden is an impediment to effective and efficient expenditure of EU resources. Simplification is crucial for the successful implementation of EU programmes. The EU budget can for example be simplified by reducing the number of funds and programmes where there is overlap by merging funds and programmes under shared management into broader national envelopes, and by simplifying the programmes themselves. In addition, efforts can be made to reduce the reporting burden where appropriate and possible, and to increase the synergies between the necessary audits in their implementation.

Financial instruments

Contributions from the EU budget can be used to leverage additional public and private financing, as already happens in the case of InvestEU and the European Investment Bank. This kind of financial arrangement can greatly enhance the impact and efficiency of public funding. The government sees advantages in the use of (innovative) financial instruments and is open to their use in the EU budget. The related financial risks must, however, be covered by the EU budget. As stated in the government programme, the government is not in favour of taking on common debt for new EU instruments.

7. Next steps

The government will convey the standpoints set out above in its dealings with the EU institutions (including the European Commission) and other member states. The negotiations on the MFF will be high on the EU's agenda in the coming years. The House will be updated on the progress of these negotiations, notably during the consultations that precede meetings of the General Affairs Council (with regard to the MFF), the European Council, and the Economic and Financial Affairs Council (with regard to the Own Resources Decision).

²³ European Court of Auditors (2024), 'Our activities in 2023', p. 8